2022-23 Model Report for Victorian Government Departments

Updated April 2023

Treasury and Finance

The Secretary
Department of Treasury and Finance
1 Treasury Place
Melbourne Victoria 3002
Australia
Telephone: +61 3 9651 5111
dtf.vic.gov.au

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Persons should consult a suitably qualified professional adviser to obtain advice tailored to their particular circumstances.

The Department of Technology is a fictitious department and has been used only for the purposes of illustrating financial reporting requirements for Victorian government departments.

This document is available in Word and PDF format at dtf.vic.gov.au

A MESSAGE FROM THE ASSISTANT TREASURER

I am pleased to endorse the 2022-23 Model Report for Victorian Government Departments (the Model) together with the revised user guidance material and appendices, to assist preparers with the planning and preparation of 30 June 2023 annual reports.

It is pleasing to note that there are no major new or revised accounting standards applying for the first time to this reporting period. The only significant change to the Model is in relation to the Report of Operations which now incorporates the expanded environmental disclosures required by FRD 24 *Reporting of environmental data by government entities* and new emergency procurement disclosures arising from Victorian Government's *Governance – goods and services policy*.

This publication serves as the State's primary compliance guide under Standing Direction 5.2 *Annual reporting* in facilitating the provision of high-quality and accurate information through annual reports, which is an essential part of transparent, accountable, and effective government. This version of the Model contains further enhancements based on user feedback, and revisions consistent with the relevant Australian Accounting Standards and Financial Reporting Directions. The Model will also assist with the preparation of, and the information collection for, the State's consolidated Annual Financial Report.

All Victorian government departments are required to comply with the Model. In addition, many of our public sector entities operating as stand-alone business enterprises use this public sector Model as the authoritative guide to assist them in the preparation of their annual reports. I strongly encourage all Victorian public sector entities to follow this Model where relevant and appropriate for their users, to ensure that Victoria maintains its high standard of reporting on the use of all public resources.

I commend this revision of the Model to you as the benchmark for Victorian public sector financial reporting.

Danny Pearson

THE HON. DANNY PEARSON MP

Assistant Treasurer

ACKNOWLEDGEMENTS

The Department of Treasury and Finance (DTF) wishes to acknowledge the suggestions and comments provided by users and departments for the 2023 edition of this publication. DTF would also like to express its gratitude to the Victorian Auditor-General's Office for its contribution and support of the Model.

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INTRODUCTION

The Victorian Government produces publications to inform Parliament and the wider community about its financial plans, outcome and position. Many relate to individual agencies while others, on a consolidated basis, cover a sector or the whole of the Victorian Government. Agencies fund, deliver and regulate a wide range of services on behalf of the Government, mainly relating to education, health, public safety, transport and communication. Most of these services are funded through taxes, levies, fees from the sale of goods and services, and grants from the Commonwealth Government. Through their day-to-day operations, all agencies are involved in the financial management of and accountability for the State's finances.

Legislative background

The *Constitution Act 1975* sets down that only Parliament can give approval to the executive government to spend public funds. The Government, in turn, is committed to sound financial management of the State's public services and infrastructure assets. All Victorian public sector bodies operate under a prudent financial management framework comprising elements from Constitution Act 1975, Appropriation Acts (annual and standing), *Financial Management Act 1994* (FMA), *Borrowing and Investment Powers Act 1987*, *Public Administration Act 2004* and *Audit Act 1994*. These Acts may contain sections that affect the requirements of the budget and financial reporting obligations to Parliament. The FMA governs the use of public money and the accountability processes and subordinate legislation with which the Government, departments and other public sector bodies are obliged to comply. Note that the terms 'department' and 'public body' are defined in the FMA. 'Agency' is a term used in the Standing Directions 2018 under the FMA, which includes departments and public bodies.

Financial accountability and reporting

Key financial publications for the State of Victoria

The Department of Treasury and Finance (DTF) is responsible coordinating, preparing and publishing the State's main planning and financial accountability documents that are required under the FMA. These comprise budgetary and financial reports that include:

- State budget papers (BPs) in conjunction with the Appropriation Bills
- Budget Update
- Annual Financial Report (AFR)
- interim financial reports, including Quarterly Financial Reports (QFRs) and Mid-Year Financial Report (MYFR)
- Pre-Election Budget Update (PEBU) in election years.

Each of these publications (see Diagram 1: 20X1-X2 annual financial publication cycle) provides a consolidated set of financial statements and accompanying notes based on data submitted by all agencies. In addition to the consolidated financial statements, all agencies prepare their own entity annual report.

DTF also provides the State's consolidated financial data to the Australian Bureau of Statistics (ABS) for inclusion in the national accounts and other statistical reports.[1] The analysis and application of this data has significant consequences for the State. For example, the ABS publishes interstate comparisons of this financial data, which are relied upon by national authorities such as the Commonwealth Grants Commission when allocating the GST pool and other Commonwealth grant funding across the states and territories.

High-quality financial data must fairly reflect the Government's financial performance and management of the State's resources to fairly represent the level of activity in the State, as it may impact on the quantum of funding received by Victoria from the Commonwealth Government.

[1] DTF provides the State's consolidated financial data to the ABS based on the Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005 (Catalogue No. 5514.0), published by the ABS.

Resource materials

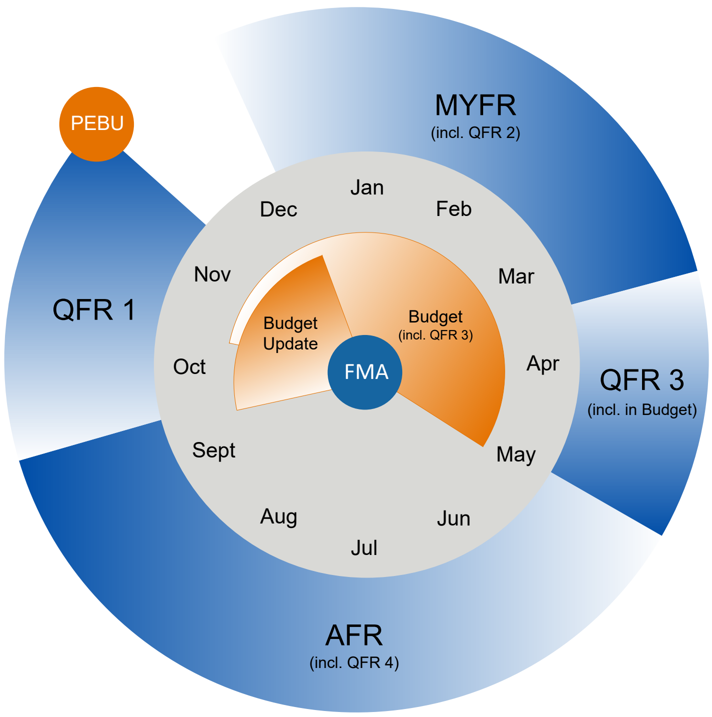
In support of the State's financial management legislative framework and provision of high-quality financial data, DTF issues budgetary, regulatory and other financial reporting materials to enable consistency in the way public sector bodies record and submit their financial data to DTF. Some of the main guidance materials include:

- Standing Directions 2018 under the FMA and associated instructions and guidance
- Financial Reporting Directions (FRDs)[2]
- Resource Management Framework (RMF)
- the Model Report for Victorian Government Departments, which is revised and issued annually.

Effective from 1 July 2019, the RMF has combined and replaced the Budget Operations Framework and the Performance Management Framework to communicate one comprehensive framework that underpins the budget funding and accountability processes for Victorian Government departments. From 1 July 2020, the Financial Reporting Operations Framework (FROF) has been discontinued. The material contained in the FROF has either been incorporated into the FRDs and related guidance documents, incorporated into the RMF or retired.

Further information on the RMF can be found at www.dtf.vic.gov.au/planning-budgeting-and-financial-reporting-frameworks/resource-management-framework

Diagram 1: 20X1-X2 annual financial publication cycle



Source: Department of Treasury and Finance

Notes:
(a) The timelines illustrated above are indicative only.
(b) Appropriation Bills are prepared and tabled with the Budget.
(c) PEBU is only published in an election year.

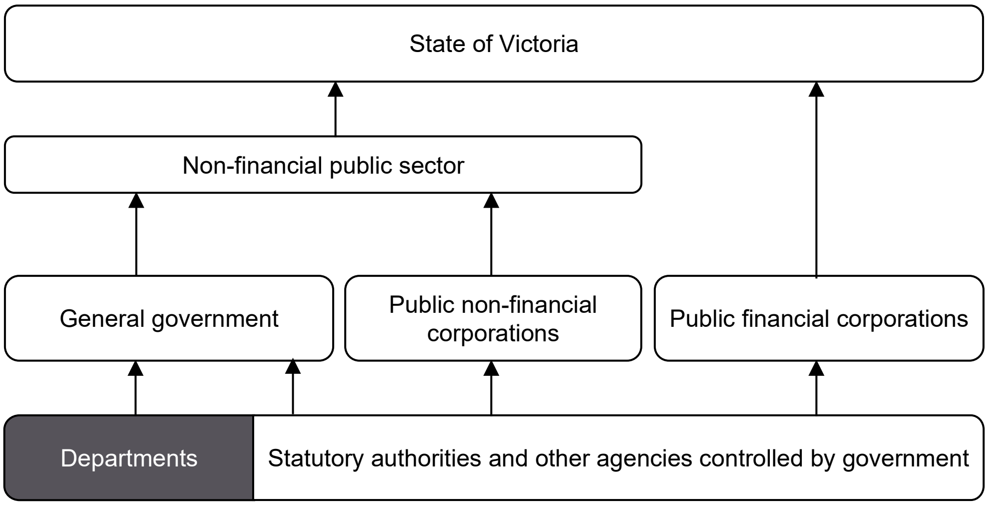
[2] FRDs are located on the DTF website at: www.dtf.vic.gov.au/financial-reporting-policy/financial-reporting-directions-and-guidance

Reporting structure of the State of Victoria

The Victorian public sector includes a range of agencies established by legislation for specified purposes, including departments, statutory authorities, state-owned corporations, school councils, boards, trusts, and advisory and management committees. Most of these agencies are established as 'not-for-profit' organisations, with a small group of entities, mainly from the finance and metropolitan water portfolios, operating as 'for profit' organisations.

The reporting structure for the State is based on the System of National Accounts,[3] which classifies public sector bodies into either the general government sector, public non-financial corporations (PNFCs) or public financial corporations (PFCs) sectors. Diagram 2 provides an overview of this reporting structure.

Diagram 2: Reporting structure of the State of Victoria



Source: Department of Treasury and Finance

The Victorian general government sector is the largest sector and forms the basis of the estimates published in the budget papers. As shown in Diagram 2, the general government sector comprises government departments and other bodies engaged in providing public services free of charge or at prices significantly below the cost of production. This includes, for example, schools and hospitals. They generally receive most of their funding from budget appropriations.

Organisations in other sectors of government – the PNFCs and PFCs – operate as stand-alone business enterprises, which aim to recover most of their costs involved in delivering their goods or services. Such entities include water and port authorities (PNFCs) and the Transport Accident Commission and Treasury Corporation of Victoria (PFCs). Both the PNFC and PFC sectors are treated as equity investments of the general government sector.

The non-financial public sector (NFPS) represents a consolidation of the general government sector and PNFCs, after eliminating any transactions and debtor/creditor relationships between those sectors to avoid double counting. Similarly, the whole of state is the consolidation (after relevant eliminations) of the NFPS with the PFCs. A more detailed explanation of the characteristics of each of these sectors can be found in the Australian System of Government Finance Statistics: Concepts, Sources and Methods – 5514.0 – 2015 (ABS GFS manual).

Under the FMA, the budget papers mainly relate to the general government sector whereas the mid-year and annual financial reports include both the whole of state and general government sector as required by the accounting standards. For a comprehensive list of agencies, identified by sector, that submit financial data for consolidation into the State's key financial publications, refer to Note 9.8 of the *Annual Financial Report,* on the DTF website: www.dtf.vic.gov.au/state-financial-reports/financial-report-inc-quarterly-financial-report-no-4

[3] The System of National Accounts 2008 was released under the auspices of the Commission of the European Communities, the International Monetary Fund, the Organisation for Economic Cooperation and Development, the United Nations and the World Bank.

Basis of each financial publication

Financial statements (including accompanying notes) are prepared in accordance with Australian Accounting Standards (AASs) and relevant FRDs. In addition, the budget papers and AFR need to comply with the Uniform Presentation Framework (UPF), approved by the Australian Loan Council. The UPF is based on the Government finance statistics (GFS) framework, designed to provide statistics related to all Australian public sector entities.

Since 1 July 2008, AASB 1049 *Whole of Government and General Government Sector Financial Reporting* has been applied to whole of government general purpose financial statements and general government sector financial statements. This standard has incorporated the major elements of the GFS framework into an accounting standard. It resulted in a comprehensive operating statement presentation largely consistent with that used by Victoria at the consolidated level for some years. The UPF was also updated based on AASB 1049 to provide consistency in the presentation formats of the financial statements with the AAS formats.

For further information, please refer to the suite of publications via the Victorian State Budget and Economic and Financial Updates webpages on the DTF website.

In addition to financial statements and notes, most annual reports also include a narrative (management discussion and analysis), usually provided in the report of operations. The best practice is to include non-technical analysis and explanation of significant aspects of the financial statements in this narrative report, to assist users in the interpretation of the financial statements.

The Model report – Purpose and scope

In addition to the State's financial publications produced by DTF, the FMA also requires audited annual reports of government departments and public bodies to be tabled in Parliament within four months after the end of financial year or on the first sitting day of the House after the end of that month.

Under Standing Direction 5.2 *Annual reporting* (SD), **all Victorian government departments** are required to comply with the Model when preparing and tabling their annual reports in Parliament.

These departments include the Departments of:

- Education
- Energy, Environment and Climate Action
- Families. Fairness and Housing
- Government Services
- Health
- Jobs, Skills, Industry and Regions
- Justice and Community Safety
- Premier and Cabinet
- Transport and Planning
- Treasury and Finance.

The Model has adopted the financial statement formats that align with the general government sector and whole of government formats. For consistency and comparability purposes, the Parliament of Victoria and all other Victorian public sector entities are encouraged to produce their annual reports with reference to this Model.

How to use the Model report

The Model prescribes a consistent approach to the preparation of both the financial and non-financial reporting requirements of **departmental** annual reports. It includes:

- guidance and commentaries highlighting the minimum disclosure requirements
- convenient references and interpretations of relevant authoritative pronouncements
- illustrative AAS and FRD disclosures for common departmental activities.

The Model addresses the departmental requirements for a complete set of financial statements (refer to the *Model financial statements* section) and in a separate section, the requirements of the FMA and FRDs for non-financial performance disclosures in a report of operations (refer to the *Model report of operations* section).

For ease of preparation, placeholder years have been used throughout the Model. For the purposes of this report, 20X1-X2 is to be interpreted as the current reporting year, while 20X0-X1 represents the comparative year. Refer to the table below for more detail.

Placeholder	*Year*
20XX	2020
20X0	2021
20X1	2022
20X2	2023
20X3	2024

It should be noted that the Model is based on a fictitious department, and therefore the narrative illustrations should be used as a guide only.

This Model will enable preparers to readily identify applicable legislative and accounting reporting requirements, and to view related illustrative examples. In this way, the Model can be used as a basic guide for developing Victorian public sector financial statements.

However, the Model should not be used as a substitute for referring to actual legislation, AASs and FRDs that are relevant to the entity.

SETTING THE SCENE

A model to assist with public sector financial reporting requirements

The Model is published as the primary guide to assist public sector entities with their financial reporting requirements.

All agencies, subject to FMA requirements, are required to table audited annual reports in Parliament in compliance with the FMA, including the Standing Directions (SD) 2018 under the FMA.

Those annual reports, which consist of the report of operations and financial statements, must be prepared in accordance with:

- Australian Accounting Standards (AAS), which includes Interpretations
- Financial Reporting Directions (FRD)
- Resource Management Framework (RMF).

To assist public sector entities in discharging their responsibilities, this Model adopts the financial statement formats that align with the general government sector and whole of government formats.

The Model illustrates the minimum disclosure requirements in accordance with applicable AASs and FRDs.

Key reminders

Do:

- apply the disclosure requirements included within the Model for all government departments (mandatory)
- refer to the Model for all other public sector entities (encouraged)
- apply judgement in determining whether the Model needs to be modified to meet entity specific reporting requirements
- apply all AASs and FRDs applicable to the financial year– even those issued after the publication of the Model
- apply FRD 30 specifications when preparing annual reports
- determine which disclosures could be omitted because they are not material both quantitatively and qualitatively.

Don't:

- use the Model as a template – it provides presentation formats and illustrative disclosures that need to be modified for circumstances and requirements that are specific to the entity
- use the Model as a substitute for referring to the relevant AASs and FRDs.

Setting out the disclosures and guidance

The reporting requirements as set out in this Model are presented as follows:

1. Illustrative disclosures are presented first. These are predominantly in black text and for a fictitious department, *The Department of Technology*. These disclosures provide the minimum requirements for compliance with AASs and FRDs.
2. Guidance (or commentary) is provided on the illustrative disclosures in blue font and includes references to more detailed guidance, additional examples and illustrations.
3. Source references are included throughout the illustrative disclosures and the guidance, and are prefixed by AASB, FRD, SD and FMA.
4. Guidance Section 1 highlights general and specific disclosure requirements, including presentation requirements that all agencies need to adhere to in preparing financial statements.

Structure of the Model report and disclosure requirements

The Model is based on a fictitious Department of Technology to highlight and illustrate disclosure requirements. It is divided into the following sections.

- **Introduction**
- **Model report of operations**
- **Model financial statements** (including supplementary information for the third balance sheet disclosure)
- **Guidance Section:**
  - Guidance Section 1 – General and specific disclosure requirements, including presentation; and
- **Appendices:**
  - Appendix 1 – Budgetary reporting: Explanation of material variances between budget and actual outcomes
  - Appendix 2 – Index of accounting guidance and checklists on the DTF webpage.

Departments are expected to use the *Model report of operations* as a guide to minimum disclosure requirement in preparing their year in review.

With regard to the Model financial statements, **departments are required** to present their financial statements and notes in the same manner and format as shown in the Model financial statements.

The Model has been prepared in accordance with the FMA and has been updated incorporating the latest applicable requirements of AASs and FRDs that were available as at 27 March (in the current reporting period).

The Model focuses on illustrating disclosure requirements for departments for usual disclosures. Therefore, the Model may not cover transactions that are non-routine in nature or all the disclosure requirements that might be applicable to non-departmental entities. In particular it **does not** illustrate income tax equivalent entries applicable to entities in the National Tax Equivalent Regime.

The Model financial statements do not and cannot be expected to cover all situations that may be encountered in practice.

Source references

References to the relevant requirements are provided in the headings and body text of this Model and are noted in red. If further clarity is needed, entities should refer to the source of the disclosure requirement.

The current Model also uses '[NEW]' or '[REVISED]' to indicate where changes have occurred since the previous edition of the Model. Abbreviations used in the Model are as follows:

Reference	*Title*
AASB	Australian Accounting Standards Board
AASs	Australian Accounting Standards, including Interpretations
DoT	Department of Technology (a fictitious department)
FRD	Financial Reporting Direction
SD	Standing Direction

The design and printing of annual reports

FRD 30 *Standard requirements for the publication of annual reports* on the design, layout and printing of annual reports prescribes specification requirements for the design of annual reports, use of colour and images, standard sizing, paper stocks and other publishing requirements.

The purpose of this FRD is to reduce the costs of annual reports for public sector entities, reduce the environmental impact of producing annual reports – both in terms of the type of stock used and elements of the process to make them recyclable – and to ensure a more consistent approach in the way public sector annual reports are presented.

All departments and government agencies defined as public bodies must comply with the requirements of this FRD.

DEPARTMENT OF TECHNOLOGY – MODEL REPORT OF OPERATIONS

Contents

About the Model report of operations

The report of operations is an integral part of a **department's** annual report. It provides users with general information about the entity and its activities, operational highlights for the reporting period, future directions and other relevant information not included in the financial statements. It is a document akin to the directors' report, which forms a significant part of the annual reports of *Corporations Act 2001* companies. [SD5.2 / FRD 22]

The report of operations complements the information presented in the financial statements by providing explanation and analysis of the department's performance, financial position and cash flow through an objective and balanced discussion and analysis. To that end, it should be comprehensive, supported by figures and graphics that assist understanding of the matters discussed and, where appropriate, adopt a narrative form written in a clear style. The report of operations should be balanced and objective, and free from bias.

The *Model report of operations* incorporates reporting requirements that are current at the time of publication. In addition to complying with the Model report of operations, departments should ensure their report of operations complies with all new and revised legislative pronouncements that may be issued and applicable after the publication of the Model.

While the *Model report of operations* illustrates examples of disclosures required under FRDs, it **does not necessarily illustrate all disclosures** that might be appropriate to report an agency's objectives, activities and performance. Officers of a department or entity must use their judgement to identify any other matters that should be reported to ensure the report of operations is complete and objective.

Entities other than departments need to be aware of the FRDs and legislation that affect them specifically, as not all pronouncements in the Model are applicable to all public sector entities. Professional judgement and awareness of an entity's reporting obligations are to be applied when using the Model as a reference point.

Presentation of report of operations

Presenting the report of operations as a discrete section of a department's annual report ensures the information required appears in one place. However, a department has the option to select the format that best complements the presentation of its annual report as a whole. [SD5.2]

Contents of report of operations

The report of operations, for the purposes of the Model, illustrates the minimum disclosures required by the Standing Directions (SD) 2018 under the FMA and FRDs, as listed in the *Disclosure Index* on page 75, as well as sections of the FMA and Premier's Circulars. Given the different nature of activities carried out by departments, varying levels of detail will be needed to fulfil particular requirements of the SD, FMA, FRDs and Premier's Circulars. As with the financial statements, professional judgement is required to identify relevant significant matters and present them in a way that properly informs the reader.

Specific requirements under Standing Direction 5.2

- The report of operations must be prepared in accordance with the requirements of the FMA, SD and associated instructions, applicable Australian Accounting Standards and FRDs. [SD5.2.1(a)]
- The report of operations for government departments must be presented in accordance with the guidelines contained in the Model. [SD5.2.1(b)]
- The report of operations must be signed and dated by the Responsible Body or a member of the Responsible Body. [SD5.2.3(c)]

The information and analysis contained in the report should be balanced and objective, free from bias and complete, dealing even-handedly with positive and negative aspects of operations, financial condition, risks and opportunities. While good design and presentation assists communication efficiency, effectiveness and value for money must also be considered.

The format given in the Model may not be suitable for all departments, because departments differ in both structure and outputs. Each department may choose where they report disclosures, as long as it complies with all relevant reporting directions and legislation.

For ease of understanding and clarity, it is sometimes more appropriate to include detailed information in an appendix. Where this is done, the report of operations should include a summary of the information together with a cross reference to the applicable appendices.

Disclosure requirement – estimates presented as actual results

Presenting an estimate in the departmental annual report can be appropriate under some circumstances, such as when actual results are not available at the time of compiling the annual report. It is crucial users of the report of operations appreciate where estimates are presented as actual results, especially if significant variances are expected between the estimates presented in the annual report and the actual result communicated subsequently. [Recommendation 42, PAEC Report 109]

Therefore, where departments disclose estimates in the report of operations, it should be clearly indicated as such for clarification purposes.

Declaration in report of operations

Responsible Body's declaration [SD5.2.3]

In accordance with the *Financial Management Act 1994*, I am pleased to present the Department of Technology's Annual Report for the year ending 30 June 20X2.

[Signature]

J Smith
Secretary
Department of Technology

14 August 20X2

Guidance – Responsible Body's declaration

Legislative and documented references

SD 5.2.3 requires the report of operations to be signed and dated by the Responsible Body or a member of the Responsible Body. For an agency with a statutory board or equivalent governing body established by or under statute, the Board or governing body is the Responsible Body. For an agency without a statutory board or equivalent governing body established by or under statute, the Accountable Officer is the Responsible Body. [SD5.2.3]

Guidance

The Responsible Body sign off is usually the first item in the report of operations, and formally presents the report in accordance with requirements in the *Financial Management Act 1994*.

SECTION 1: YEAR IN REVIEW

Guidance – Year in review (overview)

Legislative and documented references

FRD 22 requires the entity to disclose general and financial information to outline and explain its operations and activities for the reporting period. [FRD 22]

General information includes the entity's activities, operational highlights for the reporting period, future initiatives and other relevant information not included in the financial statements. General information should also include the entity's purpose, functions, powers and duties, which are linked to a summary of its activities, programs and achievements for the reporting period.

Under the Government's performance management system, a department's medium-term departmental objectives should clearly align with its key 'purpose, functions, powers and duties'. Goods and services (outputs) funded by the Government and delivered in a financial year should support the achievement of departmental objectives over time. The effectiveness of a department in delivering on its objectives will be assessed through the reporting of objective indicators.

In addition, FRD 22 requires that the manner of establishment of the entity and relevant ministers be included, as well as the nature and range of services provided, including the communities served.

Guidance [FRD 22]

The year in review section is the opening section of a department's annual report. The introduction should clearly articulate the department's vision, mission, values, high level purpose, strategic priorities and key achievements.

Reference should be made to *the progress towards achieving departmental objectives, performance against output performance measures* and *financial review* sections when commenting on how the department has achieved its targets. This section should also include the Secretary's report, which outlines the achievements by the department for the year and a reference to the aims of the department for the year ahead.

Our vision

The department's vision is for Victoria to be recognised as the highest performing, most innovative and trusted technological state in Australia.

Our mission

As a first point of call for public sector technological improvement, to proactively lead and engage the Victorian public sector in continually improving services, standards, governance and workforce development.

Our values

Be open: Listen to and consider the views and opinions of our people. Provide accurate and objective information.

Work together: Demonstrate effective team behaviours. Collaborate across and outside the Department of Technology to achieve desired outcomes. Value the contributions of teams as a whole.

Respect others: Treat others as we would like to be treated. Make intelligent use of the range of knowledge and skills held by our people. Apply work practices effectively to our people.

Make a difference: Strive to achieve outcomes that make a difference. Plan how best to achieve our desired outcomes. Measure our impact and apply learning from evaluations to future actions.

Lead with purpose: Provide a clear direction for the people we lead. Help people get their jobs done. Set an example by our actions.

Focus on safety: Be aware of safety requirements, potential hazards and procedures in the work area. Take action to minimise or eliminate hazards. Be mindful of potential health and safety risks in all decision making.

Secretary's report

[Departments to provide useful guidance regarding appropriate content can be found in the 'Year in review' commentary]

[Signature is optional]

Jane Smith
Secretary

Purpose and functions

The Department of Technology ('the Department') was established in 1998 to centralise and focus strategic policy advice to the Government and the Victorian community in regard to the adoption of new technology. With the establishment of the Department, the Government was able to centralise its research and development efforts (R&D), particularly research and development activities in respect of biological technology, and the provision of information technology and telecommunication (IT&T) activities to other government departments. The Department is now recognised as a leading -edge provider of technical and strategic advice and support on technology and IT&T issues. [FRD 22]

The Department's function is to ensure the Government and the general Victorian community obtain the benefits of technology, including biological technology, so as to enhance the economic and social prosperity of the community. As a central government agency, the Department plays an important role in advising the Government on technology issues and the provision of technological services for the community.

Changes to the Department during 20X1-X2

20X1-X2 departmental objective	*20X1-X2 output*	*Reason for change*
Improve the quality of life of Victorians through eradicating certain diseases and enhancing nutrition	Research and development of biological technology	New departmental objective and associated output resulting from machinery of government administrative restructure – 2 August 20X1.

20X0-X1 departmental objective	*20X0-X1 output*	*Reason for change*
[Insert 20X0-X1 departmental objective if different from current year]	New technology administration	Transferred departmental objective and associated output resulting from machinery of government administrative restructure – 2 August 20X1.

As a consequence of policy decisions announced by the Government on 2 August 20X1, changes were made to the departmental objectives and output structure of the Department during the financial year.

This report of operations presents the progress made by the Department towards achieving its departmental objectives and full year performance of the outputs, received through the administrative restructure, for which the Department was responsible at the end of the financial year. Correspondingly, the departmental objective and full year performance of the output transferred to another department is reported in the transferee department's report of operations. However, it is the responsibility of the transferor to ensure all financial accounts and reports of the transferred outputs were kept and provided for the purposes of the *Financial Management Act 1994* until 31 August 20X1.

[Departments should also outline changes to departmental objectives and output structure as a result of an internal review of its medium-term objectives and output structure as part of this disclosure.]

As part of the administrative restructure, the Department is now responsible for achieving the departmental objective of improving the quality of life of Victorians through eradicating certain diseases and enhancing nutrition by delivering services associated with the output Research and Development of Biological Technology. Responsibility for this objective and output was previously held by the Department of Natural Resources. All output performance measures are now reported by the Department for the full financial year.

The Department was previously also responsible for achieving [insert affected departmental objective] with the delivery of services associated with the output New Technology Administration. As a result of the administrative restructure, the affected departmental objective and indicator and all output performance measures are now reported by the Department of Cabinet Administration.

Guidance – Changes to a department during 20X1-X2

Expanded guidance on machinery of government changes is provided as follows:

- For illustration on disclosure of comparatives for assets and liabilities transferred, refer to Illustrative disclosures in Notes 4.1 and 4.2 of the Model financial statements.
- For general guidance on machinery of government changes and disclosure in the financial statements, refer to illustrative disclosure and guidance provided in Note 4.3 of the Model financial statements.

Any machinery of government changes impacting on departmental objective and output performance reporting needs to be described in the report of operations. The departmental objective and output performance reporting should be disclosed **for the full year** by the department administratively responsible for the functions and output delivery **at the end of the financial year**.

For a department that is abolished because of machinery of government changes, the abolished department is also required to report on the departmental objectives and output performance up to the date it ceases to exist in its final report of operations.

Note: if only part of an output is transferred, reporting should be on the relevant performance measures that relate to the function being transferred.

Detailed guidance in planning and implementing machinery of government changes are contained in the *VPS operating manual on machinery of government changes* which can be found at. [FRD 8]

Departmental objective and output performance reporting of the transferee department

As the transferee department is administratively responsible for the outputs at the end of the financial year, it will now report the relevant departmental objective and associated indicator(s), output and associated output performance measures received due to the machinery of government changes for the full year, consistent with FRD 8. The transferee department will provide commentary on all impacted outputs and associated departmental objectives explaining:

- the departmental objective and associated indicator(s) and output and associated performance measures that were transferred to the department
- details of the transferor department
- the date on which the administrative arrangement occurred.

Departmental objective and output performance reporting of the transferor department

As the transferor department will no longer be administratively responsible for the outputs at the end of the financial year, it does not need to report on the transferred output and associated output performance, related departmental objective (whole or in part) and associated indicator(s) transferred to another department. The transferor department will need to provide commentary on all impacted departmental objectives and outputs explaining:

- the outputs that were transferred to another department and related departmental objective (whole or in part) and indicator(s)
- details of the transferee department
- the date on which the administrative arrangement occurred.

Note: The departmental objective and output performance reporting as described above is different from the financial reporting of an administrative restructure. Departments must continue to recognise assets, liabilities, income and expenses arising from the transferred/received outputs during the period in the financial year in which entities were responsible for those outputs.

Direct costs attributable to machinery of government changes

In August 20X1, the Government issued an administrative order restructuring some of its activities via machinery of government (MoG) changes, taking effect from 1 September 20X1. As result of the MoG changes, the departments have incurred the following additional direct costs: [Recommendation 39, PAEC Report on the 2015-16 Budget Estimates]

Department of Technology	*Costs incurred*	*Anticipated future costs (1 July 20X2 onwards)*
Direct costs		
Consultants and contractors	..	..
Relocation	7 750	2 501
Telephony	..	..
IT and records management	4 111	..
Rebranding	6 505	2 430
Redundancies	..	..
New staff	..	..
Other	..	..
Total	**18 366**	**4 931**

Direct costs incurred from 1 July 20X1 to 30 June 20X2 that are attributable to the August 20X1 MoG change mainly relate to [insert detail].

Anticipated future costs attributable to the MoG change mainly relate to [insert detail].

There were no direct costs attributable to the MoG change that have been incurred by the entities that are consolidated into the Department's annual report pursuant to section 53(1)(b) of the *Financial Management Act 1994*.

Guidance – Direct costs attributable to machinery of government changes

Direct costs are the costs that can be attributed solely to implementing the MoG change and are incurred over and above business-as-usual (BAU).

For example, telephony charges that have been incurred for ongoing activities or operations of the department should not be included in the direct costs attributable to MoG changes as those are not additional costs incurred over and above BAU which are solely attributable to MoG change.

Anticipated future costs that meet the definition of direct costs above but are yet to be incurred shall be reported separately.

Indirect costs are those associated with redirected staff time or lost productivity as a result of splitting, merging and realigning back-office functions (i.e. HR, procurement, legal and finance).

As the MoG changes are largely an administrative process, productivity losses in service delivery or advisory functions are generally negligible.

PORTFOLIO PERFORMANCE REPORTING – NON-FINANCIAL SECTION

Departmental objectives, indicators and outputs [FRD 8]

The medium-term departmental objectives, associated indicators and linked outputs as set out in the 20X1-X2 Budget Paper No. 3 *Service Delivery* are shown in Table 1. [Recommendation 15, PAEC Report 118]

Table 1 – Departmental objectives, indicators and linked outputs

Departmental objectives	*Indicators*	*Outputs*
[Departments to insert specific departmental objectives as published in the *20X1-X2 Budget*]	[Departments to insert specific indicators as published in the *20X1-X2 Budget*]	[Departments to insert specific outputs as published in the *20X1-X2 Budget*]

[20X1-X2 Budget Paper No. 3 *Service Delivery*]

Reporting progress towards achieving departmental objectives in the report of operations

The Department seeks to measure the progress of the Victorian public sector in adopting new technology in delivering services to the community.

This section reports the Department's progress on its departmental objectives through a range of indicators. Trends in these indicators demonstrate the Department's performance.

Departmental objective 1

[Departments should describe the departmental objective to make clear the department's role and contribution to the broader context of their environment. In addition, departments should also include how this departmental objective and associated indicators contribute towards achieving the government priorities where there is a clear government statement of intention. (This may include government announcements and commitments.)]

[Departments should include a performance progress story for departmental objective 1 based on the evaluation and interaction of trend information for the associated indicators provided in this section. Include a description of the environment (past, current and an indication of the future), any relevant issues/shortcomings affecting the performance story as demonstrated by the indicators that should be considered, including any areas for future improvements].

[Departments should also disclose any key initiatives and/or projects that have contributed to changes in the associated indicators. Where appropriate, departments may also introduce the revised indicators as published in the 20X0-X1 *Budget* to help explain performance.] [Recommendation 17, PAEC Report on 2013-14 and 2014-15 Financial and Performance Outcomes]

[Departments should include the relevant trend information for each indicator associated with departmental objective 1. This information should support the performance story provided above in this section. The indicators should also be supported by outputs and associated performance measures. However, in very limited circumstances, the ability to quantify and provide data series may not be possible or relevant (e.g. policy advice). In that case, departments should provide relevant information or supporting evidence to report progress.]

Table 2 – Progress towards objective 1

[Departments should include the relevant outputs and their performance covered under the 'Performance against output performance measures' section to strengthen the link between the departmental objectives and outputs performance reporting.]

Indicator	*Unit of measure*	*Year 1*	*Year 2*	*Year 3*	*Year 4* (a)

Note:
(a) This table requires disclosures from the current reporting year with comparative data from the past three reporting years. Year 4 denotes the current reporting year (20X1-X2).

Departmental objective 2

[Departments should describe the departmental objective to make clear the department's role and contribution to the broader context of their environment. In addition, departments should also include how this departmental objective and associated indicators contribute towards achieving the government priorities where there is a clear government statement of intention. (This may include government announcements and commitments.)]

[Departments should include a performance progress story for departmental objective 2 based on the evaluation and interaction of trend information for the associated indicators provided in this section. Include a description of the environment (past, current and an indication of the future) and any relevant issues/shortcomings affecting the performance story as demonstrated by the indicators that should be considered, including any areas for future improvements.]

[Departments should also disclose any key initiatives and/or projects that have contributed to changes in the associated indicators. Where appropriate, departments may also introduce the revised indicators as published in the *20X1-X2 Budget* to help explain performance.] [Recommendation 17, PAEC Report on 2013-14 and 2014-15 Financial and Performance Outcomes]

[Departments should include the relevant trend information for each indicator associated with departmental objective 2. This information should support the performance story provided above in this section. The indicators should also be supported by outputs and associated performance measures. However, in very limited circumstances, the ability to quantify and provide data series may not be possible or relevant (e.g. policy advice). In that case, departments should provide relevant information or supporting evidence to report progress towards achieving the objective.]

Table 3 – Progress towards objective 2

Indicator	*Unit of measure*	*Year 1*	*Year 2*	*Year 3*	*Year 4* [(a)]

Note:
(a) This table requires disclosures from the current reporting year with comparative data from the past three reporting years. Year 4 denotes the current year (20X1-X2).

[Departments should include the relevant outputs and their performance covered under the 'Performance against output performance measures' section to strengthen the link between departmental objectives and outputs performance reporting.]

Guidance – Reporting progress towards achieving departmental objectives in the report of operations

The Government introduced the use of objective indicators in the 2013-14 Budget Paper No. 3 *Service Delivery* (BP3) to provide information on progress towards objectives. The Government also made a commitment in BP3 to report progress figures in each department's annual report.

Guidance

In this section, departments should communicate the performance story for each departmental objective based on the indicator information over time (minimum four years). Developing a baseline and medium-term target/standard for the indicators facilitates communicating performance progress. In some instances, appropriate graphical representation of this information would potentially enhance performance reporting, for example:

- In 20X1-X2, there were a total of 60 000 Victorians being serviced by the Department. The number of Victorians using these services has decreased by 14 per cent from 70 000 over the past four years (see Figure 1).
- In 20X1-X2, 61 per cent of clients were satisfied with the level of services provided. This result was above the national average of 60 per cent and represented a 2.2 per cent increase from 20X0-X1. There has been minimal variation in satisfaction levels over the four years (see Figure 2).

Corporate plans disclose key initiatives important to the achievement of departmental objectives. [Recommendation 17, PAEC Report on 2013-14 and 2014-15 Financial and Performance Outcomes]

Departments are required to report against the key initiatives listed in the corporate plan in their annual report.

Figure 1: Number of Victorians serviced by the Department

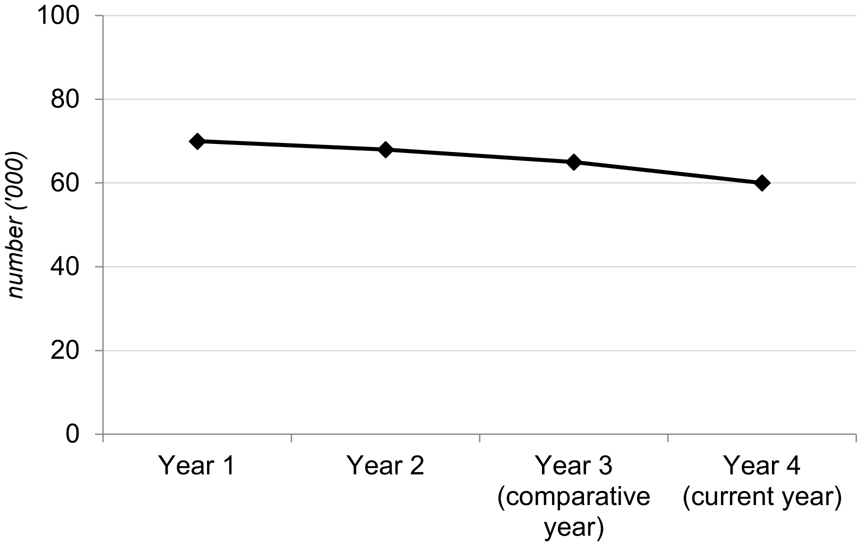
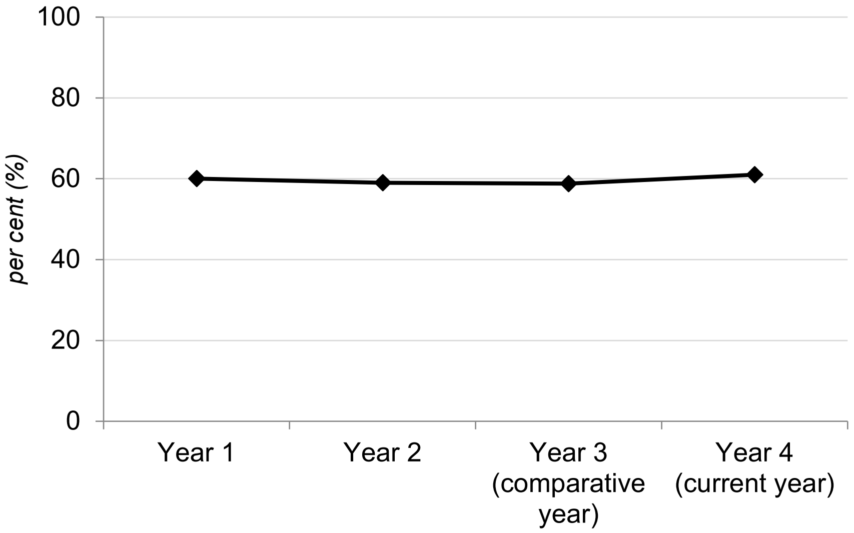


Figure 2: Client satisfaction level for the services provided by the Department



Performance against output performance measures

[Departments should include the output performance information under the relevant departmental objective to strengthen the link between department objectives and output performance reporting.]

The following sections outline details of the outputs provided by the Department to the Government, including performance measures and costs for each output, and the actual performance results against budgeted targets by output for the Department over the full year ending 30 June 20X2. [FRD 22]

Guidance – Key initiatives and projects

Departments are required to provide information about their key initiatives and projects, including any significant changes in key initiatives and projects from previous years and expectations for the future periods. Key initiatives and projects refer to a department's initiatives and projects that are identified in their corporate plan or equivalent. Each year the discussion should include outcomes achieved by those key initiatives and projects, and any significant changes to the key initiatives and projects that have been previously disclosed or reported upon. The changes that have a material impact on the outcomes or results should also be discussed, and this may include timeline, scope and costs relevant to the key initiative or project.

A department may describe its key initiatives and projects in relation to its outputs where appropriate, preferably in the section where it provides details on the individual outputs, as shown above. Where an initiative/achievement links to multiple outputs, details should be provided under the output it contributes most to. If necessary, other corresponding outputs may provide reference to it.

Strategic policy advice

The objective of this output is to improve the economic performance of the State through the application of leading-edge technology and to promote leadership in research and innovation in sciences. [FRD 8]

This output makes a significant contribution to the achievement of the departmental objective of [Departments to insert the relevant departmental objective].

Key initiatives and projects

Since 1 July 20X1, the Department has initiated the Technology Trade and Innovation Program, which assists businesses to develop and integrate new technologies. [FRD 22 / Recommendation 17, PAEC Report 107]

Up to 30 June 20X2, the Department has provided strategic, timely and comprehensive analysis and advice to 40 Victorian businesses. In the next two years, the Department will continue to monitor and support this program, which is expected to represent an additional $29 million investment to the State and create 219 new jobs in 20X2-X3.

Performance measures	*Unit of measure*	*20X1-X2 actual*	*20X1-X2 target*	*Performance variation (%)*	*Result [(a)]*
Quantity					
Provision of policy briefings	number	530	500	6	✓
Policy briefings are provided on an as needed basis, which makes it difficult to accurately predict how many briefings are required for the year. This year the provision of briefings has been higher than targeted because of a number of new technological developments requiring additional briefings to the Minister, as well as additional policy briefings associated with the new output research and development of biological technology.					
Deliver two long-term research projects	number	2	2	0	✓
Quality					
Client satisfaction rating	per cent	95.0	90.0	5.6	✓
The rating is based on surveys completed by clients. The actual survey rating received exceeded the targeted survey result mainly due to client satisfaction with the timeliness of the briefings provided, and client satisfaction with an improved format and style of briefings.					
Policy briefings addressed key issues	per cent	91.0	91.0	0	✓
Timeliness					
Key deliverables managed on time	per cent	100.0	100.0	0	✓
Responses to Ministerial correspondence delivered within agreed timeline	per cent	100.0	100.0	0	✓
Cost					
Total output cost	$ million	27.6	32.5	-15	✓
The variance in total output cost between actual and target reflects the impact of efficiency and productivity initiatives carried out by the Department during the year. Productivity gains include improved turnaround times for policy briefings and stabilisation of the workforce.					

[Recommendations 12 and 32, PAEC Report 107 / To align with the table format in Budget Paper No. 3 *Service Delivery* / Recommendations 19 and 36, PAEC Report 118]

Note:
(a) ✓ *Performance target achieved or exceeded.* *[A variance exceeding 5 per cent or $50 million (cost measures only) is a significant variance that requires an explanation, including internal or external factors that caused the variance.]*
■ *Performance target not achieved – exceeds 5 per cent or $50 million (cost measures only) variance.* *[This is a significant variance that requires an explanation, including internal or external factors that caused the variance.]*
○ *Performance target not achieved – within 5 per cent or $50 million (cost measures only) variance.*

[Recommendation 11, PAEC Report on the 2015-16 Financial and Performance Outcomes]

Information technology and telecommunication services

The objective of this output is to provide efficient and economical operation of government activities to ensure optimal use of resources. This output also aims to provide leadership in information technology and telecommunication services that promotes Victoria as a centre of excellence in the application of new information technology, which could in turn contribute to the economic growth of the State. [FRD 8]

This output makes a significant contribution to the achievement of the departmental objective of [Departments to insert the relevant departmental objective].

Key initiatives and projects

[Departments to disclose the key initiatives and projects relevant to this output. Refer to page 18 for additional guidance.]

Performance measures	*Unit of measure*	*20X1-X2 actual*	*20X1-X2 target*	*Performance variation (%)*	*Result [(a)]*
Quantity					
New clients gained	number	476	500	-4.8	✓
Database system report delivered	number	15	12	25	✓
New services received through machinery of government changes resulted in more system reports required to be delivered.					
Quality					
Service provision rating (based on client agencies survey data)	per cent	90.0	80.0	12.5	✓
Result reflects the effectiveness of this service provision in addressing the high and complex needs of this client group.					
Timeliness					
Broadband network queries responded to within six hours of receipt (number of queries in a day)	per cent	90.0	90.0	0	✓
Cost					
Total output cost	$ million	45.7	40.5	12.8	■
The variance in total output cost between actual and target is due to the increase in demand caused by the provision of new services.					

Note:
(a) ✓ Performance target achieved or exceeded. [A variance exceeding 5 per cent or $50 million (cost measures only) is a significant variance that requires an explanation, including internal or external factors that caused the variance.]
■ Performance target not achieved – exceeds 5 per cent or $50 million (cost measures only) variance. [This is a significant variance that requires an explanation, including internal or external factors that caused the variance.]
○ Performance target not achieved – within 5 per cent or $50 million (cost measures only) variance.

[Recommendation 11, PAEC Report on the 2015-16 Financial and Performance Outcomes]

Research and development of biological technology

The output focuses on the development of new biological technology and supporting its implementation by businesses to improve the quality of agricultural products. Improved agricultural products are also considered to contribute to the economic growth of the State. [FRD 8]

This output makes a significant contribution to the departmental objective of improving the quality of life of Victorians through eradicating certain diseases and enhancing nutrition.

[Departments to insert the relevant departmental objective.]

Key initiatives and projects

[Departments to disclose the key initiatives and projects relevant to this output. Refer to page 18 for additional guidance.]

Performance measures	*Unit of measure*	*20X1-X2 actual*	*20X1-X2 target*	*Performance variation (%)*	*Result [(a)]*
Quantity					
Businesses supported with implementation of new technology	number	100	120	16.7	■
The actual outcome in 20X1-X2 is significantly lower than the target due to delays in the internal tender process – there was a lack of consensus between businesses and the Government on payment terms in tender proposals.					
Laboratories with fully integrated new research platform	number	10	10	0	✓
Six new patents sought by partner agencies	number	6	6	0	✓
Quality					
New technology met business requirements	per cent	80.0	80.0	0	✓
This measure is based on surveys completed by clients.					
Timeliness					
Projects managed within agreed timelines	per cent	87.0	91.0	4.4	■
Cost					
Total output cost	$ million	50.6	51.2	1.2	✓

Note:
(a) ✓ *Performance target achieved or exceeded. [A variance exceeding 5 per cent or $50 million (cost measures only) is a significant variance that requires an explanation, including internal or external factors that caused the variance.]*
■ *Performance target not achieved – exceeds 5 per cent or $50 million (cost measures only) variance. [This is a significant variance that requires an explanation, including internal or external factors that caused the variance.]*
○ *Performance target not achieved – within 5 per cent or $50 million (cost measures only) variance.*

[Recommendation 11, PAEC Report on the 2015-16 Financial and Performance Outcomes]

Guidance – Performance against output performance measures

Legislative and documented references

FRD 8 requires departments to report on actual output performance for a government department including a comparison of the output targets published in the budget papers and actual performance for the portfolio for the corresponding financial year. [FRD 8]

FRD 22 states the report should include a 'summary of the entity's operational and budgetary objectives, including performance against the objectives and significant achievements' for the current reporting period. This section also supplements a department's fulfilment of the requirement in FRD 22 to detail the 'purpose, functions, powers and duties' of the entity (which is fulfilled in the earlier 'Year in review' section). [FRD 22]

Guidance **[Recommendation 39, PAEC Report 118]**

An introduction to this section should include an overview of the key output areas, as articulated in the budget papers, plus any explanation of changes to the output structure that occurred during the year (covered above in *Changes to the Department during 20X1-X2*).

- Departmental output performance reporting should therefore include an overview of the key output areas for which a department is responsible for that financial year (as set out in Budget Paper No. 3 *Service Delivery* (BP3), Chapter 2), as well as detailed output performance delivery information, in particular:

- the actual result on an output-by-output basis against the budget target (as per BP3) and the actual result for each quantity, quality, timeliness, and cost performance measure. The output performance measures should be presented as published in the department's performance statements in BP3.
- appropriate commentary for any complex output performance measures to assist readers to understand the measure and its purpose
- appropriate commentary to explain the cause of all significant or material variances (both positive and negative) between the BP3 targets and actual results (including output costs). The commentary provided should be sufficient to assist the reader in understanding variances between actual and targeted results
- explanation of any changes to the output structure that have occurred during the financial year, such as changes arising from machinery of government administrative changes and any other changes (i.e. new outputs created due to a government policy decision, change in output name from the previous financial year, consolidation or disaggregation of outputs from the previous financial year).

The details may be shown in tabular form with some commentary on those targets that were met or exceeded, and an explanation of any targets not met, as noted below.

Significant or material variances in output performance reporting

General criteria in determining a significant variation of output performance

[Recommendation 38, PAEC Report 118 / Recommendation 11, PAEC Report on the 2015-16 Financial and Performance Outcomes]

The following criteria are intended as general guidance for departments in determining whether or not to provide commentary to explain variances between budget and actual results:

- greater than 5 per cent (as opposed to 5 percentage points) increase or decrease from budget. A percentage point is the unit for the arithmetic difference of two percentages e.g. moving from 80 per cent to 84 per cent is a 4 percentage point increase not a 4 per cent increase. This means if the target is 80 per cent and the expected outcome is 84 per cent, the variance is 5 per cent. In the case of a cost performance measure, a variance of greater than a $50 million increase or decrease from budget requires an explanation.
- an explanation for the variance that arises from the implementation of new policy or existing policy, government decisions or actions
- an explanation for the variance should identify whether the factor that caused the variation was internal (a factor within the government) or external (a factor outside the government)
- an explanation for the variance that may be of public interest.

Specific criteria in determining a significant target variance

- For a target that is a range, a significant variance is one that falls outside the target range by 5 per cent below the lower band and 5 per cent above the higher band.
  [Recommendation 27, PAEC Report 109]
- For the target that is a date:
  - if the target reflects a statutory requirement, any variance later than the target is significant
  - if the target is a quarter (e.g. quarter four), anything that falls outside the target is a significant target variance.

  [Recommendation 32, PAEC Report 109]
- Departments are expected to adopt a system that incorporates the use of symbols to indicate whether:
  - the target was achieved or exceeded in a desirable way
  - the actual result varied from the target in an undesirable direction but by less than 5 per cent
  - the actual result varied from the target in an undesirable direction by more than 5 per cent.

  [Recommendation 19, PAEC Report 118]
- The illustrations above used the following symbols as an example to indicate the type of variance:

✓ performance target achieved – (both within 5 per cent variance and exceeds 5 per cent variance)

○ performance target not achieved – within 5 per cent variance

■ performance target not achieved – exceeds 5 per cent variance.

Presentation of output reporting

Departments are expected to present their output performance results in the same format as the departmental performance statements contained in BP3 *Service Delivery*, Chapter 2. The format involves stating the reasons for significant variances for each category (i.e. quantity, quality, timeliness and total output cost) within the output performance tables.

Departments are encouraged to describe their progress and/or achievement of the key programs/project/activities and deliverables associated with the outputs and the impact on departmental objectives.

Discontinued operation

On 28 March 20X2, the Minister for the portfolio, the Hon. John Bristol MP, approved and announced a detailed formal plan to discontinue the activities of the Technology and Communication Office under the Strategic Policy Advice output. The discontinuation of the Technology and Communication Office's activities is consistent with the Department's long-term policy to promote the adoption of new technology and monitor its appropriate use. The departmental objective indicator [insert objective indicator(s) the discontinued activities contributed to] will be [removed/adjusted] as a result of this decision. The discontinuation was completed by 30 June 20X2.

Guidance – Discontinued output performance measures

Departments do not need to report on any PAEC approved discontinued measures. The report of operations should disclose that these output performance measures have been discontinued with PAEC's approval. Reporting of actuals against targets is not required.

Any measures that were proposed for discontinuation but were not approved by PAEC must continue to be reported.

PORTFOLIO PERFORMANCE REPORTING – FINANCIAL SECTION

Budget portfolio outcomes

[The budget portfolio outcomes are better disclosed as an appendix in the entity's annual report.]

The budget portfolio outcomes provide comparisons between the actual financial statements of all general government sector entities in the portfolio and the forecast financial information (initial budget estimates) published in Budget Paper No. 5 *Statement of Finances* (BP5). The budget portfolio outcomes comprise the comprehensive operating statements, balance sheets, cash flow statements, statements of changes in equity, and administered item statements. [FRD 8]

The budget portfolio outcomes have been prepared on a consolidated basis and include all general government sector entities in the portfolio. Financial transactions and balances are classified into either controlled or administered categories consistent with the published statements in BP5. [Recommendation 9, PAEC Report 109]

The following budget portfolio outcomes statements are not subject to audit by the Victorian Auditor-General's Office (VAGO) and are not prepared on the same basis as the Department's financial statements as they include the consolidated financial information of the following entities: [FRD 8]

[Insert list of controlled entities or refer reader to the relevant note in the financial statements.]

[Insert relevant portfolio financial statements consistent with the corresponding BP5 presentation.]

[Please refer to Appendix 1 for illustrations on the disclosure of budget portfolio outcomes.]

Guidance – Budget portfolio outcomes

Legislative and documented references

FRD 8 states departments must include in their annual report, but not forming part of the audited complete set of financial statements, a comparison between their **initial budget estimates as presented in the portfolio financial statements published in BP5** and actual results for the portfolio for the corresponding financial year. The accountability cycle for departments commences with the publication of budget portfolio financial statements in the annual budget papers and ends with the publication of actual results in departmental annual reports.

The comparison between portfolio **budget** and actual figures must be presented as a set of financial statements in the same format and consolidation basis as those for the portfolio set out in **BP5 for that financial year**. These financial statements are to be referred to as budget portfolio outcomes. Departments must classify all entities, financial transactions and balances (income, expenses, assets, liabilities and equity) into either the departmental (controlled) or administered category as agreed with the Treasurer in the context of the financial statements published in BP5.

Guidance

The comparison between portfolio budget and actual figures must be presented as a set of financial statements in the same format and consolidation basis as those for the portfolio, set out in **BP5 for that financial year** (i.e. those figures and format used in BP5). **That is, the statements should disclose the original budgeted financial statements.** The section should include an introduction explaining the statements and their relationship to the budget papers. The introduction should also state that the statements are not subject to audit by VAGO. [Recommendation 24, PAEC Report on the 2015-16 Financial and Performance Outcomes]

From time to time, the layouts and titles of the financial statements may change in accordance with the AAS requirements. Care should be taken to ensure the presentation of the budget portfolio outcomes in the annual report reflects the title and layout of the financial statements from the corresponding BP5, with additional commentary and footnotes where appropriate.

Significant or material variances in budget portfolio outcomes reporting

Disclosure is required for any significant or material variances between the initial budget estimates presented in the portfolio financial statements published in BP5 and the actual results of the portfolio for the corresponding financial year. In particular, the Department shall explain the reasons why the variance occurred.

[Recommendation 10, PAEC Report 109 / Recommendation 23, PAEC Report on the 2015-16 Financial and Performance Outcomes]

Variances greater than 5 per cent or a variance of greater than a $50 million increase or decrease from budget requires an explanation. [Recommendation 15, PAEC Report on 2013-14 and 2014-15 Financial and Performance Outcomes]

Machinery of government changes

In a year where there is a significant machinery of government change, the affected departments are required to include the published budget (as per Appendix 1), along with the revised budget with adjustments for machinery of government changes in their annual reports. The reasons for variances between adjusted/revised budget and actual estimates should be disclosed in the annual report of the portfolio entities.

Departmental five-year financial summary [FRD 22] **($ thousand)**

Five-year financial summary	*Year 5 (a)*	*Year 4*	*Year 3*	*Year 2*	*Year 1*
Income from government (b)	93 663	75 078	110 490	101 311	100 460
Total income from transactions	108 396	87 110	112 500	106 263	104 669
Total expenses from transactions	(89 554)	(81 245)	(110 000)	(100 000)	(100 000)
Net result from transactions (c)	18 842	5 865	2 500	6 263	4 669
Net result for the period (d)	6 181	6 904	3 369	3 874	3 409
Net cash flow from operating activities	10524	36028	9 357	9 712	9 386
Total assets	312 669	305 662	227 759	228 314	227 897
Total liabilities	179 494	191 676	39 419	37 150	36 117

Notes:
(a) This table presents data from the current reporting year with comparative data from the past four reporting years. Year 5 represents the current year (20X2).
(b) Income from government includes both output and special appropriations.
(c) The ‘net result from transactions’ is identical to the ‘net operating balance’ for the general government sector.
(d) Includes net result from discontinued operations.

Departmental current year financial review

Overview [FRD 22]

[Analysis of the current year financial performance should be balanced and objective, free from bias and complete, dealing even-handedly with both positive and negative aspects of operations, financial conditions, risks and opportunities. In addition, analysis of any significant overall financial trends over the past five years could also be considered for inclusion in this section further explaining the five-year financial summary table above.]

The Victorian Government considers the net result from transactions to be the appropriate measure of financial management that can be directly attributed to government policy. This measure excludes the effects of revaluations (holding gains or losses) arising from changes in market prices and other changes in the volume of assets shown under ‘other economic flows’ on the comprehensive operating statement, which are outside the control of the Department.

In 20X1-X2, the Department achieved a net result from transactions of $18.8 million, $13.0 million higher than in 20X0-X1. Both total income and expenses from transactions have steadily increased over the past three years and the net result from transactions has been relatively consistent during these periods. However, there is an uncharacteristic decline in both income and expenses from transactions in 20X0-X1 before stabilising again in 20X1-X2, mainly due to: [while this example considers the current year and past five years’ performance, explanations should be kept brief in this overview section. Where possible, explanations should attribute the key drivers to related services or programs].

The overall net result of $6.2 million in 20X1-X2 dropped from $6.9 million in 20X0-X1 as a result of [consider brief explanations of the key drivers from transactions and other economic flows, attributing the explanation where possible to programs or services].

Total net assets continued to grow with an increase of $19.2 million in 20X1-X2 to $133.2 million predominately reflecting the growth in total asset base, including: [consider brief explanations of key drivers, attributing the explanation where possible to programs or services].

The decline in operating cash inflows to $10.5 million from last year’s $36.0 million is mainly due to the Department relinquishing a joint venture to the Department of Cabinet Administration as a result of machinery of government changes. Consequently, dividends from the venture are now received by the latter Department.

Financial performance and business review [FRD 22]

As part of the Administrative Arrangements Order [No.XXX] 20X2, the transfer of outputs on 1 September 20X1 was reflected in the financial statement of the Department as follows:

- the New Technology Administration output is included for the period 1 July until 31 August 20X1. From 1 September 20X1 to 30 June 20X2 this output is reported by the Department of Cabinet and Administration
- the Research and Development of Biological Technology output is included from 1 September 20X1 to 30 June 20X2. From 1 July to 31 August 20X1 it was reported by the Department of Natural Resources.

The Department achieved a higher net result from transactions in 20X1-X2 of $18.8 million, income increased due to funding for the new technology output from the State Government being transferred out following the machinery of government changes as outlined above. However, the reduced appropriation was largely offset by the increase in income of $21.3 million generated by the strategic output, and the funding related to the research and development of biological technology output transferred in due to machinery of government changes.

Expenses from transactions marginally increased largely due to machinery of government changes resulting in increased expenses related to the new output received, even as the overall expenses of existing outputs have decreased. [Expand the information presented in the overview section drawing attention to certain line items in the comprehensive operating statement, and relate these where possible to key drivers from programs/services etc.] Overall, 50 per cent of expenses went to payments to service providers mainly for [complete with a list of key programs/services].

The decrease of $0.7 million (or 10 per cent) in the net result for the period primarily reflects [expand the discussion presented in the overview, drawing on key drivers where appropriate from line items under transactions and other economic flows. The overall result is likely to be driven by a combination of activities including offsetting activities].

In addition, the overall comprehensive result increased due to valuation gains on property plant and equipment and financial assets at fair value through other comprehensive income. [Where appropriate, the key general-purpose group category of related reserves could be named as well as any key available for-sale investments].

Financial position – balance sheet [FRD 22]

Net assets increased by $19.2 million over the year to $133.2 million, mainly due to increases in total assets of $7.0 million comprising $12.8 million of increases in financial assets, partly offset by a reduction of $5.8 million in non-financial assets. The increase in financial assets is mainly due to increase in cash, deposits, and receivables due to [describe].

The overall total of non-financial assets marginally increased due to the combined effect of decreases in plant, equipment and vehicles related to output transferred out (refer to Note 5.1 *Total property, plant and equipment* within the financial statements for further details), offset by:

- acquisition of laboratories and other agricultural facilities associated with the transfer of the research and development of biological technology output
- new research laboratories built at Mildura and Wonthaggi to study the impact of extreme weather conditions on agricultural crops and natural vegetation
- increases due to [describe key drivers, e.g. addition, disposal, impairment] in plant, equipment and vehicles in the public administration and transport and communications sectors
- biological assets received from the new output transferred in.

Total liabilities decreased mainly due to some liabilities related to the new technology output transferred out as a result of machinery of government changes, slightly offset by liabilities recognised from the new output transferred in.

Cash flows

The overall cash surplus of $13.6 million for the 20X1-X2 financial year was a net decrease of $12.7 million compared to the previous year. This was the result of [describe key drivers and reasons].

Net cash outflows from investing activities increased by $2.3 million due to much higher payments of $23.8 million for non-financial assets, which included the purchase of the new research laboratories in Mildura and Wonthaggi. This was slightly offset by the proceeds from the disposal of discontinued businesses [describe key drivers and reasons] of $17.8 million.

The net cash inflows from operating activities was $10.5 million, and 70.8 per cent lower than in 20X0-X1 due to lower cash funding received from government [describe key drivers and reasons], while slightly offset by reduced payments for grants and payments to suppliers.

Guidance – Departmental five-year financial summary and current year financial review

Financial information [FRD 22]

The financial information in the report of operation shall include the following information relating to the current reporting period:

- a summary of the financial results for the year, with comparative information for the preceding four reporting periods
- a summary of the significant changes in financial position
- a summary of the operational and budgetary objectives, including performance against the objectives and significant achievements
- any events occurring after balance date that may significantly affect the entity's operations in subsequent reporting periods
- expenditure on consultancies
- expenditure on information and communications technologies (ICT)
- expenditure on government advertising.

The report of operations shall complement the information presented in the financial statements by providing a discussion and analysis of the entity's operating results and financial position. This should include details about any significant factors that affect the entity's performance.

Capital projects/asset investment programs

The Department and its related portfolio entities manage a range of capital projects to deliver services for government. [Recommendation 45, PAEC Report 109]

Information on the new and existing capital projects for departments and the broader Victorian public sector is contained in the most recent budget, which is available on the Department of Treasury and Finance's website.

During the year, the Department/agency completed a number of capital projects with a total estimated investment [TEI] of $10 million or greater. The details related to these projects are reported below. [Recommendation 51, PAEC Report 118]

Table 4: Capital projects reaching practical completion during the financial year ended 30 June 20X2

Project name	*Original completion date*	*Latest approved completion date*	*Practical completion date*	*Reason for variance in completion dates*	*Original approved TEI budget ($ million)*	*Latest approved TEI budget ($ million)*	*Actual TEI cost ($ million)*	*Variation between actual cost and latest approved TEI budget*	*Reason for variance from latest approved TEI Budget*
Anti-virus IT system	April 20X2	June 20X2	May 20X2	Installation of system completed ahead of schedule.	9	10	8	(2)	The variance relates to suitable hardware being sourced more cheaply than anticipated.

[Recommendation 19, PAEC Report on 2015-16 Financial and Performance Outcome report]

Table 5: Capital projects reaching financial completion during the financial year ended 30 June 20X2

Project name	*Practical completion date*	*Financial completion date*	*Original approved TEI budget ($ million)*	*Latest approved TEI budget ($ million)*	*Actual TEI cost ($ million)*	*Variation between actual cost and latest approved TEI budget*	*Reason for variance from latest approved TEI Budget*
Accounts payable system	May 20X1	April 20X2	15	16	14	(2)	The variance relates to suitable software being sourced more cheaply than anticipated.

[Recommendation 19, PAEC Report on 2015-16 Financial and Performance Outcome report]

Guidance – Capital projects/asset investment programs

The Department of Treasury and Finance, on behalf of all portfolio departments, publishes information on the State's asset investment program in the budget as part of the annual budget papers. Any subsequent approved revisions to the original budgeted asset investment programs are also reported.

For transparency, departments are required to disclose in their Annual Financial Reports the actual and budgeted cost and the completion dates of all asset investments funded through the State budget with a TEI of $10 million or greater that reach practical completion by the department or portfolio agencies in the current reporting period. Departments are not required to provide further reporting on a project that reaches financial completion in a subsequent period if it has been reported as practically complete in an earlier reporting period (unless there is a material variation). Departments are also required to disclose the variance between the actual cost to deliver the project and the latest approved (or budgeted) TEI endorsed by the Government and an explanation for this variance.

Practical completion occurs when construction is complete, and the asset has been handed over to the Department.

Financial completion occurs when the warranty/defects liability period ends, which may occur after the practical completion date.

Where projects are handled across multiple agencies within the same portfolio department, the portfolio department for the agency that owns the asset should report the project in its annual report. Individual portfolio agencies are not required to report on these projects in their annual report.

For example, if an agency delivers projects on behalf of other entities and has recently completed a capital project that was funded through the State Budget, the portfolio department for the agency will report these completed capital projects in its annual report.

Nil reports

An explicit statement of 'nil reports' is required where no completed projects are disclosed. Departments must provide a reason for the nil report, including whether this is because no projects were completed during the financial year, or that none of the TEI of their projects completed during the financial year meet the disclosure threshold of $10 million.

Departments are required to provide the following information on projects that have reached practical completion:

- the original estimated completion date
- the latest approved completion date
- the practical completion date
- explanations for changes in completion date, showing root causes for the changes.

For projects that have reached financial completion, the following information is to be provided:

- the original approved TEI
- the latest approved TEI
- the actual total investment
- explanations for changes in total investment, showing root causes for the changes.

Note that variances greater than 5 per cent or greater than $50 million increase or decrease, for projects that have been reported in a previous reporting period as practically complete, are considered material and will also need to be reported on the financial completion date in the following reporting period.

Disclosure of grants and transfer payments (other than contributions by owners)

The Department has provided assistance to certain companies and organisations. Financial assistance provided in 20X1-X2 was as follows: [Recommendation 15, PAEC Report 87]

Strategic policy advice [output name]

Program A [insert name]

Grant 1 [insert name]

[Insert description of purpose and nature of grant.]

Organisation	*Payment $*
ABC Ltd	xxxx
XYZ Division	xxxx
Society of BBY	xxxx

Grant 2 [insert name]

[Insert description of purpose and nature of grant.]

Organisation	*Payment $*
ABC Ltd	xxxx
XYZ Division	xxxx
Society of BBY	xxxx

Program B [insert name]

Grant 1 [insert name]

[Insert description of purpose and nature of grant.]

Organisation	*Payment $*
ATE Ltd	xxxx

Program C [insert name]

Grant 1 [insert name]

[Insert description of purpose and nature of grant.]

Organisation	*Payment $*
ABC Ltd	xxxx
XYZ Division	xxxx
Society of BBY	xxxx
XYZ Division	xxxx
Society of BBY	xxxx

[Repeat as applicable for each output.]

Guidance – Disclosure of grants and transfer payments

There is little detailed coverage of grant programs in the annual reports of government departments and agencies. Accountable reporting for the expenditure of grant funds and delivery of grant program outcomes needs to be informative and more extensive than in previous years.

For the purposes of annual report disclosure, the following definition can be applied for a grant, developed from that used by the Auditor-General's report *Grants to non-government organisations: Improving accountability*.

A grant pertains to any monies included as a controlled expense within a department's output schedule that is allocated to any government entity (including general government entities and public non-financial corporations), third-party or parties outside the public sector and at the discretion of a department or agency, with recipients required to use the monies for the specific purposes outlined in the particular funding agreement.'

Departments and agencies may wish to include some additional information in this section in relation to grants programs.

Disclosure of machinery of government changes

Recommendation 15 of PAEC Report 87 recommended the disclosure of grants and transfer payments by output. This is based on the department's responsibility of output delivery at the end of the financial year.

In the event of a machinery of government change, the transferor department will no longer be required to disclose grants and transfer payments associated with outputs that have been transferred out to the transferee department. The transferee department will now be required to disclose grants and transfer payments associated with the outputs for the full year because the transferee department is administratively responsible for the outputs at the end of the financial year.

In terms of the relationship between the report of operations and the financial statements, the grants and transfer payments disclosed in the report of operations may not necessarily reconcile with the operating expenses in the financial statements (i.e. grants and transfer payments actually paid by the department) as a result of machinery of government changes during the financial year. For transparency, it is recommended departments make a footnote to highlight the reporting approach and include a comment to clarify that the disclosed amount will not reconcile to the financial statements.

Subsequent events

Subsequent to the reporting period, the Government announced its intention to privatise the consulting division of the Department. Further details are provided in Note 9.12 of the financial statements.

Guidance – Subsequent events

Where detailed information about subsequent events is contained in the financial statement, the report of operations should include a summary of those events with a cross reference to their disclosure in the financial statement. Refer to Note 9.12 in the Model financial statement. [FRD 22]

Machinery of government changes that occurred after the reporting period

If additional disclosures relating to any machinery of government changes occurring after the reporting period are considered useful for readers of the annual report, departments may wish to disclose general facts about the machinery of government changes that would impact on the next annual report. For example, in the case of certain outputs being transferred from one department to another department, if disclosure of the fact that those outputs would be reported under a different department in the next annual report is considered useful to readers, then both transferor and transferee should disclose general facts about the transfer (i.e. department name changes, new minister(s) name(s), output/activity shifts, etc.) in the section under subsequent events in their report of operations and financial statements.

SECTION 2: GOVERNANCE AND ORGANISATIONAL STRUCTURE

Guidance – Governance and organisational structure (overview)

FRD 22 requires that the report should include an 'organisational chart detailing members of the governing board, Audit Committee, Chief Executive Officer, senior officers and their responsibilities'. [FRD 22]

Guidance

This section may include a short profile on each of a department's ministers, outlining their portfolio, area of responsibility and other portfolios held by the minister. Profiles of each of a department's senior executives, outlining their role and professional background should also be included.

It may be useful to include stock photos of each minister and relevant secretary/CEO with their profiles for people who use the annual report as a research tool prior to contacting a department.

The organisational chart should show the names of the senior executives and the areas they are responsible for. Below the level of senior executive, names do not need to be shown, however sufficient detail should be included to show the areas of responsibility or key activities undertaken by a department.

Organisational structure and corporate governance arrangements [FRD 22]

The Department's Ministers

Minister for Technology

The Hon. John Bristol MP was appointed as the Minister for Technology in [month and year]. He is also the Minister for Parks and Forests.

The Minister for Technology is responsible for promoting the development of the technology sector in Victoria. The Minister also manages the provision of technology services to the Government.

[Insert picture]

Minister for Biotechnology

The Hon. Laura Toddingham MP was appointed as the Minister for Biotechnology in [month and year]. She is also the Minister for Rural Communities.

The Minister for Biotechnology is responsible for the regulation of Victoria's biotechnology sector and managing research and development activities conducted by the Government.

[Insert picture]

The Department's senior executives

The Department is led by the Secretary who reports to the Minister for Technology and the Minister for Biotechnology. The Department is managed by a senior executive group comprising the head of each of the Department's four divisions. The role of the senior executive group is to set, monitor and review the strategic direction of the Department.

Jane Smith

Jane Smith was appointed Secretary of the Department in [month and year]. She leads the Department in developing and implementing government technology policy. She is responsible for giving policy advice to ministers and providing support to Cabinet on matters within the Department's portfolio.

[Optional picture]

John Tails

John heads the Strategic Policy Advice division of the Department and has done so since [month and year]. John is responsible for coordinating the Department's strategic policy advice to the Government, including advice on the Department's involvement in private sector ventures.

Paul Germs

Paul heads the Research and Development Biological Technologies division, which coordinates the activities undertaken by several units of the Department in respect of research and development of new biological technology. Paul has extensive experience in pure and applied research and development programs, having previously held senior positions at various educational and research institutions. Paul was appointed in [month and year].

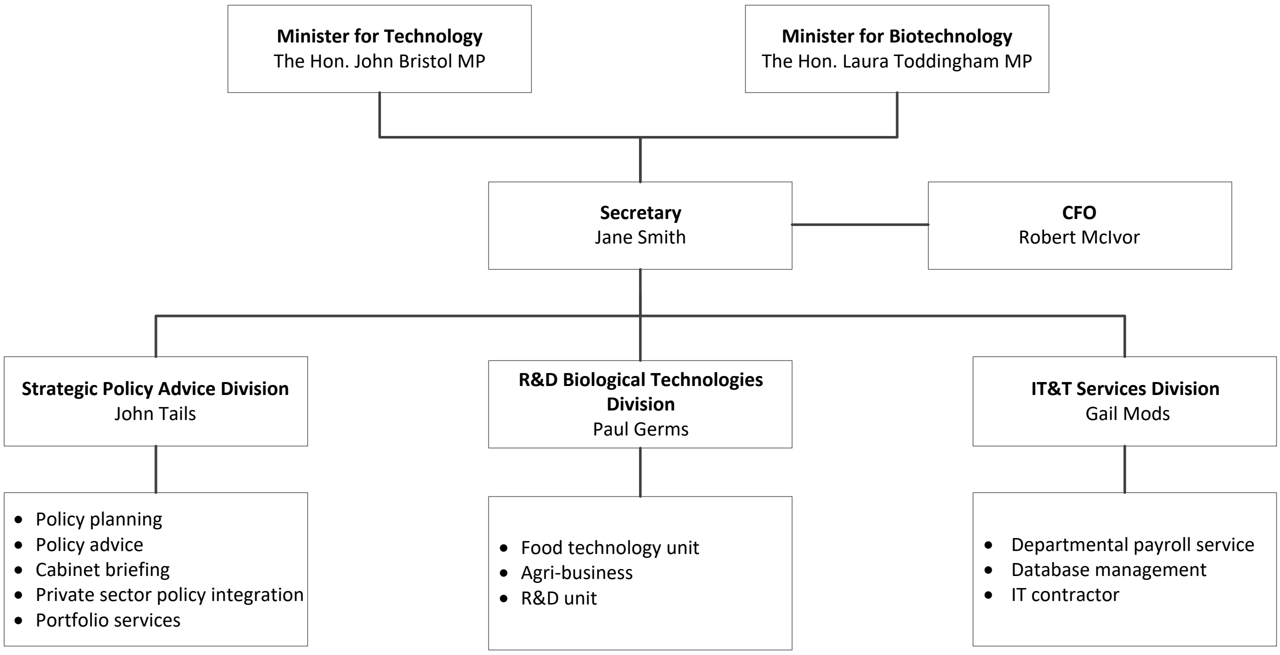
Gail Mods

Gail heads the Information Technology and Telecommunication Services division of the Department, which supplies payroll, accounting and database management bureau services to other agencies and governments. Gail was appointed in [month and year].

Robert McIvor

Robert is the Department's Chief Finance Officer and was appointed in [month and year]. He is responsible for maintaining and developing the Department's financial management systems and providing a full range of financial and accounting services.

Organisational structure [FRD 22]



Audit Committee membership and roles

The Audit Committee consists of the following members: [SD 3.2.1.3(f) / FRD 22]

- C A Maxwell, Chairman (independent member)
- A L Cunningham (independent member)
- R J Hunter (independent member)
- B A Wilson
- J S Curtis.

The main responsibilities of the Audit Committee are to: [SD 3.2.1.1]

- review and report independently to the Secretary and ministers on the annual report and all other financial information published by the Department
- assist the Secretary and ministers in reviewing the effectiveness of the Department's internal control environment covering effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations
- determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors
- maintain effective communication with external auditors
- consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised
- oversee the effective operation of the risk management framework.

Occupational health and safety

The goal of the Department's occupational health and safety (OH&S) strategy is to ensure all staff remain safe and healthy at work. An OH&S management system has been implemented across the Department and the majority of business units within the Department have implemented OH&S local action plans aimed at enhancing safety performance and ensuring safe systems of work. The employee attitude survey results (KPI 15) indicated improved attention to OH&S matters in the Department and a high level of commitment to OH&S management. [FRD 22 / Best practice disclosure based on Recommendation 70, PAEC Report 87]

During the 20X1-X2 financial year, the Department implemented a number of initiatives to improve the health and safety of staff including publishing quarterly OH&S bulletins, ergonomic assessments, quarterly workplace inspections to identify and address any workplace risks, the occupational risk reduction program, and the healthy lifestyle training program.

[While the example best practice disclosure has been included in the body of the report, consideration might be given to structuring such disclosures as a short summary supported by a detailed appendix.]

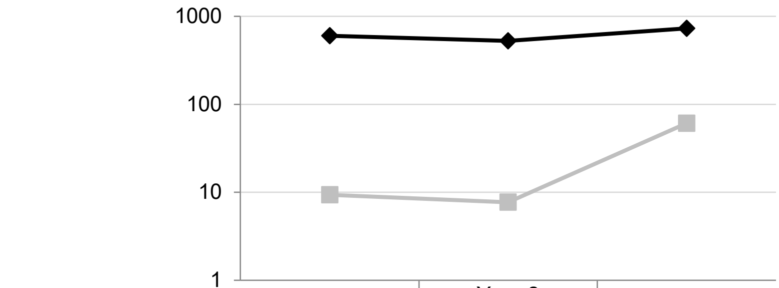
Incident management

Incidents across the Department increased by 1.9 per cent per 100 FTE in 20X1-X2. Incidents include injuries, 'near-misses' and detected workplace hazards. In real terms, the increase equates to 74 additional reported incidents compared with the previous year. While reported incidents were up, the number of incidents which resulted in injury [fell/also rose].

The increase was expected and is driven by the introduction of the Department's online reporting system and an increased awareness of incident reporting among staff, which significantly increased reporting across the Department (refer to Figure 3).

There were 10 notifiable incidents that occurred across the Department. Notifiable incidents are those which require the OH&S Regulator to be notified if they occur.

Figure 3: Number of incidents and rate per 100 FTE

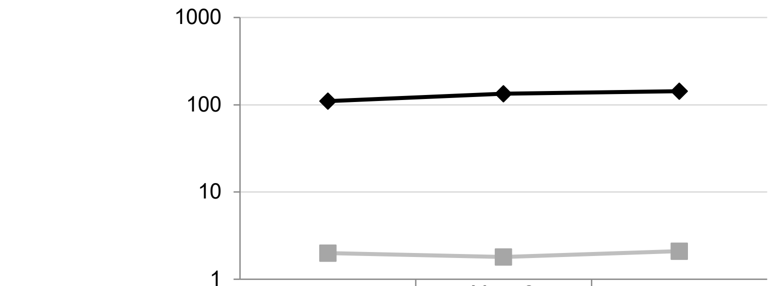


	Year 1	Year 2 (comparative year)	Year 3 (current year)
Incidents	600	526	730
Rate per 100 FTE	9.4	7.7	61

[FRD 22 / Best practice disclosure based on Recommendation 70, PAEC Report 87]

While the number of standard claims rose marginally in 20X1-X2, mainly due to predicted increases in muscular skeletal disorder and stress claims, the rate per 100 staff remained steady (Figure 4). To address the increase in the number of standard claims, the Department conducted a review of muscular skeletal disorder activities and introduced a number of proactive programs that focus on reducing sprains and strains, stress reductions, and good claims management practices in high-risk areas.

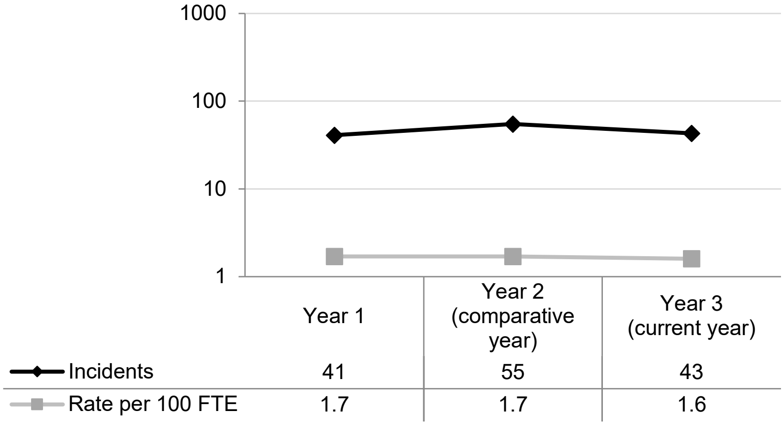
Figure 4: Number of standard claims and rate per 100 FTE



	Year 1	Year 2 (comparative year)	Year 3 (current year)
Incidents	110	134	143
Rate per 100 FTE	2	1.8	2.1

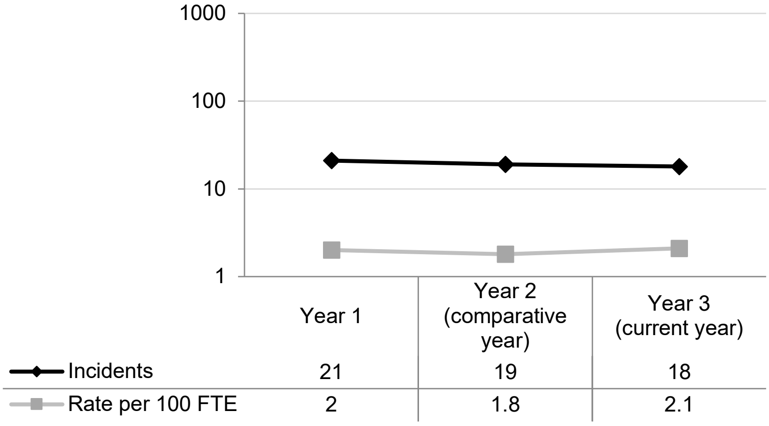
The total number of WorkCover claims lodged decreased in 20X1-X2 (Figures 5 and 6). In addition, the claims rate continued to decrease due to the growth in staff numbers over the past three years (due to the opening of two new research laboratories), effective early intervention strategies and improved claims performance management. The average cost per claim decreased from $36 070 to $33 131.

Figure 5: Lost time claims and rate per 100 FTE



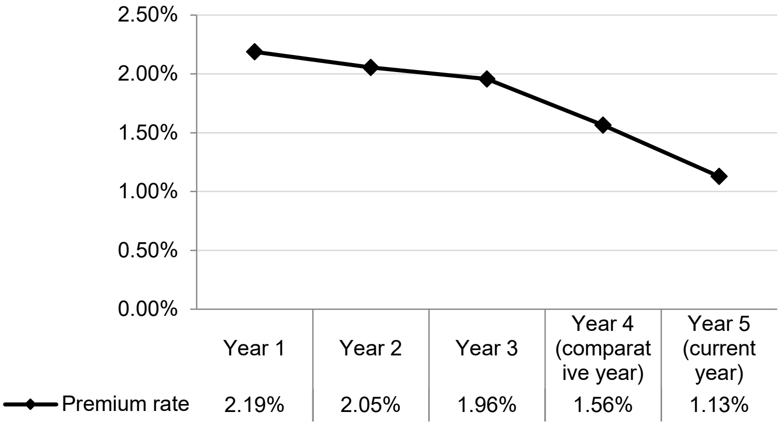
[FRD 22 / Best practice disclosure based on Recommendation 70, PAEC Report 87]

Figure 6: Claims exceeding 13 weeks and rate per 100 FTE



The Department's WorkCover premium rate continued to decrease in 20X1-X2 (Figure 7). This is due to the continuing consultative approach adopted by the OH&S unit. As a proportion of total staff and of increasing remuneration, the claim ratio is decreasing. [FRD 22 / Best practice disclosure based on Recommendation 70, PAEC Report 87]

Figure 7: Department of Technology premium rate



The Department's performance against OH&S management measures

Measure	*KPI*	*Year 1*	*Year 2*	*Year 3* (a)
Incidents	No. of incidents	600	526	730
	Rate per 100 FTE	9.4	7.7	9.6
	No. of incidents requiring first aid and/or further medical treatment	10	9	11
Claims	No. of standard claims (b)	110	134	143
	Rate per 100 FTE	41	1.8	2.1
	No. of lost time claims (b)	0.7	55	43
	Rate per 100 FTE	21	0.7	0.6
	No. of claims exceeding 13 weeks (b)	2.0	19	1.8
	Rate per 100 FTE	0.5	0.2	0.3
Fatalities	Fatality claims (c)	1	..	..
Claim costs	Average cost per standard claim (b)	$27 944	$27 121	$29 334
Return to work	Percentage of claims with RTW plan <30 days.	95%	92%	95%
Management commitment	Evidence of OH&S policy statement, OH&S objectives, regular reporting to senior management of OH&S, and OH&S plans (signed by CEO or equivalent).	completed	completed	completed
	Evidence of OH&S criteria(s) in purchasing guidelines (including goods, services and personnel).	completed	completed	completed
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs).	completed	completed	completed
	Compliance with agreed structure on DWGs, HSRs, and IRPs.	completed	completed	completed
	Number of quarterly OHS Committee meetings.	4	4	4
Risk management	Percentage of internal audits/inspections conducted as planned.	100%	100%	100%
	Percentage of reported incidents investigated.	100%	100%	100%
	No. of Improvement Notices issued across the Department by WorkSafe Inspector.	1	..	..
	Percentage of issues identified and actioned arising from:			
	(a) internal audits;	100%	100%	100%
	(b) HSR provisional improvement notices; and	100%	100%	100%
	(c) WorkSafe notices.	100%	100%	100%
Training	Percentage of managers and staff that have received OH&S training:			
	• induction;	100%	100%	100%
	• management training; and	12%	16%	19%
	• contractors and temps.	n.a.	n.a.	n.a.
	Percentage of HSRs trained:			
	• upon acceptance of role (initial training);	100%	100%	100%
	• retraining (annual refresher).	100%	100%	100%

[FRD 22 / Recommendation 10, PAEC Report 107]

Notes:
(a) *This table presents data from the current reporting year with comparative data from the past two reporting years. Year 3 denotes the current year (20X1-X2).*
(b) *Data sourced from Victorian WorkCover Authority (VWA).*
(c) *The fatality claim received in 2017-18 was due to a vehicle accident. [An explanation of the circumstances contributing to the fatality and the preventive measures taken should also be included. However, in circumstances where the fatality is under investigation or subject to an inquiry, a statement to that effect should be included.] [Recommendation 24, PAEC Report 107]*

Employment and conduct principles

The Department is committed to applying merit and equity principles when appointing staff. The selection processes ensure applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections. [FRD 22]

Guidance – Occupational health and safety

FRD 22 requires an entity to disclose:

- a statement on occupational health and safety matters, including the performance indicators adopted to monitor such matters and the entity's performance against those indicators
- workforce data for the current and previous financial year, including a general statement on the application of employment and conduct principles and that employees have been correctly classified in workforce data collections.

Guidance [Recommendation 10, PAEC Report 107]

General commentary on programs or initiatives that have a significant impact on occupational health and safety incidents between the current and previous reporting period should be explained in the report of operations. Entities are required to explain significant variances between:

- the number of reported hazards/incidents for the year
- the number of 'lost time' standard claims for the year
- the average cost per claim for the year, including payments to date plus an estimate of outstanding claim costs as advised by WorkSafe.

SECTION 3: WORKFORCE DATA

Public sector values and employment principles

The *Public Administration Act 2004* established the Victorian Public Sector Commission (VPSC). The VPSC's role is to strengthen public sector efficiency, effectiveness and capability, and advocate for public sector professionalism and integrity.

The Department introduced policies and practices that are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. The Department advised its employees on how to avoid conflicts of interest, how to respond to offers of gifts and how it deals with misconduct.

Guidance – Public sector values and employment principles

Legislative and documented references

The *Public Administration Act 2004* (PAA) enshrines public sector values (s7) and employment principles (s8). This Act establishes the Victorian Public Sector Commission (VPSC).

The VPSC's role is to maintain and advocate for public sector professionalism and integrity.

To do this the VPSC may:

- prepare and issue codes of conduct to promote adherence to public sector values (s61)
- establish and issue standards concerning the application of employment principles (s62)
- monitor and report to public sector body heads on compliance with the public sector values, codes of conduct, and public sector employment principles and standards (s63)
- review employment-related actions and make recommendations following those reviews (s64 and s65).

Departments should check for further FRD 22 workforce requirements that may not be illustrated in the Model, and any other information on reporting requirements that may be contained on the VPSC website vpsc.vic.gov.au.

Comparative workforce data

The following table discloses the head count and full-time staff equivalent (FTE) of all active public service employees of the Department, employed in the last full pay period in June of the current reporting period, and in the last full pay period in June of the previous reporting period (20X1).

Table 6: Details of employment levels in June 20X1 and 20X2 [FRD 29]

		June 20X2							*June 20X1*						
		All employees		*Ongoing*			*Fixed term and casual*		*All employees*		*Ongoing*			*Fixed term and casual*	
		Number (headcount)	*FTE*	*Full-time (headcount)*	*Part-time (headcount)*	*FTE*	*Number (headcount)*	*FTE*	*Number (headcount)*	*FTE*	*Full-time (headcount)*	*Part-time (headcount)*	*FTE*	*Number (headcount)*	*FTE*
Demographic data	**Gender**														
	Women	244	202	135	76	184	33	18	192	157	108	63	145	21	12
	Men	321	277	212	93	267	16	10	240	197	133	89	186	18	11
	Self-described	n	n	n	n	n	n	n	n	n	n	n	n	n	n
	Age														
	15-24	33	26	21	1	20	11	6	6	6	6	0	6	0	0
	25-34	123	95	52	53	84	18	10	77	66	50	24	64	3	2
	35-44	135	117	90	30	108	15	9	113	97	73	13	81	27	16
	45-54	176	158	125	46	156	5	3	167	143	110	50	139	7	4
	55-64	90	78	59	31	78	0	0	63	38	0	63	38	0	0
	65+	8	5	0	8	5	0	0	6	4	2	2	3	2	1
Classification data	**VPS 1-6 grades**	**482**	**396**	**266**	**167**	**368**	**49**	**28**	**354**	**278**	**168**	**147**	**255**	**39**	**23**
	VPS 1	24	20	16	5	19	3	1	18	14	9	5	12	4	2
	VPS 2	102	93	79	21	92	2	1	89	67	36	34	56	19	11
	VPS 3	138	112	73	50	103	15	9	97	78	50	39	74	8	4
	VPS 4	91	79	60	22	74	9	5	82	66	42	34	62	6	4
	VPS 5	90	66	29	52	61	9	5	54	43	26	26	41	2	2
	VPS 6	37 [(a)]	26	9	17	19	11	7	14	10	5	9	10	0	0
	Senior employees	**82**	**82**	**80**	**2**	**82**	**0**	**0**	**78**	**76**	**73**	**5**	**76**	**0**	**0**
	STS	2	2	2	0	2	0	0	2	2	2	0	2	0	0
	PS	1	1	1	0	1	0	0	1	1	1	0	1	0	0
	SMA	1	1	1	0	1	0	0	1	1	1	0	1	0	0
	SRA	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Executives	79	79	77	2	79	0	0	74	72	69	5	72	0	0
	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total employees	**565**	**479**	**347**	**169**	**451**	**49**	**28**	**432**	**354**	**241**	**152**	**331**	**39**	**23**

Note:
(a) There are 2 VPS-6 employees acting as executives under long-term acting arrangements.

The following table discloses the annualised total salary for senior employees of the Department, categorised by classification. The salary amount is reported as the full-time annualised salary.

Table 7: Annualised total salary, by $20 000 bands, for executives and other senior non-executive staff [FRD 29]

Income band (salary)	*Executives*	*STS*	*PS*	*SMA*	*SRA*	*Other*
< $160 000	16			1		
$160 000 – $179 999	25[(a)]					
$180 000 – $199 999	17					
$200 000 – $219 999	9	1				
$220 000 – $239 999	4					
$240 000 – $259 999						
$260 000 – $279 999						
$280 000 – $299 999			1			
$300 000 – $319 999						
$320 000 – $339 999	3					
$340 000 – $359 999						
$360 000 – $379 999		1				
$380 000 – $399 999						
$400 000 – $419 999	3					
$420 000 – $439 999						
$440 000 – $459 999						
$460 000 – $479 999	1					
$480 000 – $499 999						
Total	**78**	**2**	**1**	**1**	**0**	**0**

Note:
The salaries reported above are for the full financial year, at a 1-FTE rate, and exclude superannuation.
(a) There are two employees employed on a part-time basis at a 0.6 FTE rate and a 0.8 FTE rate respectively.

Guidance – Workforce data staffing trends

FRD 22 requires the disclosure of workforce data as per the last payroll period for both the current and previous financial years. [FRD 22]

FRD 29 and its guidance note prescribe the minimum disclosure requirements on the public service employee workforce, including information concerning workforce demographics, classification groups and types of employment for all employees who are employed under Part 3 of the *Public Administration Act 2004* (PAA). This FRD provides comprehensive definitions of 'active' employee, full-time equivalent, senior employees and other terms related to workforce data reporting. [FRD 29]

Guidance

Information on workforce data is to be presented by headcount and the number of full-time equivalents, separated by gender, age, VPS classification levels and senior employee categories. The Model provides a suggested table format, but entities have discretion over how to present the minimum required information and whether to include any additional information. General commentary on programs or initiatives that have a significant impact on employment levels between the current and previous reporting period should be included in the report. Notes are required to explain:

- inclusions and exclusions in the employee figures
- significant rise and fall in the employment numbers during the reporting period due to seasonal factors or machinery of government changes
- any classification categories that are rolled into an 'other' category.

The full-time annualised salary of senior employees should also be disclosed in a separate table, by classification in $20 000 bands. The disclosure of gender may include three categories: women, men and self-described. The privacy and confidentiality of all employees must be strictly protected at all times.

In line with the *Policy and Standard Model for Collecting Staff Gender Information in the Victorian Public Sector* (the Policy and Standard Model) the self-described option should include a free text space for employees to specify their gender in their own terms. When reporting on gender information collected through this mode, all free text responses should be reported under the 'self-described' category.

The disclosure of workforce data is separated in the three gender categories, in line with the Policy and Standard Model, which is mandatory for all VPS entities from the 2017-18 reporting period onwards.

The Policy and Standard Model is available on the DTF website to provide further assistance with gender reporting. Further enquiries can be directed to the Equality Branch in the Department of Premier and Cabinet (DPC) by emailing equality@dpc.vic.gov.au.

Workforce data disclosure of Authority/Office in a department's portfolio

In a department's portfolio there may be authorities and offices who employ public service employees independently of a Department Secretary. A department's annual report must list entities in this category that fall within its portfolio.

In addition, for these entities that do not produce their own annual reports, their employee numbers must be included in the department's annual report in a separate table. Where they produce their own annual reports, employee numbers must be included in those annual reports and the department is required to disclose this fact.

Workforce inclusion policy [Recommendation 20, PAEC Report 107]

The Department is working towards creating an inclusive working environment where equal opportunity and diversity are valued, and that reflects the communities we serve. Consistent with the *Gender Equality Act 2020,* the Department has a target of at least 50 per cent women on the executives' gender profile by 20X2.

The Department values staff with non-binary gender identities at all levels from VPS officers through the executives. The Department acknowledges that due to historic and current barriers to disclosure of non-binary gender identities, staff may not choose to disclose this information. As a result, targets or quotas are not currently a useful way to promote opportunities for gender diverse staff at all levels. [FRD 29]

The following table outlines the Department's actual progress against this target in 20X1-X2.

Workforce inclusion policy initiative	*Target*	*Actual progress in 20X1-X2*	*Actual progress in 20X0-X1*
Gender profile at executive levels[(a)]	Executive Officers: 50 per cent women; 50 per cent men by 20X1	Executive Officers: 40 per cent women; 60 per cent men	Executive Officers: 35 per cent women; 65 per cent men

Note:
(a) The self-described category is nil for this entity.
[The above workforce inclusion policy initiative is for illustration purpose only.]

Guidance – Workforce inclusion policy

If an entity is working towards a workforce inclusion initiative as part of its workforce inclusion policy, the entity should report on progress towards the targets, and/or provide reasons why the initiative has not been implemented. This is to enable the evaluation of progress of the workforce inclusion policy. The comparative data are also presented to demonstrate the cumulative benefits of the initiative. Entities are encouraged to make comments about longer term progress and illustrate the trend over time.

Executive data

For a department, a member of the Senior Executive Service (SES) is defined as a person employed as an executive under Part 3 of the *Public Administration Act 2004* (PAA). For a public body, an executive is defined as a person employed as an executive under Part 3 of the PAA or a person to whom the Victorian Government's *Public Entity Executive Remuneration Policy* applies. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year. [FRD 15]

The definition of SES does not include a statutory office holder or an Accountable Officer.

The following tables disclose the SES of the Department and its portfolio agencies for 30 June 20X2:

- Table 8 discloses the total numbers of SES for the Department, broken down by gender
- Table 9 provides a reconciliation of executive numbers presented between the report of operations and Note 9.9 *Remuneration of executives* in the financial statements
- Table 10 provides the total executive numbers for all of the Department's portfolio agencies
- Tables 8 to 10 also disclose the variations, denoted by 'var', between the current and previous reporting periods.

Table 8: Total number of SES for the Department, broken down into gender [FRD 15]

	All		*Women*		*Men*		*Self-described*	
Class	*No.*	*Var.*	*No.*	*Var.*	*No.*	*Var.*	*No.*	*Var.*
SES-3	2	0	1	0	1	0	n	n
SES-2	22	(1)	8	0	14	(1)	n	n
SES-1	54	(3)	25	(2)	29	(1)	n	n
Total	**78**	**(4)**	**34**	**(2)**	**44**	**(2)**	**n**	**n**

The number of executives in the report of operations is based on the number of executive positions that are occupied at the end of the financial year. Note 9.8 in the financial statements lists the actual number of SES and the total remuneration paid to SES over the course of the reporting period. The financial statements note does not include the Accountable Officer, nor does it distinguish between executive levels or disclose separations. Separations are executives who have left the Department during the relevant reporting period. To assist readers, these two disclosures are reconciled below.

Table 9: Reconciliation of executive numbers

		20X2	*20X1*
	Executives (financial statement Note 9.8)	79	77
	Accountable Officer (Secretary)	1	1
Less	Separations	(1)	(4)
	Total executive numbers at 30 June	**79**	**74**

Table 10: Number of SES for the Department's portfolio agencies

	Total		*Women*		*Men*		*Self-described*	
Portfolio agencies	No.	Var.	No.	Var.	No.	Var.	No.	No.
Commissioner of New Technology	9	(4)	0	(3)	9	(1)	n	n
Innovation Victoria	2	2	2	2	0	0	n	n
Regional Computer Teaching	49	1	13	1	36	0	n	n
Victorian Technology Commission	129	(19)	41	(9)	88	(10)	n	n
Total	**189**	**(20)**	**133**	**(11)**	**56**	**(9)**	**n**	**n**

Guidance – Executive data

FRD 15 explains the requirements for disclosing Senior Executive Service (SES) numbers in annual reports. It states that a department's report of operations must disclose the following disaggregated information on SES numbers as per the last pay period for the financial year: [FRD 15]

- disaggregated information on SES numbers including:
  - executive classification
  - gender split across classifications
  - comparison to the previous reporting period.
- a reconciliation of the SES numbers that appear in the report of operations to those disclosed in the notes in the financial statements for the current and previous reporting periods; and
- SES numbers for all its portfolio entities.

This FRD provides definitions for Accountable Officers, SES, and portfolio entities.

The disclosure of gender may include three categories: women, men and self-described. The privacy and confidentiality of all employees must be strictly protected at all times.

In line with the *Policy and Standard Model for Collecting Staff Gender Information in the Victorian Public Sector* (the Policy and Standard Model), the self-described option should include a free text space for employees to specify their gender in their own terms. When reporting on gender information collected through this mode, all free text responses should be reported under the 'self-described' category.

Disclosure of SES data is to be separated into the three gender categories, in line with the Policy and Standard Model.

The Policy and Standard Model is available on the DTF website to provide further assistance with gender reporting. Further enquiries can be directed to the Equality Branch in the Department of Premier and Cabinet (DPC) by emailing equality@dpc.vic.gov.au.

Guidance

Departments should follow the table format provided in the Model to show their executive numbers. SES numbers should be based on active public service employees of the department employed in the last full pay period in June of the current reporting period and in the last full pay period in June of the previous reporting period.

Departments are also required to provide a table reconciling SES numbers disclosed in the financial statements with those in the report of operations, showing Accountable Officers and separations.

The information required in the table showing executive numbers in portfolio agencies of the Department can be sourced from the Government Sector Executive Remuneration Database, maintained by the Victorian Public Sector Commission. The database lists all public authorities and provides relevant information required for the disclosure.

SECTION 4: OTHER DISCLOSURES

Local Jobs First [FRD 25]

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

Departments and public sector bodies are required to apply the Local Jobs First policy in all projects valued at $3 million or more in Metropolitan Melbourne or for state-wide projects, or $1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at $20 million or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG-applicable and VIPP applicable projects respectively where contracts have been entered prior to 15 August 2018.

Projects commenced – Local Jobs First Standard

During 20X1-X2, the Department commenced three Local Jobs First Standard projects totalling $44.16 million. Of those projects, one was located in regional Victoria, with a commitment of 70 per cent of local content, and two in metropolitan Melbourne, with an average commitment of 80 per cent local content. No projects were commenced that occurred statewide. The MPSG applied to two of these projects.

The outcomes expected from the implementation of the Local Jobs First policy to these projects where information was provided are as follows:

- an average of 76.6 per cent of local content commitment was made
- a total of 349 jobs (AEE) were committed, including the creation of nine new jobs and the retention of 340 existing jobs (AEE)
- a total of 40 positions for apprentices, trainees and cadets were committed, including the creation of 20 new apprenticeships, traineeships, and cadets and the retention of the remaining 20 existing apprenticeships, traineeships and cadets
- MPSG applicable projects committed to a total of 13 000 hours to apprentices, trainees and cadets and engaged 22 apprentices, trainees and cadets
- Four small to medium enterprises prepared a Local Industry Development Plan (LIDP) for contracts, successfully appointed principal contractor. Sixty small to medium-sized businesses were engaged through the supply chain on commenced Standard Projects.

Projects completed – Local Jobs First Standard

During 20X1-X2, the Department completed four Local Jobs First Standard projects, totalling $52.62 million. Of those projects, one was located in regional Victoria, with a commitment of 80 per cent local content, and two in metropolitan Melbourne, with an average commitment of 90 per cent local content. One project commenced that occurred statewide, with a local content requirement of 80 per cent. The MSPG applied to three of these projects.

The outcomes expected from the implementation of the Local Jobs First policy to these projects where information was provided, were as follows:

- an average of 85 per cent of local content commitment was made
- a total of 400 jobs (annualised employee equivalent (AEE)) were supported, including the creation of nine new jobs and the retention of 340 existing jobs (AEE)
- a total of 50 positions for apprentices, trainees and cadets were committed, including the creation of 25 new apprenticeships, traineeships and cadets and the retention of the remaining 25 existing apprenticeships, traineeships and cadets
- MPSG applicable projects provided a total of 20 000 hours to apprentices, trainees, cadets and engaged 32 apprentices, trainees and cadets
- Three small to medium enterprises prepared a VIPP Plan or Local Industry Development Plan (LIDP) for contracts, successfully appointed principal contractor. Fifty-five small to medium-sized businesses were engaged through the supply chain on completed Standard Projects.

Projects commenced – Local Jobs First Strategic

During 20X1-X2, the Department commenced one Local Jobs First Strategic Project, valued at $250 million. The project was based in metropolitan Melbourne representing 90 per cent of estimated local content. The MPSG applied to this project.

The outcomes reported from the implementation of the policy where information was provided, were as follows:

- an average of 90 per cent of local content outcome was recorded
- a total of 77 (AEE) positions were committed, including the creation of 20 new jobs and the retention of 57 existing jobs (AEE)
- 27 new apprenticeships and traineeships were committed, and 54 existing apprenticeships and traineeships retained
- MPSG applicable projects committed to a total of 6 000 hours to apprentices, trainees and cadets and engaged 10 apprentices, trainees and cadets
- One small to medium enterprise prepared a Local Industry Development Plan (LIDP) for a contract, successfully appointed principal contractor. Forty small to medium-sized businesses were engaged through the supply chain on commenced Strategic Projects.

Projects completed – Local Jobs First Strategic

During 20X1-X2, the Department completed three Local Jobs First Strategic Projects, valued at $300 million. One project was based in metropolitan Melbourne representing 90 per cent of estimated local content. Two were based in regional Victoria with an average estimated local content of 88 per cent. The MSPG applied to these three projects.

The outcomes reported from the implementation of the policy where information was provided were as follows:

- an average of 88.6 per cent of local content outcome was recorded
- a total of 123 (AEE) positions were supported, including the creation of 60 new jobs and the retention of 63 existing jobs (AEE)
- 42 new apprenticeships, traineeships and cadets were supported and 52 existing apprenticeships and traineeships were retained
- MPSG applicable projects provided a total of 40 000 hours to apprentices, trainees, and cadets and engaged 46 apprentices, trainees, and cadets
- Two small to medium enterprises prepared a VIPP Plan or Local Industry Development Plan (LIDP) for contracts, successfully appointed principal contractor. Forty-five small to medium-sized businesses were engaged through the supply chain on completed Strategic Projects.

Reporting requirements – grants

For grants provided during 20X1-X2, a total of three interaction reference numbers were required, which entailed a conversation with the Industry Capability Network (Victoria) Ltd.

Guidance – Implementation of the Local Jobs First

Reporting on all contracts except those related to grants provided [FRD 25]

The report of operations should contain the following information if applicable for contracts **commenced and/or completed** to which the Local Jobs First applied in the reporting period:

- the number and total value of both Local Jobs First Strategic and Local Jobs First Standard Projects commenced and/or completed in the reporting period to which a VIPP Plan (only from 1 July 2018 to 15 August 2018) or Local Industry Development Plan (LIDP) was required
- the number of projects that the MSPG has been applied on (from 15 August 2018). MPSG guidelines (2016) will continue to apply to MPSG-applicable projects where contracts have been entered by 15 August 2018
- the number and percentage of 'local content' committed under projects that commenced and/or completed in the reporting period to which LIDP was required, split by metropolitan, regional and statewide
- for projects commenced, a statement of total LIDP commitments (local content, employment (AEE), and engagement of apprentices, trainees and cadets) committed as a result of these projects
- for projects completed, a statement of total VIPP Plan or LIDP outcome (local content, employment (AEE), and engagement of apprentices, trainees and cadets) achieved as result of these projects
- the number of small to medium-sized businesses engaged as either the principal contractor or as part of the supply chain.

Reporting on grants provided

In relation to grants, the report of operations should show the total number of conversations with the Industry Capability Network that correspond with the registration and issue of an Interaction Reference Number.

Government advertising expenditure

In 20X1-X2, there were three government advertising campaigns with total media spend of $100 000 or greater (exclusive of GST). The details of each campaign are outlined below. [FRD 22 / Recommendation 50, PAEC Report 118]

Details of government advertising expenditure (campaigns with a media spend of $100 000 or greater) **($ thousand)**

			20X1-X2					
Name of campaign	*Campaign summary*	*Start/ end date*	*Advertising (media) expenditure (excl. GST)*	*Creative and campaign development expenditure (excl. GST)*	*Research and evaluation expenditure (excl. GST)*	*Print and collateral expenditure (excl. GST)*	*Other campaign expenditure (excl. GST)*	*Total*
Online Safety	To ensure Victorian users remain safe online, the Department launched a six–month campaign aimed at informing and educating Victorians about how to stay safe online.	Aug 20X1 – Jan 20X2	1 250	40	15	65	0	1 370
E-recycling	The Department is committed to setting the standard for responsible recycling of electronic equipment. A six– month campaign has been initiated to educate companies about how to responsibly dispose of electronic waste.	Oct 20X1 – Mar 20X2	620	15	32	12	8	687
Senior Citizens Computer Literacy Campaign	The Department launched a three-month campaign promoting short courses for senior citizens to assist in developing basic IT skills.	Jan 20X2 – Mar 20X2	500	10	40	50	10	610

Guidance – Government advertising expenditure

In accordance with paragraph 5.16 of FRD 22, for each government advertising campaign with total media buy of $100 000 or greater (exclusive of GST), an entity should include a schedule listing the following: [FRD 22]

- the name of the advertising campaign
- the start and end date of the campaign
- a campaign summary
- details of campaign expenditure for the reporting period (exclusive of GST) including:
  - advertising (media)
  - creative and campaign development
  - research and evaluation
  - print and collateral
  - other campaign costs.

Nil report statement **[Recommendation 49, PAEC Report 118]**

An explicit statement of 'nil reports' is required where the relevant activities or circumstances do not trigger the disclosure threshold of $100 000 on government advertising expenditure.

Consultancy expenditure

Details of consultancies (valued at $10 000 or greater) [FRD 22/ Recommendation 71, PAEC Report 87]

In 20X1-X2, there were three consultancies where the total fees payable to the consultants were $10 000 or greater. The total expenditure incurred during 20X1-X2 in relation to these consultancies is $1.65 million (excluding GST). Details of individual consultancies are outlined below [insert website address if the entity chooses to report detailed disclosure online].

($ thousand)

Consultant	*Purpose of consultancy*	*Start date*	*End date*	*Total approved project fee (excl. GST)*	*Expenditure 20X1-22 (excl. GST)*	*Future expenditure (excl. GST)*

Reedy Consultants	Undertake community satisfaction measurement surveys	1 Feb 20X2	1 Apr 20X3	1 200	500	700
GMPK	Advice on internal control functions	6 Nov 20X1	21 Jan 20X2	650	650	nil
Morecroft and Crawford	Legal advisory services	5 May 20X1	30 Sep 20X2	500	500	nil

Note: [The disclosure on 'start date' and 'end date' of a consultancy is not a mandatory requirement of FRD 22.]

Details of consultancies under $10 000

In 20X1-X2, there were 147 consultancies engaged during the year where the total fees payable to the individual consultancies was less than $10 000. The total expenditure incurred during 20X1-X2 in relation to these consultancies was $1.3 million (excl. GST).

Guidance – Consultancy expenditure disclosure

For the purposes of the requirements of FRD 22: [FRD 22]

- a consultant is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making through:
  - provision of expert analysis and advice
  - development of a written report or other intellectual output
- a contractor is an individual or organisation that is formally engaged to provide works or services for or on behalf of an entity. This definition does not apply to casual, fixed term or temporary employees directly employed by the entity.

Refer to FRD 22 for the detailed disclosure requirements on consultancy expenditure. Examples of 'consultants' and 'contractors' are also available on the Guidance Note to FRD 22.

Disclosure in machinery of government changes

The objective of the disclosure is to provide additional transparency over the actual spending and engagements of contractors and consultants by the Department, which may not specifically tie to the individual outputs of the Department. As a result, the reporting of consultants' expenditure in the event of machinery of government change should be made over the same period as the financial statements.

Information and communication technology expenditure

Details of information and communication technology (ICT) expenditure [FRD 22]

For the 20X1-X2 reporting period, the Department had a total ICT expenditure of [insert total value], with the details shown below.

($ thousand)

All operational ICT expenditure	*ICT expenditure related to projects to create or enhance ICT capabilities*		
Business as Usual (BAU) ICT expenditure	*Non-Business as Usual (non-BAU) ICT expenditure*	*Operational expenditure*	*Capital expenditure*
(Total)	(Total = Operational expenditure and capital expenditure)		
60	**40**	**30**	**10**

ICT expenditure refers to the Department's costs in providing business enabling ICT services within the current reporting period. It comprises Business as Usual (BAU) ICT expenditure and Non-Business as Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing the Department's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure that primarily relates to ongoing activities to operate and maintain the current ICT capability.

Guidance – ICT expenditure

In accordance with paragraph 6.17 of FRD 22, an entity should disclose the following: [FRD 22].

- total entity ICT Business as Usual (BAU) expenditure for the full 12-month reporting period
- total entity ICT Non-BAU expenditure for the full 12-month reporting period; and provide a breakdown for:
  - operational expenditure (OPEX); i.e. the expenditure is charged against operational funding
  - capital expenditure (CAPEX), i.e. the expenditure is charged against capital funding.

ICT expenditure: a department's costs in providing business-enabling ICT services and consists of the following cost elements:

- operating (including depreciation and impairment) and capital expenditure
- ICT services – internally and externally sourced
- cost in providing ICT services (including personnel and facilities) across the agency, whether funded through a central ICT budget or through other budgets
- cost in providing ICT services to other organisations.

Total ICT expenditure = ICT BAU expenditure + ICT Non-BAU expenditure.

Non-Business as Usual (Non-BAU): non-BAU ICT expenditure is a subset of ICT expenditure that relates to extending or enhancing current ICT capabilities and are usually run as projects. This includes expenditure incurred for a project to build enhancements to an existing ICT system or to implement a new ICT system or solution.

Business as Usual (BAU): all remaining ICT expenditure is considered BAU ICT expenditure and typically relates to ongoing activities to operate and maintain the current ICT capability. This includes ongoing operational expenditure incurred for any ICT services or systems, such as depreciation expenses, repairs and maintenance costs.

Further detail is available from the ICT Reporting Standard and ICT Expenditure Reporting Guideline.

Nil report statement

An explicit statement of 'nil reports' is required where the relevant activities or circumstances do not result in any spending.

Disclosure of major contracts

With the exception of the contract referred to below, the Department has disclosed, in accordance with the requirements of government policy and accompanying guidelines, all contracts greater than $10 million in value entered into during the financial year ended 30 June 20X2. Details of contracts that have been disclosed in the Victorian Government Contracts Publishing System can be viewed at: www.tenders.vic.gov.au. [FRD 12]

Contractual details have not been disclosed for contracts where disclosure is exempted under the *Freedom of Information Act 1982* (the Act) and/or government guidelines.

The contractual details with MNO People Solutions for staff recruitment and training has not been disclosed as at 30 June 20X2 but will be posted on the Department's website on 1 October 20X2.

Guidance – Disclosure of major contracts

Legislative and documented references

FRD 12 requires that for contracts greater than $10 million, a department's annual report must include a statement by the Accountable Officer advising that:

- contracts entered into during the reporting period have been disclosed in part or in full, except for certain material that falls within one or more of the criteria contained in Part IV of the Freedom of Information Act 1982
- brief details of the contractors and the purpose of contracts that have not been disclosed and the date when it will be disclosed
- where the details of contracts that have been disclosed are publicly available.

Guidance

In complying with these requirements, the Accountable Officer should have regard to the following documents and other relevant material:

- Ensuring Openness and Probity in Victorian Government Contracts: A policy statement (11 October 2000)
- Ensuring Openness and Probity in Victorian Government Contracts: Implementation guidelines
- Guidelines issued by the Victorian Government Purchasing Board.

The mandated disclosure above is a minimum requirement. The policy requires that all other public sector entities document their policies on disclosure, having regard to the Government's policy on openness and probity.

Freedom of information [UPDATED]

The *Freedom of Information Act 1982* (the Act) allows the public a right of access to documents held by the Department. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act. [FRD 22]

An applicant has a right to apply for access to documents held by a department. This comprises documents both created by the department or supplied to the department by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by the Department is available on the Department's website under its Part II Information Statement.

The Act allows a department to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to a department in-confidence and information that is confidential under another Act.

Under the Act, the FOI processing time for requests received is 30 days. However, when external consultation is required under ss29, 29A, 31, 31A, 33, 34 or 35, the processing time is 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

If an applicant is not satisfied by a decision made by the Department, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

FOI requests can be lodged online at ovic.vic.gov.au. An application fee of $30.60 applies. Access charges may also be payable if the document pool is large and the search for material time consuming.

Access to documents can also be obtained through a written request to the Department's Freedom of Information team, as detailed in s17 of the Act.

When making an FOI request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

Requests for documents in the possession of the Department of Technology should be addressed to:

Freedom of Information Team
Department of Technology
1 Victoria Place
Melbourne VIC 3000

Enquiries can be made to the department's FOI Unit via email at [provide the relevant email address].

Requests for documents held by the department's portfolio statutory bodies that are subject to FOI, such as xxx should be sent directly to the relevant statutory body. A list of the department's statutory bodies that are subject to FOI can be found at [provide the location of the list].

FOI statistics/timeliness

During 20X1-X2, the Department received 100 applications. Of these requests, 20 were from Members of Parliament, 10 from the media, and the remainder from the general public.

The Department made 95 FOI decisions during the 12 months ended 30 June 20X2.

There were xxx decisions made within the statutory time periods. Of the decisions made outside time, xxx were made within a further 45 days and xxx decisions were made in greater than 45 days. A total of xxx FOI access decisions were made where access to documents was granted in full, granted in part or denied in full. XXX decisions were made after mandatory extensions had been applied or extensions were agreed upon by the applicant. Of requests finalised, the average number of days over / under the statutory time (including extended timeframes) to decide the request was xx days.

During 20X1-X2, five requests were subject to a complaint/internal review by OVIC. Two requests progressed to the Victorian Civil and Administrative Tribunal (VCAT).

Further information

Further information regarding the operation and scope of FOI can be obtained from the Act, regulations made under the Act and ovic.vic.gov.au.

Guidance – Freedom of Information

Legislative and documented references

FRD 22 states that a Department's annual report should include a 'summary of the application and operation of the *Freedom of Information Act 1982* (the Act)'.

Guidance

This section should provide the reader with context of how the Act operates and the department's application of the requirements under the Act, including:

- a description of what types of requests are handled by the department and what are outside its scope (e.g. requests for information belonging to a portfolio agency)
- guidance on how a member of the public can make an FOI request, what format it should be in and any costs associated with making the request
- contact details for the department's FOI officer(s)
- details of how the Act has been applied for the reporting period, including the entity's application of the publication requirements prescribed in s7(4) of the Act
- a summary of the types of requesters (e.g. 'six were from Members of Parliament, three from the media and the remainder were from the general public') and the outcome of the requests in brief detail
- further information on where readers may find out more information about FOI may also be included (FOI website, FOI Act etc.).

Please note that entities should refer to the FOI Act for the detailed requirements. **The Model should not be used as a substitute for the actual legislation or specific requirements.**

Compliance with the *Building Act 1993*

The Department does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993* [for publicly owned buildings controlled by the Department]. [FRD 22]

Guidance – Compliance with the *Building Act 1993*

Legislative and documented references

FRD 22 states that a department's annual report must include a 'statement on compliance with the building and maintenance provisions' of the *Building Act 1993*. This reference to the Building Act should be taken to refer to the regulations made under the *Building Act 1993* as well as the relevant provisions of the National Construction Code.

Audit of government-owned and leased buildings for the presence of combustible cladding

Departments should be aware that an audit of government-owned and leased buildings has been undertaken. Audit outcomes that demonstrate non-compliance which may need to be considered when making statements relating to compliance with the building and maintenance provisions of the *Building Act 1993*.

Guidance

If your department or entity does not own or control any government buildings, you still need to include a statement to that effect, identifying that it is exempt from notifying its compliance with the building and maintenance provisions of the Act.

Where a department does own or control buildings, it should disclose the following:

- mechanisms to ensure that buildings conform with the building standards
- major works projects (greater than $50 000)
- the number of building permits, occupancy permits or certificate of final inspection issued in relation to buildings owned by the department or entity
- mechanisms for inspection, reporting, scheduling and carrying out of maintenance works on existing buildings
- the number of emergency orders and building orders issued in relation to buildings
- the number of buildings that have been brought into conformity with building standards during the reporting period.

Competitive neutrality policy

Competitive neutrality requires government businesses to ensure that where services compete, or potentially compete, with the private sector, any advantage arising solely from their government ownership is removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

The Department ensures Victoria fulfils its requirements on competitive neutrality reporting as required under the **Competition Principles Agreement** and **Competition and Infrastructure Reform Agreement**.

Guidance – National Competition Policy

Legislative and documented references

FRD 22 states that a department's annual report must include a 'statement to the extent applicable, on the implementation and compliance with National Competition Policy (NCP), including compliance with the requirements of the policy statement, *Competitive Neutrality Policy Victoria* and any subsequent reforms'.

Guidance

The Victorian Government requires that an assessment of proposed legislation or regulation against the NCP requirements be included in the Legislative Impact Assessments (LIA), which are prepared for primary legislation, and Regulatory Impact Statements (RIS), which are prepared for regulations and other instruments.

Departments may wish to include some background information in this section, outlining the basis upon which NCP was implemented and where relevant, subsequent reviews as part of the National Reform Agenda, most notably the preparation of LIA and RIS.

This section should also include details of compliance with competitive neutrality policy and background information on the application of competitive neutrality to the extent that this has altered since the previous year. Where a competitive neutrality complaint has been made against a department, this section should also include a brief description of the complaint, the results of any investigation and steps taken to comply with the competitive neutrality policy. An issue raised with a department is only recognised as a "complaint" once Better Regulation Victoria has formally advised it falls within scope of the Victorian competitive policy framework and warrants further investigation.

Further information on the policy is available from Better Regulation Victoria: www.betterregulation.vic.gov.au.

Compliance with the *Public Interest Disclosures Act 2012*

The *Public Interest Disclosures Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken. [FRD 22]

The Department does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The Department will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Reporting procedures

Disclosures of improper conduct or detrimental action by the Department or any of its employees may be made to any of the following departmental personnel:

- Secretary of the Department
- Public Interest Disclosure Coordinator or Public Interest Disclosure Officer
- manager or supervisor of the discloser
- manager or supervisor of the person who is the subject of the disclosure
- a person acting in any of the above roles.

Alternatively, disclosures may also be made directly to the Independent Broad-based Anti-corruption Commission: [FRD 22]

Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000

Phone: 1300 735 135
Internet: www.ibac.vic.gov.au

Email: [see the website above for the secure email disclosure process, which also provides for anonymous disclosures]

Further information

The Public Interest Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers, are available on the Department's website.

Disclosures under the Public Interest Disclosures Act 2012

	20X1-X2 number	*20X0-X1 number*
The number of disclosures made by an individual to the Department and notified to the Independent Broad-based Anti-corruption Commission		
Assessable disclosures	0	n.a.

Guidance – Compliance with *Public Interest Disclosures Act 2012* (formerly the *Protected Disclosure Act 2012*, *Whistleblowers Protection Act 2001*)

Legislative and documented references

FRD 22 states that a department's annual report should include a 'summary of the application and operation of the *Public Interest Disclosures Act 2012* (the Act), including disclosures required by the Act'.

The Act commenced operation on 10 February 2013 and replaced the former *Whistleblowers Protection Act 2001*.

Guidance

Similar to the former legislation, the applicable disclosures of the current Act may be presented in a table format.

Illustration under the Act has been prepared for departments only. **Agencies should seek their own advice regarding reporting requirements that may apply to them**.

The application could be supported by a short message from a department's Secretary, outlining the department's commitment to the aims and objectives of both Acts and its own process for applying the Acts.

Compliance with the *Carers Recognition Act 2012*

The Department has taken all practical measures to comply with its obligations under the Act. These include [insert or remove whatever is applicable]:

- promoting the principles of the Act to people in care relationships who receive our services and to the wider community [e.g. distributing printed material about the Act at community events or service points; providing links to state government resource materials on our website; providing digital and/or printed information about the Act to our partner organisations]
- ensuring our staff have an awareness and understanding of the care relationship principles set out in the Act [e.g. developing and implementing a staff awareness strategy about the principles in the Act and what they mean for staff; induction and training programs offered by the organisation include discussion of the Act and the statement of principles therein]
- considering the care relationships principles set out in the Act when setting policies and providing services [e.g. reviewing our employment policies such as flexible working arrangements and leave provisions to ensure that these comply with the statement of principles in the Act; developing a satisfaction survey for distribution at assessment and review meetings between workers, carers and those receiving care]
- implementing priority actions in Recognising and supporting Victoria's carers: Victorian carer strategy 2018-22.

Compliance with the *Disability Act 2006*

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

The Department has complied with its obligations under the Disability Act to prepare a Disability Action Plan for the purpose of reducing barriers to access goods, services and facilities; reducing barriers to a person with a disability obtaining and maintaining employment; and promoting inclusion and participation in the community and achieving tangible changes in attitudes and practices that discriminate against people with a disability as outlined below.

Reducing barriers to accessing goods, services and facilities

[An example of a relevant initiative could be the implementation of an asset management strategy that builds accessibility into core business and includes detailed audits to assess disability access for customers and staff across all office locations, with clear documentation of the works required to fix identified access issues.]

Reducing barriers to persons with a disability obtaining and maintaining employment

[An example of a relevant initiative could be the development of an organisational disability employment strategy, developed in partnership with employees with disability, including actions to ensure an inclusive and disability equitable workplace, increased career pathways, and access to development and advancement opportunities.]

Promoting inclusion and participation in the community

[An example of a relevant initiative could be establishing a partnership with a user-led organisation to work on a joint communications campaign to change attitudes and perceptions about people with disability in leadership positions.]

Achieving tangible changes in attitudes and practices that discriminate against people with a disability

[An example of a relevant initiative could be having a senior disability champion within the organisation who is active in promoting access and inclusion and removing barriers.]

As required by the Disability Act, the Department reports annually on the implementation of its Disability Action Plan in its annual report.

Guidance – Additional departmental information available on request

Legislative and documented references

Section 38 of the *Disability Act 2006* requires that public sector bodies (including all government departments) develop and implement a disability action plan under four outcomes and report annually on their progress:

- reducing barriers to people with a disability accessing goods, services and facilities
- reducing barriers to persons with a disability obtaining and maintaining employment
- promoting inclusion and participation in the community of people with a disability
- achieving tangible changes in attitudes and practices which discriminate against people with a disability.

Guidance

Public sector bodies are required to provide an update on their disability action plan in their annual report. This could take the form of a summary of achievements to demonstrate progress against the actions in their plan. A summary of achievements should profile practical examples of relevant initiatives and related outcomes for people with disability and other stakeholders. Examples provided should demonstrate delivery against the four outcomes areas of the *Disability Act 2006*.

Disability action plans are an important tool to reduce barriers, promote inclusion and change attitudes and practices. Disability action plans are a mechanism to take a planned approach to addressing discrimination and to set a broader agenda of inclusion and participation for people with disability in the community. Disability action plans build the capacity of organisations to be accessible and responsive to people with disability.

Public sector bodies have continuing responsibility to prepare and implement disability action plans to ensure their organisations are accessible and responsive to the 1.1 million people with disability in Victoria.

Absolutely everyone provides a commitment to reinvigorate disability action plans across the public sector including in all Victorian government departments. A suite of resources is being developed to support public sector bodies to develop, implement and report their disability action plans. This will include further guidance about how to align their disability action plan and its reporting with *Absolutely everyone* and their organisation's strategic plan. For further information about these resources and disability action plans more broadly, please contact the Office for Disability by phone on 1300 880 043 or by email at ofd@dhhs.vic.gov.au.

Further information on *Absolutely everyone* is available from www.statedisabilityplan.vic.gov.au.

Compliance with other legislation [FRD 22]

Compliance with *Technology Act 1991* [Fictitious act]

Under section 4(a) of the *Technology Act 1991*, the Minister of Technology is required to ensure a continuous assessment of technology research programs in relation to the use of animal tissues. As per section 16(c) of the Act, the following disclosures were made in respect of research activities undertaken in 20X1-X2:

- the technology research register indicates that 42 research programs during the financial year involve the use of animal tissues
- three out of the 42 research programs were completed during the year
- no new research programs involving the use of animal tissues commenced.

Guidance – Compliance with other legislation

Legislative and documented references

There may be other legislative disclosures that entities are required to disclose that are not covered by the Model.

Guidance

Entities may wish to include some background information in this section, outlining the basis upon which the legislation was implemented.

This section should include details of compliance with the relevant Act and any reporting required as outlined in that Act.

[NEW] Disclosure of Emergency Procurement [FRD 22.5.19]

In 20X1- 20X2 the Department activated Emergency Procurement on one occasion in accordance with the requirements of government policy and accompanying guidelines. Three new contracts, each valued at or more than $100 000 (GST inclusive), were awarded in connection with the emergency. Details of the Department's emergency procurements are shown below. [FRD 22.5.19]

Nature of Emergency	*Date of activation*	*Summary of goods and services procured under new contracts*	*Total spend on goods and services in response to the emergency*	*Number of new contracts awarded valued at $100 000 (incl. GST) or more.*
COVID-19 pandemic	1 July 2021	• Call centre services for pandemic support / information line • Laptop supplies to set up working from home for employees • Increased remote server security for online document storage (content manager)	$750 000 [(a)]	3

Note:
(a) This is the total of all expenditure, including contracts under and over $100 000.

Guidance – Disclosure of Emergency Procurement

Legislative and documented references

FRD22. 5.19 applies to entities that are within the scope of the Victorian Government Purchasing Board (VGPB) goods and services supply policies.

Entities must report activation of Emergency Procurement in their annual report including details related to each activation.

Guidance

Details to be disclosed are:

- the nature of the emergency
- the date the emergency procurement policy was activated
- a summary of the goods and services procured under the new contracts.
- total spend on goods and services [(a)]
- the number of new contracts awarded valued at $100 000 (GST inclusive) or more [(b)].

Notes:
*(a) **Total spend on goods and services** refers to all expenditures incurred by an entity in response to the emergency, following activation of emergency procurement. This includes new procurements, variations and purchases made under pre-existing contractual arrangements.*
*(b) **The number of new contracts** valued at $100 000 or more (GST inclusive) includes those new contracts entered into by the entity to respond to an emergency during the emergency procurement activation period. A summary description of the goods and services procured under each of these new contracts is to be provided.*

Contracts awarded by the entity that are not in response to the emergency (routine procurements) are excluded.

If an entity's activation of emergency procurement spans more than one financial year, the entity must report emergency procurement activities for the year in which they occur. Entities should note in their reporting if activation of emergency procurement did not cease by the end of the financial year or continued from activation in the previous financial year.

The reporting requirements above are the minimum required to be included in the entity's annual report. Entities may include additional details, as appropriate, to assist with transparency in their reporting of emergency procurement.

In complying with these requirements, the Accountable Officer should have regard to the following documents and other relevant material:

- VGPB Governance Policy - Emergency Procurement
- VGPB Develop an emergency procurement plan – Goods and services guide.

Nil report statement

An explicit statement of 'nil reports' is required where emergency procurement was not activated, resulting in nil spending for emergency procurements. The 'nil reports' statement is to be included in the same section as activation of emergency procurement would be reported in the model report.

Environmental Reporting [FRD 24 REVISED]

The Department is committed to environmental sustainability in its operations. Sustainability and greenhouse gas emissions reduction form core parts of the Department's corporate strategy [FRD 24.4.1]. The Department supports the Victorian public sector in adopting new technology that lowers emissions and increases environmental sustainability.

Guidance – Environmental Reporting

The Victorian Government's commitment to sustainability in its own operations is reflected in legislation, policies, and strategies, including the *Climate Change Act 2017*, Victoria's Climate Change Strategy, Whole of Victorian Government emissions reduction pledge, Victorian Renewable Energy Target, Recycling Victoria, and the Sustainable Investment Guidelines. In addition, the General Environmental Duty under the *Environment Protection Act 2017* requires all Victorian Government entities to minimise risks of harm to human health or the environment from pollution or waste, so far as is reasonably practicable.

FRD 24 specifies the environmental performance indicators that must be reported by relevant entities across the Victorian Government in annual reports. FRD 24 establishes reporting tiers, which have different reporting requirements. Public sector entities within each tier are listed in the *Guidance on the application of reporting tiers under FRD 24*, available on the DTF website. A department is required to report on Tier 1 indicators as specified in Appendix 2 of FRD 24. Other public entities have different reporting requirements and should refer to FRD 24 Appendix 2 and the accompanying Guidance to understand their own obligations.

Guidance

The following illustrative disclosure is a mix of narrative and quantitative data tables presenting the Department of Technology's environmental performance, achievements and targets. It includes commentary on the progress towards achieving departmental objectives, performance measures and concrete initiatives. The disclosure also contains examples where the data availability requirements of FRD 24 are applied, including the use of estimates and explanatory notes on planned activities to improve data collection for future periods.

Public sector entities must report data for all indicators and include all indicator segmentation where there is non-zero data. Reports do not need to include segments where the value is zero, especially where this may result in the inclusion of a large number of rows or zero values, such as with vehicle fleet. Guidance to FRD 24 provides information on the full segmentation for the reporting department or entity.

In general, accompanying context (see paragraph 4.6 in FRD 24) should be in prose ahead of each relevant table. Contextual information that relates to specific data including where data is included from other entities within the organisational boundary (see paragraph 4.3 in FRD 24) and commentary in relation to the data availability requirements (see paragraph 4.4 in FRD 24), should be included in the table footnotes.

This section contains [references] to paragraphs of FRD 24 and the indicator designations to identify which elements of the illustrative disclosure correspond to the FRD 24 requirements.

The Department's Environmental Management System [FRD 24 paragraph 4.6]

The Department's Environmental Management System (EMS) is a structured approach to managing the Department's environmental impacts and improving its environmental performance. It is based on the national standard *AS/NZS ISO 14001:2016: Environmental Management Systems* and provides a framework for the Department to improve its environmental sustainability.

The EMS objectives include:

- reducing greenhouse gas emissions resulting from the Department's operational activities
- reducing the amount of waste and maximising the amount of reused and recycled resources in procurement
- ensuring new capital works incorporate environmentally sustainable principles in design, construction and operation
- encouraging staff to reduce environmental impacts through behaviour change
- communicating environmental performance through regular internal and public reporting.

The EMS was last audited in [year] and was reported to have no significant findings. The Department has established and maintained procedures to conform with *AS/NZS ISO 14001:2016* which included the following:

- identifying the environmental aspects of its activities and operations
- defining and documenting roles and responsibilities to facilitate effective environmental management
- identifying training needs and establishing a training program to equip personnel with environmental management knowledge
- monitoring and measuring the key operations and activities that can have a significant impact on the environment
- establishing and maintaining procedures for defining responsibility and authority for handling non-conformance in relation to environmental management
- having regular and documented management review over the EMS to ensure its continuing sustainability and effectiveness.

Reporting boundary for environmental data [FRD 24 paragraph 4.3]

All the operations and activities of the Department are included within the organisational boundary for this reporting period. Select data are included for the three entities which are consolidated into the Department's financial statements. Where consolidated data of the following entities have been included, this is noted in the footnotes of the corresponding tables:

- Gene Sciences Victoria
- The Office of the Commissioner of New Technology
- Innovation Victoria

Guidance – Reporting boundary

Organisational boundary

The organisational boundary of the reporting entity must be documented including any other entities, leases and service concessions that are included within the entity's reporting. Where consolidated entities are included in an organisation's annual report, for example under section 53 of the *Financial Management Act 1994*, these should be noted in this section. Consolidated entities will belong to a different reporting tier than the reporting department and thus have reduced reporting requirements. Only those indicators required for the relevant tier of the consolidated entity need to be included in the department's reporting.

Reporting period

The reporting period for environmental data should follow the financial year (1 July to 30 June). If this is not possible due to data availability, alternative reporting periods can be implemented. If an alternative reporting period is adopted, it should be noted in this section.

Normalisation

Certain indicators require data to be normalised to generate an average figure for analysis of trends over multiple reporting periods. Where a reporting entity chooses to use FTE or another quantity disclosed elsewhere in this report, no further disclosure is necessary. If a different normalisation factor is used, it should be disclosed in this section.

For illustration, FTE is the normalisation used in this disclosure.

Climate-related risk disclosure statement [FRD 24 paragraph 4.6]

Climate change has the potential to directly and indirectly impact the services and programs that the Department delivers on behalf of the Victorian Government. This requires ongoing effort to understand and respond to risks, develop opportunities, and build resilience to climate impacts.

The Department seeks to lead the Victorian public sector in adopting new technology to deliver services to the community in ways that support Victoria's transition to net zero emissions and a climate resilient state. Through this statement, the Department aims to:

- communicate its actions to understand the impact of climate change on its assets, operations and services
- demonstrate that its environmental impacts are responsibly managed and mitigated
- support the efficient allocation of resources to transition operations to net zero emissions and improve environmental performance over time.

Climate-related risk governance

The Department's Executive Board leads its risk management framework and is the collective owner of the Department's strategic risks. The Board monitors risk mitigation activities through quarterly executive risk management reporting.

The Executive Board established the Climate Risk Management Committee, a senior executive committee, in 20X2 to integrate consideration of climate risks and opportunities across the Department's operations and activities. The Committee is responsible for:

- commissioning a whole of Department climate-related risks assessment
- overseeing the development and delivery of a climate change strategy for the Department
- increasing capability to identify and respond to climate risks and opportunities across the Department
- overseeing progress, performance and reporting.

The Department's Risk and Audit Committee provides independent assurance to the Secretary that the Department's risk and control environment is operating effectively and efficiently. The committee actively monitors the Department's risk profile, including climate-related risks, and assesses the risk management strategies adopted.

Climate-related risk strategy

The Department is continuing to build on its understanding of climate-related risks and opportunities, and assess and monitor their relative potential impacts. To support this, the Department intends to undertake a whole of Department climate-related risk assessment over the next 18 months.

The Department is currently monitoring and managing several key strategic climate-related physical and transition risks and opportunities including:

- impact of increased temperatures and extreme heat on Department operations, including the health and safety of staff operating outdoors
- impact of bushfires and extreme weather events on exposed Departmental assets
- reducing greenhouse gas emissions resulting from the Department's operations in line with Victorian Government commitments
- increasing energy efficiency and demand management capabilities of the Department's data centres
- aligning procurement to circular economy principles
- improving environmental performance monitoring, evaluation and reporting
- supporting the continuing uptake of renewable energy and other low emissions technologies across Victoria.

The Department is leading the investigation of advanced energy management systems across the Victorian Government's asset portfolio. This will improve energy performance, support the uptake of electric vehicles, and strengthen the resilience of Victoria's electricity grid through on-site battery storage and flexible demand management. This initiative is designed to complement the Victorian Government's transition to 100 per cent renewable electricity by 2025 under the Whole of Victorian Government emissions reduction pledge for 2021-25.

The Department formed a Climate and Sustainability Working Group to identify opportunities to improve the Department's environmental performance for operations and asset management and to coordinate environmental reporting. The working group is comprised of managers and team leaders across the Department and portfolio entities, reporting quarterly to the Climate Risk Management Committee.

Climate-related risk management

The Department's risk management framework requires the Department to consider its operating context, including climate change, and identify, assess and manage risks and opportunities. The framework is aligned to the Victorian Government Risk Management Framework and provides guidance for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Department.

Climate-related risks are assessed and managed at the strategic, operational and program/project levels, including through operational risk management activities and the delivery of climate-related programs.

Climate-related metrics and targets

The Department reports climate-related metrics in line with requirements under Financial Reporting Direction 24 *Reporting of environmental data by government entities*. The environmental data captured in 2019-20 are mostly used as baseline for reporting of these indicators.

Environmental data for this report is captured in the Department's Environmental Data Management System (EDMS) from suppliers, equipment metering, reports and surveys. Environmental data is reported to the Climate and Sustainability Working Group on a quarterly basis, to support the evaluation of environmental performance initiatives, and reported to the Risk Management Committee.

The Department has achieved its target to double renewable energy generation capacity on its sites with the installation of a 100kW solar system at its data centre. The Department has established the following targets to drive improvements to its understanding and management of climate-related risks and support better environmental performance across its portfolio:

- complete a whole of Department climate-related risk assessment within two years
- install efficient LED lighting and water-efficient taps at all sites within three years
- reduce by half total energy use per FTE within three years compared to 2019-20
- replace at least 50 per cent of natural gas heating systems with efficient electric systems within eight years
- increase the recycling rate to 85 per cent within eight years
- transition 100 per cent of the Department's car and van fleet to zero emissions vehicles within twelve years.

Guidance – Climate-related risk disclosure

Tier 1 entities are to illustrate the organisations approach to understanding and managing climate-related risks and opportunities, drawing on information and examples across the four key areas of – Governance, Strategy, Risk Management, Metrics and Targets. Across these four areas, entities should:

- Governance: describe the organisations governance structures in place relating to climate-related risks and opportunities. This should include reference to the Board and/or executives' and their role in relation to risks, as well as any specific groups, committees or individuals with responsibilities for climate-related risks and opportunities
- Strategy: describe activities and/or structures in places to consider the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. This should include a description of any key climate-related risks and opportunities the organisation has identified for its strategic objectives, work undertaken to assess the impacts of these risks and opportunities, as well as the resilience of the organisation to them
- Risk Management: describe the processes the organisation uses to identify, assess, and manage climate-related risks. This may include frameworks, systems, processes, and policies in place to support risk management, and should include a description as to how any specific processes for climate-related risk identification, are integrated with broader risk management practices
- Metrics and Targets: Describe metrics and targets used by the organisation to assess and manage relevant climate-related risks and opportunities. This should include a description of the relevant metrics used, targets in place, and any information as to how the organisation is tracking in relation to those targets.

Greenhouse gas emissions

The Department reports its greenhouse gas emissions broken down into emissions 'scopes' consistent with national and international reporting standards. Scope 1 emissions are from sources that the Department owns or controls, such as burning fossil fuels in its vehicles or machinery. Scope 2 emissions are indirect emissions from the Department's use of electricity from the grid, which still uses coal and gas-fired power generation. Scope 3 emissions are indirect emissions from sources the Department does not control but does influence. The Department reports only scope 3 emissions from corporate air travel and waste disposal.

The Department's scope 1 greenhouse gas emissions increased by 1.89 per cent from 20XX-X0 to 20X0-X1 and by 2.82 per cent from 20X0-X1 to 20X1-X2. This increase has largely been driven by increased vehicle use as travel activities resumed after extended remote work periods over 20XX and 20X0.

The Department's scope 2 greenhouse gas emissions increased by 1.6 per cent from 20XX-X0 to 20X0-X1 and decreased by 23.3 per cent from 20X0-X1 to 20X1-X2. These decreases have been driven through the installation of 100kW of rooftop solar at the Department's data centre, decreasing electricity consumption in this facility.

The Department's scope 3 greenhouse gas emissions from corporate air travel and waste disposal increased an average of 3.2 per cent per annum from 20XX-X0 to 20X1-X2 as travel activities and office-based work resumed.

The Department is aiming to reduce its greenhouse gas emissions through several energy efficiency projects. These include the installation of efficient electric heating and cooling systems, LED lights, solar panels, and waste reduction program across all sites.

Indicator	*20X1-X2*	*20X0-X1*	*20XX-X0*
Total Scope 1 greenhouse gas emissions (Tonnes CO_2-e) [Indicator G1]	392.7	381.9	374.8
Total Scope 2 greenhouse gas emissions (Tonnes CO_2-e) [Indicator G2]	275.1	358.6	353.0
Total Scope 3 greenhouse gas emissions from commercial air travel and waste disposal (Tonnes CO_2-e) [Indicator G3]	3.3	3.2	3.1

Electricity production and consumption

The period from 20XX-X0 to 20X1-X2, saw a gradual resumption of on-site work which resulted in a small increase in electricity used across the Department's site. The Department has installed a 100kW solar system at its data centre which resulted in a decrease in the use of grid sourced electricity and an increase in solar PV generation.

The Department continues to implement a range of energy efficiency policies across its sites to reduce electricity use. These measures include:

- the installation of LED lighting across all Department sites within three years
- switching to efficient electric appliances, for example, minimum 7-star energy efficient refrigerators when they are replaced
- establishing the hibernate feature in laptops and desktop monitors as the default setting and encouraging staff to switch off electrical equipment when not in use through the Eco-Friendly Workplace Campaign
- heating and cooling systems are tuned to a room temperature of 25 degrees in summer and 20 degrees in winter to optimise electricity savings.

Total electricity use has also been monitored and reported to the Climate and Sustainability Working Group on a quarterly basis to help track and understand the Department's effort in electricity consumption.

Indicator	*20X1-X2*	*20X0-X1*	*20XX-X0*
Total electricity consumption (MWh) [Indicator EL1]	572.1	564.8	558.4
Purchased Electricity – Consolidated	350.8	432.8	428.6
Department Offices (a)	66.7	61.2	60.1
R&D Facilities	22.3	21.4	20.5
Depot (b)	19.2	18.7	19.3
Data Centre	220.5	313.1	306.4
Laboratory	22.1	18.4	22.3
Not directly purchased but from outside the organisation (MWh)	78.3	72.4	70.2
Department Offices (a)	78.3	72.4	70.2
Self-generated (MWh)	222.1	96.7	100.9
On-site electricity generated (MWh) [Indicator EL2]	266.8	111.6	115.8
Solar PV (c)	223.4	74.5	74.5
Consumption behind-the-meter	178.7	59.6	59.6
Exports	44.7	14.9	14.9
Other non-renewable (Diesel backup generator) (d)	43.4	37.2	41.3
On-site installed generation capacity (MW) [Indicator EL3]	5.15	5.05	5.05
Solar PV (c)	0.15	0.05	0.05
Diesel backup generator	5.0	5.0	5.0
Total electricity offsets (MWh) [Indicator EL4]	40.0	40.0	40.0
LGC's voluntarily retired by the Entity	20.0	20.0	20.0
Greenpower	20.0	20.0	20.0

Notes:
(a) *These include the offices of the Department, Gene Sciences Victoria and The Office of the Commissioner of New Technology.*
(b) *The Depot was under the management of the Department and had been used for shared activities with Gene Sciences Victoria and The Office of the Commissioner of New Technology.*
(c) *Included within the Department's rooftop solar portfolio is 15kW of legacy solar systems which are not separately metered. The electricity produced by these systems is not captured in the on-site electricity generated. When these systems are replaced or upgraded appropriate monitoring instruments will be installed.*
(d) *Diesel backup generation is not separately metered and electricity generated is estimated based on manufacturer supplied factors for operation under full load. All electricity generated is assumed to be used on site.*

Guidance – Segmentation and Data availability requirements

An example of segmentation that is encouraged by FRD 24 guidance is shown underneath the required purchased electricity segment of the table. This example of segmentation is for a relatively small organisation like the Department of Technology. Larger organisations may aggregate facilities into groups for reporting.

The electricity generated by legacy rooftop solar systems has not been included. The explanatory note describes that monitoring systems will be installed when the systems are replaced or upgraded.

Electricity generated by the backup diesel generator has not been directly measured. An estimate is provided based on the emissions factors for normal full load operation supplied by the manufacturer.

Stationary fuel use

Sources of emissions from stationary fuel include natural gas used in some buildings' heating systems and diesel back-up generators for critical facilities. The Department collected data primarily through billing information from fuel suppliers.

Stationary fuel use decreased by 10.1 per cent from 20XX-X0 to 20X0-X1 and increased by 16.9 per cent from 20X0-X1 to 20X1-X2. Changes in fuel use were due to fluctuations in employees working on site and resultant heating demand, and variation in the need for backup diesel generation.

The Department aims to replace at least 50 per cent of current natural gas heating systems with efficient electric systems within the next eight years to reduce the greenhouse gas emissions from stationary fuel use.

Indicator	*20X1-X2*	*20X0-X1*	*20XX-X0*
Total Fuels used in buildings and machinery (MJ) [Indicator F1]	1 245 160.8	1 065 656.4	1 184 062.7
Buildings [(a)]	809 080.0	692 676.7	769 640.8
Natural gas	809 080.0	692 676.7	769 640.8
Machinery [(b)]	435 954.1	372 979.8	414 421.9
Diesel	435 954.1	372 979.8	414 421.9
Greenhouse gas emissions from stationary fuel consumption (Tonnes CO_2-e) [Indicator F2]	64.8	61.9	68.8

Notes:
(a) Gas powered clothes dryers are used at the Department's depot, which are not separately metered and have been included in the buildings rather than machinery subtotal. The Department will explore sub-metering options when these dryers are replaced at the end of their useful life.
(b) The Department operates a backup generator at its data centre.

Guidance – Data availability requirements

In the above table, equipment that runs on natural gas is included in the buildings segment rather than the machinery segment, with an explanatory note that sub-metering options will be examined when the machinery is replaced. This is an example of using estimates (aggregating data in another section) and providing explanatory notes on future actions per the FRD 24 data availability requirements.

Transportation

The Department's fleet comprised of 205 vehicles essential to the Department's provision of technology support services that require on-site visits for installation and maintenance. Sixty-four per cent of these were goods vehicles including vans and large trucks that were used to transfer and deliver technologies and services to government sites across Victoria, and the remainder were passenger vehicles for pool use. Of the goods vehicles, 69 per cent were internal combustion engine vehicles and 31 per cent were hybrid vehicles.

Energy used in transport fuels increased by 3 per cent from 20X0-X1 to 20X1-X2 while greenhouse gas emissions from transport increased by 3.3 per cent and commercial air travel by 4.2 per cent. These increases have been driven by heightened demand for technology support services associated with the shift to remote and hybrid working arrangements and a resumption of corporate air travel. Commercial air travel use continues to remain low compared to before the COVID-19 pandemic. Passenger vehicle use has declined with more employees taking advantage of telepresence and remote meeting technologies.

The Department is planning to transition to 100 per cent zero emissions vehicles for the shared passenger vehicle fleet within the next 12 years consistent with the Victorian Government's commitment as a signatory to the COP26 declaration on accelerating the transition to 100 per cent zero emissions cars and vans.

Indicator	*20X1-X2*	*%*	*20X0-X1*	*%*	*20XX-X0*	*%*
Number and proportion of vehicles [Indicator T2]	205	100	200	100	200	100
Road Vehicles	205	100	200	100	200	100
Passenger vehicles [(a)]	74	36	70	35	70	35
Internal combustion engines	49	24	49	25	49	25
Petrol	14	-	14	-	14	-
Diesel/ Biodiesel	35	-	35	-	35	-
Hybrid	25	12	21	11	21	11
Plug-in Hybrid Electric Vehicle (PHEV)	15	-	13	-	13	-
Range-extended electric vehicle	10	-	8	-	8	-

Indicator	*20X1-X2*	*%*	*20X0-X1*	*%*	*20XX-X0*	*%*
Goods Vehicles [(b)]	131	64	130	65	130	65
Internal combustion engines	91	44	91	46	91	46
Petrol	26	-	26	-	26	-
Diesel/ Biodiesel	65	-	65	-	65	-
Hybrid	40	20	39	20	39	20
Plug-in Hybrid Electric Vehicle (PHEV)	24	-	23	-	23	-
Range-extended electric vehicle	16	-	16	-	16	-

Notes:
(i) Passenger vehicles include the shared fleet of the Department, Gene Sciences Victoria, The Office of the Commissioner of New Technology, and Innovation Victoria.
(ii) Goods vehicles include the combined fleet of the Department, Gene Sciences Victoria, The Office of the Commissioner of New Technology, and Innovation Victoria.

Indicator	*20X1-X2*	*20X0-X1*	*20XX-X0*
Total energy used in transportation (MJ) [Indicator T1]	5 817 182.0	5 647 749.5	5 541 677.4
Road Vehicles	5 817 182.0	5 647 749.5	5 541 677.4
Passenger vehicles [(a)]	330 356.7	379 105.8	371 985.7
Petrol	183 927.3	178 397.0	175 046.4
Diesel	85 264.6	82 476.9	80 927.9
Electricity (MWh)	17.0	16.4	16.1
Goods vehicles [(b)]	5 440 916.6	5 268 643.6	5 169 691.7
Petrol	3 029 327.4	2 937 387.2	2 882 219.2
Diesel	1 404 328.7	1 358 020.2	1 332 514.9
Electricity (MWh)	279.8	270.3	265.3
Greenhouse gas emissions from vehicle fleet (Tonnes CO_2-e) [Indicator T3]	327.0	316.7	310.8
Road Vehicles	327.0	316.7	310.8
Passenger vehicles [(a)]	18.5	17.9	17.6
Petrol	12.4	12.1	11.9
Diesel	6.0	5.8	5.7
Electricity	0.1	0.1	0.1
Goods vehicles [(b)]	308.5	298.8	293.2
Petrol	204.7	199.2	195.4
Diesel	98.1	95.3	93.5
Electricity	0.9	0.9	0.9
Total distance travelled by commercial air travel (Passenger km) [Indicator T4]	**2 197.3**	**2 108.4**	**2 068.8**

Notes:
(i) Passenger vehicles include the shared fleet of the Department, Gene Sciences Victoria, The Office of the Commissioner of New Technology, and Innovation Victoria.
(ii) Goods vehicles include the combined fleet of the Department, Gene Sciences Victoria, The Office of the Commissioner of New Technology, and Innovation Victoria.

Total energy use

Total energy used by the Department has increased by 6 per cent from 20X0-X1 to 20X1-X2 driven by increases in the use of stationary fuels, transport fuels and electricity. While the Department’s overall energy use has increased, a reduction in staff during 20X1-X2 has largely driven the 30 per cent increase in the energy used per full-time-equivalent staff member.

The Department’s use of renewable energy has increased by 54.6 per cent driven by the installation of 100kW of rooftop solar on the Department’s data centre. To mitigate growing energy needs, the Department has been taking several actions as set out under the electricity use, stationary fuel use and transport fuel use sections. The Department also has its Eco-Friendly Workplace Campaign to reduce environmental footprints and is aiming to halve total energy use per FTE within three years compared to 2019-20.

Indicator	*20X1-X2*	*20X0-X1*	*20XX-X0*
Total energy usage from fuels (stationary and transportation) (MJ) [Indicator E1]	7 090 270.1	6 713 405.9	6 725 740.1
Total energy used from electricity (MJ) [Indicator E2]	2 188 094.4	2 066 164.8	2 010 124.8
Total energy used segmented into renewable and non-renewable sources (MJ) [Indicator E3]	9 278 364.5	8 746 570.7	8 735 864.9
Renewable	1 075 277.7	695 635.5	705 190.6
Non-renewable	82 030 868	8 050 935.2	8 030 674.3
Units of energy used normalised by FTE [Indicator E4]	23 729.8	18 260.1	18 587.0

Sustainable buildings and infrastructure

Australia's harsh climate and scarce water resources mean the development of sustainable buildings is an economic and environmental necessity. Recent extreme weather events demonstrate the importance of addressing climate change risk across the Department's operations, including when it comes to the design and management of buildings and infrastructure assets.

The Department established its Sustainable Building Policy in 20X2 This policy has been set up to ensure the design, budgeting and delivery of buildings used by the Department incorporate best practice sustainable design principles and resource efficient features. The policy sets minimum sustainable building standards to guide the Department's decisions about new buildings, building maintenance, upgrades, demolition and lease renewal. [Indicator B1]

Aligned with this policy, the Department has adjusted lighting levels, temperature and other building systems to avoid unnecessary consumption of energy while maintaining safety and comfort of occupants. The Department has implemented measures in its data centre to improve the energy efficiency of cooling and IT equipment and upgraded to efficient LED lighting.

The Department's Sustainable Building Policy also requires that new leases preference buildings with higher energy efficiency ratings and those covered by a Green Lease Schedule, consistent with commitments in the Whole of Victorian Government emissions reduction pledge 2021-25. Eight of the Department's leases are now covered by a Green Lease Schedule. [Indicator B2]

Environmentally Sustainable Design in new buildings and infrastructure

In 20X1-X2, the Department received a 5-star NABERS Energy rating for its office building, Building Emporium. This building is located in Central Melbourne and was completed during 20X0. [Indicator B3]

The Department also had a major upgrade of $1.5 million to its largest data centre, Building Aurora, which resulted in its NABERS energy rating increasing from 4.5-star to 5-star. The building is located in West Melbourne and the upgrade was completed in 20X1. The data centre uses new low-power servers resulting in lower energy use and has a 100kW solar rooftop array. The upgrade involved streetscaping works that used low-carbon concrete which incorporated recycled plastic fibres and reduced construction emissions by 32 per cent. [Indicator B4]

Four of the Department's buildings have received environmental performance ratings: [Indicator B5]

Name of building	*Building type*	*Rating Scheme*	*Rating*
Building Emporium	General Office Building	NABERS – Energy	5
Building Aurora	Data Centre	NABERS – Energy	5
Building Orbit	Data Centre	NABERS – Energy	3
Building Mountain Ash	General Office Building	Green Star Buildings	6

Guidance – Reporting on Sustainable Buildings and Infrastructure

Reporting entities should note that, with the exception of indicator B3 (NABERS Energy ratings of newly completed/occupied entity-owned office buildings and substantial tenancy fit outs), there is no requirement for departments to obtain environmental performance ratings for their built assets. The requirement for indicators B4 and B5 are to disclose ratings only where those ratings have already been obtained.

For this illustrative disclosure, the following approach has been implemented.

For B1, departments may refer to their procurement or construction policy, any certification schemes they utilise, how the Sustainable Investment Guidelines are implemented, and any relevant quantitative indicators elsewhere in this section. Where the Department constructs buildings for other organisations, they should also report relevant ESD policy at this indicator.

Buildings under B3 and B4 should be documented per item.

In the illustrative disclosure for B5, the Department only has a small number of fixed physical assets (buildings and other infrastructure). As such, the information for B5 is presented as a list of individual facilities (as shown above). For departments with a large number of rated assets, summary tables outlining the number of facilities at each rating value may be a more appropriate means of presenting this information.

Sustainable procurement

The Department considers sustainable procurement objectives through its implementation of the Social Procurement Framework, which establishes requirements that apply to Victorian Government departments and agencies when they procure goods, services and construction. More details of the Department's implementation of the Social Procurement Framework are contained in the relevant section of the Annual Report.

Water consumption

Water use increased by 2.1 per cent from 20XX-X0 to 20X1-X2, driven by the resumption of on-site work. This small increase has been mitigated by water use efficiency projects which have been implemented by the Department since [year]. These include installation of water-efficient taps with an aerator or flow restrictor and installation of lever or mixer taps across some Department sites. Across all sites there are regular checks to fix leaking taps and replace washers to reduce water waste. Smart water meters were installed in all Department sites in [year] that allow the Department to identify leaks and other anomalies. In 20X0-X1, the Department estimated that this helped save around 5 per cent of potable water. On average, 60 per cent of the Department's water needs are met with recycled water.

The Department aims to install water-efficient taps at all its sites within three years. The Department is also aiming to increase reusable water consumption to be 80 per cent of total water consumption within four years.

Indicator	*20X1-X2*	*20X0-X1*	*20XX-X0*
Total water consumption by an Entity (kilolitres) [Indicator W1]	3 576.1	3 501.8	3 436.0
Potable water consumption	1 430.4	1 400.7	1 374.4
Metered reused water consumption	2 145.6	2 101.1	2 061.6
Units of metered water consumed normalised by FTE [Indicator W2]	7.5	7.3	7.3

Waste and recycling

Waste management and recycling are key priorities for the Department. Focus areas include efforts to eliminate single-use plastics, as well as maximise recycling and minimise waste sent to landfill. The Department collected waste data from invoices and reports from its waste management providers. As on-site working resumed, there was an increase of 1.91 per cent of total units of waste disposed from 20XX-X0 to 20X0-X1. Landfill disposal increased by 1.92 per cent, recycling disposal increased by 1.91 per cent, and the total units of waste per full-time equivalent staff member also had an increase of 0.01 per cent. From 20X0-X1 to 20X1-X2, there was an increase of 1.32 per cent for the total units of waste disposed, comprising of 1.12 per cent increase of landfill and 2.36 per cent increase of recycling.

The Department has increased the number of its sites that have dedicated collection services for e-waste, printer cartridges, batteries and soft plastics. The e-waste disposal program supports the repurposing of electronic hardware that can no longer be deployed within regular operations. Once data is cleansed, hardware is either offered to employees at market value or provided to a charity.

The Department is aiming to increase its recycling rate to 85 per cent within eight years by increasing dedicated collection services, the use of multi-bin systems at each of its sites and the implementation of circular economy principles into Departmental procurement.

Indicator	*20X1-X2*	*%*	*20X0-X1*	*%*	*20XX-X0*	*%*
Total units of waste disposed (kg and %) [Indicator WR1]	8 398.0	100.0	8 231.5	100.0	8 077.0	100.0
Landfill (disposal)	2 259.4	27.4	2 234.3	27.1	2 192.3	27.1
Recycling/recovery (disposal)	6 092.9	72.6	5 997.3	72.9	5 884.6	72.9
Food and garden organics (FOGO)	1 840.1		1 811.2		1 775.5	
Cardboard	4 252.8		4 186.1		4 109.1	
Percentage of office sites which are covered by dedicated collection services for [Indicator WR2]						
Printer cartridges		83.3		83.3		66.7
Batteries		75.0		75.0		58.3
E-waste		83.3		83.3		66.7
Soft plastics		100.0		100.0		83.3
Total units of waste disposed of normalised by FTE (kg/FTE) [Indicator WR3]	17.4		17.2		17.2	
Recycling Rate (%) [Indicator WR4]		72.6		72.9		72.9
Greenhouse gas emissions associated with waste disposal (Tonnes CO_2-e) [Indicator WR5]	2.9		2.9		2.8	
Landfill	2.9		2.9		2.8	

Additional departmental information available on request

In compliance with the requirements of the Standing Directions 2018 under the *Financial Management Act 1994*, details in respect of the items listed below have been retained by the Department and are available on request, subject to the provisions of the *Freedom of Information Act 1982*. [FRD 22]

- A statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Department.
- … [Insert relevant financial information item, where available]
- [Insert relevant financial information item, where available]

The information is available on request from:

Director of Portfolio Services
Strategic Policy Advice Division
Phone: (03) 9xxx xxxx
Email: information@dot.vic.gov.au

[Refer to FRD 22 'Standard disclosures in report of operations' for the latest detailed list of information required to be retained and made available on request to complete the list in the table above.]

Guidance – Additional departmental information available on request

Legislative and documented references

FRD 22 lists the relevant information, in relation to the financial year, that is to be retained by the Accountable Officer and made available to the relevant minister, Members of Parliament and the public on request, subject to the provisions of the *Freedom of Information Act 1982*. Refer to FRD 22 for the latest detailed list of information required to be retained and made available on request.

Entities can refer to the Guidance note for FRD 22 for further guidance to assist entities to comply with any request for this information.

Attestation for financial management compliance with Standing Direction 5.1.4 [Revised: Instruction 5.1, Clause 2]

The Responsible Body's compliance attestation under Direction 5.1.4 must appear in the Annual Report in the following form:

[Name of the Agency] Financial Management Compliance Attestation Statement

[Where the Agency has not identified a Material Compliance Deficiency in relation to the relevant year:]

> I [name of member of the Responsible Body], on behalf of the Responsible Body[4], certify that the [name of the Agency] has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

or

[Where the Agency has identified one or more Material Compliance Deficiencies in relation to the relevant year:]

> I [name of member of the Responsible Body], on behalf of the Responsible Body[5], certify that the [name of the Agency] has the following Material Compliance Deficiencies with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.
>
> [Insert reference to relevant Direction or Instruction, e.g. Direction 3.2.1.2(b)]
>
> [Insert brief summary of the reasons for/circumstances of the Material Compliance Deficiency]
>
> [Insert details of planned and completed remedial actions]

[4] The words 'on behalf of the Responsible Body' should be removed if the Responsible Body is the Accountable Officer e.g. the department Secretary.
[5] The words 'on behalf of the Responsible Body' should be removed if the Responsible Body is the Accountable Officer e.g. the department Secretary.

Guidance – Attestation for financial management compliance with Standing Direction 5.1.4

Legislative and documented references

The Standing Directions include an attestation of financial management compliance in an agency's annual report. The Directions aim to improve compliance through the increased accountability and transparency of a public attestation and strengthened audit committee and internal audit function roles. [SD 5.1.2 to 5.1.4]

The below annual assessment process and detailed reviews by the internal audit function support the public attestation.

Annual assessment of financial management compliance [SD 5.1.2]

- The Responsible Body must conduct an annual assessment of compliance with all applicable requirements in the *Financial Management Act 1994*, the Directions and the Instructions.
- The Audit Committee must review the assessment.

Detailed periodic review of financial management compliance [SD 5.1.3]

- The Responsible Body must ensure that the internal audit function conducts a detailed review of the agency's compliance with all requirements in the *Financial Management Act 1994*, these Directions and the Instructions over the period specified (three or four years).
- The period of review must be the same as the period of the strategic internal audit plan.
- A plan for the review must be included in the strategic internal audit plan.
- The Responsible Body, or a member of the Responsible Body, must, in the agency's annual report, in relation to the relevant financial year, attest to the extent of compliance with applicable requirements in the *Financial Management Act 1994*, the Directions and the Instructions, and disclose all Material Compliance Deficiencies. [SD 5.1.4 Financial management compliance attestation[6]]
- The compliance attestation must relate to compliance for the entire period of the relevant financial year.
- The Audit Committee must review the attestation.

Guidance

From 2018-19, a public attestation to the extent of compliance with all applicable Standing Directions and Instructions are required in each agency's annual report.

The Responsible Body of an agency (department or public body) is responsible for the accuracy and completeness of attestation and must utilise audit committees or other internal governance bodies, where available, to support the view expressed. For a department, the Secretary/ Accountable Officer is the Responsible Body. For public bodies, it is the board or the person with ultimate decision-making authority.

Attestation to the extent of compliance should be made annually in the report of operations and the person making the attestation, usually the Secretary/Accountable Officer of a department or member of the Responsible Body (for example the Chair of the Board) of a public body, should not make the attestation unless the Audit Committee agrees that such an assurance can be given.

An agency must only complete one attestation and the format will depend on whether a Material Compliance Deficiency has been identified (see attached templates).

[6] This attestation should take into account the advice from the Audit Committee.

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the [insert relevant department name] made [insert number] data sets available on the DataVic website in 20X1-X2. Information included in this Annual Report will also be available at www.data.vic.gov.au in electronic readable format. [Note: suitable formats are CSV, Excel, and XML. PDF and Word are not suitable formats.]

Guidance – DataVic Access Policy

In August 2012, the Victorian Government released the DataVic Access Policy, which enables the sharing of government data at no cost or minimal cost to users. Government data from all agencies will be progressively supplied in an electronic readable format that will minimise access costs and maximise use and reuse. Entities are encouraged to include in their annual report this statement if applicable.

Agencies are also encouraged to incorporate DataVic Access Policy achievements into their annual report. Suggested items include:

- outcomes from the previous year's program of works targets
- a list of categories of datasets that have been made available
- suggestions for datasets received and the outcome of the suggestions
- feedback for datasets received and the outcome of the feedback
- any known benefits of making datasets available achieved to date
- strategies for the coming year, including a list of proposed categories of datasets to be made available.

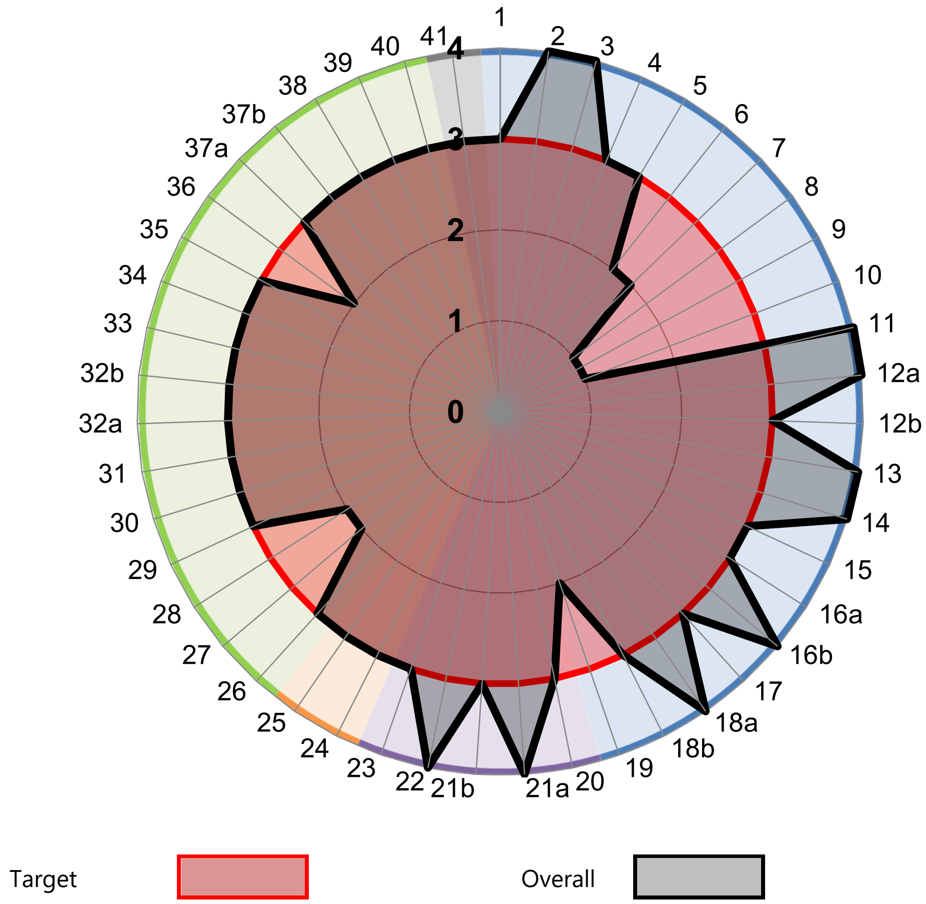
For further information, please see the DataVic Access Policy and Guidelines.

Asset Management Accountability Framework (AMAF) maturity assessment

[FRD 22]

The following sections summarise the Department's assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the DTF website.

The Department's target maturity rating is 'competence', meaning systems and processes fully in place, consistently applied and systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements.



Legend	
Status	**Scale**
Not Applicable	N/A
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimising	4
Unassessed	U/A

Leadership and Accountability (requirements 1-19)

The Department has met or exceeded its target maturity level under most requirements within this category.

The Department did not comply with some requirements in the areas of allocating asset management responsibility and other requirement. There is no material non-compliance reported in this category. A plan for improvement is in place to improve the Department's maturity rating in these areas.

Planning (requirements 20-23)

The Department has met or exceeded its target maturity level in this category.

Acquisition (requirements 24 and 25)

The Department has met or exceeded its target maturity level in this category.

Operation (requirements 26-40)

The Department has met or exceeded its target maturity level under most requirements within this category. The Department did not comply with some requirements in the areas of monitoring and preventative action and information management. Monitoring and preventative action is an area of material non-compliance. The Department is developing a plan for improvement to establish processes to proactively identify potential asset performance failures and identify options for preventive action.

Disposal (requirement 41)

The Department has met its target maturity level in this category.

Guidance – Asset Management Accountability Framework

Departments are required to summarise the results of the maturity assessments at least every three years beginning in 2020-21. A rating scale is outlined in the 'AMAF Guidance Note: Adopting a risk-based approach to AMAF compliance assurance and maturity assessments', which departments should use unless an alternative assessment tool has been discussed with DTF in advance of the commencement of the 2020-21 self-assessment reporting.

A department may summarise its results using the graph as shown above, as an extract of the Maturity Rating Tool on the DTF website. A department may describe its performance against the target maturity within the five category areas of leadership and accountability, planning, acquisition, operation, and disposal. Details should be provided on areas of non-compliance and material non-compliance including the nature of the requirements and can include details for specific asset classes. A department may provide details of the reason for non-compliance, and the plan for and status of improvement. Agencies are encouraged to follow the same disclosure. For agencies with no asset base, refer to Standing Direction 1.5 for guidance. For agencies that have 31 December annual reports, agencies will be required to publicly report in their annual report for 2021.

DISCLOSURE INDEX

[The disclosure index is best disclosed as the first appendix of an entity's annual report.]

The annual report of the Department is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements. [FRD 10]

Click on a requirement or legislation title (Ctrl+click in Microsoft Word) to refer to the relevant requirements for the corresponding disclosure requirements, or alternatively, refer to the corresponding page references.

Legislation	*Requirement*	*Page reference*
Standing Directions and Financial Reporting Directions		
Report of operations		
Charter and purpose		
FRD 22	Manner of establishment and the relevant Ministers	12
FRD 22	Purpose, functions, powers and duties	13
FRD 8	Departmental objectives, indicators and outputs	16
FRD 22	Key initiatives and projects	19
FRD 22	Nature and range of services provided	12
Management and structure		
FRD 22	Organisational structure	**33**
Financial and other information		
FRD 8	Performance against output performance measures	18
FRD 8	Budget portfolio outcomes	24
FRD 10	Disclosure index	75
FRD 12	Disclosure of major contracts	51
FRD 15	Executive disclosures	**73**
FRD 22	Employment and conduct principles	38
FRD 22	Occupational health and safety policy	34
FRD 22	Summary of the financial results for the year	26
FRD 22	Significant changes in financial position during the year	25
FRD 22	Major changes or factors affecting performance	25
FRD 22	Subsequent events	31
FRD 22	Application and operation of *Freedom of Information Act 1982*	52
FRD 22	Compliance with building and maintenance provisions of *Building Act 1993*	54
FRD 22	Statement on National Competition Policy	55
FRD 22	Application and operation of the *Public Interest Disclosures Act 2012*	56
FRD 22	Application and operation of the *Carers Recognition Act 2012*	57
FRD 22	Details of consultancies over $10 000	48
FRD 22	Details of consultancies under $10 000	48
FRD 22	Disclosure of government advertising expenditure	48
FRD 22	Disclosure of ICT expenditure	50
FRD 22	Statement of availability of other information	70
FRD 22	Asset Management Accountability Framework (AMAF) maturity assessment	73
FRD 22	Disclosure of emergency procurement	59
FRD 24	Environmental reporting	60
FRD 25	Local Jobs First	45
FRD 29	Workforce Data disclosures	39
SD 5.2	Specific requirements under Standing Direction 5.2	10
Compliance attestation and declaration		
SD 5.4.1	Attestation for compliance with Ministerial Standing Direction	70
SD 5.2.3	Declaration in report of operations	11
Financial statements		
Declaration		
SD 5.2.2	Declaration in financial statements	80

Legislation	*Requirement*	*Page reference*
Standing Directions and Financial Reporting Directions		
Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	10
SD 5.2.1(a)	Compliance with Standing Directions	10
SD 5.2.1(b)	Compliance with Model Financial Report	10
Other disclosures as required by FRDs in notes to the financial statements [(a)]		
FRD 9	Departmental Disclosure of Administered Assets and Liabilities by Activity	121
FRD 11	Disclosure of Ex gratia Expenses	228
FRD 13	Disclosure of Parliamentary Appropriations	97
FRD 21	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	241
FRD 103	Non-Financial Physical Assets	132
FRD 110	Cash Flow Statements	89
FRD 112	Defined Benefit Superannuation Obligations	111
FRD 114	Financial Instruments – general government entities and public non-financial corporations	183

Note:
(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are in the nature of disclosure.

Legislation	
Freedom of Information Act 1982	52
Building Act 1993	54
Public Interest Disclosures Act 2012	56
Carers Recognition Act 2012	57
Disability Act 2006	57
Local Jobs Act 2003	45
Financial Management Act 1994	94

Guidance – Disclosure Index

FRD 10 requires entities to include a disclosure index in their annual reports that report the following:

- a list identifying the relevant clauses of Victorian legislation with statutory disclosure requirements that the entity must comply with
- a short description of the relevant requirements
- the page in the annual report where the disclosure for each requirement is made.

The disclosure index is usually presented as the first appendix at the end of the annual report.

The Model Report is based on information at a point in time before 30 June and may not reflect the latest AASs and FRDs. Therefore, it is the responsibility of the preparer to refer back to the DTF website for the most up-to-date references when finalising their annual reports.

DEPARTMENT OF TECHNOLOGY – MODEL FINANCIAL STATEMENTS

How this report is structured

The Department of Technology (Department) has presented its audited general-purpose financial statements for the financial year ended 30 June 20X2 in the following structure to provide users with the information about the Department's stewardship of resources entrusted to it.

Notes to the financial statements *(continued)*

Guidance: Financial report structure

A complete set of financial statements comprises the following:

- a statement of financial position (or balance sheet)
- a statement of profit or loss and other comprehensive income
- a statement of changes in equity
- a statement of cash flows (together the 'Financial Statements')
- notes, comprising a summary of significant accounting policies and other explanatory information and comparative information in respect of the preceding period. [AASB 101.10]
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Contents of the notes to the financial statements

The notes to the financial statements of an entity shall:

- present information about the basis of preparation
- disclose the information required by AASs that is not presented in the face of the financial statements
- provide additional information that is relevant to an understanding of the financial statements and that is not disclosed elsewhere
- be presented in a systematic manner with cross references to the financial statements or any related information in the notes [AASB 101.112 113]
- contain a statement of compliance with AASs [AASB 1054.7]
- contain a summary of significant accounting policies relevant to understanding the information presented in the financial statements, including the measurement bases used in preparing the financial statements. [AASB 101.117]

DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for the Department of Technology have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements. [SD 5.2.1, 5.2.2(b)]

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 20X2 and financial position of the Department at 30 June 20X2.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate. [SD 5.2.2(b)]

We authorise the attached financial statements for issue on 14 August 20X2.

....	....
R McIvor	J Smith
Chief Finance Officer Department of Technology	Secretary Department of Technology
Melbourne 14 August 20X2	Melbourne 14 August 20X2

Guidance: Declaration in financial statements

The Accountable Officer is required to implement and maintain a process to ensure the agency's annual report is prepared in accordance with the *Financial Management Act 1994* (FMA), the Standing Directions (SD) and its supporting Instructions, applicable Australian Accounting Standards (AASs) and Financial Reporting Directions (FRDs). [SD 5.2.1]

The general-purpose financial statements of a government department should form part of the annual report of that government department, or be presented in a way that enables it to be read in conjunction with it. To that end, SD 5.2.2 requires that the financial statements of agencies must, where applicable, be signed and dated by the Accountable Officer and Chief Finance Officer (CFO) and a member of the Responsible Body. [SD 5.2.2]

For departments, as the Secretary also represents the responsible body, only two signatories are required for the departmental financial statements. For public bodies, if the Accountable Officer or the CFO is a member of the public body's board, two signatories are required. However, three signatures are required if the Accountable Officer or the CFO is not a member of the public body's board.

Direction 2.4.5 requires a CFO to be suitably experienced, hold a graduate or post-graduate qualification in accounting or other relevant discipline granted by a tertiary provider, and keep their knowledge and expertise up-to-date with current developments in financial management and AASs. [SD2.4.5]

What constitutes a relevant discipline will depend on the judgement of the Accountable Officer having regard to the circumstances of the entity. It may include a qualification in finance, business or economics and relevant prior experience.

Abolished agencies and declaration in financial statements required by SD 5.2.2

In circumstances where an entity has been or is expected to be abolished, the entity is strongly encouraged to engage with the Department of Treasury and Finance (DTF) as early as practicable to determine the arrangements for reporting, including who will sign the declaration in financial statements as required by SD 5.2.2.

DTF expects that transitional arrangements (for instance, by way of legislation or legislative instrument) will make provisions for the authorisation of the final set of financial statements. In the absence of any such provisions, the agency taking on the bulk of the abolished agency's ongoing operations should take on the responsibility for meeting the requirements of SD 5.2.2.

If for any reason no such agency exists and no provision has been made regarding the final set of financial statements, the entity to be wound up should seek independent legal advice and liaise with DTF to agree to appropriate arrangements on a case-by-case basis.

In the absence of an existing CFO in the abolished entity, it is recommended that anyone signing a declaration in the place of a CFO is required to have the experience and qualifications of CFOs as suggested above.

Declaration details

The declaration must state that in the joint opinion of the signing persons:

- the financial statements present fairly the financial position, financial performance and cash flows of an entity [AASB101.15]
- the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact. [AASB101.17]

PLACEHOLDER FOR VAGO REPORT

[please Insert your entity's audit report from VAGO]

Comprehensive operating statement [(a)]

For the financial year ended 30 June 20X2 **($ thousand)**

Source reference		*Notes*	*20X2*	*20X1*
	Continuing operations			
AASB 101.82 (a)	**Revenue and income from transactions**			
AASB 1058.26 (c)	Output appropriations		85 535	63 682
AASB 1058.26 (c)	Special appropriations		8 128	11 396
AASB 101.82 (a)	Interest	2.4.1	3 864	2 897
AASB 101.82 (a)	Sale of goods and services	2.4.2	1 779	1 346
AASB 1058.26 (a)	Grants	2.4.3	288	255
AASB 1058.26 (a)	Fair value of assets and services received free of charge or for nominal consideration	2.4.4	1 589	1 708
AASB 101.85	Other income	2.4.5	7 213	5 826
	Total revenue and income from transactions		**108 396**	**87 110**
	Expenses from transactions			
AASB 101.99	Employee expenses	3.1.1	(13 767)	(10 970)
AASB 101.85	Depreciation	5.1.3	(18 718)	(13 358)
AASB 101.85	Interest expense	7	(6 548)	(4 335)
AASB 101.82 (b)	Grant expenses	3	(32 884)	(43 040)
AASB 101.82 (b)	Other operating expenses	3	(17 637)	(9 542)
AASB 101.85	**Total expenses from transactions**		**(89 554)**	**(81 245)**
AASB 1049.32	**Net result from transactions (net operating balance)**		**18 842**	**5 865**
	Other economic flows included in net result			
AASB 101.85-86	Net gain/(loss) on non-financial assets	9	(5 161)	1 805
AASB 101.98 (c)	Net gain/(loss) on financial instruments [(b)]	9	(7 121)	(3 971)
AASB 101.82 (c)	Share of net profits/(losses) of associates and joint entities, excluding dividends	9	1 286	1 397
	Other gains/(losses) from other economic flows	9	(2 895)	(2 048)
	Total other economic flows included in net result		**(13 891)**	**(2 817)**
AASB 101.85	**Net result from continuing operations**		**4 951**	**3 048**
AASB 5.33 (a)	**Net result from discontinued operations**	9.3.3	**1 230**	**3 856**
	Net result		**6 181**	**6 904**
AASB 101.85	**Other economic flows – other comprehensive income:**			
	Items that will not be reclassified to net result			
AASB 101.82A (a)	Changes in physical asset revaluation surplus [(c)]	9	7 403	2 825
AASB 101.82A(b) AASB 128.39	Share of net movement in revaluation surplus of associates and joint ventures	9	260	130
AASB 101.82A (a) AASB101.7 (da)	Changes to equity instruments measured at fair value through other comprehensive income revaluation reserve	9	100	..
AASB 7.20 (a)(i)	Changes to financial liability designated at fair value through profit or loss due to its own credit risk	9	30	..
	Items that may be reclassified subsequently to net result			
AASB 7.20(a)(vii) AASB101.7 (d)	Changes to debt instruments measured at fair value through other comprehensive income revaluation reserve	9	..	..
	Total other economic flows – other comprehensive income		**7 793**	**2 955**
AASB 101.8	**Comprehensive result**		**13 974**	**9 859**

The accompanying notes form part of these financial statements.

Notes:

(a) *This format is aligned to AASB 1049* Whole of Government and General Government Sector Financial Reporting.

(b) *'Net gain/(loss) on non-financial assets' includes unrealised and realised gains/(losses) from revaluations, impairments, and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation surplus.*

(c) *'Net gain/(loss) on financial instruments' includes bad and doubtful debts from other economic flows, unrealised and realised gains/(losses) from revaluations, impairments and reversals of impairment, and gains/(losses) from disposals of financial instruments, except when these are taken through the financial assets at fair value through other comprehensive income revaluation surplus.*

(d) *Changes in revaluation surplus excludes share of net movement in associates and joint ventures, which is disclosed separately.*

Guidance – Comprehensive operating statement

Presentation of comprehensive operating statement

Income and expense items are classified within the comprehensive operating statement depending on whether they arise from '**transactions**' or '**other economic flows included in net result**'. In addition, the comprehensive operating statement also presents movements due to changes in non-owner equity under '**other economic flows – other comprehensive income**'. All owner changes in equity in their capacity as owners can be found in the statement of changes in equity. [AASB 1049.29 and 1049.30] (See guidance below)

In the '**net result from transactions**' section:

Transactions are those economic flows that arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an entity. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be cash or in kind. In simple terms, transactions arise from the policy decisions of the Government.

Minimum requirements in AASB 101.82:

- Revenue
- Finance costs
- Tax expense (NTER entities).

In the '**other economic flow included in net result**' section:

This section includes changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets
- fair value changes of financial instruments and agricultural assets
- depletion of natural assets (non-produced) from their use or removal
- share of the profit or loss of equity accounted investments
- a single amount for the total of discontinued operations.

In the '**other economic flow other comprehensive income**' section:

It presents line items for amounts classified by nature and grouped into those that either:

- will not be reclassified subsequently to profit or loss
- will be reclassified subsequently to profit or loss when specific conditions are met.

It includes:

- changes in physical asset revaluation surpluses
- share of movements of other comprehensive income of equity accounted investments
- changes to the fair value of equity investments measured at fair value through other comprehensive income
- changes to the fair value of financial liabilities designated at fair value through net result due to changes in own credit risk.

For further guidance on the classifications, please refer to the practical classification guide between transactions and other economic flows on the DTF webpage.

Classification of expenses by nature or function: Expenses must be classified and presented (either in the comprehensive operating statement or in the related notes) based on either their nature or their function, whichever provides information that is reliable and more relevant. [AASB 101.99 and 101.100] Regardless of whether expenses are classified by nature or by function, each material class is separately disclosed.

National Tax Equivalent Regime (NTER): Those entities that are subject to NTER are required to disclose in the comprehensive operating statement 'net result for the period before income tax', 'income tax expense', and 'net result for the period after income tax'. Similarly, items of other comprehensive income are required to be presented net of tax effects. [AASB 101.90 91]

Material items of income and expense: When items of income and expense are material, their nature and amount shall be disclosed separately either in the comprehensive operating statement or in the notes to the financial statements. [AASB 101.97]

Further, an entity shall disclose, either in the comprehensive operating statement or in the notes, any amounts related to components of other comprehensive income that are reclassified to net result in the current period that were previously recognised in other comprehensive income in the current or previous periods.

Additional disclosures: Additional disclosures (such as additional line items, headings and subtotals) shall be presented in the statement(s) presenting profit or loss and other comprehensive income when it is relevant to an understanding of the financial performance of the entity [AASB 101.85], subject to those disclosures being consistent with requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Streamlining tips

Where there are no amounts applicable to any individual line item, that line item should be omitted from the comprehensive operating statement, balance sheet, cash flow statement and statement of changes in equity.

When such presentation is relevant to the understanding of the entity's financial position, additional line items, headings and subtotals shall be presented in the comprehensive operating statement, balance sheet, cash flow statement and statement of changes in equity.

Disclosure requirements under AASB 1049: To align with whole of government reporting, departments are required to classify items of income between 'transactions' and 'other economic flows' as appropriate (refer to the guidance provided on the Comprehensive Operating Statement). Common material items may include:

- the amount of each significant category of income recognised, including income arising from:
  - the sale of goods
  - the rendering of services
  - interest
  - royalties
  - dividends. [AASB 101.79(b)]
- the amount of income arising from exchanges of goods or services included in each significant category of income
- total interest income for financial assets that are not at fair value through profit or loss [AASB 7.20(b)]
- fee income arising from financial assets that are not at fair value through profit or loss or trust and other fiduciary activities that result in the holding of assets on behalf of others. [AASB 7.20(c)]

Balance sheet [(a)]

As at 30 June 20X2 **($ thousand)**

Source reference	*For illustrative purposes only*	*Notes*	*20X2*	*20X1*
AASB 101.60	**Assets**			
AASB 101.58 (a)	**Financial assets**			
AASB 101.54 (i)	Cash and deposits	7.3	69 774	65 723
AASB 101.54 (h)	Receivables	6.1	36 045	20 525
AASB 15.105	Contract assets	6.1	20	20
AASB 101.54 (g)	Financial assets classified as held for sale including disposal group assets	9.3.5	8 572	11 756
AASB 101.54 (d)	Investments and other financial assets	5.6	14 076	16 731
AASB 101.54 (e)	Investments accounted for using the equity method	5.5	5 187	6 112
	Total financial assets		**133 674**	**120 867**
AASB 101.58 (a)	**Non-financial assets**			
AASB 101.54 (g)	Inventories	6.3	12 055	19 732
AASB 101.54 (j)	Non-financial physical assets classified as held for sale including disposal group assets	9.3.6	6 781	14 600
AASB 101.54 (a)	Property, plant and equipment	5.1	144 314	135 607
AASB 101.54 (f)	Biological assets	5.3	4 034	..
AASB 101.54 (b)	Investment properties	5.2	2 354	5 029
AASB 101.54 (c)	Intangible assets	5.4	7 974	9 447
	Other non-financial assets	6.4	1 483	380
	Total non-financial assets		**178 995**	**184 795**
	Total assets		**312 669**	**305 662**
AASB 101.58 (c)	**Liabilities**			
AASB 101.54 (k)	Payables	6.2	35 809	35 824
AASB 15.105	Contract liabilities	6.2	85	85
AASB 101.54 (m)	Borrowings	7.1	125 665	125 248
	Employee related provisions	3.1.2	10 754	17 073
AASB 101.54 (l)	Other provisions	6.5	2 152	3 938
	Other liabilities		591	583
AASB 101.54 (p)	Liabilities directly associated with assets classified as held for sale including disposal groups	9.3.5	4 438	8 980
	Total liabilities		**179 494**	**191 731**
	Net assets		**133 175**	**113 931**
	Equity			
	Accumulated surplus/(deficit)		64 794	68 104
AASB 101.54 (r)	Physical asset revaluation surplus	9.4	9 339	5 759
AASB 9.B5.7.1	Financial assets at fair value through other comprehensive income reserve	9.4	1 550	1 723
AASB 9.B5.7.1	Own credit loss revaluation reserve for financial liability designated at fair value through profit or loss	9.4	30	..
AASB 101.54 (r)	Contributed capital		57 462	38 345
	Net worth		**133 175**	**113 931**

The accompanying notes form part of these financial statements.
Note:
(a) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Guidance – Balance sheet

Presentation of the balance sheet

The balance sheet (face) presents:

- line items in liquidity order
- assets split into financial and non-financial assets.

Assets and liabilities are presented based on the order of liquidity in the balance sheet. The presentation of 'current' and 'non-current' assets and liabilities are in the notes. [AASB 101.60, 61 and AASB 1049]

Sub-classification of line items: Depending on the size, nature and function of the amounts involved and requirements of AAS, the balance sheet line items must be sub-classified in a manner appropriate to the entity's operations (either in the balance sheet or in the related notes). [AASB 101.77 and 101.78]

Refinancing liabilities – Classification: Financial liabilities shall be categorised as current (notes) when they are due to be settled within 12 months of reporting period, even if:

- the original term was for a period longer than 12 months
- an agreement to refinance, or to reschedule payments, beyond 12 months, is completed after the reporting period but before the financial statements are authorised for issue.

If an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting period under an existing facility, the obligation will be classified as non-current. However, when refinancing or rolling over the obligation is not at the discretion of the entity, the obligation will be classified as current. [AASB 101.72 and 101.73]

Breach of loan covenants – Classification: Where an undertaking, including a covenant included in a borrowing agreement, is breached such that the obligation becomes payable on demand, the liability shall be categorised as current (even if the lender has agreed, after the reporting period not to demand payment as a consequence of the breach).

Conversely, the obligation is classified as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least 12 months after the reporting period, in which the breach could be rectified and during which the lender cannot demand immediate repayment. [AASB 101.74 and 101.75]

Revaluation Surplus: The Model presents separately on consolidated balance sheet different types of revaluation surplus. An entity can group together the revaluation surplus associated with financial assets and liabilities, present on balance sheet as a single line item and disclose them separately in Note 9.4 Reserves.

If, since its last annual reporting date, an entity has reclassified financial assets out of the fair value through other comprehensive income category so that they are measured at amortised cost or out of the fair value through profit or loss category so that they are measured at fair value through other comprehensive income it shall disclose:

- the fair value of the financial assets at the end of the reporting period
- the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets had not been reclassified. [AASB 7.12D]

Minimum information to be presented [AASB 101.54, 55]

Assets

- cash and cash equivalents
- trade and other receivables
- contract assets
- inventories
- assets held for sale
- investment property
- biological assets
- current tax assets
- deferred tax assets
- investments accounted for using the equity method
- financial assets (not elsewhere presented)
- the total assets classified as held for sale and assets included in disposal groups classified as held for sale
- property, plant and equipment
- intangible assets

Liabilities

- trade and other payables
- contract liabilities
- liabilities held for sale
- current tax liabilities
- deferred tax liabilities
- liabilities included in disposal groups classified as held for sale
- borrowings
- provisions

Cash flow statement [(a)]

For the financial year ended 30 June 20X2 **($ thousand)**

Source reference	*For illustrative purposes only*	*Notes*	*20X2*	*20X1*
AASB 107.10	**Cash flows from operating activities**			
	Receipts			
	Receipts from government		78 344	107 135
	Receipts from other entities		5 536	4 373
AASB 107.31	Interest received		1 749	1 606
AASB 107.31	Dividends received [(b)]		1 698	1 611
	Other receipts		516	262
	Total receipts		**87 843**	**114 987**
	Payments			
	Payments of grant expenses		(36 227)	(47 011)
AASB 101.14 (c)(d)	Payments to suppliers and employees		(23 479)	(19 792)
Interpretation 1031.11	Goods and services tax paid to the ATO [(c)]		(3 055)	(3 497)
AASB 107.31	Interest and other costs of finance paid		(6 609)	(4 507)
	Other payments		(7 949)	(4 152)
	Total payments		**(77 319)**	**(78 959)**
	Net cash flows from/(used in) operating activities	7.3.1	**10 524**	**36 028**
AASB 107.10	**Cash flows from investing activities**			
AASB 107.16 (c)	Payments for investments [(d)]		(6 364)	(13 386)
AASB 107.16 (d)	Proceeds from sale of investments [(d)]		7 857	2 409
AASB 107.16 (a)	Purchases of non-financial assets		(23 828)	(19 438)
AASB 107.16 (b)	Sales of non-financial assets		2 855	7 428
AASB 107.16 (e)	Loans granted to other parties [(e)]		(390)	(277)
AASB 107.16 (f)	Repayments of loans from other parties [(e)]		78	140
	Proceeds from disposal of activity	5.7.2	17 795	..
	Payments for purchase of activity		(23 407)	..
	Net cash flows from/(used in) investing activities		**(25 404)**	**(23 124)**
AASB 107.10	**Cash flows from financing activities**			
	Cash received from activities transferred in – machinery of government changes		5	..
	Cash transferred on activities transferred out – machinery of government changes		(3 072)	..
	Owner contributions by State Government – appropriation for capital expenditure purposes		5 750	10 500
AASB 107.17 (c)	Proceeds from borrowings		34 673	7 455
AASB 107.17 (d) AASB 16.50 (a)	Repayment of borrowings and principal portion of lease liabilities [(f)]		(8 896)	(4 544)
	Net cash flows from/(used in) financing activities		**28 460**	**13 411**
	Net increase/(decrease) in cash and cash equivalents		**13 580**	**26 315**
	Cash and cash equivalents at beginning of financial year		61 569	35 094
AASB 107.28	Effect of exchange rate fluctuations on cash held in foreign currency		(471)	160
	Cash and cash equivalents at end of financial year	7.3	**74 678**	**61 569**
	Non-cash transactions	7.3.2		

The accompanying notes form part of these financial statements.

Notes:

(a) *This format is aligned to AASB 1049* Whole of Government and General Government Sector Financial Reporting.

(b) *'Dividends received' is recognised as cash flow from operating activities. In contrast, 'dividends paid' is recognised as cash flow from financing activities.*

(c) *GST paid to the Australian Taxation Office is presented on a net basis.*

(d) *Includes equity and debt instruments of other entities and interests in joint ventures, other than for those instruments considered to be cash equivalents and those held for dealing or trading purposes.*

(e) *Includes loans granted to/from entities external to the Department and related entities.*

(f) *The Department has recognised cash payments for the principal portion of lease payments as financing activities; cash payments for the interest portion as operating activities consistent with the presentation of interest payments and short-term lease payments for leases and low-value assets as operating activities.*

Guidance – Cash flow statement

Reporting cash flows

An entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business.

There are two methods for reporting cash flows, the direct method and the indirect method. DTF supports the use of the direct method, and this method is adopted for this Model. [AASB 107.11, 107.18]

Operating activities [AASB 107.14]: Cash flows from operating activities are primarily derived from principal income generating activities and therefore generally arise from transactions and other events used in the determination of net result. Examples of cash inflows and/or outflows from operating activities are associated with:

- the sale of goods and the rendering of services
- royalty, fees, commissions and other income
- payments to suppliers for goods and services, including purchases of inventory
- cash payments to and on behalf of employees
- premiums and claims, annuities and other policy benefits (for insurance entities)
- income taxes (only applicable to those entities subject to the National Tax Equivalent Regime)
- contracts held for dealing or trading purposes
- cash dividends received [FRD 110]
- interest income and expense separately. [FRD 110]

Investing activities [AASB 107.16]: These cash flows are used in acquiring assets (or disposal of those assets) intended to generate future income and cash flows. For cash outflows, unless it gives rise to an asset on the balance sheet, it cannot be classified as part of 'investing activities'. For instance, cash expended on research and development activities can only be disclosed as cash flows from investing activity when the asset is recognised on the balance sheet.

Examples of cash flows arising from investing activities are cash inflows (disposals) or cash payments (acquisition) associated with:

- acquisition (outflow) or disposal (inflow) of property, plant and equipment, intangibles and other long-term assets (including development costs and self-constructed property, plant and equipment)
- acquisition (outflow) or disposal (inflow) of equity or debt instruments of other entities and interests in joint ventures.

However, if the debt or equity instrument is classified as 'cash equivalents' or held for dealing or trading purposes, then these are not recorded as part of 'investing activities'. This includes:

- cash advances and loans made (outflows) and receipts from the repayment of advances or loans made (inflows) to other parties, unless those advances are made by a financial institution
- payments (outflows) or receipts (inflows) associated with futures contracts, forward contracts, option contracts and swap contracts, unless those contracts are classified as 'held for dealing or trading purposes' or the payments are classified as financing activities in accordance with the guidance below.

Financing activities [AASB 107.21, 107.17]: Cash flows from financing activities provide information on sources of financing (debt and equity) and could also be indicative of how the providers of capital will claim future cash flows. Examples of cash inflows or cash outflows associated with financing activities are:

- proceeds from issuing shares or other equity instruments and cash payments to owners to acquire or redeem shares or other equity instruments
- cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long-term borrowings or repayments of those amounts borrowed
- cash payments by a lessee for the reduction of the outstanding liability relating to leases.

Cash received/transferred out due to machinery of government changes

Where applicable, entities should classify 'cash received from activities transferred in' and 'cash transferred from activities transferred out' due to machinery of government (MoG) changes under financing activities rather than investing activities. Those two cash flow items are separately disclosed from 'owner contributions by State Government' as the former reflects cash flows as a result of MoG changes whereas the latter captures appropriations received directly from the State as contributed capital for capital expenditure purposes.

Reporting cash flows on a net basis [AASB 107.21 – 107.24]

Cash inflows and cash outflows shall be reported separately (gross), except when:

- cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity
- cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.

Cash flows arising from each of the following activities of a financial institution are to be reported on a net basis:

- cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date
- the placement of deposits with and withdrawal of deposits from other financial institutions
- cash advances and loans made to customers and the repayment of those advances and loans.

Investments in subsidiaries (at cost), associates and joint ventures (using the equity method) [AASB 107.37 and 107.38]

The cash flow statement should reflect the cash flows between the investor and either the equity accounted or the cost accounted investments. For example, where the investment is reported using the equity method, the cash flow statement of the investor reflects investments, distributions and other payments or receipts between the investor and the associate or joint venture.

Non-cash transactions [AASB 107.43]: Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a cash flow statement. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

Statement of changes in equity [(a)]

For the financial year ended 30 June 20X2 **($ thousand)**

Source reference	*For illustrative purposes only*	*Notes*	*Physical asset revaluation surplus*	*Financial assets at fair value through other comprehensive income revaluation reserve*	*Own credit risk revaluation reserve relating to financial liabilities designated at fair value through profit or loss*	*Accumulated surplus*	*Contributions by owner*	*Total*
AASB 101.106 (d)	**Balance at 1 July 20X0 [(b)]**		4 626	1 723	..	59 378	27 845	93 572
	Net result for the year		..	..	..	6 904	..	6 904
	Other comprehensive income for the year	9.4	2 955	..	..	..	..	2 955
	Transfer to accumulated surplus	9.4	(1 822)	..	..	1 822	..	..
	Capital appropriations	2.3	..	..	..	..	10 500	10 500
	Balance at 30 June 20X1		**5 759**	**1 723**	**..**	**68 104**	**38 345**	**113 931**
	Balance at 1 July 20X1		**5 759**	**1 723**	**..**	**68 104**	**38 345**	**113 931**
	Net result for the year		..	..	..	**6 181**	..	6 181
	Other comprehensive income for the year		7 613	150	30	..	..	7 793
	Transfer to accumulated surplus – on disposal of business	9.4	(3 396)	(323)	..	3 719	..	..
	Transfer to accumulated surplus	9.4	(637)	..	..	637	..	..
	Transfer to contributed capital	9.4	..	..	..	(13 847)	13 847	..
	Capital appropriations	2.3	..	..	..	..	5 750	5 750
AASB 1004.48	Administrative restructure – net assets received	4.3	..	..	..	..	19 617	19 617
AASB 1004.49	Administrative restructure – net assets transferred	4.3	..	..	..	..	(20 097)	(20 097)
	Balance at 30 June 20X2		**9 339**	**1 550**	**30**	**64 794**	**57 462**	**133 175**

The accompanying notes form part of these financial statement.

(a) This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Guidance – Statement of changes in equity

Information to be disclosed:

- total comprehensive result for the period, showing separately the total amounts attributable to owners of the parent and to minority interest
- for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108
- for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
  - profit or loss
  - each item of other comprehensive income
  - transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

Presentation of statement of changes in equity

The statement of changes in equity presents reconciliation between the carrying amount of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period, showing separately movements included in the comprehensive result and movements due to transactions with owners in their capacity as owners.

Adjustments for changes in accounting policies or correction of prior period errors: Retrospective adjustments as required under AASB 108 are not changes in equity but they are adjustments to the opening balance of retained earnings, except when an AAS requires retrospective adjustment of another component of equity.

Disclosure is required of the total adjustment to each component of equity, resulting from changes in accounting policies and from corrections of errors, separately. These adjustments are disclosed for each prior period and the beginning of the period.

For profit guidance: Other entities such as public non-financial corporations (PNFCs) and public financial corporations (PFCs) who pay dividends shall also present, either in the statement of changes in equity or in the notes, the amounts of dividends recognised as distributions to owners during the period, and the related amount per share. When presenting the dividends in the statement of changes in equity, a separate column needs to be added to show the dividends paid. [AASB 101.107]

Events affecting changes in equity: Changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with owners acting in their capacity as owners, and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expenses, including gains and losses, generated by the entity's activities during that period (whether those items of income and expenses are recognised in net result or directly as changes in equity). [AASB 101.109]

1 ABOUT THIS REPORT

The Department of Technology (the Department) is a government department of the State of Victoria, established pursuant to an order made by the Premier under the *Public Administration Act 2004*. It is an administrative agency acting on behalf of the Crown.

Its principal address is:

Department of Technology
1 Victoria Place
Melbourne VIC 3000

A description of the nature of its operations and its principal activities is included in the Report of operations, which does not form part of these financial statements. [AASB 101.138]

Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis. [AASB 101.51(d) and AASB 121.11 and 121.53; FRD 104]

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid. [AASB 101.117(a)]

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Department.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners. [FRD 119, AASB Interpretation 1038.7]

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. [AASB 101.122 and 101.125]

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. [AASB 108.36] Judgements and assumptions made by management in applying AAS that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

These financial statements cover the Department of Technology as an individual reporting entity and include all the controlled activities of the Department.

The following agencies have been consolidated into the Department's financial statements pursuant to a determination made by the Assistant Treasurer under section 53(1)(b) of the *Financial Management Act 1994* (FMA). These agencies are reported in aggregate and are not controlled by the Department:

- **Gene Sciences Victoria**, a business unit, established under the *Biological Technology Act 1998*.
- **The Office of the Commissioner of New Technology** is an administrative unit established under the *New Technology Act 1999*.
- **Innovation Victoria** is an entity established under the *Innovation Victoria Act 2015*.

Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control is demonstrated. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In preparing consolidated financial statements for the Department, all material transactions and balances between consolidated entities are eliminated.

All amounts in the financial statements have been rounded to the nearest $1 000 unless otherwise stated. [AASB 101.51(e)]

Compliance information

These general-purpose financial statements have been prepared in accordance with the FMA and applicable Australian Accounting Standards (AASs), which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. [AASB 1054.7]

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. [AASB 101.17]

Guidance – Basis of preparation and compliance information

Reporting entity

Government departments may conduct activities through a variety of administrative and organisational structures. For example, they may manage commercial activities separately from non-commercial activities, operate one or more trust accounts and may undertake a number of activities. Where a department administers activities on behalf of parties external to the Victorian Government, the nature and amount of the funds under management should be disclosed separately from income, expenses, assets and liabilities in the notes. [AASB 1050.25]

Judgements, estimates and assumptions

In preparing financial statements, the nature of significant judgements, estimates and assumptions made by management need to be disclosed. The following disclosures are required:

- the fact that significant assumptions, judgements and estimates were made
- the nature of the significant assumptions, judgements and estimates
- how these were made (the method used).

Examples include valuation of investments, impairment of property, plant and equipment etc. [AASB 101.122 and 101.125]

Key sources of estimation uncertainty [AASB 101.125]

An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of their nature and their carrying amount at the end of the reporting period.

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. [AASB 101.126]

The disclosures in the paragraph above are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on recently observed market prices. [AASB 101.128]

Other significant judgements

In addition, significant judgements and assumptions made (and changes to those judgements and assumptions) need to be disclosed in determining:

- whether it controls another entity. [AASB 12.7(a)], [AASB10.5 and 6]
- whether it has joint control of an arrangement or significant influence over another entity. [AASB 12.7(b)], [AASB11.4 and 5]
- the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle [AASB 12.7(c)], [AASB11.14-16]
- when substantially all the significant risks and rewards of ownership of financial assets and for lessors, assets subject to leases are transferred to other entities. [AASB 16.62]
- whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to income [AASB 15.B66.b]

Basis of consolidation

AASB 10 *Consolidated Financial Statements* defines the principle of control and establishes control as the basis for consolidation. Please refer to the *Control analysis for Victorian Public Sector Entities* checklist on the DTF website for detailed guidance for application of AASB 10 in the not-for-profit context.

An entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining that it has control of another entity (e.g. an investee as described in paragraphs 5 and 6 of AASB 10).

For departments that aggregate entities under section 53(1)(b) of the *Financial Management Act 1994* in their annual report, this following guidance has been provided for use in the relevant note:

Pursuant to section 53(1)(b) of the *Financial Management Act 1994*, the results of the following entities are reported in aggregate as part of the department's financial statements. These entities are not controlled by the Department.

[insert names]

Rounding of amounts [AASB101.51(e)]

The rounding used in the presentation of amounts in this model financial statements must be prominently displayed. Amounts in the financial statements have been rounded to the nearest $1 000, unless otherwise stated. Figures in the financial statements may not equate due to rounding. Refer to Note 9.16 for a style convention guide and explanation of minor discrepancies resulting from rounding.

2 FUNDING DELIVERY OF OUR SERVICES

Introduction

The Department of Technology's (the Department) overall objective is to research, develop, promote and support the use of leading-edge information, biological technology and telecommunications that bring improvements to the efficiency and effectiveness of government operation, and improvements to the quality of life of Victorians. [FRD 9, AASB 1052.15(b), AASB 1050.7]

To enable the Department to fulfil its objective and provide outputs as described in Section 4, it receives income (predominantly from accrual based parliamentary appropriations). The Department also receives market-based fees providing advice and other services in relation to information technology and telecommunications.

Significant judgement: Grants revenue

[Department to include specific information on judgements made in the application of the standard]

The Department has made the judgement that amounts received in relation to [provide details] should be recognised under [AASB 1058 / AASB 15] on the basis that [include details of reasons why a specific treatment was deemed to be judgemental in nature].

Structure

2.1 Summary of revenue and income that funds the delivery of our services

($ thousand)

Source reference		*Notes*	*20X2*	*20X1*
	Output appropriations	2.2 & 2.3	85 535	63 682
	Special appropriations	2.2 & 2.3	8 128	11 396
	Interest income	2.4.1	3 864	2 897
	Sale of goods and services	2.4.2	1 779	1 346
	Grants	2.4.3	288	255
	Fair value of assets and services received free of charge or for nominal consideration	2.4.4	1 589	1 708
	Other income	2.4.5	7 213	5 826
AASB 101.97	**Total revenue and income from transactions**		**108 396**	**87 110**

Revenue and income that fund delivery of the Department's services are accounted for consistently with the requirements of the relevant accounting standards disclosed in the following notes.

2.2 Appropriations

Once annual Parliamentary appropriations are applied by the Treasurer, they become controlled by the Department and is recognised as income when applied for the purposes defined under the relevant Appropriations Act. [1058.9(a) and 10]

Output appropriations: Income from the outputs the Department provides to the Government is recognised when those outputs have been delivered and the relevant minister has certified delivery of those outputs in accordance with specified performance criteria.

Special appropriations: Under section [x] of the [Appropriations] Act, income related to [special appropriation] is recognised when the amount appropriated for that purpose is due and payable by the Department.

2.3 Summary of compliance with annual Parliamentary and special appropriations

The following table discloses the details of the various annual Parliamentary appropriations received by the Department for the year. [FRD 13, AASB 1058.39]

In accordance with accrual output-based management procedures, 'provision of outputs' and 'additions to net assets' are disclosed as 'controlled' activities of the Department. Administered transactions are those that are undertaken on behalf of the State over which the Department has no control or discretion.

($ thousand)

	Appropriations Act		*Financial Management Act*							
20X2	*Annual appropriation*	*Advance from Treasurer*	*Section 3(2)*	*Section 29*	*Section 30*	*Section 32*	*Section 35*	*Total Parliamentary authority*	*Appropriations applied*	*Variance [(a)]*
Controlled										
Provision for outputs	110 889	1 963	..	10 037	(12 019)	..	..	110 870	93 663	17 207
Addition to net assets	6 210	..	..	..	..	..	..	6 210	5 750	460
Administered										
Payments made on behalf of the State	..	..	..	..	12 019	..	..	12 019	12 019	..
20X2 total	**117 099**	**1 963**	**..**	**10 037**	**..**	**..**	**..**	**129 099**	**111 432**	**17 667**
20X1										
Controlled										
Provision for outputs	79 854	..	1 000	11 403	(10 869)	697	..	82 084	75 078	7 006
Addition to net assets	..	..	..	..	..	..	..	..	..	..
Administered										
Payments made on behalf of the State	..	..	..	..	10 869	..	..	10 869	10 869	..
20X1 total	**79 854**	**..**	**1 000**	**11 403**	**..**	**697**	**..**	**92 953**	**85 947**	**7 006**

Note:
(a) The variance is primarily related to agreed changes in committed projects being delivered in the next financial year.

The following table discloses the details of compliance with special appropriations:

($ thousand)

		Appropriations applied	
Authority	*Purpose*	*20X2*	*20X1*
The *Technology Act 1970*, section 34	Data storage and security	3 251	4 558
The *New Technology Act 1998*, section 45	Contributions to hospital research facilities	4 877	6 838
		8 128	**11 396**

Guidance – Summary of compliance with annual parliamentary and special appropriations

A government department shall disclose separately:

(d) a summary of the recurrent, capital or other major categories of appropriations, disclosing separately:

– the original amounts appropriated for the reporting period

– the total amounts appropriated for the reporting period

(e) amounts authorised other than by way of appropriation and advanced separately by the Treasurer, other Minister or other legislative authority for the reporting period

(f) the expenditures for the reporting period in respect of each of the items disclosed in (a) and (b) above

(g) the reasons for any material variances between the amounts appropriated or otherwise authorised and the associated expenditures for the reporting period

(h) the reasons for any transfers greater than $10 million between capital and operating expenditure, pursuant to section 30 of the *Financial Management Act 1994* [based on the recommendation 5, PAEC Report on the 2013-14 and 2014 15 Financial and Performance Outcomes]

(i) the nature and probable financial effect of any non-compliance by the government department with externally imposed requirements for the reporting period, not already disclosed by virtue of (d) above, and that are relevant to assessments of the government department's performance, financial position or financing and investing activities. [AASB 1058.40]

In satisfying the disclosure requirements of AASB 1058.39, reference should be made to Appendix 1 of FRD 13 *Disclosure of Parliamentary Appropriations* for the format to be followed in disclosing annual and special appropriations.

2.4 Income from transactions

2.4.1 Interest income

($ thousand)

Source reference		*20X2*	*20X1*
	Interest from financial assets not at fair value through profit and loss		
	Interest on bank deposits	888	839
	Interest from loans	242	235
AASB 16.90 (a)(ii)	Interest income on lease receivable	251	251
	Other miscellaneous interest income	794	310
AASB 7.20 (b)	**Total interest from financial assets not at fair value through profit and loss**	**2 175**	**1 635**
	Interest from financial assets at fair value through profit and loss		
	Interest from debt securities	1 689	1 262
	Total interest from financial assets at fair value through profit and loss	**1 689**	**1 262**
AASB 101.82 (a)	**Total interest**	**3 864**	**2 897**

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported either as part of income from other economic flows in the net result or as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

2.4.2 Sale of goods and services

($ thousand)

Source reference		20X2	20X1
AASB 15.113(a)	Sale of goods	1 114	945
AASB 15.113(a)	Sale of biological assets	215	..
AASB 15.113(a)	Rendering of services	450	401
	Total sale of goods and services	**1 779**	**1 346**

The sale of goods and services included in the table above are transaction that the department has determined to be classified as revenue from contracts with customers in accordance with AASB 15.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. The Department recognises revenue when it transfers control of a good or service to the customer, i.e. when, or as, the performance obligations for the sale of goods, biological assets and services to the customer are satisfied.

Customers obtain control of the supplies and consumables at a point in time when the goods are delivered to and have been accepted at their premises.

Revenue from the sale of goods are recognised when the goods are delivered and have been accepted by the customer at their premises

Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time when the customer simultaneously receives and consumes the services as it is provided. [AASB15.35]

Customers are invoiced and revenue is recognised when the goods are delivered and accepted by customers. In rare circumstance where there may be a change in the scope of services provided, the customer will be provided with a new contract for the additional services to be rendered and revenue is recognised consistent with accounting policy above.

For contracts that permit the customer to return an item, revenue is recognised to the extent it is highly probable that a significant cumulative reversal will not occur. Therefore, the amount of revenue recognised is adjusted for the expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The right to recover the returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables (Note 6.2) and the right to recover returned goods is included in inventory (Note 6.3). The Department reviews its estimate of expected returns at each reporting date and updates the amount of the asset and liability accordingly. As the sales are made with a short credit term, there is no financing element present. There has been no change in the recognition of revenue from the sale of goods as a result of the adoption of AASB 15.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 6.2). Where the performance obligations is satisfied but not yet billed, a contract asset is recorded (Note 6.1). [AASB 15.105]

2.4.3 Grants

($ thousand)

Source reference		20X2	20X1
	Income recognised as income of not-for-profit entities		
AASB 1058	General purpose	125	100
AAASB 1058	Specific purpose grants for on-passing	50	65
AASB 1058.26 (a)	Donations	..	..
AASB 1058.31	Other specific purpose to acquire a recognisable non-financial asset	40	19
AASB 1058.10	Other specific purpose grants	28	21
	Income recognised as revenue from contract with customers		
AASB 15.F20	Other specific purpose grants	45	50
	Total grants	**288**	**255**

Grants recognised under AASB 1058

The Department has determined that the grant income included in the table above under AASB 1058 has been earned under arrangements that are either not enforceable and/or linked to sufficiently specific performance obligations.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the Department has an unconditional right to receive cash which usually coincides with receipt of cash. On initial recognition of the asset, the Department recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards. Related amounts may take the form of:

- contributions by owners, in accordance with AASB 1004
- revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15
- a lease liability in accordance with AASB 16
- a financial instrument, in accordance with AASB 9
- a provision, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Income received for specific purpose grants for on-passing is recognised simultaneously as the funds are immediately on-passed to the relevant recipient entities on behalf of the Commonwealth Government.

Income from grants to construct the Department's Wantirna South data storage centre and the development and construction of the web infrastructure framework are recognised progressively as the asset is constructed. This aligns with the Department's obligation to construct the asset. The progressive percentage costs incurred is used to recognise income because this most closely reflects the construction progress as costs are incurred as the works are done. [AASB 1058.32]

Grants recognised under AASB 15

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for as revenue from contracts with customers under AASB 15. These grants relate to the provision of technology services. Revenue is recognised when the Department satisfies the performance obligation by providing the relevant technology services to the relevant health agencies. This is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance or shortly after the relevant obligation is satisfied.

2.4.4 Fair value of assets and services received free of charge or for nominal consideration recognised as income

($ thousand)

Source reference		20X2	20X1
	Assets		
	Cash donations and gifts	1 023	790
	Plant and equipment	33	16
	Land at fair value	348	525
	Buildings at fair value	..	325
	Road, infrastructure and earthworks at fair value	109	..
	Other	76	52
	Services	..	..
AASB 1058.8	**Total fair value of assets and services received free of charge or for nominal consideration**	**1 589**	**1 708**

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the recipient obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

The exception to this would be when the resource is received from another government department (or agency) as a consequence of a restructuring of administrative arrangements, in which case such a transfer will be recognised at its carrying value in the transferring department or agency as a capital contribution transfer.

Voluntary Services: Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated. The Department did not receive any volunteer services and does not depend on volunteers to deliver its services. [AASB 1058.18]

2.4.5 Other income

($ thousand)

Source reference		20X2	20X1
AASB 16.90(b) 140.75 (f)(i)	Rental income – Investment properties [(a)]	2 215	1 440
AASB 101.97	Dividends received from investments	1 698	1 611
AASB 15.104	Bad debts reversal	30	15
	Revenue related to service concession arrangement [(b)]	1 000	850
	Royalties	..	..
	Fines & regulatory fees	400	425
	Other miscellaneous income	40	65
	Forgiveness of liabilities	1 830	1 420
	Total other income	**7 213**	**5 826**

Notes:

(a) *investment properties are reported in Note 5.2.*

(b) *This revenue relates to the Intellectual property and registry functions commercialisation and reflects the progressive unwinding of the 'grant of right to operate liability' (Note 6.2 Payables) over the remaining period of the arrangement. Refer to Note 7.5.3 AASB 1059* Service Concession Arrangements: Grantors *for more details.*

Dividend income is recognised when the right to receive payment is established. Dividends represent the income arising from the Department's investments in financial assets. The Department does not recognise dividends received or receivable from its associates and joint ventures as income. Instead, dividends from associates and joint ventures are adjusted directly against the carrying amount of the investments using the equity method.

Rental income from leasing of investment properties that are operating leases are recognised on a straight-line basis over the lease term. [AASB 16.81]

Operating leases relate to the investment property owned by the Department with lease terms between five and 10 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. The risks associated with rights that the Department retains in underlying assets are not considered to be significant, the Department employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Department when a property has been subject to excess wear and tear during the lease term. [AASB 16.92]

($ thousand)

Source reference		20X2	20X1
AASB 16.97	Non-cancellable operating lease receivables		
	Not longer than one year	18	18
	Longer than one year but not longer than five years	32	47
	Longer than five years	22	25
	Total	**72**	**90**

Fines and regulatory fees are recognised when an invoice is issued, which establishes the entitlement to payment.

Forgiveness of liabilities assumed by other entities are recognised as income and recorded at the carrying amount. [AASB 1004.39]

During the year, there was a forgiveness of a loan of $1 830 as a result of [include the reasons for the forgiveness of liabilities].

Guidance – Income from transactions

Accounting for income has to comply with AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 1004 *Contributions* , except for income that arises from sources covered by other standards (e.g. lease income – AASB 16 *Leases* , dividends from equity accounted investments – AASB 128).

Position papers for AASB 15 and AASB 1058 are available at:

www.dtf.vic.gov.au/financial-reporting-policy/accounting-standards-checklists

An entity shall disaggregate revenue recognised under AASB 15 and AASB 1058 into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. [AASB15.113(a)]

Revenue from contracts with customers under AASB 15 must be disclosed separately from other sources of revenue. [AASB 15.B89] Examples of categories of revenue within the scope of AASB 15 that might be appropriate include, but are not limited to, all of the following:

- type of good or service (for example, major product lines)
- geographical region (for example, country or region)
- market or type of customer (for example, government and nongovernment customers)
- type of contract (for example, fixed-price and time-and-materials contracts)
- contract duration (for example, short-term and long-term contracts)
- timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time)
- sales channels (for example, goods sold directly to consumers and goods sold through intermediaries).

Examples of categories of income within the scope of AASB 1058 that might be appropriate include but are not limited to the following: [AASB 1058.26]

- grants, bequests and donations of cash, other financial assets and goods
- recognised volunteer services
- appropriations income.

A not-for-profit entity shall assess which revenue standard is applicable to its income streams. For a not-for-profit entity, the majority of income streams are likely to be under either AASB 15 or AASB 1058. As AASB 1058 undertakes a residual approach, an entity should assess the applicability of AASB 15 before it considers the application of AASB 1058.

AASB 15 applies to contracts with customers that are enforceable with sufficiently specific performance obligations. If the contract does not meet these criteria, an entity shall consider the requirements of AASB 1058 in accounting for such contracts. [AASB 15.9]

AASB 1004 provides specific requirements for the following types of transactions:

- parliamentary appropriations in the nature of contribution by owners
- transactions which are contribution by/distribution to owners
- restructure of administrative arrangements
- liabilities of government departments assumed by others.

Recognition and measurement under AASB 15

In accordance with the requirements of AASB 15, revenue shall be recognised when the entity satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when (or as) the customer obtains control of it. For each performance obligation identified in a contract, an entity shall determine at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
- the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, an entity shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer (i.e. the satisfaction of an entity's performance obligation).

An entity shall apply a single method of measuring progress for each performance obligation satisfied over time and the entity shall apply that method consistently to similar performance obligations and in similar circumstances. At the end of each reporting period, an entity shall remeasure its progress towards complete satisfaction of a performance obligation satisfied over time.

If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time. Revenue should be recognised at the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation.

AASB 15 also requires recognition of revenue at the amount of the transaction price that is allocated to the performance obligation(s). When determining the transaction price, an entity shall consider the effects of variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and consideration payable to a customer. [AASB 15.46 and 48]

As a result of the transitional impacts of adopting AASB 15 and AASB 1058, a portion of the grant revenue has been deferred. If the grant income is accounted for in accordance with AASB 15, the deferred grant revenue has been recognised in contract liabilities whereas grant revenue in relation to the construction of capital assets which the department controls has recognised in accordance with AASB 1058 and recognised as deferred grant revenue (Note 6.2). If the grant revenue was accounted for under the previous accounting standard AASB 1004 in 2019-20, the total grant revenue received would have been recognised in full.

Recognition and measurement for AASB 1058

AASB 1058 applies to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives (i.e. transactions with a donation nature) and the receipt of volunteer services. [AASB 1058.1] AASB 1058 requires an entity to apply the requirements of other Australian Accounting Standards (as relevant) to an asset arising from a transaction (e.g. AASB 9 for cash received). [AASB 1058.8]

On initial recognition of the asset, an entity shall recognise any related contributions by owners, increases in liabilities, decreases in assets ('related amounts") and revenue in accordance with other Australian Accounting Standards. [AASB 1058.9]

For example, related amounts may take the form of:

- contributions by owners, in accordance with AASB 1004
- revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15
- a lease liability in accordance with AASB 16
- a financial instrument, in accordance with AASB 9
- a provision, in accordance with AASB 137. [AASB 1058.9]

For transactions within the scope of AASB 1058, an entity shall recognise income immediately in profit or loss for the excess of the initial carrying amount of an asset over the related amounts recognised in accordance with the other standards. [AASB 1058.10]

There is an exception where a transfer of a financial asset is to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the entity. [AASB 1058.15]

This exception applies to a transfer that:

- requires the entity to use that financial asset to acquire or construct a recognisable non-financial asset to identified specifications
- does not require the entity to transfer the non-financial asset to the transferor or other parties
- occurs under an enforceable agreement. An entity shall recognise a liability for the excess of the initial carrying amount of a financial asset received in such a transfer over any related amounts recognised. The entity shall recognise income in profit or loss when the entity satisfies its obligations under the transfer. [AASB 1058.16]

Termination for convenience

Reporters are required to assess whether their income agreements are subject to termination for convenience clauses **and** any unspent cash balances need to be returned to the grantor as a result of such termination. In these circumstances reporters need to disclose whether the unspent grant amounts have been recorded as either income upon receipt or a financial liability under AASB 9 *Financial Instruments*. The disclosure should also include the significant judgements made in determining whether to recognise any unspent grants as income or a financial liability.

Recognition of volunteer services

Government departments, general government sectors (GGSs) and whole of governments shall recognise an inflow of resources in the form of volunteer services as an asset (or an expense, when the definition of an asset is not met) if:

- the fair value of those services can be measured reliably
- the services would have been purchased if they had not been donated. [AASB 1058.18]

Entities should advise DTF (Consolidated Reporting & Analysis team) if volunteer services are being recognised so they can be captured in the whole of State consolidated report. Refer to the position paper and checklist on the DTF website to assist you with the determination.

Additional disclosure of non-contractual income arising from statutory requirements

Disclose income arising from statutory requirements (such as taxes, rates and fines) recognised during the period, disaggregated into categories that reflect how the nature and amount of income (and the resultant cash flows) are affected by economic factors. [AASB 1058.28]

Disclosing information about assets and liabilities recognised at the reporting date in accordance with this Standard, including the amounts of:

- receivables that are not a financial asset as defined in AASB 132 *Financial Instruments: Presentation* (e.g. income tax receivable from a taxpayer)
  - interest income recognised in relation to such receivables during the period
  - impairment losses recognised in relation to such receivables during the period
  - financial liabilities relating to prepaid taxes or rates for which the taxable event has yet to occur, and the future period(s) to which those taxes or rates relate. [AASB 1058.29]

Other information that may be appropriate for an entity to disclose includes, for each class of taxation income that the entity cannot measure reliably during the period in which the taxable event occurs:

- information about the nature of the tax AASB 1058.30(a)]
- the reason(s) why that income cannot be measured reliably AASB 1058.30(b)]
- when that uncertainty might be resolved. [AASB 1058.30(c)]

Additional disclosure for rental income

Where the Department is a lessor with an operating lease, it should disclose the lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate [AASB 16.90(b)], in the ‘other income’ note. Lessors shall also disclose additional qualitative and quantitative information about its leasing activities, including but not limited to:

- the nature of the lessor’s leasing activities [AASB 16.92(a)]
- how the lessor manages the risk associated with any rights it retains in underlying assets. In particular, a lessor shall disclose the risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces the risk. [AASB 16.92(b)]

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. [AASB Interpretation 115.3]

In the event lease incentives are given to the lessee, the aggregate cost of incentives is recognised as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished. [AASB Interpretation 115.4]

2.5 Annotated income agreements

The Department is permitted under section 29 of the *Financial Management Act 1994* (FMA) to have certain income annotated to the annual appropriation. The income which forms part of a section 29 agreement is recognised by the Department as an administered item and the receipts paid into the consolidated fund. If a section 29 agreement is in place, the relevant appropriation item will be increased by the equivalent amount at the point of income recognition.

The following is a listing of the FMA section 29 annotated income agreements approved by the Treasurer:

($ thousand)

Source reference		*Actual*	
		20X2	*20X1*
	User charges, or sales of goods and services		
	ScienceData	598	658
	Technology Special Zone Registration	955	998
	National Technology Development Fund	250	260
	Network Congestion Charge	365	399
	Asset sales		
	Cloud Computer Complex	..	2 350
	Commonwealth specific purpose payments		
	ABC university Tech Lab	3 002	2 580
	Technology Incubator	2 575	2 658
	National Wi-fi Network – Readiness Test	642	..
	Hyperloop Link Contribution	1 650	1 500
FMAs29	**Total annotated income agreements**	**10 037**	**11 403**

Guidance – Annotated income agreements

Section 29 *Financial Management Act 1994* – Annotated revenue

The Appropriation Act also provides for the application of section 29 of the FMA, whereby Departments on behalf of their relevant Minister may apply to the Treasurer to retain certain types of revenue/receipts from third parties.

Detailed guidance on categories of annotated income and the process of obtaining a section 29 annotated income agreement is included in the Resource Management Framework.

3 THE COST OF DELIVERING SERVICES

Introduction

This section provides an account of the expenses incurred by the Department of Technology (the Department) in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded. Section 4 discloses aggregated information in relation to the income and expenses by output.

Structure

3.1 Expenses incurred in delivery of services

($ thousand)

Source reference		*Notes*	*20X2*	*20X1*
AASB 101.99	Employee benefit expenses	3.1.1	13 767	10 970
AASB 101.82 (b)	Grants expenses	3.2	32 884	43 040
AASB 101.82 (b)	Other operating expenses	3.4	17 637	9 542
AASB 101.85	**Total expenses incurred in delivery of services**		**64 288**	**63 552**

Guidance – Expenses presentation

When items included in 'Expenses' are material, their nature and amounts need to be disclosed separately, either in the comprehensive operating statement or in the notes to the financial statements. Expenses can be classified by either 'nature' or 'function' depending on which classification provides more reliable and relevant information. In the illustrative disclosures, the Department classifies its expenses by nature. Expenses are recorded on the face of the comprehensive operating statements and further disaggregated in the notes. [AASB 101.97, 99]

3.1.1 Employee benefits in the comprehensive operating statement

($ thousand)

Source reference		*20X2*	*20X1*
AASB 119.46, FRD 112	Defined contribution superannuation expense	451	325
AASB 119.46, FRD 112	Defined benefit superannuation expense	235	155
AASB 119.142	Termination benefits	1 810	120
	Salaries and wages, annual leave and long service leave	11 271	10 370
	Total employee expenses	**13 767**	**10 970**

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums. [AASB 119.8]

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The Department does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer). [FRD 112]

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Department is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. [AASB 119.128, 133 134, 139]

3.1.2 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered. [AASB 119.11, 153]

($ thousand)

Source reference		*20X2*	*20X1*
	Current provisions:		
AASB 119.8	***Annual leave***		
	Unconditional and expected to settle within 12 months	1 716	1 438
	Unconditional and expected to settle after 12 months	636	796
AASB 119.8	***Long service leave***		
	Unconditional and expected to settle within 12 months	1 231	3 002
	Unconditional and expected to settle after 12 months	1 908	6 318
AAASB 101.78 (d)	***Provisions for on-costs***		
	Unconditional and expected to settle within 12 months	272	555
	Unconditional and expected to settle after 12 months	377	599
AAASB 101.61	**Total current provisions for employee benefits**	**6 140**	**12 708**
	Non-current provisions:		
	Employee benefits	3 743	3 528
	On-costs	871	837
	Total non-current provisions for employee benefits	**4 614**	**4 365**
	Total provisions for employee benefits	**10 754**	**17 073**

Reconciliation of movement in on-cost provision ($ thousand)

Source reference		*20X2*
AASB 137.84 (a)	**Opening balance**	1 991
AASB 137.84 (b)	Additional provisions recognised	451
AASB 137.84 (b)	Additions due to transfer in	141
AASB 137.84 (b)	Additions due to acquisitions	117
AASB 137.84 (c)	Reductions arising from payments/other sacrifices of future economic benefits	(22)
AASB 137.84 (d)	Reductions resulting from re-measurement or settlement without cost	(20)
AASB 137.60,84 (e)	Unwind of discount and effect of changes in the discount rate	15
AASB 137.84 (c)	Reduction held for sale	(304)
AASB 137.84 (c)	Reduction transfer out	(847)
AASB 137.84 (a)	**Closing balance**	**1 522**
AASB 101.61	Current	649
AASB 101.61	Non-current	871

Wages and salaries, annual leave and sick leave: Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the Department does not have an unconditional right to defer settlements of these liabilities. [AASB 101.69 and 119.8]

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Department expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts. [AASB 101.69 and 119.8]

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. [AASB 101.69(d)]

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred. [AASB 101.78]

Unconditional LSL is disclosed as a current liability, even where the Department does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. [AASB 101.69(d)]

The components of this current LSL liability are measured at either:

- undiscounted value – if the Department expects to wholly settle within 12 months
- present value – if the Department does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is a conditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

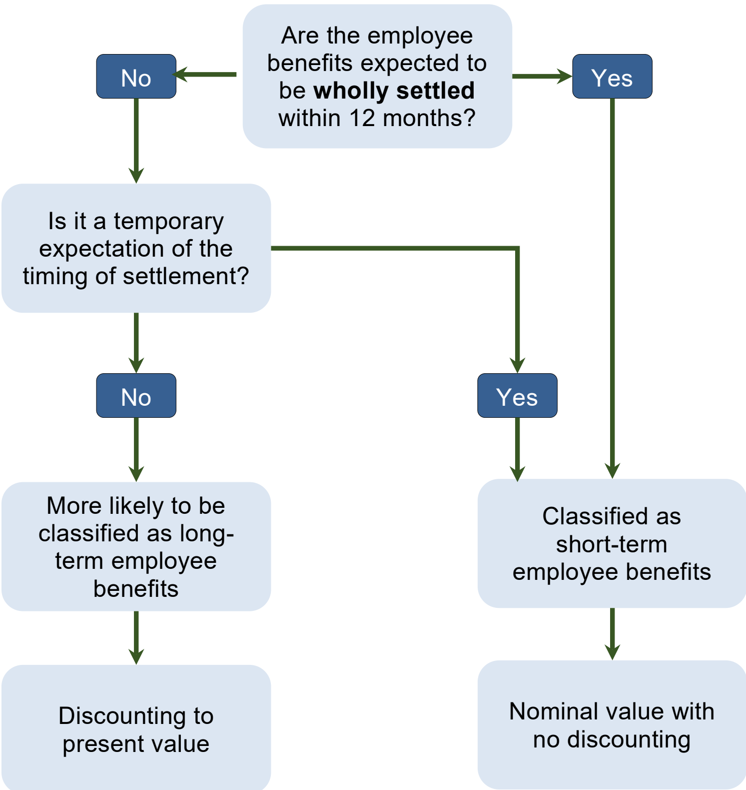
Guidance – Employee benefits

Entities classifying expenses by function shall disclose additional information on the nature of expenses, including employee benefits expense. [AASB 101.104]

Distinction between short-term and long-term employee benefits: Employee benefits are classified as short-term when they are expected to be settled wholly within 12 months after the employees render the related services. [AASB 119.8]

Government departments should review their current short-term employee benefits to ensure their classification remains appropriate.

Measurement of short-term and long-term employee benefits: Short-term employee benefits are accounted for on an undiscounted basis in the period in which the related service is rendered. For employee benefits that are classified as long-term, the obligations are measured at present value (discounted basis). The decision tree below highlights the process considering the 'short-term/long-term' classification and measurement. It is generally expected that the accrued annual leave will be wholly settled before the end of the next annual reporting period, the provisions will need to be measured at present values (on a discounted basis).



Unit of account

The definition of short-term employee benefits introduces the notion of 'wholly'. The expectation of the timing of settlement is based on the entity level, not at the individual employee level.

It is unnecessary for departments to obtain detailed information of each employee's anticipated timing for their leave settlement. This Model Report assumes the annual leave accrued by the Department of Technology as at 30 June 20X2 is not expected to be settled wholly within 12 months thereafter. Accordingly, the provision for annual leave is classified as long-term for measurement purposes and is discounted to its present value.

Entities should form their own reasonable expectations of the timing of employee benefit settlement as long as it is not temporary in their own context. Where employee benefits are expected to be settled wholly within 12 months, they should be classified as 'short-term employee benefits' and measured at nominal values without discounting.

The Model Report assumes the discounting method is done on an annual basis, and entities are encouraged to adopt similar assumptions to ensure the consistency of departmental reports. Please refer to *Annual leave provisions* on the DTF website for further guidance on estimating annual leave provisions under AASB 119.

Current/non-current classification of employee benefits: All annual leave and unconditional vested LSL are disclosed as current liabilities. [AASB 101.69(d)]

Conditional LSL (less than six years of continuous service) is disclosed as a non-current liability and measured at present value.

In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using a single weighted average discount rate based on market yields of national government bonds in Australia that reflects the estimated timing and amount of benefit payment.

3.1.3 Superannuation contributions

Employees of the Department are entitled to receive superannuation benefits and the Department contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

($ thousand)

Source reference		*Paid contribution for the year*		*Contribution outstanding at year-end*	
		20X2	*20X1*	*20X2*	*20X1*
	Defined benefit plans [(a)]				
	State Superannuation Fund	271	195	45	33
	Other	113	81	23	16
AASB 119.53	**Defined contribution plans**				
	VicSuper	141	93	24	16
	Other	59	39	12	8
	Total	**584**	**408**	**104**	**73**

Note:
(a) The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

Guidance – Superannuation

Superannuation expenses are reported differently depending on whether employees are members of defined benefit or defined contribution plans. For defined contribution (accumulation) superannuation plans, expenses are the employer contributions paid or payable in respect of employees who are members of the plans during the reporting period.

Employer superannuation expenses in relation to employees who are members of defined benefit superannuation plans are disclosed as an expense. FRD 112 requires certain entities, such as the Director of Housing and Victorian Universities, to recognise defined benefit liabilities or surpluses of defined benefit plans (listed in Appendix A of FRD 112) in accordance with the requirements of AASB 119. All other entities are exempt from the recognition of the defined benefit liability or surplus of the plans. Instead, the entities account for contributions to these plans as if they were defined contribution plans under AASB 119.

Where an entity has employees who are members of defined benefit plans not listed in Appendix A of FRD 112, it must recognise any associated defined benefit liability or surplus in accordance with requirements for defined benefit plans under AASB 119.

Multi-employer plans: Defined contribution plans (other than state plans) or defined benefit plans that:

- pool the assets of contributed entities that are not under common control
- use those assets to provide benefits to employees of more than one entity (without regard to the identity of the entity that employs the employees concerned). [AASB 119.7, 31, 33 34]

Multi-employer plans are distinct from group administration plans and plans that share risks between various entities under common control.

Insufficient information: When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall account for the plan as though it were a defined contribution plan and, as such, disclose:

- the fact that the plan is a defined benefit plan
- the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan
- to the extent that a surplus or deficit in the plan may affect the amount of future contributions:
  - any available information about that surplus or deficit
  - the basis used to determine that surplus or deficit
  - the implications, if any, for the entity. [AASB 119.30]

3.2 Grant expenses

($ thousand)

	20X2	20X1
General purpose grants	19 052	29 445
Specific purpose grants for on-passing	11 688	12 000
Payments for specific purposes	2 144	1 595
Total grant expenses	**32 884**	**43 040**

Grant expenses are contributions of the Department's resources to another party for specific or general purposes where there is no expectation that the amount will be repaid in equal value (either by money, goods or services).

Grants can either be operating or capital in nature. Grants can be paid as general-purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grant expenses are recognised in the reporting period in which they are paid or payable. Grants can take the form of money, assets, goods, services or forgiveness of liabilities. [AASB Framework paragraph 83]

3.3 Other operating expenses

($ thousand)

Source reference		*20X2*	*20X1*
AASB 101.97	Supplies and services		
	Purchase of inventories	2 005	1 334
	Purchase of services (including remuneration of auditors) [(a)]	4 135	2 776
	Maintenance [(b)]	223	94
	Other borrowing cost (other than interest)	307	144
	Fair value assets and services provided free of charge or for nominal consideration		
	Cash donations and gifts	303	214
	Land at fair value	142	123
	Plant and equipment at cost	110	15
	Cultural assets at fair value	154	..
	Other assets	57	194
AASB 140.75(f)(ii),(iii)	Direct operating expenses of investment properties generating rental income	421	409
	Lease rental expenses		
AASB 16.53 (c)	Short-term lease expenses	2 036	1 000
AASB 16.53 (d)	Low-Value assets	1 681	98
	Bad debts from transactions	75	50
AASB 102.36 (d)	Cost of goods sold/distributed	1 463	1 077
	Cost of biological assets sold – commercial	1 290	..
	Cost of biological assets sold – livestock	250	..
AASB 101.98 (f)	Settlement of litigation	869	783
AASB 138.126	Research and development costs immediately expensed	651	495
FRD 11.5.1	Ex gratia expense	156	16
	Total other operating expenses	**16 328**	**8 822**

Notes:
(a) *This includes quarterly payments relating to the Intellectual property and registry functions commercialisation arrangement. Refer to section 7.5.3* Service Concession Arrangements: Grantors*.*
(b) *Of the balance in 'other operating expenses – maintenance', $XXX [$xxx in 20X1] related to operating and maintenance expenses of assets contracted under the public private partnership arrangements [insert if relevant]. [PAEC Report 115, Recommendation 13]*

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debts expense from transactions that are mutually agreed.

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

The following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term 12 months or less [AASB 16.5(a)]
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than $10 000. [AASB 16.5(b), FRD 123]

Variable lease payments that are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate and which are not, in substance fixed), such as those based on performance or usage of the underlying asset, are recognised in the Comprehensive Operating Statement (except for payments which have been included in the carrying amount of another asset) in the period in which the event or condition that triggers those payments occur. [AASB 16.38(b)]

Research activities: Expenditure on research activities is recognised as an expense in the period in which it is incurred. [AASB 138.54]

Cost of sales: When inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related income is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write down or loss occurs.

The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. [AASB 102.34]

Guidance – Other operating expenses

Public Accounts and Estimates Committee (PAEC) Report 102, recommendation 70 requested more detailed disclosure of other operating expenses. The illustrative disclosures include the more common items required to be disclosed by other AAS.

When inventories held for distribution by a not-for-profit entity are distributed, the carrying amount of those inventories shall be recognised as an expense. The amount of any write down of inventories for loss of service potential and all losses of inventories shall be recognised as 'other economic flow' in the period the write down or loss occurs. The amount of any reversal of any write down of inventories arising from a reversal of the circumstances that gave rise to the loss of service potential shall be recognised as a reduction in the amount of inventories recognised as an other economic flow in the period in which the reversal occurs. [AASB 102.Aus 34.1]

The loss of service potential for inventories held for distribution by not-for-profit entities may sometimes be identified through a fall in replacement cost of the inventories, but this is not necessarily always the case, and more relevant bases can be used to identify loss of service potential. For example, obsolescence, which may occur with or without there being a fall in current replacement cost. Obsolescence covers both technical and/or functional obsolescence. It is strongly encouraged that entities use their judgement in determining the most appropriate basis (bases) in assessing any loss in service potential for inventories held for distribution.

Entities should refer to the AASB 102 *Inventories* paragraphs BC12 and BC20 for detailed guidance on assessing loss of service potential.

AASB 16 requires the disclosure of:

- the expenses relating to short-term leases accounted for applying the recognition exemption. This expense need not include the expense relating to leases with a lease term of one month or less [AASB 16.53(c), FRD 123.4.6
- the expense relating to leases of low-value assets accounted for applying the recognition exemption. This expense shall not include the expense relating to short-term leases of low-value assets included in (a) above [AASB 16.53(d), FRD 123.4.6
- The expense relating to variable lease payments not included in the measurement of lease liabilities. [AASB 16.53(e)

4 DISAGGREGATED FINANCIAL INFORMATION BY OUTPUT

Introduction

The Department of Technology (the Department) is predominantly funded by accrual-based parliamentary appropriations for the provision of outputs. This section provides a description of the departmental outputs delivered during the year ended 30 June 20X2 along with the objectives of those outputs. [AASB 1052.15]

This section disaggregates revenue and income that enables the delivery of services (described in Section 2) by output and records the allocation of expenses incurred (described in Section 3) also by output, which form part of controlled balances of the Department.

It also provides information on items administered in connection with these outputs.

Structure

Judgement required

Judgement is required in allocating income and expenditure to specific outputs. [Include judgements made in making allocation.] For the period under review there were no amounts unallocated.

Distinction between controlled and administered items

The distinction between controlled and administered items is drawn based on whether the department has the ability to deploy the resources in question for its own benefit (controlled items) or whether it does so on behalf of the State (administered). The department remains accountable for transactions involving administered items, but it does not recognise these items in its financial statements.

4.1 Departmental outputs – Descriptions and objectives

Strategic policy advice

Description of output: Provision of policy advice to the Government on the development, promotion, and support of information and biological technology in the public and private sectors.

Objectives: Improved economic performance of the State through the application of leading-edge technology and to promote leadership in scientific research and innovation.

Contribution to *[Sustainability Thriving Victoria]* Government outcomes include:

- quality jobs and thriving innovative industries
- growing and linking all of Victoria.

Information technology and telecommunication

Description of output: Provision of payroll, accounting and database management services and training to a range of agencies. The Information Technology and Telecommunications (IT&T) division provides services on the application and use of IT&T to other governments on a fee for service basis.

Objectives: Efficient and economical operation of government activities to ensure optimal use of resources. Leadership in IT&T promotes Victoria as a centre for excellence in the application of new IT.

Contribution to *[Sustainability Thriving Victoria]* Government outcomes include:

- quality jobs and thriving innovative industries
- sound financial management.

Research and development of biological technology

Description of output: Research and development of new biological technology for application in the agricultural and health sectors amongst others. Commercial development of this new technology is primarily undertaken by Gene Sciences Victoria, a business unit of the Department.

Objectives: Improving the quality of life of Victorians through eradicating diseases and enhancing nutrition through higher-quality agricultural products. Improved agricultural products are also considered to contribute to the economic growth of the State. Contribution to *[Sustainability Thriving Victoria]* Government outcomes include:

- protecting the environment for future generations
- quality jobs and thriving innovative industries.

Departmental outputs – Controlled income and expenses for the year ended 30 June 20X2 [AASB 1052.15(c), 15(d)] ($ thousand)

	Strategic policy advice [(a)]		*IT&T services [(a)]*		*New technology administration [(a)(b)]*		*R&D biological technology [(a)(c)]*		*Departmental total*	
	20X2	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*
Income from transactions										
Output appropriations	36 042	30 000	9 500	7 000	13 167	26 682	26 826	..	85 535	63 682
Special appropriations	1 980	3 587	5 384	3 020	760	4 789	4	..	8 128	11 396
Interest	1 154	1 120	1 071	816	970	961	669	..	3 864	2 897
Sale of goods and services	750	555	701	703	204	88	124	..	1 779	1 346
Grants	39	50	..	..	76	90	173	..	288	140
Fair value of assets and services received free of charge or for nominal consideration	849	696	34	109	180	903	526	..	1 589	1 708
Other income	4 683	5 009	950	775	255	157	1 325	..	7 213	5 941
Subtotal	**45 497**	**41 017**	**17 640**	**12 423**	**15 612**	**33 670**	**29 647**	**..**	**108 396**	**87 110**
Expenses from transactions										
Employee expenses	(3 883)	(5 258)	(2 586)	(3 388)	(2 729)	(2 324)	(4 569)	..	(13 767)	(10 970)
Depreciation	(5 725)	(4 615)	(3 427)	(3 530)	(5 276)	(5 213)	(4 290)	..	(18 718)	(13 358)
Interest expense	(1 863)	(1 575)	(679)	(232)	(3 920)	(2 528)	(86)	..	(6 548)	(4 335)
Grant expenses	(19 525)	(25 217)	..	..	(822)	(17 823)	(12 537)	..	(32 884)	(43 040)
Capital asset charge	(403)	(350)	(403)	(237)	(219)	(133)	(284)	..	(1 309)	(720)
Other operating expenses	(3 490)	(4 512)	(1 328)	(1 112)	(3 525)	(3 198)	(7 985)	..	(16 328)	(8 822)
Subtotal	**(34 889)**	**(41 527)**	**(8 423)**	**(8 499)**	**(16 491)**	**(31 219)**	**(29 751)**	**..**	**(89 554)**	**(81 245)**
Net result from transactions (net operating balance)	**10 608**	**(510)**	**9 217**	**3 924**	**(879)**	**2 451**	**(104)**	**..**	**18 842**	**5 865**
Other economic flows included in net result										
Net gain/(loss) on non-financial assets	(5 898)	1 547	80	297	(334)	(39)	991	..	(5 161)	1 805
Net gain/(loss) on financial instruments	(3 329)	(140)	(162)	(241)	(2 830)	(3 590)	(800)	..	(7 121)	(3 971)
Share of net profits/(losses) of associates and joint entities, excluding dividends	1 055	652	..	..	231	745	..	..	1 286	1 397
Other gains/(losses) from other economic flows	(681)	(956)	(459)	(696)	(516)	(396)	(1 239)	..	(2 895)	(2 048)
Net result from continuing operations	**1 755**	**593**	**8 676**	**3 284**	**(4 328)**	**(829)**	**(1 152)**	**..**	**4 951**	**3 048**
Net result from discontinued operations	(315)	1 326	1 545	2 530	..	..	..	..	1 230	3 856
Other economic flows – other comprehensive income										
Changes in physical asset revaluation surplus	5 061	1 209	773	3 588	(385)	28	1 954	..	7 403	4 825
Changes to financial assets at fair value through other comprehensive income revaluation reserve	30	..	..	..	..	..	..	..	30	..
Changes to financial liability designated at fair value through profit or loss due to changes in own credit risk	156	14	37	94	34	22	33	..	260	130
Share of net movement in revaluation surplus of joint ventures and associates	6 787	3 142	11 031	9 496	(4 679)	(779)	835	..	13 974	11 859
Comprehensive result	**13 474**	**6 284**	**22 062**	**18 992**	**(9 358)**	**(1 558)**	**1 670**	**..**	**27 848**	**23 718**

Notes:

(a) Information about the objectives of these departmental outputs is located in the report of operations under the 'Operational and budgetary objectives and performance against objectives' section.

(b) Based on the Administrative Arrangements Order [No. xxx] 20X2, figures for the current financial year for the new technology administration output reflect the period from 1 July 20X1 to 31 August 20X1, figures for the comparative year are not adjusted. Figures for the period from 1 September 20X1 to 30 June 20X2 are reported by the Department of Cabinet Administration.

(c) Based on the Administrative Arrangements Order [No. xxx] 20X1, figures for the current financial year for the R&D biological technology output reflect the period from 1 September 20X1 to 30 June 20X2. Figures for the period from 1 July 20X1 to 31 August 20X1, and figures for the comparative year, are reported by the Department of Natural Resources.

Departmental outputs – Controlled assets and liabilities at 30 June 20X2 [AASB 1052.16] **($ thousand)**

	Strategic policy advice		*IT&T services*		*New technology administration* [(a)]		*R&D biological technology* [(b)]		*Departmental total*	
	20X2	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*
Assets										
Financial assets	77 617	58 442	31 365	17 505	..	27 845	14 326		123 308	103 792
Non-financial assets	40 363	60 341	19 739	19 989	..	43 664	55 623		115 725	123 994
Total assets	**117 980**	**118 783**	**51 104**	**37 494**	**..**	**71 509**	**69 949**	**..**	**239 033**	**227 786**
Liabilities										
Total liabilities	**37 433**	**43 809**	**99 034**	**78 450**	**..**	**69 417**	**43 027**	**..**	**179 494**	**191 676**
Net assets	**80 547**	**74 974**	**(47 930)**	**(40 956)**	**..**	**2 092**	**26 922**	**..**	**59 539**	**36 110**

Notes:

(a) Based on the Administrative Arrangements Order [No. xxx] 20X2, figures for the assets and liabilities for the new technology administration output for the comparative year are not adjusted. Figures for the assets and liabilities of the output for the current year are reported by the Department of Cabinet Administration.

(b) Based on the Administrative Arrangements Order [No. xxx] 20X1, figures for the assets and liabilities for the R&D biological technology output for the current financial year are as at 30 June 20X2. Figures for the assets and liabilities of the output for the comparative year are reported by the Department of Natural Resources.

Changes in outputs

The research and development of biological technology output was transferred from the Department of Natural Resources to the Department as a consequence of machinery of government changes announced on 2 August 20X1. However, accounts and reports for this output for the purposes of the *Financial Management Act 1994* (FMA) were kept and provided from 1 September 20X1 as per the Administrative Arrangements Order [No. xxx] 20X1. Expenses and income attributable to the transferred outputs for the reporting period are disclosed in 4.3 'Restructuring of administrative arrangements'.

At the same time, activities of the Commissioner for Technology, under the new technology administration output, were transferred to the Department of Cabinet Administration. This is in line with the Government's commitment to continuously improve efficiency through centralisation of common administrative functions within Victorian government departments. Accounts and reports for this output for the purposes of the FMA were kept and provided until 31 August 20X1 as per the Administrative Arrangements Order [No. xxx] 20X1.

4.2 Administered items [AASB 1050.7, 1050.24]

Administered income includes taxes, fees and fines and the proceeds from the sale of administered surplus land and buildings. Administered expenses include payments made on behalf of the State and payments into the consolidated fund. Administered assets include government income earned but yet to be collected. Administered liabilities include government expenses incurred but yet to be paid. Except as otherwise disclosed, administered resources are accounted for on an accrual basis using same accounting policies adopted for recognition of the departmental items in the financial statements. Both controlled and administered items of the Department are consolidated into the financial statements of the State.

The Department does not gain control over assets arising from taxes, fines and regulatory fees, consequently no income is recognised in the Department's financial statements. The Department collects these amounts on behalf of the State. Accordingly, the amounts are disclosed as income in the schedule of Administered Items. [AASB 1050.7, 1050.12]

Administered (non-controlled) items [AASB 1050.7, FRD 9]

For the financial year ended 30 June 20X2 ($ thousand)

	Strategic policy advice		*IT&T services*		*New technology administration* [(a)]		*R&D biological technology* [(b)]		*Departmental total*	
	20X2	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*
Administered income from transactions										
Appropriations – payments made on behalf of the State	6 786	6 245	3 550	3 487	546	1 137	1 137	..	12 019	10 869
Sales of goods and services [include fees]	5 887	5 634	3 003	2 318	..	3 517	2 725	..	11 615	11 469
Grants	871	1 790	222	301	2 330	2 996	162	..	3 585	5 087
Taxation income	..	..	..	..	5 176	4 982	..	..	5 176	4 982
Fines	..	..	..	..	6 213	5 988	..	..	6 213	5 988
Total administered income from transactions	**13 544**	**13 669**	**6 775**	**6 106**	**14 265**	**18 620**	**4 024**	**..**	**38 608**	**38 395**
Administered expenses from transactions										
Payments made on behalf of the State	(6 786)	(6 245)	(3 550)	(2 987)	(546)	(1 637)	(1 137)	..	(12 019)	(10 869)
Payments into the consolidated fund	(6 758)	(7 424)	(3 225)	(2 619)	(13 719)	(17 483)	(2 887)	..	(26 589)	(27 526)
Total administered net result from transactions (net operating balance)	**..**	**..**	**..**	**500**	**..**	**(500)**	**..**	**..**	**..**	**..**
Administered other economic flows included in administered net result										
Net gain/(loss) on financial instruments	253	(156)	..	..	..	..	..	..	253	(156)
Other gains/(losses) from other economic flows	..	..	..	..	..	..	225	88	225	88
Administered net result	**253**	**(156)**	**..**	**500**	**..**	**(500)**	**225**	**88**	**478**	**(68)**
Administered other economic flows – other comprehensive income										
Items that will not be reclassified to administered net result										
Adjustment to accumulated surplus/(deficit) due to change in accounting policy	..	153	..	201	..	243	..	..	..	597
Changes in physical asset revaluation surplus	..	..	..	..	..	..	..	..	..	..
Total administered comprehensive result	**253**	**(3)**	**..**	**701**	**..**	**(257)**	**225**	**88**	**478**	**529**

Notes:

(a) Based on the Administrative Arrangements Order [No. xxx] 20X2, figures for the income and expenses for the new technology administration output for the comparative year are not adjusted. Figures for the income and expenses of the output for the current year are reported by the Department of Cabinet Administration.

(b) Based on the Administrative Arrangements Order [No. xxx] 20X2, figures for the income and expenses for the R&D biological technology output for the current financial year are as at 30 June 20X2. Figures for the income and expenses of the output for the comparative year are reported by the Department of Natural Resources.

Administered (non-controlled) items *(continued)* [AASB 1050.7, FRD 9]

For the financial year ended 30 June 20X2 **($ thousand)**

	Strategic policy advice		*IT&T services*		*New technology administration* [(a)]		*R&D biological technology* [(b)]		*Departmental total*	
	20X2	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*
Administered financial assets										
Receivables	443	746	3 242	1 491	..	4 167	5 407	..	9 092	6 404
Investments and other financial assets	5 897	4 378	4 090	3 051	..	4 573	2 245	..	12 232	12 002
Total administered financial assets	**6 340**	**5 124**	**7 332**	**4 542**	**..**	**8 740**	**7 652**	**..**	**21 324**	**18 406**
Administered non-financial assets [(c)]										
Inventories	..	..	243	..	..	1 894	1 109	..	1 352	1 894
Prepayments	578	872	326	537	..	901	783	..	1 687	2 310
Total administered non-financial assets	**578**	**872**	**569**	**537**	**..**	**2 795**	**1 892**	**..**	**3 039**	**4 204**
Total administered assets	**6 918**	**5 996**	**7 901**	**5 079**	**..**	**11 535**	**9 544**	**..**	**24 363**	**22 610**
Administered liabilities [(d)]										
Payables	1 364	1 093	921	849	..	2 277	2 107	..	4 392	4 219
Borrowings	2 015	2 227	543	764	..	272	221	..	2 779	3 263
Total administered liabilities	**3 379**	**3 320**	**1 464**	**1 613**	**..**	**2 549**	**2 328**	**..**	**7 171**	**7 482**
Total administered net assets	**3 539**	**2 676**	**6 437**	**3 466**	**..**	**8 986**	**7 216**	**..**	**17 192**	**15 128**

Notes:

(a) As a result of the administrative restructure, the administered assets and liabilities for the new technology administration output are now reported by the Department of Cabinet Administration. Accordingly, the administered income and expenses for the current financial year only reflect the Department's period of responsibility, which was 1 July 20X1 to 31 August 20X1.

(b) As a result of the administrative restructure, the figures for administered income and expenses for the R&D biological technology only represents activities since 1 September 20X1. Administered items for the prior year and the current year to 31 August 20X1 are reported by the Department of Natural Resources.

(c) The State's investment in all its controlled entities is disclosed in the administered note of the Department of Treasury and Finance's (DTF) financial statements. This includes the investment in the Department's portfolio entities.

(d) The Department of Treasury and Finance in its Annual Financial Statements discloses on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

Guidance – Departmental outputs

AASB 1052 *Disaggregated Disclosures* requires:

- a summary of the identity and purpose of each of the department's major activities (outputs) undertaken during the reporting period
- the objectives of the department, if not disclosed elsewhere in the annual report
- income and expenses attributable to outputs identified in (a) above, showing separately each major class.

To facilitate the assessment of the costs incurred and the cost recoveries generated as a result of the department's activities, administered income, expenses, assets and liabilities are reported on the same basis adopted for the recognition of the elements of the financial statements. That is, they are accounted for using the accrual basis of accounting and by applying the same accounting policies as those applied to items recognised in the departmental financial statements. [AASB 1050.24]

Allocation of income and expenses to outputs is only required to the extent that such an allocation can be determined reliably. Where amounts cannot be allocated on a reliable basis, they should be disclosed in a separate 'unallocated' column.

In identifying major activities, judgement is required to identify those activities of a department that warrant separate disclosure in the general-purpose financial statements. Exercising this judgement involves a consideration of the following:

- the objectives of the department
- the likely users of the general-purpose financial statements
- the activity level that may be relevant to users' assessments of the performance of the department
- the concept of materiality.

Descriptions of output activities and key government objectives for the reporting period should be consistent with those reported in the corresponding budget papers.

Guidance on the classification of items as controlled or administered: Departments are required to classify revenues, expenses, assets and liabilities as either 'controlled' or 'administered'. The way an output is defined can affect the classification of a revenue or expense between the administered or controlled categories. The decision to classify an asset or liability as 'administered' rather than 'controlled' will impact items such as the capital assets charge on the Department's operations, and the way in which the asset or liability is presented in the State Budget. Further guidance on controlled and administered can be found in Financial Reporting Operations Framework and Budget Operations Framework on the DTF website.

Administered items do not form part of a department's outputs, and in the case of administered expenses, funding is provided under a separate appropriation. For example:

- If the administrative process of making welfare transfer payments is part of an output of the department, it should be classified as a controlled expense. However, the actual funds being paid to the beneficiaries could be classified as an administered item if they meet the criteria for administered items. In respect to an Act or binding agreement, an item may be classified as administered if the department has no influence over eligibility, timing, or the amount, unless contributing to output delivery.
- If a department defined an output as 'the management of grants to [some external body] for [some purpose]', the actual grants themselves (as opposed to the administrative costs of managing the grants program) could be classified as administered expenditure. However, if the output were defined as 'delivery of products or services for [some purpose]', with the payment being conditional on the fulfilment of specified conditions, it may be seen to involve an exchange of value and therefore should be treated as controlled.
- If crime compensation payments awarded by a court or tribunal or revenues or taxes collected by a department on behalf of the State would normally be classified as giving rise to administered items. On the other hand, revenues, expenses, assets or liabilities arising in connection with the discharge of the function of making crime compensation payments (as distinct from the payments themselves) or collecting revenues (as distinct from the revenues themselves) on behalf of the State would normally be classified as controlled.

Changes in accounting policies: Where an item moves from controlled to administered, or vice versa, the reclassification may constitute a change of accounting policy.

Where principles in respect of classification have been applied consistently and the reclassification arises from a change in circumstances, the change does not constitute a change in accounting policy.

However, where there is no change in circumstances or facts, a reclassification would constitute a change in accounting policy and would have to be disclosed as such in accordance with AASB 108.

Grants: Where grants are payable into the consolidated fund, they are reported as administered income.

Administered income and expense: A department may be responsible for levying and collecting taxes, fines and fees, the provision of goods and services and transfer payments. These activities may give rise to income and expenses, which the department does not control. This would occur where, for example, the department is not permitted to utilise the proceeds from user charges without further authorisation. Income and expenses administered by a department are not recognised in its comprehensive operating statement but are disclosed in the notes.

AASB 1050 *Administered Items* and FRD 9 *Departmental Disclosure of Administered Assets and Liabilities by Activities* requires administered income and expenses to be disclosed separately by major class and attributed to outputs where such allocation can be determined reliably.

Administered assets and liabilities [AASB 1050.7, FRD 9]: When undertaking administered activities, a department may manage and deploy assets in the capacity of an agent and may incur liabilities, which will not involve a sacrifice of assets that are controlled by the department at the end of the reporting period. Assets and liabilities administered by the department are not recognised in its balance sheet but are disclosed in the notes.

On behalf of the State, DTF discloses in its administered note of its annual financial statements the State's investment in controlled entities and the superannuation liabilities related to departmental employees. While other departments are not required to show these items in their administered notes, they are advised to include footnotes as illustrated stating that this information is available in the DTF's annual report.

AASB 1050 encourages, but does not require, the allocation of administered assets and liabilities to outputs. However, FRD 9 extends AASB 1050's disclosure requirement for administered income and expenses to include disclosure on a major activity basis for administered assets and liabilities. Assets and liabilities should only be disclosed on a major activity basis when such allocations can be reliably attributable to the outputs.

Identifying an allocation basis [FRD 9]: Usually, it is the elements of those administered activities that are undertaken by an autonomous unit of the department, such as a tax collection agency, which are more likely to be separately identifiable.

Where a department cannot determine an allocation on a reliable basis, it should discuss the matter with its auditor and advise the DTF of the outcome of those discussions before finalisation of the financial statements.

Material administered items: Where administered items are material, departments are required to provide additional disclosure by way of additional notes, for example, taxes, fees and fines, are to be disaggregated further where these items are material.

4.3 Restructuring of administrative arrangements [AASB 1052.15(a), AASB 1004.54-58]

In August 20X1, the Government issued an administrative order restructuring some of its activities via machinery of government changes, taking effect from 1 September 20X1. As part of the machinery of government restructure, the Department (as transferor) relinquished its New Technology Administration output to the Department of Cabinet Administration (the transferee). The combined income and expenses for the new technology administration output for the reporting period are reported by the Department of Cabinet Administration.

In addition, the Department (as transferee) assumed responsibility for the research and development of biological technology output from the Department of Natural Resources (the transferor). The combined income and expenses for the research and development of biological technology output for the reporting period (including those recognised by the Department of Natural Resources) are as follows:

($ thousand)

Research and development of biological technology output	*Department of Natural Resources (Jul-Aug 20X1)*	*Department of Technology (Sept 20X1 - Jun 20X2)*	*Total*
Controlled income and expenses			
Income	4 556	19 494	24 050
Expenses	(4 375)	(18 722)	(23 097)
Administered income and expenses			
Income	541	2 314	2 855
Expenses	(519)	(2 222)	(2 741)

Comparative amounts for the prior year have not been adjusted.

The net assets assumed by the Department for the research and development of biological technology output as a result of the administrative restructure is recognised in the balance sheet at the carrying amount of those assets in the transferor's (Department of Natural Resources) balance sheet immediately before the transfer.

The net asset transfers were treated as a contribution of capital by the State. No income has been recognised by the Department in respect of the net asset transferred from the Department of Natural Resources.

Restructuring of administrative arrangements [AASB 1052.15(a), AASB 1004.54-58] **($ thousand)**

	20X2 Transfer in: Output – R&D biological technology	*20X2 Transfer out: Output – new technology administration*
Assets		
Cash and deposits	5	(3 072)
Receivables	2 767	(11 926)
Investments and other financial assets	2 401	(5 266)
Investments accounted for using the equity method	..	(2 471)
Inventories	2 972	(11 317)
Property, plant and equipment	15 512	(31 012)
Biological assets	3 080	..
Investment properties	1 287	..
Intangible assets	..	(3 630)
Other non-financial assets	34	..
Liabilities		
Borrowings	4 104	(31 373)
Payables	2 094	(5 675)
Provisions	2 075	(11 149)
Other liabilities	168	(400)
Net assets recognised/(transferred)	**19 617**	**(20 097)**
Net capital contribution from the Crown		**(480)**

Guidance – Restructuring of administrative arrangements

Requirements regarding restructures of administrative arrangements can be found by reference to AASB 1004 *Contributions* and AASB Interpretation 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities*. In relation to the detailed requirements on the evidence and timing when accounting for restructures of administrative arrangements, please refer to FRD 119 as outlined below.

Evidence and timing of Government decisions

Parliamentary appropriations *[FRD 119. App A]*

Parliamentary appropriations for additions to net asset base, payments on behalf of the State, and special appropriations for capital expenditure purposes, including those that are directly on passed to another transferee wholly owned and controlled by the State, are deemed by FRD 119 as contributions by owners.

In such cases, the evidence of government decisions is in the form of an Appropriation Act, or specific sections in other Acts. The timing of the government decision is when the royal assent or the warrant is signed.

Restructures of administrative restructures

In the case of restructures of administrative restructures, evidence of government decisions can include an administrative order, a legislative instrument, or any form of evidence documenting a government decision in relation to the activities transferred. The decision is made when the order/royal assent/evidence is signed, depending on the form of evidence.

Where an administrative order is used to affect the administrative restructure, the transfer is deemed to occur on the date of gazettal or publication unless the order or a subsequent order specifies a separate effective date.

Administrative orders may be issued with different dates specified for:

- departmental name changes
- ministerial appointments
- commencement of keeping accounts and provision of reports for output changes.

For example, in the case of the fictitious Department of Technology (DoT), the transfer was announced and approved on 2 August 20X1. However there is a requirement in the Administrative Arrangements Order (No. xxx) 20X1 for the department to keep accounts and to provide reports for the relevant outputs for the purposes of the *Financial Management Act 1994* until 31 August 20X1 (see Note 2 Departmental (controlled) outputs). Entities should review carefully the relevant designation date, or if different, the effective date of the administrative order from the Special Victorian Government Gazette. This publication can be accessed at:

www.gazette.vic.gov.au

or can be ordered from:

BlueStar Print

Phone (03) 8523 4601

Fax (03) 9600 0478

Email gazette@bluestargroup.com.au

Formal designation for ‘other transfers’

In cases other than administrative restructures covered by administrative orders or legislative instruments, the relevant portfolio minister must formally designate transfers as contributions by or distributions to owners at or before the time of the transfer. Entities should follow paragraph 6.2 of FRD 119 for the minimum details to be included to meet the designation requirements.

Insufficient contributed capital for distributions to owners (reclassification of equity)

Under FRD 119, the Chief Finance and Accountable Officers can reclassify equity without further ministerial approval to the extent required to affect the following distributions to owners:

- where the transferor has insufficient contributed capital to transfer an asset or net assets
- where a transferee has insufficient contributed capital to cover the receipt of a liability or net liabilities.

In accordance with the guidance in Appendix C of FRD 103 *Non-financial physical assets*, for distributions of non-financial physical assets, entities must first reclassify any related revaluation surplus to the accumulated surplus, irrespective of the sufficiency of contributed capital balance. If the asset revaluation surplus included in equity is unknown, management will need to apply judgement and document the methodology used to determine an appropriate estimation of the related amount.

Subsequent to the reclassification above, where there is insufficient contributed capital for distributions to owners, the entity must reclassify its accumulated surplus to contributed capital to the extent required to affect the distribution.

If there is still insufficient contributed capital after such reclassifications, the balance must be recognised as an expense.

Disclosure requirements in the notes

Income and expenses [AASB 1004.57]

In relation to a transferred output (activity), income and expenses attributable to that output shall be disclosed by the transferee, including the income and expenses recognised by the transferor.

Assets and liabilities [AASB 1004.58]

For immaterial transfers, the assets and liabilities transferred shall be disclosed on an aggregate basis.

For each material transfer, the assets and liabilities transferred shall be disclosed by class, and the counterparty transferor/transferee shall be identified. In addition, both the transferor and transferee shall disclose the following:

- a brief description of the nature of the output transferred
- the date of transfer of the output
- the identity of the department(s) to whom the output has been transferred/received
- the details about any related legislation that was enacted to affect the transfer.

Extract of an administrative order

The following is an administrative order effecting a machinery of government change that has resulted in the establishment of a new department through a machinery of government restructure. The administrative order took effect as noted in the Gazette.

Victoria Government Gazette

No. S 460 Wednesday 24 December 2014
By Authority of Victorian Government Printer

Administrative Arrangements Act 1983

ADMINISTRATIVE ARRANGEMENTS ORDER (NO. 219) 2014

The Governor in Council makes the following Order:

Dated 24 December 2014

Responsible Minister:
THE HON DANIEL ANDREWS MP
Premier

YVETTE CARISBROOKE
Clerk of the Executive Council

1. **Title**

   This Order is called the Administrative Arrangements Order (No. 219) 2014.

2. **Authorising provision**

   This Order is made under section 3 of the **Administrative Arrangements Act 1983**.

3. **Commencement**

   (1) Subject to subclause (2), this Order takes effect on 4 December 2014.

   (2) This Order, as it applies to or in respect of an item in Table 2 of the Schedule, takes effect on 1 January 2015.

4. **Definitions**

   In this Order –

   '**Body**' means Minister, Department or officer;

   '**instrument**' includes contract and agreement;

   '**New Body**' means a Body specified in Column 3 of an item in Table 1 or Table 2 of the Schedule;

   '**Old Body**' means a Body specified in Column 1 of an item in Table 1 or Table 2 of the Schedule;

   '**Schedule**' means the Schedule to this Order;

   '**transaction**' includes –

   (a) agreement, bond, contract, deed or other consensual arrangement; and

   (b) action, appeal, arbitration, prosecution or other legal proceeding; and

   (c) assignment, charge, lease, mortgage, transfer or other dealing with property; and

   (d) loan, guarantee, indemnity or other dealing with money; and

   (e) approval, consent, delegation, direction, licence, order, permit, requirement or other authority; and

   (f) notice; and

   (g) any other act, entitlement or liability at law.

5. **Construction of references**

   In respect of each item in a Table of the Schedule, a reference to an Old Body –

   (a) in a provision of an Act specified in Column 2 of an item in Table 1 or Table 2 of the Schedule; or

   (b) in a statutory instrument or other instrument made under an Act specified in Column 2 of an item in Table 1 or Table 2 of the Schedule; or

SPECIAL

5 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

The Department of Technology (the Department) controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the Department to be utilised for delivery of those outputs.

Significant judgement: Classification of investments as 'key assets'

The Department has made the judgement that investments (including investments in associates and joint ventures) are key assets utilised to support the Department's objectives and outputs.

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 8.3 in connection with how those fair values were determined.

Structure

5.1 Total property, plant and equipment

($ thousand)

Source reference		*Gross carrying amount*		*Accumulated depreciation*		*Net carrying amount*	
		20X2	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*
AASB 116.73 (d)	Land at fair value [(b)]	4 562	3 521	..	..	4 562	3 521
AASSB 116.73 (d)	Buildings at fair value	84 698	79 447	(3 902)	(1 417)	80 796	78 030
AASB 116.73 (d)	Plant, equipment and vehicles at fair value	52 455	59 793	(916)	(16 684)	51 539	43 109
AASB 116.73 (d)	Assets under construction at cost	713	1 023	..	..	713	1 023
AASB 116.73 (d)	Infrastructure at fair value	6 563	5 099	(4 879)	(168)	1 684	4 931
AASB 116.73 (d)	Road, infrastructure and earthworks at fair value	2 896	5 005	(640)	(12)	2 256	4 993
	Cultural assets at fair value	2 764	..	..	..	2 764	..
	Net carrying amount	**154 651**	**153 888**	**(10 337)**	**(18 281)**	**144 314**	**135 607**

Note:
(a) If any entity has significant land under roads, i.e. significant in value and/or difference in methodology, it should be disclosed separately from land.

The following tables are subsets of buildings, and plant and equipment by right-of-use assets and service concession assets.

5.1.1 Total right-of-use assets: buildings, plant, equipment and vehicles.

[AASB 16.47(a)(ii)]

($ thousand)

Source reference		Gross carrying amount 20X2	Accumulated depreciation 20X2	Net carrying amount 20X2	Gross carrying amount 20X1	Accumulated depreciation 20X1	Net carrying amount 20X1
AASB 116.73 (d)	Buildings at fair value	10 774	910	9 864	**10 774**	**759**	**10 015**
	Plant, equipment and vehicles	4 579	916	3 663	**4 579**	**458**	**4 121**
	Infrastructure at fair value	4 744	552	4 192	4 744	276	4 468
	Net carrying amount	**20 097**	**2 378**	**17 719**	**20 097**	**1 493**	**18 604**

($ thousand)

Source reference		Buildings	Plant, equipment and vehicles at fair value	Infrastructure at fair value
AASB 16.54	**Opening balance – 1 July 20X1**	**10 774**	**4 121**	**4 468**
AASB 16.53 (h)	Additions	..	..	**..**
	Disposals	..	..	**..**
AASB 16.53 (a)	Depreciation	(302)	(458)	**(276)**
AASB 16.53 (j)	**Closing balance – 30 June 20X2**	**10 472**	**3 663**	**4 192**
	Opening balance – 1 July 20X0 [(a)]	**10 925**	**4 579**	**4 744**
	Additions	..	..	**..**
	Disposals	..	..	**..**
	Depreciation	(759)	(458)	**(276)**
	Closing balance – 30 June 20X1	**10 166**	**4 121**	**4 468**

5.1.2 Total service concession assets

($ thousand)

Source reference		Gross carrying amount 20X2	Gross carrying amount 20X1	Accumulated depreciation 20X2	Accumulated depreciation 20X1	Net carrying amount 20X2	Net carrying amount 20X1
AASB 116.73 (d)	Buildings at fair value	58 800	60 000	2 400	1 200	56 400	58 800

Initial recognition: Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount. [AASB 116.73(a); FRD 103]

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

Right-of-use asset acquired by lessees – Initial measurement

The Department recognises a right-of-use asset and a lease liability at the lease commencement date [AASB 16.23]

. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received [AASB 16.24(b)]
- any initial direct costs incurred [AASB 16.24(c)]
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located [AASB 16.24(d)].

Service concession assets (Under AASB 1059 – *Service Concession Arrangements: Grantors*) – Initial measurement

The Department initially recognises service concession assets at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement*. [AASB 1059.7]

Subsequent measurement: Property, plant and equipment (PPE) as well as right-of-use assets under leases and service concession assets are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised on the following page by asset category.

Right-of-use asset – Subsequent measurement

The Department depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation. [AASB 16.32 and AASB 16.35]

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability. [AASB 16.33]

Service concession assets – Subsequent measurement

Service concession assets are subject to revaluation as required by FRD 103 however as at 30 June 2021 no revaluation has occurred. When revalued, the fair value of service concession assets will be determined based on current replacement cost. [AASB 1059.9(b)]

Non-specialised land, non-specialised buildings and artworks are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value. [AASB 13.93(d)]

Specialised land and specialised buildings: The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment reflects the valuer's assessment of the impact of restrictions associated with an asset to the extent that the CSO adjustment is also equally applicable to market participants.

For the majority of the Department's specialised buildings, the current replacement cost method is used, adjusting for the associated depreciation.

Heritage assets, infrastructure and road infrastructure and earthworks are valued using the current replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

Vehicles are valued using the current replacement cost method. The Department acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Department who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Fair value for **plant and equipment** that are specialised in use (such that it is rarely sold other than as part of a going concern) is determined using the current replacement cost method.

Refer to Note 8.3 for additional information on fair value determination of property, plant and equipment.

Impairment of property, plant and equipment

The recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

5.1.3 Depreciation and amortisation

Charge for the period **($ thousand)**

	20X2	*20X1*
Buildings [(a)]	3 280	1 807
Plant, equipment and vehicles	13 034	9 550
Infrastructure [(a)]	419	240
Road, infrastructure and earthworks	514	207
Intangible produced assets (amortisation)	1 471	1 554
Total depreciation and amortisation	**18 718**	**13 358**

Note:
(a) Of the amounts included in 'buildings', and 'infrastructure' categories, $XXX [$XXX in 20X1] and $XXX [$XXX in 20X1] respectively related to assets contracted under the public private partnership (PPP) arrangements. [Recommendation 13 PAEC Report 115]

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. The exceptions to this rule include items under assets held for sale, land and investment properties.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. [AASB 116.73(b)] Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

(years)

Asset	*Useful life*
Buildings:	20 to 100
leasehold buildings	2 to 60
Infrastructure systems:	
water infrastructure – storage facilities	25 to 300
water infrastructure – other	25 to 100
rail infrastructure	2 to 50
other infrastructure	10 to 32
Plant, equipment and vehicles (including leased assets)	3 to 10
Road and road networks (including bridges)	60 to 90
Cultural assets (with finite useful lives)	100

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate. [The useful lives illustrated in the Model are for illustrative purposes only. Departments should determine the useful lives of assets.]

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the Department obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Indefinite life assets: Land, earthworks, land under declared roads, and core cultural assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period. [AASB 1051.11]

5.1.4 Reconciliation of movements in carrying amount of property, plant and equipment [(a)] ($ thousand)

Source reference		Land at fair value		Buildings at fair value		Plant, equipment and vehicles at fair value		Assets under construction at cost		Infrastructure at fair value		Road, infrastructure and earthworks at fair value		Cultural assets at fair value		Total	
		20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1	20X2	20X1
AASB116.73 (d)	**Opening balance [(b)]**	**3 521**	**3 120**	**78 030**	**76 583**	**43 109**	**57 761**	**1 023**	**489**	**4 931**	**3 364**	**4 993**	**2 499**	**..**	**..**	**135 607**	**143 816**
AASB116.73 (e)(ix)	Fair value of assets received free of charge or for nominal considerations	348	525	..	325	33	16	..	..	..	..	109	..	..	..	490	866
AAASB116.73 (e)(ix)	Fair value of assets provided free of charge or for nominal considerations	(142)	(123)	..	..	(110)	(15)	..	..	..	..	..	..	(154)	..	(406)	(138)
AASB116.73 (e)(i)	Additions	1 756	767	2 802	1 827	6 333	1 081	154	1 781	1 898	1 838	1 872	3 164	675	540	15 490	10 998
AASB116.73 (e)(ii)	Disposals	..	(863)	..	(2 866)	(442)	(949)	..	..	..	(378)	..	(95)	..	..	(442)	(5 151)
AASB116.73 (e)(ix)	Transfer in/out of assets under construction	..	..	..	900	..	..	(107)	(1 247)	107	347	..	..	..	..	..	..
AASB116.73 (e)(iv)	Revaluation of PPE	942	1 564	6 125	1 425	5 231	..	..	..	(4 576)	..	(112)	..	293	..	7 903	2 989
AASB116.73 (e)(ix)	Transfer (to)/from investment property	..	..	(1 063)	1 494	..	..	..	..	..	..	..	..	..	..	(1 063)	1 494
AASB116.73(e)(iii)	Purchased business combination	125	..	4 197	..	15 946	..	..	..	124	..	..	..	..	..	20 392	..
AASB116.73(e)(iii)	Machinery of government transfer in	789	..	3 856	..	10 343	..	10	..	1 040	..	568	..	1 950	..	18 556	..
AASB116.73 (e)(ii)	Machinery of government transfer out	(2 024)	..	(9 398)	..	(13 702)	..	(343)	..	(1 100)	..	(4 445)	..	..	..	(31 012)	..
AASB116.73(e)(vii)	Depreciation	..	..	(3 280)	(607)	(13 034)	(9 550)	..	..	(419)	(240)	(514)	(207)	..	..	(17 247)	(10 604)
AASB116.73 (e)(ii)	Transfer to disposal group held for sale	(753)	(1 469)	(473)	(1 051)	(2 168)	(5 235)	(24)	..	(321)	..	(215)	(368)	..	(540)	(3 954)	(8 663)
AASB116.73 (d)	**Closing balance**	**4 562**	**3 521**	**80 796**	**78 030**	**51 539**	**43 109**	**713**	**1 023**	**1 684**	**4 931**	**2 256**	**4 993**	**2 764**	**..**	**144 314**	**135 607**

Note:

(a) *Fair value assessments have been performed for all classes of assets in this purpose group and the decision was made that movements were not material (less than or equal to 10 per cent) for a full revaluation. The next scheduled full revaluation for this purpose group will be conducted in 20X2.*

Guidance – Property, plant and equipment

Measurement of non-financial physical assets

FRD 103 4.3 requires all non-financial physical assets to be subsequently measured using the revaluation model, except for certain limited circumstances, where prior written approval for certain assets was given by the Assistant Treasurer to be measured using historical cost. These assets are phasing out or in transition towards the revaluation model.

Future generation of cash flows: For assets held by not-for-profit entities where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits, fair value can be determined using the asset's current replacement cost.

Revaluations of non-financial physical assets: Full revaluations shall be made with sufficient regularity to ensure the carrying amount does not differ materially from its fair value. FRD 103 determines the revaluation cycle to occur every five years. The timetable for each department for revaluation of each class of asset is set out in Appendix A of this FRD. For further guidance on fair value using revaluation model, entities can refer to 'Guidance on fair value of plant, equipment and vehicles' under FRD 103.

In a financial year where a full revaluation is not required, entities are still required to conduct fair value assessments to assess whether the asset's carrying value still materially reflects its fair value. Fair value assessments for land and buildings are determined using separate annual indices for land and buildings supplied by Valuer-General Victoria. Further guidance on this can be found in the guidance note of FRD 103.

Assets acquired within 12 months of the revaluation date are exempt from revaluation unless evidence exists that the asset's carrying value does not materially reflect its fair value.

Treatment of accumulated depreciation on revaluation: To ensure consistency on a whole of State reporting basis, FRD 103 requires that when non-financial physical assets are revalued, an entity is to account for the accumulated depreciation at the date of the revaluation by eliminating the accumulated depreciation balance against the gross carrying amount of the asset and increasing the net carrying amount to the revalued amount of the asset (net approach).

Depreciation: To align with whole of government reporting under AASB 1049, the consumption of physical or intangible produced assets by wear or overtime is classified as a transaction depreciation expense. The consumption of intangible non-produced assets is classified as an amortisation expense in the other economic flows.

The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. [AASB 116.60]

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a prospective basis. [AASB 116.51, 61]

5.2 Investment properties

($ thousand)

Source reference		*20X2*	*20X1*
AASB 140.76	**Balance at beginning of financial year**	**5 029**	**5 233**
AAASB 140.76 (a)	Additions from subsequent expenditure	282	1 838
AASB 140.76 (b)	Acquisitions/transfers in of businesses	1 287	..
AASB 140.76 (c)	Disposals and property held for sale	(1 822)	(998)
AASB 140.76 (d)	Net gain/(loss) from fair value adjustments	(3 485)	450
AASB 140.76 (f)	Transfers to owner occupied	..	(1 494)
AASB 140.76 (f)	Transfers to investment property	1 063	..
	Balance at end of financial year	**2 354**	**5 029**

Investment properties represent properties held to earn rentals or for capital appreciation, or both. Investment properties exclude properties held to meet service delivery objectives of the Department. Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Department.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as other economic flows in the comprehensive operating statement in the period that they arise. Fair values are determined based on a market comparable approach that reflects recent transaction prices for similar properties. These properties are neither depreciated nor tested for impairment. [AASB 140.20, 140.30, 140.32A, 140.33, 140.75; FRD 107]

Guidance – Investment properties

Property held to meet service delivery objectives: In respect of not-for-profit entities, property may be held to meet service delivery objectives rather than to earn rent or for capital appreciation. In such situations the property will not meet the definition of investment property and will be accounted for under AASB 116. For example:

- property held for strategic purposes
- property held to provide a social service, including those which generate cash inflows where the rental income is incidental to the purpose for holding the property. [AASB 140.Aus9.1]

The reason for classifying a property that would otherwise satisfy the definition of investment property as property, plant and equipment must be documented and approved by the entity's Responsible Body. [FRD 107]

Responsible Body means:

- in relation to an agency with a statutory board or equivalent governing body, that board or governing body
- in relation to an agency without a statutory board or governing body, that agency's Accountable Officer. [SD1.6]

Classification: When classification of investment property is difficult, an entity shall disclose the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business. [AASB 140.75(c)]

Inability to determine fair value reliably: An entity must measure its investment property (after recognition) using the fair value model unless the entity has received prior written approval from the Assistant Treasurer to use the cost model. [FRD 107]

In the exceptional cases where an entity is unable to reliably determine the fair value of an investment property, and accordingly measures that investment property using the cost model, the reconciliation illustrated in this note shall disclose amounts relating to that investment property separately from amounts relating to other investment property.

In addition, an entity shall disclose:

- a description of the investment property;
- an explanation of why fair value cannot be determined reliably;
- if possible, the range of estimates in which fair value is highly likely to lie.
- On disposal of investment property not carried at fair value, an entity must also disclose:
  - the fact that the entity has disposed of investment property not carried at fair value
  - the carrying amount of that investment property at the time of sale
  - the amount of gain or loss recognised. [AASB 140.78]

Adjustment for recognised assets and liabilities: When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements (for example, to avoid double counting of assets or liabilities that are recognised as separate assets and liabilities as described in paragraph 50 of AASB 140), the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back, and any other significant adjustments. [AASB 140.77]

Disclosure requirements: Entities are required to disclose:

- the amounts recognised in the net result for:
  - rental income from investment property [AASB 140.75(f)(i)]
  - direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period [AASB 140.75(f)(ii)]
  - direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period [AASB 140.75(f)(iii)]
- the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal [AASB 140.75(g)]
- contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements. [AASB 140.75(h)]

Entities shall disclose reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:

- additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset
- additions resulting from acquisitions through business combinations
- assets classified as held for sale or included in a disposal group in accordance with AASB 5 and other disposals
- net gains or losses from fair value adjustments
- the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity
- transfers to and from inventories and owner-occupied property
- other changes.

[AASB 140.76]

5.3 Biological assets

Biological assets comprise nature forests and livestock. Their quantities and measurement bases are disclosed below.

Source reference	Biological asset	Measurement basis	Quantities 20X2	Quantities 20X1	Carrying amount ($ thousand) 20X2	Carrying amount ($ thousand) 20X1
AASB 141.41 and 42	Timber volume	Cubic metres	5 000	..	2 749	..
	Breeding livestock	Headcount	236	..	1 285	..
	Total carrying amount		**n.a.**		**4 034**	**..**

Biological assets are measured at fair value less costs to sell, with any changes recognised in the comprehensive operating statement –'other economic flows'. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. If an active market exists for a biological asset in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where access exists to different markets then the most relevant market is referenced.

In the event market determined prices or values are not available for a biological asset in its present condition, the present value of the expected net cash flows from the asset, discounted at a current market determined rate, is utilised to determine fair value.

The fair value less costs to sell of timber harvested during the period was $1.56 million.

As at 30 June 20X2, the Department had commitments for the acquisition of breeding livestock amounting to $150 000 (20X1: $nil).

The Department is exposed to financial risks in respect of its biological activities, in particular, potential insufficient working capital for commercial native forests activities. The primary financial risk occurs due to the length of time between expending cash on the purchase, planting and maintenance of trees and on felling the adult trees and ultimately receiving the cash from the eventual sale to third parties. The Department manages these risks by actively reviewing and managing the working capital requirements of these activities.

Reconciliation of movement in carrying amounts [AASB 141.50] **($ thousand)**

Source reference		Livestock 20X2	Livestock 20X1	Nature forests 20X2	Nature forests 20X1	Total 20X2	Total 20X1
	Carrying amount at beginning of period	..	..	..	..	..	..
AASB 141.50 (b)	Increases due to acquisition/transfers in	2 545	..	657	..	3 202	..
AASB 141.50 (b)	Increases due to purchases	..	..	856	..	856	..
AASB 141.50 (a)	Increase/decrease due to fair value adjustment	1 454	..	22	..	1 476	..
AASB 141.50 (c)	Decreases attributable to disposal/transfers out	..	..	(250)	..	(250)	..
AASB 141.50 (d)	Decreases due to harvest	(1 250)	..	..	..	(1 250)	..
	Other changes	..	..	..	..	..	..
	Carrying amount at end of period	**2 749**	**..**	**1 285**	**..**	**4 034**	**..**

Guidance – Biological assets

An entity shall disclose:

- a description of each group of biological assets [AASB 141.41]
- the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets [now captured by AASB13.93]
- the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest [now captured by AASB13.93]
- the existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities [AASB 141.49(a)]
- the amount of commitments for the development or acquisition of biological assets [AASB 141.49(b)]
- financial risk management strategies related to agricultural activity. [AASB 141.49(c)]

If not disclosed elsewhere in the financial statements, an entity shall also provide a description of:

- the nature of its activities involving each group of biological assets [AASB 141.46(a)].
- non-financial measures or estimates of the physical quantities of each group of the entity's biological assets at the end of the period and output of agricultural produce during the period. [AASB 141.46(b)].

Disclosure for gain arising from changes in fair value

Gain arising from changes in fair value less costs to sell attributable to physical and price changes may relate to changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell recognised in the net result as an 'other economic flow' due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops). [AASB 141.51]

Additional disclosures for biological assets where fair value cannot be measured reliably

- If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses at the end of the period, the entity shall disclose for such biological assets:
- a description of the biological assets
- an explanation of why fair value cannot be measured reliably
- if possible, the range of estimates in which fair value is highly likely to lie
- the depreciation method used
- the useful lives or the depreciation rates used
- the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

[AASB 141.54]

If, during the current period, an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses, an entity shall disclose:

- any gain or loss recognised on disposal of such biological assets
- the related reconciliation (paragraph 50 of AASB 141 Agriculture).

In addition, the reconciliation shall include the following amounts recognised in the net result related to those biological assets:

- impairment losses
- reversals of impairment losses
- depreciation

[AASB 141.55]

If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those biological assets:

- a description of the biological assets
- an explanation of why fair value has become reliably measurable
- the effect of the change.

[AASB 141.56]

Government grants

An entity shall disclose the following related to agricultural activity covered by this standard:

- the nature and extent of government grants recognised in the financial statements
- unfulfilled conditions and other contingencies attaching to government grants
- significant decreases expected in the level of government grants.

[AASB 141.57]

5.4 Intangible assets

($ thousand)

Source reference		*Computer software*		*Total*	
		20X2	*20X1*	*20X2*	*20X1*
	Gross carrying amount				
AASB 138.118 (c)	**Opening balance**	**12 295**	**10 875**	**12 295**	**10 875**
AASB 138.118 (e)(i)	Additions	2 655	2 540	2 655	2 540
AASB 138.118 (e)(i)	Additions from internal development	631	150	631	150
AASB 138.118 (e)(i)	Acquisitions from business combinations	3 650	..	3 650	..
AASB 138.118 (e)(ii)	Disposals or classified as held for sale	(7 015)	(1 270)	(7 015)	(1 270)
AASB 138.118 (c)	**Closing balance**	**12 216**	**12 295**	**12 216**	**12 295**
FRD 109	**Accumulated depreciation, amortisation and impairment**				
	Opening balance	**(2 848)**	**(3 129)**	**(2 848)**	**(3 129)**
AASB 138.118 (c)	Amortisation of intangible produced assets [(a)]	(1 471)	(1 554)	(1 471)	(1 554)
AASB 138.118 (e)(vi)	Amortisation of intangible non-produced assets [(a)]	..	..	..	..
AASB 138.118 (e)(i)	Acquisitions from business combinations	(1 288)	..	(1 288)	..
AASB 138.118 (e)(ii)	Disposals or classified as held for sale	3 375	1 250	3 375	1 250
AASB 138.118 (e)(iv)	Impairment losses charged to net result [(b)]	(2 010)	..	(2 010)	..
AASB 138.118 (e)(v)	Reversals of impairment losses charged to net result	..	585	..	585
AASB 138.118 (c)	**Closing balance**	**(4 242)**	**(2 848)**	**(4 242)**	**(2 848)**
	Net book value at end of financial year	**7 974**	**9 447**	**7 974**	**9 447**

Notes:

(a) The consumption of intangible produced assets is included in 'depreciation' line item, where the consumption of the intangible non-produced assets is included in 'net gain/(loss) on non-financial assets' line item on the comprehensive operating statement.

(b) Impairment losses are included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement. Due to the development of the Series Z software as discussed below, it was determined that the existing software will be phased out over the next year and as such, an impairment loss was recognised for the period based on its recoverable amount, which was determined on fair value less costs to sell using market prices.

Initial recognition

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begin when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. [AASB 138.74-75; FRD 109]

An **internally generated intangible asset** arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- an intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development. [AASB 138.57]

Service concession intangible asset

The service concession intangible asset has an indefinite useful life because its value does not diminish with use and it can be used multiple times over an extended period of time with no foreseeable limit. As a result, a finite life cannot be determined. [AASB 138.122(a)]

More information about the service concession intangible asset is outlined in section 7.5.3.

Subsequent measurement

Intangible produced assets with finite useful lives, are amortised as an ‘expense from transactions’ on a straight-line basis over their useful lives. Produced intangible assets have useful lives of between three and five years.

Intangible non-produced assets with finite lives are amortised as an ‘other economic flow’ on a straight-line basis over their useful lives. The amortisation period is three to five years.

Service concession intangible assets recognised applying AASB 1059 are subsequently measured at fair value (current replacement cost). [AASB 138.97, 138.104, 138.108-109 and 138.118(b)]

Impairment of intangible assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in section 5.1.1. [AASB 136.10(a)]

Significant intangible assets

The Department has capitalised software development expenditure for the development of its Series Z technology software. The carrying amount of the capitalised software development expenditure is $-7.97 million (20X1: $9.45 million). Its useful life is five years and will be fully amortised in 2030. [AASB 138.118(a), 138.122(b)]

Guidance – Intangible assets

Disclosure of amortisation

An entity shall disclose the line item(s) of the comprehensive operating statement in which any amortisation of intangible assets is included. [AASB 138.118(d)]

An entity shall also disclose a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements. [AASB 138.122(b)]

Additional disclosures for indefinite life intangible assets

An entity shall disclose, for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life. [AASB 138.122(a)]

Additional disclosures for intangible assets acquired by way of a government grant and initially recognised at fair value

For intangible assets acquired by way of a government grant and initially recognised at fair value, an entity shall disclose:

- the fair value initially recognised for these assets [AASB 138.122(c)(i)]
- their carrying amount [AASB 138.122(c)(ii)]
- whether they are measured after recognition under the cost model or the revaluation model. [AASB 138.122(c)(iii)]

Additional disclosures for intangible assets whose title is restricted

The entity is required to disclose the existence and carrying amounts of intangible assets whose title is restricted [AASB 138.122(d)]

Additional disclosures for intangible assets pledged as security for liabilities

The entity is required to disclose the carrying amounts of intangible assets pledged as security for liabilities [AASB 138.122(d)]

Additional disclosures for commitments to acquire intangibles

The entity shall disclose the amount of contractual commitments for the acquisition of intangible assets. [AASB 138.122(e)]

Other information

An entity is encouraged, but not required, to disclose the following information:

- a description of any fully amortised intangible asset that is still in use
- a brief description of significant intangible assets controlled by the entity but not recognised as assets because they did not meet the recognition criteria in AASB 138. [AASB 138.128]

Intangible assets revalued using the revaluation model

If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:

(j) by class of intangible assets:
  (i) the effective date of the revaluation
  (ii) the carrying amount of revalued intangible assets
  (iii) the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model.

(k) the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders

(l) the methods and significant assumptions applied in estimating the assets' fair values. [now captured by AASB 13.93]

Notwithstanding (a)(iii) above, in respect of not-for-profit entities, for each revalued class of intangible assets, the requirement to disclose the carrying amount that would have been recognised had the assets been carried under the cost model does not apply. [AASB 138.AUS124.1]

Impairment of intangible assets

An entity discloses information on impaired intangible assets in accordance with AASB 136 *Impairment of Assets* in addition to the information required by AASB 138 *Intangible Assets*. [AASB 138.120]

Factors that are considered in determining the useful life of an intangible asset include:

- the expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team
- typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way
- technical, technological, commercial or other types of obsolescence
- the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset
- expected actions by competitors or potential competitors
- the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level
- the period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases
- whether the useful life of the asset is dependent on the useful life of other assets of the entity. [AASB 138.90]

Internal use software

Capitalisation threshold: FRD 109 requires expenditure on a non-monetary item without physical substance to be recognised as an intangible asset only if the amount involved meets the capitalisation threshold that is material to the entity. In addition, an entity should consider the following in determining the capitalisation threshold:

- the impact of the capitalisation threshold on the comprehensive operating statement and balance sheet, taking into consideration the pattern of investment and that an intangible asset may have a relatively short useful life (e.g. useful life of software is usually only three to five years)
- the administrative burden of conducting annual impairment tests of intangible assets. [FRD 109]

Research activities (or research phase of internal projects): AASB 138 specifically prohibits the recognition of research activities as an asset. [AASB 138.54]

Internal use software: [AASB 138.54, FRD 109 App 1] Purchased internal use software may comprise components with differing accounting treatment (refer to Appendix 1 of FRD 109 for further guidance). Where the accounting treatment differs, each component of the software must be proportionately allocated, based on its fair value, over the total contract price.

Internally developed internal use software usually involves three stages (refer Appendix 1 of FRD 109 for additional guidance):

- preliminary project stage – costs to be expensed
- application development stage – costs to be capitalised or expensed
- post implementation/operation stage – costs to be expensed

Internally developed internal use software may comprise more than one component. For example, the development of an accounting software system may consist of three components: general ledger; accounts payable sub-ledger; and an accounts receivable sub-ledger. Where this is the case, each component of the system should be accounted for as a separate component and in accordance with FRD 109.

5.5 Investments accounted for using the equity method

Joint arrangements are contractual arrangements between the Department and one or more other parties to undertake an economic activity that is subject to joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities of the joint arrangement require the unanimous consent of the parties sharing control. [AASB 11.7]

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The Department accounted for two investments using the equity method: New Technology Ltd (an associate) and Technology Supply Pty Ltd (a joint venture). After initially recognising the investment value at cost in the balance sheet, the equity method requires the State's share of the post-acquisition profits or losses of these investments to be recognised in the net result as 'other economic flows'. The share of post-acquisition movements in revaluation surpluses and any other reserves is recognised in both the comprehensive operating statement and the statement of changes in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment, as well as any dividends received or receivable. [AASB 128.10; AASB 12.21(b), AASB 11.16)]

Investments in associate

New Technology Ltd is one of the Department's strategic partners specialising in developing new biological equipment in Melbourne, Victoria. The main business activities include: [insert detail]. New Technology Ltd is an ASX publicly listed company.

Investments in joint venture

Up until [date], the Department had a joint venture with Technology Supply Pty Ltd to provide expertise in technology supply services to the business units. The main business activities included: [xxx]

The joint venture ceased to operate effective from [date]. [AASB 12.21(a)]

Details of material associates and joint ventures [AASB 12.21(b)] **($ million)**

	Country of incorporation	*Measurement method*	*Ownership interest*		*Published fair value*	
Name of entity			*20X2*	*20X1*	*20X2*	*20X1*
Associate						
New Technology Pty Ltd [(a)]	Australia	Equity method	35	35	6 566	5 351
Joint venture						
Technology Supply Pty Ltd	Australia	Equity method	..	25	n.a.	n.a.

Note:
(a) As at 30 June 20X2, the fair value of the Department's interest in New Technology Ltd was based on the quoted market price available on the Australian Stock Exchange, which is a Level 1 input in terms of AASB 13 Fair Value Measurement.

Summarised financial information

Presented below is the summarised financial information for the investments accounted for using the equity method. The summarised financial information below represents amounts shown in the financial statements of the equity accounted investments, prepared under AAS and adjusted as appropriate by the Department.

The financial year end date of New Technology Ltd is 30 April. For the purpose of applying the equity method of accounting, the financial statements of New Technology Ltd have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 30 June 20X2.

The Department's share of the contingent liabilities and commitments of its associates and joint ventures are disclosed in Note 8.2 and Note 7.5 respectively.

New Technology Pty Ltd – Associate

($ thousand)

Source reference		20X2	20X1
	Summarised balance sheet		
AASB 12.B12 (b)(i)	Current assets	6 224	4 706
AASB 12.B12 (b)(ii)	Non-current assets	14 524	13 043
	Total assets	**20 748**	**17 749**
AASB 12.B12(b)(iii)	Current liabilities	(1 778)	(1 345)
AASB 12.B12 (b)(iv)	Non-current liabilities	(4 150)	(3 138)
	Total liabilities	**(5 928)**	**(4 483)**
	Net assets	**14 820**	**13 266**
	Summarised operating statement		
AASB 12.B12 (b)(v)	Total income from transaction	6 154	3 803
AASB 12.B12(b)(vi)	Net result from continuing operation	2 620	1 150
AASB 12.B12(b)(vii)	Net result from discounting operation	394	713
	Net result	**3 014**	**1 863**
AASB 12.B12(b)(viii)	Other economic flows – other comprehensive income	743	800
AASB 12.B12 (b)(ix)	**Total comprehensive income**	**3 757**	**2 663**
AASB 12.B14 (b)	**Movements in carrying amount of interests in the associate**		
	Carrying amount at the beginning of the year	4 643	4 262
AASB 12.B12(b)(vi)(vii)	**Department's share of associate's operating statement:**		
	Share of associate's net result after tax	739	456
	Share of associate's other comprehensive income	260	280
	Dividends received/receivable from associate	(455)	(355)
	Carrying amount at the end of the year	**5 187**	**4 643**

Technology Supplies Pty Ltd– Joint venture

($ thousand)

Source reference		20X2	20X1
	Summarised balance sheet		
AASB 12.B12 (b)(i)	**Current assets:**		
AASB 12.B13 (a)	Cash and cash equivalent	..	1 212
	Other current assets (excluding cash)	..	2 467
AASB 12.B12 (b)(ii)	Total non-current assets	..	5 701
	Total assets	**..**	**9 380**
AASB 12.B12(b (iii)	**Current liabilities:**		
AASB 12.B13 (b)	Financial liabilities (excluding payables, provisions)	..	(300)
	Other non-financial liabilities (including payables, provisions)	..	(751)
	Non-current liabilities:		
	Financial liabilities (excluding payables, provisions)	..	(1 150)
	Other non-financial liabilities (including payables, provisions)	..	(1 303)
	Total liabilities	**..**	**(3 504)**
	Net assets	**..**	**5 876**
	Summarised operating statement		
AASB 12.B12 (b)(v)	Revenue	..	9 055
AASB 12.B13 (e)	Interest income	..	350
AASB 12.B13 (d)	Depreciation	..	(265)
AASB 12.B13 (f)	Interest expense	..	(1 250)
	Total income from transactions		7 890
AASB 12.B12 (b)(vi)	Net result from continuing operation	..	2 536
AASB 12.B12(b)(vii)	Net result from discontinuing operation	..	447
	Net result	**..**	**2 983**
AASB 12.B12(b)(viii)	Other economic flows – other comprehensive income	..	..
AASB 12.B12(b)(ix	**Total comprehensive income**	**..**	**2 983**
AASB 12.B14 (b)	**Movements in carrying amount of interests in the joint venture**		
	Carrying amount at the beginning of the year	..	1 104
AASB 12.B12(b)(vi)(vii)	**Department's share of interests in the joint venture's operating statement:**		
	Share of joint venture's net result after tax	..	522
	Share of joint venture's other comprehensive income	..	..
	Dividends received/receivable from joint venture	..	(157)
	Carrying amount at the end of the year	**..**	**1 469**

Guidance – Investments accounted using the equity method

AASB 11 *Joint Arrangements* defines a joint arrangement as an arrangement of which two or more parties have joint control. A joint arrangement is either a joint operation or a joint venture, depending upon the rights and obligations of the parties to the arrangement.

Accounting for joint ventures using the equity method

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. [AASB 11.16]

A joint venturer shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures* unless the entity is exempted from applying the equity method as specified in that standard. [AASB 11.24]

Application of equity method: Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in the investor's other comprehensive income. [AASB 128.10]

Significant judgements and assumptions: Disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

- that it has joint control of an arrangement or significant influence over another entity
- the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle.

Specifically, an entity shall disclose, for example, significant judgements and assumptions made in determining that it either:

- does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity
- has significant influence even though it holds less than 20 per cent of the voting rights of another entity.

Nature, extent and financial effects of an entity's interests in joint arrangements and associates

- An entity shall disclose:
- for each joint arrangement and associate that is material to the reporting entity:
  - the name of the joint arrangement or associate
  - the nature of the entity's relationship with the joint arrangement or associate (by, for example, describing the nature of the activities of the joint arrangement or associate and whether they are strategic to the entity's activities)
  - the principal place of business (and country of incorporation, if applicable and different from the principal place of business) of the joint arrangement or associate
  - the proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held (if applicable).
- for each joint venture and associate that is material to the reporting entity:
  - whether the investment in the joint venture or associate is measured using the equity method or at fair value
  - summarised financial information about the joint venture or associate as specified in paragraphs B12 and B13 of AASB 12
  - if the joint venture or associate is accounted for using the equity method, the fair value of its investment in the joint venture or associate, if there is a quoted market price for the investment.
- financial information as specified in paragraph B16 about the entity's investments in joint ventures and associates that are not individually material separately:
  - in aggregate for all individually immaterial joint ventures
  - in aggregate for all individually immaterial associates.

Risks associated with an entity's interests in joint ventures and associates [AASB 12.23]

An entity shall disclose:

- commitments that it has relating to its joint ventures separately from the amount of other commitments as specified in paragraphs B18–B20 [AASB 12.23(a)].
- in accordance with AASB 137, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in joint ventures or associates (including its share of contingent liabilities incurred jointly with other investors with joint control of, or significant influence over, the joint ventures or associates), separately from the amount of other contingent liabilities. [AASB 12.23(a)].

Disclosure in aggregate for individually immaterial associates and joint ventures

An entity shall disclose, in aggregate, the carrying amount of its interests in all individually immaterial joint ventures or associates that are accounted for using the equity method.

An entity shall also disclose separately the aggregate amount of its share of those joint ventures' or associates':

- profit or loss from continuing operations
- post-tax profit or loss from discontinued operations
- other comprehensive income
- total comprehensive income.

An entity provides the disclosures separately for joint ventures and associates.

Restrictions on fund transfers [AASB 12.22(a)]

The entity shall disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements; regulatory requirements or contractual arrangements between investors with joint control of or significant influence over a joint venture or an associate) on the ability of joint ventures or associates to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity.

Unrecognised share of losses [AASB 12.22 (c)]

The entity shall disclose the unrecognised share of losses of an associate or joint venture, both for the period and cumulatively, if recognition of the associate's or joint venture's share of losses has been discontinued.

Different reporting periods [AASB 12.22(b)]

When the financial statements of a joint venture or associate used in applying the equity method are as of a date or for a period that is different from that of the entity, the entity should disclose:

- the date of the end of the reporting period of the financial statements of that joint venture or associate
- the reason for using a different date or period.

This disclosure is not applicable if the financial statements of an associate or joint venture used in applying the equity method are as of a date or for a period that is different from that of the entity.

Equity accounted investment reduced to zero [AASB 128.38-39]

If an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associate.

Such items may include preference shares and long-term receivables or loans but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans. Losses recognised under the equity method in excess of the investor's investment in ordinary shares are applied to the other components of the investor's interest in an associate in the reverse order of their seniority (i.e. priority in liquidation).

After the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Discontinuing the use of the equity method [AASB 128.22-23]

An entity shall discontinue the use of the equity method from the date that its investment ceases to be an associate or a joint venture as follows:

- If the investment becomes a subsidiary, the entity shall account for its investment in accordance with AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements*.
- If the retained interest in the former associate or joint venture is a financial asset, the entity shall measure the retained interest at fair value. The fair value of the retained interest shall be regarded as its fair value on initial recognition as a financial asset.

  The entity shall recognise in profit or loss any difference between:

  – the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture

  – the carrying amount of the investment at the date the equity method was discontinued.
- When an entity discontinues the use of the equity method, the entity shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. For example, if an associate or a joint venture has cumulative exchange differences relating to a foreign operation and the entity discontinues the use of the equity method, the entity shall reclassify to profit or loss the gain or loss that had previously been recognised in other comprehensive income in relation to the foreign operation.

All disclosures requirements in relation to joint ventures are applicable for both the current and the comparative periods irrespective of the fictitious discontinuation of the joint venture for the 20X1-X2 year.

Interests in subsidiary and unconsolidated structured entities

Disclosure on interests in subsidiary and unconsolidated structured entities is not applicable if the department does not have control over another entity (i.e. no interests in subsidiaries) or has not identified any structure entity as defined by AASB 12 *Disclosures of Interests in Other Entities*. In relation to disclosures required for subsidiaries, entities should complete the assessment of the control test in accordance with AASB 10 *Consolidated Financial Statements* to determine whether there are any entities that meet the control criteria set out in AASB 10, and whether the following disclosures will be applicable based on the relevant facts and circumstances. Please refer to *AASB 10 Consolidated Financial Statements checklist – Control analysis for Victorian public sector entities* on the DTF website for the assessment.

Where a department has identified that it has control over another entity and is required to consolidate its interests in the entity, the department will be required to present its financial statement for the department as a consolidated entity and as a parent for the current and comparative periods as required by AASB 10.4. Please refer to Interests in subsidiary and unconsolidated structured entities on the DTF website for more information.

5.6 Investments and other financial assets

($ thousand)

Source reference		20X2	20X1
AASB 101.61	**Current investments and other financial assets**		
	Term deposits: [(a)]		
	Foreign currency term deposits > three months	1 000	750
	Australian dollar term deposits > three months	941	2 443
	Debt securities: [(b)]		
	Five-year government bonds	778	406
	Ten-year government bonds	220	340
	Debentures	565	..
	Total current investments and other financial assets	**3 504**	**3 939**
AASB 101.61	**Non-current investments and other financial assets**		
	Equities and managed investment schemes:		
	Listed securities [(c)]	1 614	1 492
	Unlisted securities [(d)]	322	538
	Managed investment schemes [(c)]	229	2 149
	Debt securities:		
	Five-year government bonds at fair value through profit or loss	3 823	2 409
	Five-year government bonds	455	2 195
	Ten-year government bonds	1 880	1 880
	Debentures	1 300	192
	Term deposits: [(a)]		
	Australian dollar term deposits > 12 months	949	1 937
	Total non-current investments and other financial assets	**10 572**	**12 792**
	Total investments and other financial assets	**14 076**	**16 731**

Notes:
(a) Term deposits under ‘investments and other financial assets’ class include only term deposits with maturity greater than 90 days.
(b) These are debt securities that are maturing within the next 12 months.
(c) The Department measures all its listed equities and managed investment schemes at fair value through net result. Unless such assets are part of a disposal group held for sale, all equities and managed investment schemes are classified as non-current.
(d) Unlisted securities include shares in Entity ABC, which were gifted to the Department under the Davey Bequest and can only be sold to fund projects for the development of new technology. The Department designated all its unlisted equity investments as fair value through other comprehensive income.

Guidance – Investments and other financial assets

Restricted assets

Where the use of an asset, which is recognised in the balance sheet of a department is restricted, wholly or in part, by regulations or other externally imposed requirements, and information about those restrictions is relevant to assessing the performance or financial position of the department, the following must be disclosed:

- the identity and carrying amount of those assets, the use of which is restricted
- the nature of those restrictions.

Derecognition of financial assets

These requirements are addressed in the ‘Financial Instruments’ note and are not repeated here.

5.7 Acquisition and disposal of entities

5.7.1 Entity acquired [AASB 107.40]

On 2 August 20X1, the Department acquired 100 per cent of the net assets of IT Communications Pty Limited for cash consideration of $26 million. Details of the acquisition are as follows:

($ thousand)

	20X2	*20X1*
Consideration		
Cash and cash equivalents	26 035	..
Land and buildings	..	..
Ordinary shares	..	..
Deferred purchase consideration	..	..
Other	..	..
Total consideration	**26 035**	**..**
Fair value of net assets acquired		
Assets		
Cash and deposits	2 628	..
Receivables	1 356	..
Investments and other financial assets	1 899	..
Inventories	1 819	..
Property, plant and equipment	20 392	..
Other non-financial assets	9	..
Biological assets	122	..
Intangible assets	2 362	..
Liabilities		
Payables	(3 219)	..
Provisions	(1 246)	..
Other liabilities	(87)	..
Net assets acquired	**26 035**	**..**
Net cash outflows on acquisition		
Cash and cash equivalents consideration	26 035	..
Less cash and cash equivalent balances acquired	(2 628)	..
Net cash outflows	**23 407**	**..**

5.7.2 Entity disposed [AASB 107.40]

During the financial year, the Department lost control of one business due to disposal. Details of the disposal are as follows:

($ thousand)

	20X2	20X1
Consideration		
Cash and cash equivalents	17 795	..
Land and buildings	..	..
Ordinary shares	..	..
Deferred purchase consideration	..	..
Other	..	..
Total consideration	**17 795**	**..**
Book value of net assets disposed		
Assets		
Cash and deposits	(348)	..
Receivables	7 372	..
Investments and other financial assets	4 065	..
Inventories	2 555	..
Property, plant and equipment	14 227	..
Liabilities		
Payables	(2 778)	..
Borrowings	(2 599)	..
Provisions	(4 678)	..
Other liabilities	(20)	..
Net assets acquired	**17 796**	**..**
Net cash inflows on disposal		
Cash and cash equivalents consideration	17 795	..
Less cash and cash equivalent balances acquired	(348)	..
Net cash flows	**17 447**	**..**

Guidance – Obtaining and losing control of subsidiaries and other businesses

The aggregate cash flows arising from acquisitions and from obtaining or losing control of subsidiaries or other businesses shall be presented separately and classified as investing activities. [AASB107.39]

An entity shall disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries and other business units during the period, each of the following:

- the total consideration paid or received
- the portion of the purchase or disposal consideration discharged by means of cash and cash equivalents
- the amount of cash and cash equivalents in the subsidiaries or other businesses over which control is obtained or lost
- the amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses over which control is obtained or lost, summarised by each major category. [AASB107.40]

The following additional information shall be provided if it is relevant in understanding the financial position and liquidity of an entity:

- the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities
- the aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity
- the amount of the cash flows arising from the operating, investing and financing activities of each reportable segment. [AASB107.50]

6 OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from the Department's controlled operations.

Structure

Guidance – Other asset and liability disclosures [AASB 101.61]

An entity shall disclose the amount expected to be recovered or settled after more than 12 months for each asset and liability line item that combines amounts expected to be recovered or settled:

- no more than 12 months after the reporting period
- more than 12 months after the reporting period. [AASB 101.61]

Instead of disclosing this information in a separate note it may be more appropriate to include such disclosures in the relevant asset and liability notes. An illustrative example of these disclosure items has not been given in the Model on the basis that the balance sheet and other notes make the required disclosures.

6.1 Receivables

($ thousand)

Source reference		*20X2*	*20X1*
AASB 101.78 (b)	**Contractual**		
	Finance lease receivables	581	1 231
	Sale of goods and services	1 374	965
	Loans to third parties	544	485
	Accrued investment income	1 864	1 058
	Other receivables	334	438
AASB 7.35H	Allowance for impairment losses of contractual receivables	(603)	(327)
	Statutory		
	Amount owing from Victorian Government	31 500	16 151
	GST input tax credit recoverable	34	50
	Fines and regulatory fees	383	415
	Other receivables	34	59
AASB 2016-8	Allowance for impairment losses of statutory receivables	..	..
	Total receivables	**36 045**	**20 525**
	Represented by		
AASB 101.61	Current receivables	28 590	18 076
AASB 101.61	Non-current receivables	7 380	2 399
AASB 7.35L	Contractual receivables outstanding written off during the reporting period and still subject to enforceable activity	(75)	50

Contractual receivables are classified as financial instruments and categorised as ‘financial assets at amortised costs’. They are initially recognised at fair value plus any directly attributable transaction costs. The Department holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments for disclosure purposes. The Department applies AASB 9 for initial measurement of the statutory receivables and, as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Details about the Department’s impairment policies, the Department’s exposure to credit risk and the calculation of the loss allowance are set out in Note 8.1.3.

Finance lease receivables (Department as lessor) [AASB 16.67, 16.75]

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are apportioned between periodic interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Finance lease receivables relate to equipment with lease terms of five years. The lessees have options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. [AASB 16.92]. In relation to the leasing arrangements below, there are unguaranteed residual values of $9 000 in 20X1-22 ($24 000 in 20X0-X1) that were accrued for the benefit of the Department. [AASB 16.94]

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

($ thousand)

Source reference
AASB 16.94

	20X2	*20X1*
Less than one year	270	300
One to two years	76	195
Two to three years	76	195
Three to four years	76	195
Four to five years	76	195
Longer than five years	116	345
Total undiscounted lease payments receivable	**690**	**1 425**
Unguaranteed residual amounts – undiscounted	9	24
Less unearned finance income	(118)	(218)
Net Investment in the lease	**581**	**1 231**

During 20X1-22, the Department recognised finance income on the finance lease receivable of $251 000.
[AASB 16.90(a)(ii)]

Leases as a Lessor

As a lessor, the Department classifies its leases as either operating or finance leases. [AASB 16.61]

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not. [AASB 16.62]

Contract assets

($ thousand)

Source reference		20X2	20X1
AASB 15.116(a)	Contract assets		
	Opening balance	20	100
	Add: Additional costs incurred that are recoverable from the customer	85	..
	Less: Transfer to revenue recognition	(85)	(80)
AASB 15.113(b)	Less: Impairment allowance	..	..
	Total contract assets	**20**	**20**
	Represented by		
AASB 15.116(a)	Current contract assets	20	20
AASB 15.116(a)	Non-current contract assets	..	..

Contract assets relate to the Department's right to consideration in exchange for goods transferred to customers for works completed, but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional, at this time an invoice is issued. This usually occurs when the Department issues an invoice to the customer. The balance of the contract assets at 30 June 20X2 was impacted by timing of the works completed by contractors and is not billable at this stage. The works are expected to be completed and recovered early next year.

Guidance – Receivables

Finance Lease Receivable: Where the department is a lessor with a finance lease, it is required to provide information that allows users of the financial statements to assess the effect that leases have on the lessor's financial position, financial performance and cash flows. A lessor should disclose:

- selling profit or loss
- finance income on the net investment in the lease
- income relating to variable lease payments not included in the measurement of the net investment in the lease [AASB 16.90(a)(i-iii)]
- qualitative and quantitative explanation of significant changes in the carrying amount of the net investment in the lease [AASB 16.93]
- maturity analysis of lease payments receivable for a minimum of each of the first five years plus a total amount for the remaining years
- reconciliation to the net investment in the lease. [AASB 16.94]

A lessor entity shall disclose additional qualitative and quantitative information about its leasing activities, including but not limited to:

- the nature of the lessor's leasing activities
- how the lessor manages the risk associated with any rights it retains in underlying assets. In particular, a lessor shall disclose its risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces that risk.

[AASB 16.92(a) and (b)]

Statutory receivables [AASB 9.Aus2.1.1 and AASB 2016/8.4&BC10-12]: Assets that are not contractual (such as assets that arise as a result of statutory requirements), are not financial assets as defined in AASB 132 *Financial Instruments: Presentation*. However, the initial fair value measurement requirements of AASB 9 are the most appropriate for the types of receivables under consideration as the economic substance of contractual receivables and receivables arising from statutory requirements is similar at initial recognition and therefore AASB 9 should be applied for the initial measurement of such receivables. Although these assets are similar to financial instruments, they are not in the scope of AASB 7 *Financial Instruments: Disclosures*. However, entities may wish to apply disclosure requirements similar to those from AASB 7 to such assets at their own discretion.

Appropriations are amounts owed by the Victorian Government as legislated in the Appropriations Act. Due to the existence of a legislative instrument, the appropriation receivable to an entity is statutory in nature, and hence not in the scope of the financial instrument standards.

Amounts owing from Victorian Government: An amount owing in the Department's State Administration Unit (SAU) inter-entity account balance that relates to appropriations should be reported as a receivable classified as either current or non-current as appropriate, with the non-current portion (if any) measured on present value basis.

Components of SAU that relate to depreciation equivalent funding must also be allocated between current and non-current, with the non-current portion (if any) measured on present value basis.

Components of the SAU that relate to the balance of surplus earned on the provision of outputs are deemed to be current unless the entity has made a firm decision to defer application of the surplus by more than 12 months from the end of the reporting period. In the latter case, an allocation must be made between current and non-current, with the non-current portion measured on a present value basis, as appropriate.

Components of the SAU that relate to employee benefits must be allocated between current and non-current. Given the latter is based on employee benefit liabilities that are themselves measured on a present value basis, no further discounting or measurement adjustment is required.

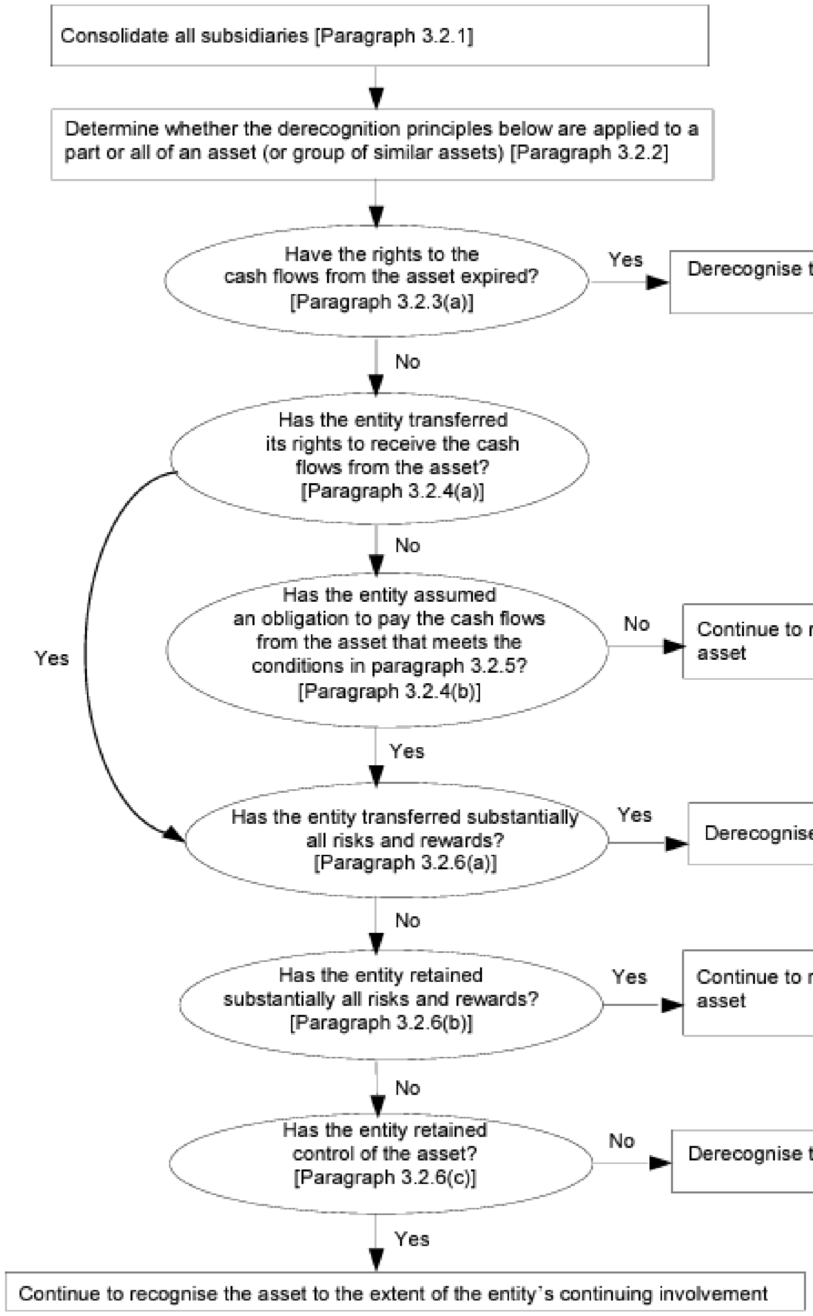
All other balances in the SAU are considered to be current, and so no measurement adjustment is required.

Receivables are subject to impairment loss assessment in accordance with AASB 9's expected credit loss model and the impairment loss allowance is increased accordingly with the impairment expense recognised in the net result as an 'other economic flow'. However, when it becomes mutually agreed between debtor and creditor that the receivable has become uncollectible, the carrying amount of the receivable needs to be reduced, and a bad debt expense for the write off recognised in the net result as a transaction. Accordingly, at the same time, the amount in the provision together with its related impairment expense initially recognised as an 'other economic flow' will need to be reversed.

Where the bad debt is written off following a unilateral decision, the carrying amount of the receivable needs to be reduced, and a bad debt expense for the write off recognised in the net result as an 'other economic flow'. Accordingly, at the same time, the amount in the provision together with its related impairment expense will need to be reversed.

Derecognition of financial assets

The following flowchart (extract of AASB 9) illustrates the evaluation of whether and to what extent a financial asset is derecognised. [Source: AASB 9.B3.2.1 Derecognition of financial assets (December 2021]



Disclosures for transferred assets that are not derecognised in entirety [AASB 7.42D]

An entity may have transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition. The entity shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety:

- the nature of the transferred assets
- the nature of the risks and rewards of ownership to which the entity is exposed
- a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets
- when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities)

- when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities
- when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 3.2.6(c)(ii) and 3.2.16 of AASB 9), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

• An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.. [AASB 7.20A]

Disclosure of Contract Balances

AASB 15 requires disclosure of the following in respect of revenue from contracts with customers:

- contract balances
- information on how it satisfies its performance obligations
- significant payment terms
- the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e. if the entity is acting as an agent)
- obligations for returns, refunds and other similar obligations
- the types of warranties and related obligations.

Transaction price allocated to the remaining performance obligations

- Aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and an explanation of when the entity expects to recognise the unsatisfied portion as revenue.
  - This should not include those where original contract term is one year or less; or the entity is using the practical expedient in AASB 15.B16, where the right to consideration responds directly to the performance completed to date
  - This is not required for all reporting periods presented before the date of initial application.
- Whether applying the practical expedient in AASB 15.121 and whether any consideration from contracts with customers is not included in the transaction price and, therefore, not included in the information disclosed in accordance with AASB 15.120.

Significant judgements

- Judgements, and changes in judgements, in applying AASB 15 that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular the timing of satisfaction of performance obligations and the transaction price and the amounts allocated to performance obligations.
- Methods used to recognise revenue from performance obligations satisfied over time, and an explanation of why the methods used provide a faithful depiction of the transfer of goods or services.
- Significant judgements made in evaluating when a customer obtains control of promised goods or services for performance obligations satisfied at a point in time.
- Information about the methods, inputs and assumptions used for determining the transaction price, assessing whether an estimate of variable consideration is constrained, allocating the transaction price, measuring obligations for returns, refunds and other similar obligations.
- Judgements in determining the amount of the costs incurred to obtain or fulfil a contract with a customer, and the method it uses to determine the amortisation.
- Closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer, by main categories of assets, and the amount of amortisation and any impairment losses recognised in the reporting period.
- The fact the entity elected to use the following practical expedients: existence of a significant financing component for contracts of one year or less (AASB 15.63); and/or directly expensing incremental costs of obtaining a contract.

Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. The contract asset excludes receivables from contracts with customers. [AASB 15.105]

An entity shall assess a contract asset for impairment in accordance with AASB 9. [AASB 15.107]

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. [AASB 15.105]

The following must be disclosed separately:

- receivables
- contract assets
- contract liabilities [AASB 15.105].

Note that if trade receivables include receivables from contracts with customers and other receivables, these should be separately disclosed.

(Please refer to contract assets and contract liabilities notes that are disclosed separately in the asset and liabilities notes)

Disclosure

- the opening and closing balances of:
  - receivables
  - contract assets
  - contract liabilities
- revenue recognised that was included in the contract liability balance at the beginning of the year
- revenue recognised from performance obligations satisfied in previous periods [AASB 15.116]
- explain how the timing of satisfaction of performance obligations (see paragraph 119(a)) relates to the typical timing of payment (see paragraph 119(b)) and the effect that those factors have on the contract asset and the contract liability balances. May use qualitative information. [AASB 15.117]

  explain significant changes in contract assets and liabilities. Reasons for the change may include:
  - business combinations
  - cumulative catch ups, such as those arising from a change in the measure of progress, a change in an estimate of the transaction price or a contract modification
  - impairment of contract assets
  - change in timeframe – of contract assets becoming a receivable
  - change in timeframe – for performance obligation to be satisfied. [AASB 15.118]
- disclose the following information about remaining performance obligations:
  - the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period
  - an explanation of when the entity expects to recognise as revenue the amount disclosed in accordance with paragraph 120(a). The disclosure can be either on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or by using qualitative information. [AASB 15.120].

6.2 Payables

($ thousand)

Source reference		20X2	20X1
	Contractual		
	Supplies and services	4 508	3 387
	Amounts payable to government and agencies	10 891	1 796
	Unearned income	1 145	1 990
	Grant of right to operate liability [(a)]	18 150	19 150
	Deferred capital grant revenue	26	13
	Other payables	817	8 925
	Statutory		
	FBT payable	82	169
	GST payable	108	225
	Other taxes payable	82	169
	Total payables	**35 809**	**35 824**
	Represented by:		
AASB 101.61	Current payables	14 699	14 647
AASB 101.61	Non-current payables	2 905	2 057

Note:
(a) *This relates to the Intellectual property and registry functions commercialisation recognised applying AASB 1059 and is progressively reduced over the period of the arrangement. Further information is included in Notes 2.4.5* Other income *and 7.5.3* Service Concession Arrangements: Grantors.

Payables consist of:

- **contractual payables**: Classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Department prior to the end of the financial year that are unpaid
- **statutory payables**: Recognised and measured similarly to contractual payables, but not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts. [AASB 7.21, AASB 9.5.1.1 and AASB 9.5.3.1]

Payables for supplies and services have an average credit period of 30 days. No interest is charged on the 'other payables' for the first 30 days from the date of the invoice. Thereafter, interest is calculated as 2 per cent on the outstanding balance per annum.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

Deferred capital grant income

Grant consideration was received from the Commonwealth Government to support the construction of the data storage centre at Wantirna South and the development and construction of the web infrastructure framework in the Department. Grant income is recognised progressively as the asset is constructed, since this is the time when the Department satisfies its obligations under the transfer by controlling the asset as and when it is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done. (see note 2.1) As a result, the Department has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

($ thousand)

Source reference		20X2	20X1
AASB 1058.31	Grant consideration for capital works recognised that was included in the deferred grant liability balance (adjusted for AASB 1058) at the beginning of the year	13	..
AASB 1058.31	Grant consideration for capital works received during the year	53	53
AASB 1058.31	Grant income for capital works recognised consistent with the capital works undertaken during the year	(40)	(40)
AASB 1058.31	Closing balance of deferred grant consideration received for capital works	26	13

There was a slight delay on completion of the construction work and the Department is expected to recognise all of the remaining grant income for capital works the following year. This is because the Commonwealth Government only provides grant funding progressively based on the estimated costs expected to be incurred each year.

Contract liabilities

($ thousand)

Source reference		20X2	20X1
AASB 15.116 (a)	Contract liabilities		
AASB 15.116 (b)	Opening balance	85	55
	Add: Payments received for performance obligations yet to be completed during the period	80	110
	Add: Grant consideration for sufficiently specific performance obligations received during the year	50	50
	Less: Revenue recognised in the reporting period for the completion of a performance obligation	(85)	(85)
	Less: Grant revenue for sufficiently specific performance obligations works recognised consistent with the performance obligations met during the year	(45)	(45)
	Total contract liabilities	**85**	**85**
	Represented by		
AASB 15.116 (a)	Current contract liabilities	85	85
AASB 15.116 (a)	Non-current contract liabilities	..	..

Contract liabilities include consideration received in advance from customers in respect of IT infrastructure connectivity services. Invoices are raised once the goods and services are delivered provided to them. The balance of contract liabilities was significantly higher at 30 June 20X2 as there was higher demand for remote access. A large number of advances were received for significant upgrades to infrastructure frameworks yet to be provided.

In addition, grant consideration was also received from the State Government in support of technology services provided to health agencies to support facilitation of certain out-patient services to the pensioners. Grant income is recognised when the relevant services are provided to the health agencies each quarter to administer their services to pensioners and reported to the Commonwealth Government. Differences in the number of services provided are adjusted in the funding provided annually. The remaining grant revenue is recognised when the services are rendered in the following year.

($ thousand)

Source reference		20X2	20X1
AASB 15.116 (c)	Revenue recognised from performance obligations satisfied in previous periods	55	75
AASB 15.120 (b)	Transaction price allocated to the remaining performance obligations from contracts with customers	80	85

The transaction price allocated to the remaining performance obligations relates to the completion of the IT infrastructure connectivity works to be completed. 100 per cent is expected to be recognised as revenue in the 20X1-22 financial year.

Financial guarantees: Payments that are contingent under financial guarantee contracts are recognised as a liability, at fair value, at the time the guarantee is issued. Subsequently, should there be a material increase in the likelihood that the guarantee may have to be exercised, the liability is recognised at the higher of the amount determined in accordance with the expected credit loss model under AASB 9 *Financial Instruments* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with AASB 15. [AASB 9.4.2.1(c)]

In the determination of fair value, consideration is given to factors including the overall capital management/prudential supervision framework in operation, the protection provided by the State Government by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to the Department in the event of default.

The value of loans and other amounts guaranteed by the Treasurer is disclosed as contingent liabilities.

Maturity analysis of contractual payables [(a)] [AASB 7.39(a)] **($ thousand)**

			Maturity dates				
20X2	Carrying amount	Nominal amount	Less than 1 month	1-3 months	3 months–1 year	1-5 years	5+ years
Supplies and services	4 508	4 508	1 828	2 680	..	..	..
Amounts payable to government and agencies	10 891	10 891	5 633	1 610	805	2 843	..
Other payables	817	817	554	158	79	26	..
Total	**16 216**	**16 216**	**8 015**	**4 448**	**884**	**2 869**	**..**
20X1							
Supplies and services	3 387	3 387	987	2 400	..	..	..
Amounts payable to government and agencies	1 796	1 796	841	272	101	582	..
Other payables	8 925	8 925	6 355	183	627	962	798
Total	**14 108**	**14 108**	**8 183**	**2 855**	**728**	**1 544**	**798**

Note:
(a) Maturity analysis is presented using the contractual undiscounted cash flows.

Guidance – Payables and other financial liabilities

Statutory payables: Liabilities that are not contractual (such as liabilities that arise as a result of statutory requirements) are not considered financial liabilities. Therefore, although these liabilities are similar to financial instruments, they are in fact not in the scope of AASB 7. However, entities may wish to apply disclosure requirements similar to those from AASB 7 to such liabilities at their own discretion. [AASB 132.AG12]

Financial guarantees: A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts may have various forms and may arise under legislation. Departments should undertake a comprehensive review to identify whether any financial guarantee contracts exist. [AASB 9.Appendix A]

It is highly unlikely financial guarantees would be issued other than under legislation that is administered by DTF, although it is possible. In the rare instance where a financial guarantee has been issued under legislation administered by another department, the department concerned would need to disclose this in a separate note and it is recommended the department seeks separate advice regarding this matter.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount of the loss allowance determined in accordance with AASB 9 Section 5.5 and the amount initially recognised less cumulative amortisation, where appropriate. [AASB 9.4.2.1(c)]

Alternatively, the entity can designate the financial guarantee contract at fair value through net result in case of an accounting mismatch or if it is part of a portfolio that is managed and its performance evaluated on a fair value basis. [AASB 9.4.2.2] The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee. [AASB 9.4.2.1(c) and AASB 137.45]

Significance of financial instruments: AASB 7 requires an entity to disclose information that enables users of financial statements to evaluate the significance of financial instruments for its financial position and performance. [AASB 7.7]

Nature and extent of risks arising from financial instruments: An entity shall also disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. [AASB 7.31]

Grant of right to operate liability: This liability is recognised applying 'grant of right to the operator model' under AASB 1059 where there is no contractual obligation to pay cash or another financial asset for the construction, development, acquisition, or upgrade of a service concession asset. Instead, an operator has been given the right to earn revenue from users of the asset or has been given the right to access another asset that generates revenue. It is the unearned portion of the revenue from exchange of assets and is progressively reduced over the term of the arrangement according to the economic substance of the arrangement. [AASB 1059.21-23]

6.3 Inventories

($ thousand)

Source reference		20X2	20X1
	Current inventories		
	Supplies and consumables:		
AASB 102.36 (b)	At cost	7 299	9 404
	Work in progress:		
AASB 102.36 (b)	At cost	1 931	1 515
	Inventories held for sale:		
	At cost	2 523	8 594
	At net realisable value	91	99
	Total current inventories	**11 844**	**19 612**
	Inventories held for distribution:		
AASB 102.Aus 36.1 (b)	At cost	308	144
	Loss of service potential	(97)	(24)
AASB 101.61	**Total inventories**	**12 055**	**19 732**

Inventories include property held either for sale, or for distribution at zero or nominal cost, or for consumption in the ordinary course of business operations.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition. [AASB 102.9, 102.36]

Cost includes an appropriate portion of fixed and variable overhead expenses. Cost is assigned to land held for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis. Cost for all other inventory is measured on the basis of weighted average cost.

Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired. [AASB 102.Aus 9.1]

Guidance – Inventories [AASB 102.36]

The financial statements shall disclose:

- the accounting policies adopted in measuring inventories, including the cost formula used
- the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity
- the carrying amount of inventories carried at fair value less costs to sell
- the amount of inventories recognised as an expense during the period
- the amount of any write down of inventories recognised as an expense in the period
- the amount of any reversal of any write down that is recognised as a reduction in the amount of inventories recognised as expense in the period
- the circumstances or events that led to the reversal of a write down of inventories
- the carrying amount of inventories pledged as security for liabilities.

Not-for-profit entities shall disclose:

- the accounting policies adopted in measuring inventories held for distribution, including the cost formula used
- the total carrying amount of inventories held for distribution and the carrying amount in classifications appropriate to the entity
- the amount of inventories held for distribution recognised as an expense during the period
- the amount of any write down of inventories held for distribution recognised as an expense during the period
- the amount of any reversal of any write down that is recognised as a reduction in the amount of inventories held for distribution recognised as an expense in the period
- the circumstances or event that led to the reversal of a write down of inventories held for distribution
- the carrying amount of inventories held for distribution pledged as security for liabilities
- the basis on which any loss of service potential of inventories held for distribution is assessed, or the bases when more than one basis is used.

6.4 Other non-financial assets [AASB 101.61]

($ thousand)

Source reference		*20X2*	*20X1*
	Current other assets		
	Prepayments	1 483	380
AASB 101.61	**Total current other assets**	**1 483**	**380**
	Non-current other assets		
AASB 101.61	Other	..	..
	Total non-current other assets	**..**	**..**
	Total other assets	**1 483**	**380**

Other non-financial assets include pre-payments, which represent payments in advance of receipt of goods or services or the payments made for services covering a term extending beyond that financial accounting period.

6.5 Other provisions [AASB 137.14, 137.36, 137.45, 137.47, 137.60]

($ thousand)

Source reference		20X2	20X1
	Current provisions		
	Onerous lease contracts	993	2 290
AASB 101.61	**Total current provisions**	**993**	**2 290**
	Non-current provisions		
AASB 101.61	Onerous lease contracts	709	1 273
	Make-good provision	450	375
	Total non-current provisions	**1 159**	**1 648**
	Total other provisions	**2 152**	**3 938**

Other provisions are recognised when the Department has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time, value of money and risks specific to the provision.

Reconciliation of movements in other provisions ($ thousand)

Source reference		Onerous contracts	Make-good	Total 20X2
AASB 137.84 (a)	**Opening balance**	**3 563**	**375**	**3 938**
AASB 137.84 (b)	Additional provisions recognised	426	50	476
AASB 137.84 (b)	Additions due to transfer in	..	..	..
AASB 137.84 (b)	Additions due to acquisitions	..	..	..
AASB 137.84 (c)	Reductions arising from payments/other sacrifices of future economic benefits	(105)	..	(105)
AASB 137.84 (d)	Reductions resulting from remeasurement or settlement without cost	..	..	..
AASB 137.60, 84 (e)	Unwind of discount and effect of changes in the discount rate	..	25	25
AASB 137.84 (c)	Reduction due to held for sale	(1 042)	..	(1 042)
AASB 137.84 (c)	Reduction due to transfer out	(1 139)	..	(1 139)
AASB 137.84 (a)	**Closing balance**	**1 703**	**450**	**2 153**

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The make-good provision is recognised in accordance with the lease agreement over the warehouse facilities. The Department must remove any leasehold improvements from the leased warehouse and restore the premises to its original condition at the end of the lease term.

Onerous contracts: An onerous contract is considered to exist when the unavoidable cost of meeting the contractual obligations exceeds the estimated economic benefits to be received. [AASB 137.66]

Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the estimated economic benefits to be received. This provision represents the present value of the future lease payments that the Department is presently obligated to make in respect of onerous lease contracts under lease agreements, less income expected to be earned on the lease including estimated future sublease income. The estimate may vary as a result of changes in utilisation of the leased premises and sublease arrangements where applicable. The unexpired term of the leases range from three to five years.

Guidance – Provisions

Recognition of provisions

A provision shall be recognised when:

- an entity has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised. [AASB 137.14-15, 137.23]

In rare cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period.

For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation. For the purpose of AASB 137, an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, that is, the probability that the event will occur is greater than the probability that it will not. Where it is not probable that a present obligation exists, an entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

Disclosure [AASB 137.84-85]

For each class of provision, an entity shall disclose:

- the carrying amount at the beginning and end of the period
- additional provisions made in the period, including increases to existing provisions
- amounts used (that is, incurred and charged against the provision) during the period
- unused amounts reversed during the period
- the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

Comparative information is not required.

An entity shall disclose the following for each class of provision:

- a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits
- an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events.

Reimbursements: In respect of each class of provision, the financial statements must disclose the amount of any related reimbursement, stating the amount of any asset recognised for that expected reimbursement. [AASB 137.85(c)]

Exemptions: In extremely rare cases, disclosure of some or all of the information required by AASB 137 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Regardless of how sensitive certain information about provisions may be, this exemption from disclosure does not affect the requirement to recognise provisions that satisfy the criteria for recognition set out in AASB 137. [AASB 137.92]

Contingent liabilities [AASB 137.88]: Where a provision and a contingent liability arise from the same set of circumstances, the disclosures in the financial statements should be made in a way that shows the link between the provision and the contingent liability.

7 HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by the Department during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Department.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 8.1 and 8.3 provide additional, specific financial instrument disclosures.

Structure

7.1 Borrowings

($ thousand)

Source reference		20X2	20X1
AASB 101.61	**Current borrowings**		
	Bank overdrafts	..	5 437
	Lease liabilities [(a)]		
Recommendation 12, PAEC Report 115	Public private partnership (PPP) related lease liabilities	2 643	6 670
	Non-PPP related lease liabilities	2 603	3 576
	Service concession financial liability	1 000	1 000
	Advances from government [(b)]	5 118	10 287
	Total current borrowings	**11 364**	**26 970**
AASB 101.61	**Non-current borrowings**		
	Lease liabilities		
	Public private partnership (PPP) related lease liabilities	2 551	6 391
	Non-PPP related lease liabilities	5 209	3 425
	Service concession financial liability [(c)]	57 500	58 500
	Advances from government	195	2 057
	Loans from TCV [(d)(e)]	48 696	27 705
	Financial liability designated at fair value through profit or loss	150	200
	Total non-current borrowings	**114 301**	**98 278**
	Total borrowings	**125 665**	**125 248**

Notes:

(a) *Secured by the assets leased. Leases liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.*

(b) *These are unsecured loans which bear no interest. The term of a loan is generally agreed by the Minister at the time the advance was provided.*

(c) *This relates to the Construction of data centre to store medical records arrangement recognised applying AASB 1059. Interest is charged on the liability and recognised in the Interest expense section below. The liability is reduced over the term of the arrangement through quarterly cash payments to the operator. Further information is included in 7.5.3* Service Concession Arrangements: Grantors.

(d) *These are unsecured loans with a weighted average interest rate of 3.55 per cent (20X1: 5 per cent).*

(e) *Note that the TCV loans are for illustration only. Preparers must review the terms of the loan to determine whether they shall be classified as current or non-current loans.*

'Borrowings' refer to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, lease liabilities, service concession arrangement liabilities and other interest-bearing arrangements.

Borrowings are classified as financial instruments. Interest bearing liabilities are classified at amortised cost unless the Department elects to irrevocably designate them at fair value through profit or loss at initial recognition. The election depends on the nature and purpose of the interest-bearing liabilities. [AASB 7.21, 9.4.2.1; FRD 114]

The Department has designated certain financial liabilities at fair value through net result to eliminate or significantly reduce the accounting mismatch that would otherwise arise. All other interest-bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. For financial liabilities designated at fair value through net result, all transaction costs are expensed as incurred. And they are subsequently measured at fair value with changes in fair value relating to the Department's own credit risk recognised in other comprehensive income and the remaining amount of changes in fair value recognised in net result. Amounts in other comprehensive income related to credit risk are not subject to recycling in profit loss but are transferred to retained earnings when realised. [AASB 7.21, FRD 114, AASB 9.4.2.1(a), 4.2.2]

Defaults and breaches: During the current and prior year, there were no defaults and breaches of any of the loans. [AASB 7.18]

Maturity analysis of borrowings [AASB 7.39(a)] **($ thousand)**

			Maturity dates				
20X2	*Carrying amount*	*Nominal amount*	*Less than 1 month*	*1-3 months*	*3 months – 1 year*	*1–5 years*	*5+ years*
Bank overdrafts	..	..	..	..	..	..	..
Lease liabilities	13 006	14 995	504	1 511	4 536	6 313	2 131
Service concession financial liability	58 500	60 255	93	285	734	5 267	53 876
Advances from government	5 313	5 630	512	768	4 350	..	..
Loans from TCV	48 696	48 696	..	..	..	19 478	29 218
Financial liability designated at fair value through profit or loss	150	200	..	..	..	200	..
Total	**125 665**	**129 776**	**1 109**	**2 564**	**9 620**	**31 258**	**85 225**
20X1							
Bank overdrafts	5 437	5 437	5 437	..	..	..	..
Lease liabilities	20 062	24 074	8 195	3 074	1 025	5 890	5 890
Service concession financial liability	59 500	61 285	97	398	668	4 952	55 170
Advances from government	12 344	11 315	1 029	1 543	8 743	..	..
Loans from TCV	27 705	27 705	..	..	..	11 082	16 623
Financial liability designated at fair value through profit or loss	200	200	..	..	..	200	..
Total	**125 248**	**130 016**	**14 758**	**5 015**	**10 436**	**22 124**	**77 683**

Guidance – Borrowings

Defaults and breaches: For loans payable recognised at the end of the reporting period, an entity shall disclose:

- details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable
- the carrying amount of the loans payable in default at the end of the reporting period
- whether the default was remedied, or the terms of the loans payable was renegotiated, before the financial statements was authorised for issue. [AASB 7.18]

If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18 of AASB 7, an entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period). [AASB 7.19]

Statutory borrowings: Liabilities that are not contractual (such as liabilities that arise as a result of statutory requirements), are not financial instruments. Therefore, although these liabilities are similar to financial instruments, they are in fact not in the scope of AASB 7. However, entities who wish to apply disclosure requirements similar to those from AASB 7 to such liabilities may do so at their own discretion. [AASB 132.AG12]

Classification of financial instruments: When the balance sheet presentation of a financial instrument differs from the instrument's legal form, it is desirable for an entity to explain in the notes the nature of the financial instrument.

Interest expense **($ thousand)**

Source reference		20X2	20X1
	Interest on government loans	172	390
	Interest on leases liabilities [(a)]	1 321	1 195
	Interest on service concession arrangements	4 000	2 000
	Other interest expense	1 055	750
AASB 7.20 (b)	**Total interest expense**	**6 548**	**4 335**

Note:
(a) Of the balance in 'interest on finance leases', $XXX [$xxx in 20X1] related to assets contracted under the PPP arrangements.

'Interest expense' includes costs incurred in connection with the borrowing of funds and includes interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of lease repayments, service concession financial liabilities and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Interest expense is recognised in the period in which it is incurred. [AASB 123.8 and 123.9; FRD 105]

The Department recognises borrowing costs immediately as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset. [AASB 123.Aus1.0, Aus8.1, FRD 105]

Guidance – Borrowing costs

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds and may include:

- interest expense calculated using the effective interest method as described in AASB 9 *Financial Instruments*
- finance charges in respect of leases liabilities recognised in accordance with AASB 16 and finance charges in respect of finance leases recognised in accordance with AASB 117 *Leases* before the initial application of AASB 16
- finance charges in respect of service concession financial liabilities recognised applying the financial liability model in AASB 1059
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. [AASB 123.5 and 123.6]

7.2 Leases

Information about leases for which the Department is a lessee is presented below.

The Departments leasing activities

The Department leases various properties, IT equipment and motor vehicles. The lease contracts are typically made for fixed periods of 1-10 years with an option to renew the lease after that date. Lease payments for properties are renegotiated every five years to reflect market rentals. [AASB 16.51 – 59]

Leases of IT equipment with contract terms of 1-3 years are either short-term and or/leases of low-value items. The Department has elected not to recognise right-of-use assets and lease liabilities for these leases. [AASB 16.60]

At 30 June 20X2, the Department was committed to short term leases and the total commitment at that date was $3 500. [AASB 16.55]

Leases at significantly below-market terms and conditions

The Department entered into a 30-year lease for the use of a facility to provide community services. The lease contract specifies lease payments of $100 per annum. The leased premises must be used by the Department to provide teaching of IT classes to the community. This building accounts for a small portion of similar assets used by the Department is using for the purpose of providing services to the community and therefore it does not have a significant impact on the Department's operations. [AASB 16.Aus59.1 and 16.Aus59.2]

7.2.1 Right-of-use Assets

Right-of-use assets are presented in note 5.1.1.

7.2.2 Amounts recognised in the Comprehensive Operating Statement

The following amounts are recognised in the Comprehensive Operating Statement relating to leases:

($ thousand)

Source reference		*20X2*	*20X1*
AASB 16.53 (b)	Interest expense on lease liabilities	1 321	1 195
AASB 16.53 (c)	Expenses relating to short term leases	2 036	1 000
AASB 16.53 (d)	Expenses relating to leases of low-value assets	1 681	98
AASB 16.53 (e)	Variable lease payments, not included in the measurement of lease liabilities	..	..
AASB 16.53 (f)	Income from subleasing right-of-use assets	..	..
AASB 16.53 (i)	Gains or losses arising from sale and leaseback transactions	..	..
	Total amount recognised in the comprehensive operating statement	**5 038**	**2 293**

7.2.3 Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 20X2 relating to leases.

($ thousand)

Source reference		*20X2*	*20X1*
AASB 16.53 (b)	Interest expense on lease liabilities	1 321	1 195
AASB 16.53 (c)	Expenses relating to short term leases	2 036	1 000
AASB 16.53 (d)	Expenses relating to leases of low-value assets	1 681	98
AASB 16.53 (e)	Variable lease payments, not included in the measurement of lease liabilities	..	..
AASB 16.53 (f)	Income from subleasing right-of-use assets	..	..
AASB 16.53 (i)	Gains or losses arising from sale and leaseback transactions	..	..
	Total amount recognised in the comprehensive operating statement	**5 038**	**2 293**

For any new contracts entered into, the Department considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Department assesses whether the contract meets three key evaluations:

- whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Department and for which the supplier does not have substantive substitution rights
- whether the department has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the department has the right to direct the use of the identified asset throughout the period of use
- whether the department has the right to take decisions in respect of ‘how and for what purpose’ the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

[AASB 16.9, AASB 16.B9-B31, FRD 123]

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount. [AASB 16.12, FRD 123]

Recognition and measurement of leases as a lessee

Lease Liability – initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Departments incremental borrowing rate. [AASB 16.26]

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee
- payments arising from purchase and termination options reasonably certain to be exercised.

[AASB 16.27]

Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments. [AASB 16.36]

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. [AASB 16.39]

Short-term leases and leases of low-value assets

The Department has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. [AASB 16.60, FRD 123]

Below market/Peppercorn lease

Right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the Department to further its objectives, are initially and subsequently measured at cost. [AASB 16.Aus25.1, AASB 16.Aus35.1, FRD 123]

These right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Presentation of right-of-use assets and lease liabilities

The Department presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet. [AASB 16.47 and AASB 16.48]

Commissioned public private partnerships (PPP): The Department entered into a 20-year PPP arrangement with Project Co Pty Ltd on 21 December 2007. The project was initiated to develop a new information technology and telecommunication system that increases the speed of internet connections in the State of Victoria. Upon completion of construction, the system commenced operation on 1 July 2010. Under the arrangement, the portion of total payments to Project Co Pty Ltd that relates to the Department's right to use the assets is accounted for as a lease liability, as disclosed in the table below. In addition, until the end of this PPP arrangement, the Department pays Project Co Pty Ltd for ongoing operation and maintenance of the system (refer to 'public private partnerships' of Note 7.5: *Commitments for expenditure*).

The business unit of the Department, Gene Sciences Victoria also entered into a 30-year PPP with Rapid Processing Ltd on 15 May 2007 to develop a Biotech Research Centre. Upon completion of the construction, the research centre commenced operation on 15 July 2011. Under the arrangement, the portion of the payments to Rapid Processing Ltd that relates to the Department's right to use the assets are accounted for as leases liabilities, which are disclosed in the following table. In addition, until the end of this PPP arrangement, the Department pays Rapid Processing Ltd for a standard level of service as part of the ongoing operation and maintenance of the centre. [AASB Interpretation 129.6 and 129.7]

($ thousand)

	Minimum future lease payments [(a)]		*Present value of minimum future lease payments*	
	20X2	*20X1*	*20X2*	*20X1*
Commissioned PPP related finance lease liabilities payable				
Not longer than 1 year	3 415	8 606	2 845	7 172
Longer than 1 year but not longer than 5 years	960	2 356	800	1 963
Longer than 5 years	1 919	4 712	1 599	3 926
Other lease liabilities payable [(b)]				
Not longer than 1 year	1 463	3 688	1 220	3 074
Longer than 1 year but not longer than 5 years	1 440	3 534	1 200	2 945
Longer than 5 years	480	1 178	400	982
Minimum future lease payments	**9 677**	**24 074**	**8 064**	**20 062**
Less future finance charges	(1 613)	(4 012)	..	..
Present value of minimum lease payments	**8 064**	**20 062**	**8 064**	**20 062**
Included in the financial statements as:				
Current borrowings lease liabilities (Note 7.1)	..	..	4 065	10 246
Non-current borrowings lease liabilities (Note 7.1)	..	..	3 999	9 816
Total	**..**	**..**	**8 064**	**20 062**

Note:
(a) Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.

Guidance – Leases

The objective of this guidance is to ensure departments provide relevant information in a manner that faithfully represent transactions related to all leases, and the respective right-of-use assets. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Refer to checklist 'Identification of a lease' located on DTF website to assist with determining whether particular transactions are caught within the scope of AASB 16.

The right-of use assets will be subsequently measured at fair value in line with all other property, plant and equipment in accordance with FRD 103. There will be instances where the right-of-use assets will require revaluations.

Departments are required to assess at the end of each reporting date whether there are any indicators of impairment of right-of-use assets in accordance with AASB 136 *Impairment*, as well as any general indicators the assets 'carrying amount' differs from the fair value.

Presentation and disclosure requirements under AASB 16

Right-of-use assets must be presented separately from other assets and are to be included within the same class of property, plant and equipment as the corresponding underlying assets would be presented if owned. Therefore, this note contains tables for right-of-use assets, where the Department is the lessee. [AASB 16.47(a)(i)(ii)]

Lease liabilities must be presented separately from other liabilities and is included within 'Borrowings' – refer to Note 7.1 that contains the lease liability balances. [AASB 16.47(b)]

The following information is required to be disclosed about an entity's leases as a lessee:

- depreciation charge for right-of-use assets, split by class of underlying asset
- interest expense on lease liabilities
- short-term lease expense for such leases with lease term greater than one month
- low-value asset lease expense (except for portions related to short-term leases)
- variable lease expense (i.e. for variable lease payments not included in the lease liability)
- income from sub-leasing right-of-use assets
- total cash outflow for leases
- additions to right-of-use assets
- gains and losses arising from sale and leaseback transactions
- carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.

[AASB 16.53]

All of the above disclosures are required to be presented in a tabular format, unless another format is more appropriate. The amounts to be disclosed must include costs that the lessee has included in the carrying amount of another asset during the reporting period. [AASB 16.54]

The standard requires disclosure of the amount of lease commitments for short-term leases that are recognised as expenses on a straight-line or other systematic basis, if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses are disclosed in the financial statements. [AASB 16.55]

Where the right-of-use assets meet the definition investment property in AASB 140, the disclosures in AASB 140 must be applied and the disclosures in AASB 16.53 for depreciation, subleasing income and right-of-use asset additions do not apply to these assets. [AASB 16.56]

A lessee shall disclose a maturity analysis of lease liabilities applying paragraphs 39 and B11 of AASB 7 *Financial Instruments: Disclosures* separately from the maturity analyses of other financial liabilities. [AASB 16.57]

Additional qualitative and quantitative information about a lessee's leasing activities is necessary to meet the disclosure objective of the standard. This additional information may include, but is not limited to, information that helps users of the financial statements to assess:

- the nature of the lessee's leasing activities
- future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities, arising from:
  - variable lease payments
  - extension options and termination options
  - residual value guarantees
  - leases not yet commenced to which the lessee is committed
  - restrictions or covenants imposed by leases
  - sale and leaseback transactions.

[AASB 16.59]

Disclosures of additional information relating to leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives or peppercorn leases include:

- the entity's dependence on leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives
- the nature and terms of the leases, including:
  - the lease payments
  - the lease term
  - a description of the underlying assets
  - restrictions on the use of the underlying assets specific to the entity.

[AASB 16.Aus59.1]

The disclosures above should be provided individually for each material lease or in aggregate for leases involving right-of-use assets of a similar nature. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insufficient detail or the aggregation of items that have substantially different characteristics. [AASB 16.Aus59.2]

Disclosures of additional information relating to variable lease payments can include:

- the lessee's reasons for using variable lease payments and the prevalence of those payments
- the relative magnitude of variable lease payments to fixed payments
- key variables upon which variable lease payments depend on how payments are expected to vary in response to changes in those key variables
- other operational and financial effects of variable lease payments.

Disclosure of additional information relating to extension and termination options can include:

- the lessee's reasons for using extension options or termination options and the prevalence of those options
- the relative magnitude of optional lease payments to lease payments
- the prevalence of the exercise of options that were not included in the measurement of lease liabilities
- other operational and financial effects of those options.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows of $xx have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of $xx.

7.3 Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less that are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

($ thousand)

Source reference		*20X2*	*20X1*
AASB 107.45	Total cash and deposits disclosed in the balance sheet	69 774	65 723
	Bank overdraft	..	(5 437)
	Discontinued operations	4 906	1 283
AASB 107.45	**Balance as per cash flow statement**	**74 680**	**61 569**

Due to the State's investment policy and funding arrangements, the Department does not hold a large cash reserve in its bank accounts. Cash received from generation of income is generally paid into the State's bank account ('public account'). Similarly, departmental expenditure, including in the form of cheques drawn for the payments to its suppliers and creditors are made via the public account. The public account remits to the Department the cash required upon presentation of cheques by the Department's suppliers or creditors. [FMA section 13-17]

These funding arrangements often result in the Department having a notional shortfall in the cash at bank required for payment of unpresented cheques at reporting date. At 30 June 20X2, cash at bank included the amount of a notional shortfall for the payment of unpresented cheques of $10 000 (20X1: $6 000).

7.3.1 Reconciliation of net result for the period to cash flow from operating activities

[AASB 1054.16]

($ thousand)

	20X2	20X1
Net result for the period	**6 181**	**6 904**
Non-cash movements		
(Gain)/Loss on sale or disposal of non-current assets	(1 527)	(1 259)
(Gain)/Loss on revaluation of investment property	3 485	(450)
Depreciation and amortisation of non-current assets	18 718	13 358
Impairment of non-current assets	2 010	..
Resources provided free of charge or for nominal consideration	(103)	(586)
Forgiveness of liabilities	(2 270)	(2 025)
Net (gain)/loss on financial instruments	7 121	3 971
Other non-cash movements	356	(444)
Movements included in investing and financing activities		
(Gain)/Loss on disposal of business (Note 9.3.3 and Note 5.7.2)	..	..
Share of associate's (profits)/losses, excluding dividends	(1 055)	(652)
Share of joint venture entities' (profits)/losses, excluding dividends	(231)	(745)
Movements in assets and liabilities		
Decrease/(Increase) in receivables	(22 799)	(3 610)
Decrease/(Increase) in contract assets	(20)	..
Decrease/(Increase) in inventories	6 941	15
Decrease/(Increase) in other non-financial assets	(1 094)	(285)
Increase/(Decrease) in payables	(372)	18 972
Decrease/(Increase) in contract liabilities	(85)	..
Increase/(Decrease) in provisions	(4 673)	2 695
Increase/(Decrease) in other liabilities	(58)	169
Net cash flows from/(used in) operating activities	10 525	36 028

Assumption of liabilities: During the reporting period the Department assumed the liabilities of Westlake Centre for Vaccine Research amounting to $825 000 (20X1: $nil). The assumption of these liabilities is not reflected in the cash flow statement.

Restructuring of administrative arrangements: This administrative restructuring is not reflected in the cash flow statement.

Guidance – Cash flow balances and information

Investing and financing transactions that do not require the use of cash or cash equivalents shall be disclosed in the financial statements in a way that provides all the relevant information about these investing and financing activities. [AASB 107.43]

Although not illustrated here, an entity shall disclose, together with commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity, for example, cash related to trusts under management. [AASB 107.48]

Financing facilities [AASB 107.50] ($ thousand)

	20X2	20X1
Unsecured bank overdraft facility, reviewed annually and payable at call		
Amount used	..	5 437
Amount unused	10 000	4 563
Total	**10 000**	**10 000**
Unsecured loan facilities with various maturity dates through to 20X1-20 and which may be extended by mutual agreement		
Amount used	53 814	39 724
Amount unused	..	..
Total	**53 814**	**39 724**

7.4 Trust account balances

Trust account balances relating to trust accounts controlled and/or administered by the Department [(a)]

($ thousand)

	20X2				20X1			
Cash and cash equivalents and investments	*Opening balance as at 1 July 20X1*	*Total receipts*	*Total payments*	*Closing balance as at 30 June 20X2*	*Opening balance as at 1 July 20X0*	*Total receipts*	*Total payments*	*Closing balance as at 30 June 20X1*
Controlled trusts								
[Title of Trust 1]	..	..	..	..	..	..	..	..
[include legislative reference and nature and purpose for which Trust 1 was created.]								
[Title of Trust 2]	..	..	..	..	..	..	..	..
[include legislative reference and nature and purpose for which Trust 2 was created.]								
Total controlled trusts	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**
Administered trusts								
[Title of Trust 3]	..	..	..	..	..	..	..	..
[include legislative reference and nature and purpose for which Trust 3 was created.]								
[Title of Trust 4]	..	..	..	..	..	..	..	..
[include legislative reference and nature and purpose for which Trust 4 was created.]								
Total administered trusts	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**

Note:
(a) This table is based on the Auditor General's recommendation in report Portfolio Departments and Associated Entities: Results of the 2011–2012 Audits.

The Department has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the Department. Funds managed on behalf of third parties are not recognised in the Department's financial statements as they are managed on a fiduciary and custodial basis and therefore are not controlled by the Department.

The Department maintains three such trusts: the Biological Disaster Fund; the e-Technology Fund; and the International Network Association Fund. The Biological Disaster fund was transferred to the Department from the Department of Natural Resources under the Administrative Arrangements Order [No.xxx] 2018.

Any earnings on the funds held pending distribution are also applied to the trust funds under management as appropriate.

Biological Disaster Fund

The Biological Disaster Fund account is held in trust for the beneficiaries, which include the individuals and communities affected by the [year] biological disaster. These funds are not controlled for the benefit of the Victorian Government. Accordingly, the fund is not presented as assets or income of the Department.

Establishment of the Biological Disaster Fund

More than 11 towns and communities were devastated by the biological disaster in [date]. In [date], the Victorian Government approved the establishment of the Biological Disaster Fund under section 19(1) of the *Financial Management Act 1994*.

The purpose of this trust fund is for the receipt of donations and other contributions, and their disbursement to assist individuals and communities in towns and rural areas affected by the biological disaster.

Monies from the fund are distributed to individuals and communities through the Department at the direction of an independent advisory panel. Members of the advisory panel were appointed by the Victorian Government. The advisory panel was required to set rules and criteria for the making of payments from the trust fund. The advisory panel's responsibilities are to guide, account for and report on the disbursement of monies from the trust fund.

Biological Disaster Fund **($ thousand)**

Source reference		20X2	20X1
Based on recommendation 6 in PAEC Report 102 – Part One	Cash at bank	113	249
	Less amounts pending payments	(2)	(10)
	Total funds under management	**111**	**239**
	Donations and other contributions [(a)]	142	500
	Interest earned [(b)]	4	11
	Total receipts	**146**	**511**
	Payments to businesses	7	23
	Payments to community groups	5	35
	Payments to individuals	11	86
	Payments on state-owned assets	12	128
	Total payments	**35**	**272**
	Balance carried forward [(c)]	**111**	**239**

Notes:
(a) *Contributions, inter alia, include funds provided by the Victorian Government, Commonwealth, other Australian and international jurisdictions, as well as the general public, for the purpose described above.*
(b) *The investment, pursuant to section 21 of the Financial Management Act 1994, of any monies from the biological disaster fund has been invested as allowed under the Trustee Act 1958. Interest earned is credited to the trust account.*
(c) *[This expanded disclosure is only necessary for third-party funds under management that are of significance in regards to public interest.]*

Other third-party funds under management **($ million)**

	20X2	20X1
e-Technology Fund [(a)]	21	46
International Network Association Fund [(b)]	2	2
Total funds under management	**23**	**48**

Notes:
(a) *The e-Technology Fund was established by the Victorian Government in 2009 in partnership with the Commonwealth Government to receive contributions and disburse monies to businesses, non-government organisations and registered individuals compliant with the international agreement on e-Technology signed by Australia in February 2009.*
(b) *The International Network Association Fund was established in 2011 in partnership with the International Association of Networks. The Victorian Government manages, under trust, donations and bequests from members of the International Association of Networks for disbursement to eligible beneficiaries.*

Guidance – Third-party funds under management

Third party funds under management are funds that are collected and managed by a government entity acting as an 'agent', on behalf of the 'principal'. These funds are usually not available for general use by the 'agent' entity, either due to legislative restrictions over the funds or various other circumstances that impose restrictions on the use of the funds.

Determining whether an entity is acting as a principal or as an agent

Determining whether an entity is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances. Guidance is provided below.

Principal [AASB 15.B35]

An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. An entity that is a principal may satisfy its performance obligation to provide the specified good or service itself or it may engage another party (for example, a subcontractor) to satisfy some or all of the performance obligation on its behalf

Agent [AASB 15.B36]

An entity that is an agent does not control the specified good or service provided by another party before that good or service is transferred to the customer. When (or as) an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. An entity's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

AASB 15.B37

Indicators that an entity controls the specified good or service before it is transferred to the customer (and is therefore a principal include, but are not limited to, the following:
(a) the entity is primarily responsible for fulfilling the promise to provide the specified good or service. This typically includes responsibility for the acceptability of the specified good or service (for example, primary responsibility for the good or service meeting customer specifications). If the entity is primarily responsible for fulfilling the promise to provide the specified good or service, this may indicate that the other party involved in providing the specified good or service is acting on the entity's behalf.
(b) the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return). For example, if the entity obtains, or commits itself to obtain, the specified good or service before obtaining a contract with a customer, that may indicate that the entity has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the good or service before it is transferred to the customer.
(c) the entity has discretion in establishing the price for the specified good or service. Establishing the price that the customer pays for the specified good or service may indicate that the entity has the ability to direct the use of that good or service and obtain substantially all of the remaining benefits. However, an agent can have discretion in establishing prices in some cases. For example, an agent may have some flexibility in setting prices in order to generate additional revenue from its service of arranging for goods or services to be provided by other parties to customers.

It should be note that the indicators listed above may be more or less relevant to the assessment of control depending on the nature of the specified good or service and the terms and conditions of the contract. In addition, different indicators may provide more persuasive evidence in different contracts.

Information to be disclosed [AASB 107.48]

An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group.

Natural disasters [PAEC Report 102 Part One recommendation 6]

Departments are required to demonstrate high standards of transparency and accountability when reporting on the effectiveness of how funding allocated to natural disaster relief was managed. It is expected that this note disclosure include the level of funding spent on individuals, state-owned assets, businesses and community groups affected as a result of a natural disaster.

Income and payments from trust funds or funds held outside public account

Income from trust funds or funds held outside the public account may ultimately be used for a broad range of purposes and may not be readily determinable at the time of receipt and when the income is recognised.

In general, payments out of controlled funds outside the public account are typically for the delivery of outputs or for the acquisition of assets, whereas payments out of administered funds are typically for payments made on behalf of the State. [recommendations 30 and 32, PAEC Report on the 2015-16 Budget Estimates]

7.5 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet. [AASB 116.74(c), (AASB 16.55), AASB16.58, AASB 138.122(e), AASB 12.23(a)]

7.5.1 Total commitments payable

($ thousand)

Source reference	*Nominal amounts 20X2*	*Less than 1 year*	*1–5 years*	*5+ years*	*Total*
	PPP commitments (See 7.5.2)	5 600	5 190	18 036	28 826
AASB 116.74 (c)	Capital expenditure commitments payable	4 782	74	..	4 856
AASB 138.122 (e)	Intangible assets commitments payable	23	..	20	43
AASB 12.23(b), B19 (a)(ii)	Share of joint ventures' capital commitments	..	8	13	21
	Other commitments payable	56	112	..	168
	Total commitments (inclusive of GST)	**10 461**	**5 384**	**18 069**	**33 914**
	Less GST recoverable				(2 586)
	Total commitments (exclusive of GST)				**31 328**

Source reference	20X1				
	PPP commitments (7.5.2)	17 230	14 440	11 162	42 832
AASB 116.74 (c)	Capital expenditure commitments payable	5 812	198	..	6 010
AASB 138.122 (e)	Intangible assets commitments payable	15	5	..	20
AASB 12.23(b), B19 (a)(ii)	Share of joint ventures' capital commitments	..	8	13	21
	Other commitments payable	..	..	..	..
	Total commitments (inclusive of GST)	**23 057**	**14 651**	**11 175**	**48 883**
	Less GST recoverable from the Australian Tax Office				(3 284)
	Total commitments (exclusive of GST)				**45 599**

7.5.2 Public private partnership (PPP) commitments

The Department sometimes enters into arrangements with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements usually include the provision of operational and maintenance services for a specified period of time. These arrangements are often referred to as PPPs.

PPPs usually take one of two main forms. In the more common form, the Department pays the operator over the arrangement period, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as either a lease, a service concession arrangement or construction of an item of property, plant and equipment. The remaining components are accounted for as commitments for operating costs, which are expensed in the comprehensive operating statement as they are incurred. The other, less common, form of PPP is one in which the Department grants to an operator, for a specified period of time, the right to collect fees from users of the PPP asset, in return for which the operator constructs the asset and has the obligation to supply agreed upon services, including maintenance of the asset for the period of the concession. These private sector entities typically lease land, and sometimes state works, from the Department and construct infrastructure. At the end of the concession period, the land and state works, together with the constructed facilities, will be returned to the Department.

AASB 1059 *Service Concession Arrangements: Grantors* applies to arrangements where an operator provides public services, using a service concession asset, on behalf of the State and importantly, the operator manages at least some of the public service at its own discretion. The State must also control the asset for AASB 1059 to apply. This means that certain PPP arrangements will not be within the scope of AASB 1059 and will continue to be accounted for as either leases or assets being constructed by the State and conversely, certain arrangements that are not PPPs (such as certain external service arrangements) could be captured within the scope of AASB 1059. The Department has determined which arrangements should be accounted for under AASB 1059 and details of these are included in Note 7.5.3 below.

PPPs commitments (a)(b) **($ thousand)**

	20X2				20X1			
	Liability	*Capital Contribution*	*Other commitments*	*Commitments*	*Liability*	*Capital Contribution*	*Other commitments*	*Commitments*
	Discounted value		*Present value*	*Nominal value*	*Discounted value*		*Present value*	*Nominal value*
Commissioned PPPs (c)(d)								
IT&T system development (e)	..	..	4 605	5 334	..	..	11 449	13 737
Biotech Research Centre (e)	..	..	3 069	3 556	..	..	7 632	9 159
Construction of data centre to store medical records	..	..	..	60 255		..	..	61 285
Subtotal	**..**	**..**	**7 674**	**69 145**	**..**	**..**	**19 081**	**84 181**
Uncommissioned PPPs (f)(g)(h)(i)(j)(k)								
IT training schools (i)	3 329	200	1 569	11 901	3 329	200	1 458	11 901
Climate Change Research Centre (l)	1 685	..	579	8 035	1 685	..	534	8 035
Subtotal	**5 014**	**200**	**2 148**	**19 936**	**5 014**	**200**	**1 992**	**19 936**
Total commitments for PPPs	**5 014**	**200**	**9 822**	**89 081**	**5 014**	**200**	**21 073**	**104 117**

Notes:

(a) The present values of the lease liability for commissioned PPPs are recognised on the balance sheet – Please refer to Note 7.2 (not disclosed as commitments).

(b) The discounted values of the lease liability for uncommissioned PPPs have been discounted to the expected dates of commissioning and the present values of other commitments have been discounted to 30 June of the respective financial years. After adjusting for GST, the discounted values of lease liability reflect the expected impact on the balance sheet when the PPPs are commissioned.

(c) The year-on-year reduction in the nominal amounts of the other commitments reflects the payments made.

(d) The year-on-year reduction in the present values of other commitments reflects payments, offset by the impact of one fewer year used for discounting.

(e) The table discloses only other operating and maintenance commitments for the IT&T system project and the Biotech Research Centre project.

(f) The discounted values of the lease liability have not been totalled for the uncommissioned PPPs due to individual PPPs having different expected dates of commissioning.

(g) The year-on-year increase in the present values of the other commitments for uncommissioned projects is due to one less year used for discounting.

(h) The total commitments will not equal the sum of the lease liability and other commitments because they are discounted, whereas total commitments are at nominal value.
(i) On 16 September 20X1, the Department entered into a contract with IT Solutions Ltd to construct and maintain new IT training schools. The contract term is 30 years.
(j) Capital contribution is measured at nominal value.
(k) These relate to leases that have not yet been recognised on the balance sheet. For uncommissioned PPP's relating to service concessions, the asset and liability are recognised progressively during the construction term and therefore not recognised in the table above.
(l) On 1 March 20X1, the Department entered into a contract with Plenary Environment Ltd to construct and maintain a Climate Change Research Centre. The contract term is 15 years.

Guidance – Commitments for expenditure

Specific guidance for PPPs

Commissioned and uncommissioned PPPs: commissioned PPPs are construction projects that are completed as per government's requirements and are ready for operation, which generally occurs from commercial acceptance.

Uncommissioned PPPs are construction projects that are yet to commence or are still in progress. Arrangements that are accounted for applying AASB 1059 and AASB 116 are recognised progressively on the balance sheet provided the grantor has control over the service concession asset over the construction period and therefore should not be included as uncommissioned projects. Therefore, this should only include projects that are accounted for applying AASB 16.

Commissioned and uncommissioned PPPs need to be disclosed separately. For commissioned PPPs, the expenditure component relating to capital/finance is recognised as a lease, a service concession arrangement or a construction contract for the asset under AASB 116 on the balance sheet, and only the future service-related component is recognised as an 'other commitment' and disclosed in the commitment note.

In contrast, for uncommissioned PPPs, both the capital finance component (termed as 'Liability') and the 'other commitments' component are disclosed in the commitments note.

Outstanding PPP contractual payments: The purpose of the commitment note is to provide users with discounted or present value information about outstanding PPP contractual payments for individual projects that are not recognised as liabilities on the balance sheet. Contractual payment streams often comprise several components and are paid as a bundle through quarterly service payments (QSPs). Typically, QSPs may include payments related to leases, operating and maintenance contracts, asset upgrades and contingent rentals.

Where a contract and QSPs may relate to several like assets, e.g. upgrade and maintenance of several schools, disclosure would not be expected at the individual school level. Confirmation of individual PPP projects for separate disclosure, either commissioned or uncommissioned, that are controlled by the entity at the reporting and/or comparative reporting date, should be confirmed with the relevant Commercial Advisory Services team of the Department of Treasury and Finance (DTF).

Discount dates: In calculating the discounted value of the 'Liability' of commitments for uncommissioned (still under construction) PPPs, the payments shall be discounted to the expected date of commissioning.

In calculating the present value of 'other commitments' associated with both commissioned and uncommissioned PPPs, the payments shall be discounted to the 30 June of the reporting period and the comparative period respectively.

As uncommissioned minimum lease payment projects will be discounted to the expected commissioning date, the reference is to 'discounted values' rather than 'present values', as the latter implies discounting to balance sheet date.

Discounted value of PPP minimum lease payment commitments: The discounted values of the 'Liability' are only disclosed as a commitment for uncommissioned PPPs, as the 'Liability' for commissioned PPPs will be recognised as liabilities on the balance sheet, and no longer classified as commitments.

For uncommissioned projects, the discounted values of the 'Liability' commitments are derived by proxy, being the nominal sum of the total capital costs and any other allowable capitalised expenses, including capitalised interest, during the development and construction phase of a project as reflected in the contracted financial model. This nominal sum is deemed as the fair value of the right-of-use asset for the purpose of AASB 16 and will equate to the discounted values of the 'Liability' commitments.

Government capital contributions: Government capital contributions relate to committed amounts to be paid by the State in a PPP arrangement. In general, if the government capital contribution is made upfront, the amount represents the nominal value of the payments that will be made when the project is commissioned.

Present values of PPP other commitments: For the disclosure of both commissioned and uncommissioned present values of other commitments. If required, DTF could provide further guidance on the appropriate discount rate to be used based on the specifics of the arrangement.

GST for PPPs: Where there is evidence of invoices for the QSPs that separately identify the financing components, GST is not required to be added in respect of the financing component. However, where the invoices do not separately identify the financing component, the total QSP amounts for the commitment disclosure should be inclusive of GST.

7.5.3 AASB 1059 Service Concession Arrangements: Grantors

For arrangements within the scope of AASB 1059, at initial recognition the Department records a **service concession asset** (SCA) at current replacement cost in accordance with the cost approach to fair value under AASB 13 *Fair Value Measurement*, with a related liability, which could be a financial liability, an accrued revenue liability (referred to as the 'Grant Of A Right To The Operator' or GORTO liability) or a combination of both.

The nature of the liability and subsequent accounting depends on the consideration exchanged in the arrangement between the Department and the operator.

The Department initially recognised the liability at the same amount as the SCA, adjusted by the amount of any consideration from the Department to the operator, or from the operator to the Department.

Exception to this occurs when the Department reclassifies an existing asset to a SCA. When this occurs, no liability is recognised unless additional consideration is provided to the operator. Instead, the Department recognise a SCA and a corresponding liability for the amounts spent on the upgrade/expansion work.

A **financial liability** is recognised where the Department has a contractual obligation to pay the operator for providing the SCA. It is measured in accordance with AASB 9 *Financial Instruments* and is recognised as a borrowing (Note 7.1). The liability is increased by interest charges (Note 7.1), based on the interest rate implicit in the arrangement. Where the interest rate is not specified in the arrangement, the prevailing market rate of interest for a similar instrument with similar credit ratings is used. The liability is reduced by any payments made by the Department to the operator as required by the contract.

A **grant of right to the operator (GORTO) liability** is recognised where the Department does not have a contractual obligation to pay cash or another financial asset but grants the right to the operator to earn revenue from the public use of the asset (Note 6.2). This type of arrangement is commonly referred to as an economic service concession arrangement. It represents unearned revenue and is progressively reduced over the period of the arrangement in accordance with its substance (Note 2.4.5).

After initial recognition, SCAs are subsequently measured applying the revaluation model (refer to Note 5.1 *Total Property, Plant and Equipment* and Note 5.4 *Intangible Assets*).

The Department has the following service concession arrangements:

Intellectual property and registry functions commercialisation – GORTO model

In [date], the State of Victoria granted a concession to operate the intellectual property and registry functions of the Department for $20 million. [AASB 1059.28(a)]

Victorian Intellectual Property Registry Services (VIPRS) are responsible for part of the Department's intellectual property and registry functions for a 20-year term, after which the functions will be returned to the Department. [AASB 1059.28(a),(c)(i)(iii)]

VIPRS has access to the State's intellectual property registry data, operating manual and software. A condition of the arrangement is that data will be kept secure. [AASB 1059.28(a),(c)(vi)]

VIPRS must meet key performance indicators throughout the term of the agreement which will be reviewed on a quarterly basis. Where the Department is satisfied with the performance of VIPRS, there is an option for the arrangement to be extended for a further five-year term. Where there is unsatisfactory performance, the agreement allows VIPRS the opportunity to rectify its operations however if this is not the case the Department may terminate. [AASB 1059.28(b),(c)(iv)]

The functions VIPRS are responsible for are deemed to be public services and the VIPRS has the discretion to manage these functions under its own discretion.

The State will retain full control over prices for intellectual property services throughout the 20-year term, and price increases will be capped at CPI for non-statutory services. The Registrar of Intellectual Property will remain under the Department's control, retaining an oversight role over VIPRS. [AASB 1059.28(a)]

VIPRS will receive payments from the State on an executory basis. This is based on the total intellectual property registrations that occur for services rendered. The service payments are recognised in the purchase of services line of Note 3.4 *Other operating expenses* [1059.28(b)]

For the $20 million received upfront in [date] from VIPRS, the Department has recognised a grant of right to operate liability (Note 6.2). Since initial recognition, revenue (refer to Note 2.4.5) has been recognised on a straight-line basis and the liability reduced simultaneously. This will continue over the remaining 20-year term.

The database has been recognised as an intangible asset (Note 5.4) at $2 million, based on the current replacement cost of the asset. It has an indefinite useful life and is not depreciated. [1059.28(c)(ii), AASB 1059.B39(a)]

Construction of data centre to store medical records – Financial liability model

The XYZ Consortium was contracted to construct a data centre that stores and maintains the medical records of the Victorian public. [AASB 1059.28(a)]

Construction of the data centre began in [date] and commercial acceptance was achieved in [date]. The fair value of the asset at this time was $60 million. It is recognised as a SCA within the building category in Note 5.1 and the financial liability recognised in Note 7.1. [AASB 1059.28(a),(c)(ii)]

The consortium will operate and maintain the data centre for a term of 25 years. The data centre will return to the Department at this time, with a remaining useful life of five years. The service concession asset will be depreciated over the term of the arrangement (refer to Note 5.1.1). An interest expense on the financial liability is recognised each year (refer to Note 7.1). [AASB 1059.28(a),(c)(ii)]

Over the 25-year term, the Department will provide the consortium with access to its medical record software. The consortium will be responsible for ensuring data security is maintained to industry standards, medical record software is kept up-to-date and operational, and the records can be accessed and updated as needed by medical professionals. The functions for which the consortium is responsible are deemed to be public services and then it manages these functions under its own discretion. [AASB 1059.28(a)]

The consortium is subject to key performance indicators over the term of the agreement. Where there is unsatisfactory performance, the agreement gives the consortium the ability to rectify its performance. However, if this is not satisfactory the Department can adjust the quarterly payments made to the consortium. Where performance is not rectified, the Department can terminate the agreement and appoint another suitable body to take over the operation and management of the hospital. [AASB 1059.28(b),(c)(iv)]

If the Department is satisfied with the consortium's performance, the agreement includes an optional five-year extension term. Negotiations to extend can begin two years prior to agreement end date. [AASB 1059.28(c)(iv)]

Guidance – Service Concession Arrangements: Grantors

AASB 1059 Presentation and Disclosure requirements – paragraphs 28 and 29

The financial statements should include sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements. To achieve this, entities shall consider disclosing qualitative and quantitative information about its service concession arrangements, including the following:

- a description of the arrangement
- significant terms of the arrangements that may affect the amount, timing and uncertainty of future cash flows (e.g. the period of the arrangement, re-pricing dates and the basis upon which repricing or renegotiation is determined)
- the nature and extent (e.g. quantity, time period, or amount, as appropriate) of:
  - rights to receive specified services from the operator
  - the carrying amount of service concession assets as at the end of the reporting period, including separate disclosure for existing assets of the grantor reclassified as service concession assets during the reporting period
  - rights to receive specified assets at the end of the arrangement
  - renewal and termination options
  - other rights and obligations (e.g. major overhaul of service concession assets)
  - obligations to provide the operator with access to service concession assets or other revenue-generating assets.
- changes in arrangements occurring during the reporting period.

Disclosures should be included individually for each material service concession arrangement or in aggregate for service concession arrangements involving services of a similar nature, in addition to disclosures required by AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*, where required. Service concession assets of a similar nature may form a subset of a class of assets disclosed in accordance with AASB 116 or AASB 138 or may be included in more than one class of assets disclosed in accordance with AASB 116 or AASB 138. For example, for the purposes of AASB 116, a toll bridge may be included in the same class as other bridges and may also be included in aggregate with service concession assets reported as toll roads.

The disclosures required to meet the objective of AASB 1059's disclosure requirements will depend on the facts and circumstances of individual arrangements. Determining the extent of disclosures required is a matter of judgement and a public sector entity should engage with audit early to ensure disclosures are appropriate.

Note: the disclosures do not address AASB 1059.28(c)(ii) or (d) as they are not relevant to the scenario. If relevant to a specific public sector entity, information relating to these should be included.

For further guidance on disclosures relating to complex and material arrangements, refer to Appendix 4: Illustrative service concession arrangement disclosures.

7.5.4 Commitments other than PPPs

($ thousand)

	20X2	*20X1*
	Nominal value (incl. GST)	*Nominal value (incl. GST)*
Capital expenditure commitments: Plant, equipment and vehicles	4 856	6 010
Intangible asset commitments: Patent	43	20
Share of joint ventures' capital commitments: Plant, equipment and vehicles	21	21
Other commitments: Outsourcing	168	..
Total commitments other than PPPs	5 088	6 051

Guidance – Commitments for expenditure

Commitments

A commitment is an intention to commit agency resources (usually funds) to a future event that is:

- normally supported by a contract
- quantifiable and measurable
- extending or may extend over multiple reporting periods
- binding parties to performance conditions.

Indicators that may confirm the existence of a commitment include:

- execution of a contract between parties for delivery of goods and/or services
- potential loss to one of the contracted parties if contractual obligations are breached
- payment of compensation may result in the event of default.

When commitments are fulfilled, they are crystallised as liabilities. Once the liabilities are recognised in the financial statements, the expenditures are no longer required to be disclosed as commitments.

Extent of disclosure

Where no specific AASB requirements apply, the extent of disclosure to meet the requirements in AASB 101 *Presentation of Financial Statements* is based on professional judgement with a view to providing relevant information to users of the financial statements.

Some factors to consider when deciding on the appropriate level of disclosure under AASB 101 include the following:

- whether the commitment is significant to the entity's operations
- whether the commitment is required to maintain key assets of the company
- whether it is practical for management to cancel the commitments

- the terms and conditions in the agreement with respect to cancellability.

Based on the facts and current circumstances, if the entity has no intention of cancelling the contract and expects to fulfil the contract in the future, the entity should disclose the full contractual agreement rather than just the minimum penalty payments in the contract. However, if the entity expects to terminate the contract prematurely and must pay the minimum penalty, the disclosure of the minimum penalty may be more relevant and useful to users of financial statements.

Contracted capital commitments

Capital commitments and other expenditure commitments contracted for as at the end of the reporting period do not require disclosure where the commitments have been recognised as liabilities in the balance sheet.

GST

The purpose of the commitment note disclosure is to inform users of the commitments for payments from a cash flow perspective and consequently includes GST as appropriate.

Where the invoices for commitment-related payments separately identify a financing component, GST is not required to be added to this component. However, where invoices do not separate the finance component, GST should be included on all components for the purposes of the commitment disclosure.

Aggregation

In table 7.5.4, commitments relating to 'intangible assets' and 'the Department's share of joint ventures' capital expenditure are immaterial in the Annual Financial Report for the State of Victoria and are therefore aggregated into 'total other commitments payable'. If these groups are also immaterial for departments, then they could be aggregated into 'total other commitments payable' and deleted from the table format shown above.

7.6 Assets pledged as security

The Department has secured the leased assets against the non-PPP related lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor.

Guidance – Assets pledged as security

The financial statements shall disclose the following for assets pledged as security:

- the carrying amount of inventories pledged as security for liabilities [AASB 102.36(h)]
- the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities [AASB 138.122(d)]
- the carrying amount of the property, plant and equipment pledged and the related existence and amounts of restrictions on title [AASB 116.74(a)]
- the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal [AASB 140.75(g)]
- the carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities and any material terms and conditions relating to assets pledged as collateral. [AASB 7.14]

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The Department of Technology (the Department) is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Department related mainly to fair value determination.

Structure

8.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Department's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Guarantees issued on behalf of the Department are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

Categories of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Department to collect the contractual cash flows
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The Department recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)
- term deposits
- certain debt securities

Financial assets at fair value through other comprehensive income

Debt investments are measured at fair value through other comprehensive income if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Department to achieve its objective both by collecting the contractual cash flows and by selling the financial assets
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

Equity investments are measured at fair value through other comprehensive income if the assets are not held for trading and the Department has irrevocably elected at initial recognition to recognise in this category.

These assets are initially recognised at fair value with subsequent change in fair value in other comprehensive income.

Upon disposal of these debt instruments, any related balance in the fair value reserve is reclassified to profit or loss. However, upon disposal of these equity instruments, any related balance in fair value reserve is reclassified to retained earnings.

The Department recognises certain unlisted equity instruments within this category.

Financial assets at fair value through net result

Equity instruments that are held for trading as well as derivative instruments are classified as fair value through net result. Other financial assets are required to be measured at fair value through net result unless they are measured at amortised cost or fair value through other comprehensive income as explained above.

However, as an exception to those rules above, the Department may, at initial recognition, irrevocably designate financial assets as measured at fair value through net result if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Department recognises listed equity securities as mandatorily measured at fair value through net result and designated all of its managed investment schemes as well as certain five-year government bonds as fair value through net result.

Categories of financial liabilities

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through net result on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows, unless the changes in fair value relate to changes in the Department's own credit risk. In this case, the portion of the change attributable to changes in the Department's own credit risk is recognised in other comprehensive income with no subsequent recycling to net result when the financial liability is derecognised. The Department recognises some debt securities that are held for trading in this category and designated certain debt securities as fair value through net result in this category.

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method. The Department recognises the following liabilities in this category:

- payables (excluding statutory payables)
- borrowings (including lease liabilities)

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

Offsetting financial instruments: Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Department concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the Department does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Department retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement
- the Department has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset
  - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Department has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Department's continuing involvement in the asset.

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Reclassification of financial instruments: Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when the Department's business model for managing its financial assets has changed such that its previous model would no longer apply.

However, the Department is generally unable to change its business model because it is determined by the Performance Management Framework (PMF) and all Victorian government departments are required to apply the PMF under the Standing Directions 2018 under the FMA.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

Guidance – Financial instruments [AASB 7.7]

An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

AASB 7 requires that an entity discloses information used by key management personnel to measure and manage risk. An entity shall decide, in light of its circumstances, how much detail it provides to satisfy the requirements of this standard, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture, without combining information with different characteristics.

The minimum disclosures set out in this note of the Model are provided by way of example only. They do not necessarily represent the only disclosures that may be appropriate for particular financial instruments and do not cover all financial instruments that may be used in practice, or importantly, reflect the manner in which an entity reports internally to its key management personnel:

- an estimate of its financial effect
- an indication of the uncertainties relating to the amount or timing of any outflow
- the possibility of any reimbursement.

Entities should exercise judgement in determining their own disclosure on financial instruments and use the Model only as a guide to interpreting the disclosure requirements of AASB 7. Some sections and/or tables in Note 8.1 may not be relevant to all entities and therefore should not be included, e.g. tables with zero balances should be omitted.

Statutory receivables and payables [AASB 9.Aus2.1.1 and AASB 2016/8.4 and BC10-12]

Financial assets or financial liabilities that are not contractual, such as receivables or payables that arise as a result of statutory requirements, are not financial instruments for disclosure purposes. Therefore, these financial assets or financial liabilities are not in the scope of AASB 7. However, entities wish to apply disclosure requirements from AASB 7 to such financial assets or financial liabilities may do so at their own discretion. For example, a department should exclude all statutory receivables from the Victorian Government including receivable balances related to:

- the consolidated fund – State Administration Unit (SAU) SRIMS account codes 45000, 47000 and 48xxx
- all appropriated funding.

Reclassification of financial assets [AASB 7.12B-D]

If, as a result of a change in its business model for managing financial assets where an entity reclassifies a financial asset in accordance with paragraph 4.4.1 of AASB 9, it shall disclose:

- the date of reclassification
- a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements
- the amount reclassified into and out of each category.

For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified out of the fair value through net result category so that they are measured at amortised cost or fair value through other comprehensive income in accordance with paragraph 4.4.1 of AASB 9:

- the effective interest rate determined on the date of reclassification
- the interest revenue recognised.

If, since its last annual reporting date, an entity has reclassified financial assets out of the fair value through other comprehensive income category so that they are measured at amortised cost or out of the fair value through net result category so that they are measured at amortised cost or fair value through other comprehensive income it shall disclose:

- the fair value of the financial assets at the end of the reporting period
- the fair value gain or loss that would have been recognised in net result or other comprehensive income during the reporting period if the financial assets had not been reclassified.

Master netting or similar arrangements [AASB 132.42-50 and AASB 7.13A-F]

An entity might further restrict its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions.

It should be noted that some master netting arrangements do not result in an offset of balance sheet assets and liabilities where they are settled on a gross basis. However, the credit risk associated with favourable contracts is reduced with a master netting arrangement to the extent that if a counterparty failed to meet its obligations in accordance with the agreed terms, all amounts with the counterparty are terminated and settled on a net basis.

In other instances, the entity enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, and the termination value is assessed and only a single net amount is payable in settlement of all transactions.

In instances where the entity can settle amounts in a manner such that the outcome is in effect equivalent to the net settlement, the entity will meet the net settlement criteria. This will occur if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and will process receivables and payables in a single settlement process or cycle.

To the extent that these arrangements meet the criteria for offsetting in the statement of financial position, they are reported on a net basis.

Where the entity does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events, they are reported on a gross basis.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross amounts of financial instruments in the balance sheet	*Amounts offset when determining net amounts in balance sheet*	*Net amounts of financial instruments in the balance sheet*	*Related financial instruments that are not offset*	*Net amount*
30 June 20X2 [(a)]					
Financial assets					
Other investments, including derivatives	[$XXX]	[$XXX]	[$XXX]	[$XXX]	[$XXX]
Interest rate swaps used for hedging	[$XXX]	[$XXX]	[$XXX]	[$XXX]	[$XXX]
Forward exchange contracts used for hedging	[$XXX]	[$XXX]	[$XXX]	[$XXX]	[$XXX]
Other forward exchange contracts	[$XXX]	[$XXX]	[$XXX]	[$XXX]	[$XXX]
Financial liabilities					
Trade and other payables	[$XXX]	[$XXX]	[$XXX]	[$XXX]	[$XXX]
Interest rate swaps used for hedging	[$XXX]	[$XXX]	[$XXX]	[$XXX]	[$XXX]
Forward exchange contracts used for hedging	[$XXX]	[$XXX]	[$XXX]	[$XXX]	[$XXX]

Note:
(a) Comparatives will be required for disclosure.

8.1.1 Financial instruments: Categorisation [AASB 7.8]

($ thousand)

20X2	*Cash and deposits*	*Financial assets / liabilities designated at fair value through profit/loss (FVTPL)*	*Financial assets / liabilities mandatorily measured at fair value through profit/loss (FVTPL)*	*Financial assets measured at fair value through other comprehensive income (FVOCI)*	*Financial assets at amortised cost (AC)*	*Financial liabilities at amortised cost (AC)*	*Total*
Contractual financial assets							
Cash and deposits	69 774	..	..	..	..	..	69 774
Receivables [(a)]							..
Finance lease receivables	..	..	..	..	..	..	..
Sale of goods and services	..	..	..	..	1 374	..	1 374
Loans to third parties	..	..	..	..	544	..	544
Accrued investment income	..	..	..	..	1 864	..	1 864
Other receivables	..	..	..	..	334	..	334
Investments and other contractual financial assets							..
Equities – listed securities	..	..	1 614	..	..	..	1 614
Equities – unlisted securities	..	..	..	322	..	..	322
Managed investment schemes	..	229	..	..	..	..	229
Term deposits	..	..	..	..	2 890	..	2 890
Debt securities	..	3 823	..	..	5 198	..	9 021
Total contractual financial assets	**69 774**	**4 052**	**1 614**	**322**	**12 204**	**..**	**87 966**
Contractual financial liabilities							
Payables [(a)]							
Supplies and services	..	..	..	..	..	4 508	4 508
Amounts payable to government and agencies	..	..	..	..	..	10 891	10 891
Other payables	..	..	..	..		817	817
Borrowings							..
Bank overdrafts	..	..	..	..	..	..	..
Lease liabilities	..	..	..	..	..	8 064	8 064
Service concession financial liability	..	..	..	..	..	58 500	58 500
Advances from government	..	..	..	..	..	5 313	5 313
Loans from TCV	..	..	..	..	..	48 696	48 696
Financial liabilities designated at fair value through profit or loss [(a)]	..	..	150	..	..	..	150
Total contractual financial liabilities	**..**	**..**	**150**	**..**	**..**	**136 789**	**136 939**

Note:
(a) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable). [AASB 132.AG12]

8.1.1 Financial instruments: Categorisation *(continued)* [AASB 7.8]

($ thousand)

20X1	*Cash and deposits*	*Contractual financial assets / liabilities designated at fair value through profit/loss*	*Contractual financial assets / liabilities mandatorily measured at fair value through profit/loss*	*Contractual financial assets – available-for-sale*	*Contractual financial assets – loans and receivables / held to maturity*	*Contractual financial liabilities at amortised cost*	*Total*
Contractual financial assets							
Cash and deposits	65 723	..	..	..	..	..	65 723
Receivables (a)							..
Finance lease receivables	..	..	..	..	1 231	..	1 231
Sale of goods and services	..	..	..	..	965	..	965
Loans to third parties	..	..	..	..	485	..	485
Accrued investment income	..	..	..	..	1 058	..	1 058
Other receivables	..	..	..	..	438	..	438
Investments and other contractual financial assets							..
Equities – listed securities	..	..	..	1 492	..	..	1 492
Equities – unlisted securities	..	..	..	538	..	..	538
Managed investment schemes	..	..	..	2 149	..	..	2 149
Term deposits	..	..	..	..	5 130	..	5 130
Debt securities	..	2 409	..	..	5 013	..	7 422
Total contractual financial assets	**65 723**	**2 409**	**..**	**4 179**	**14 320**	**..**	**86 631**
Contractual financial liabilities							
Payables (a)							
Supplies and services	..	..	..	..	..	3 387	3 387
Amounts payable to government and agencies	..	..	..	..	..	1 796	1 796
Other payables	..	..	..	..	..	8 925	8 925
Borrowings							..
Bank overdrafts	..	..	..	..	..	5 437	5 437
Lease liabilities	..	..	..	..	..	20 062	20 062
Service concesion financial liability	..	..	..	..	..	59 500	59 500
Advances from government	..	..	..	..	..	12 344	12 344
Loans from TCV	..	..	..	..	..	27 705	27 705
Financial liabilities designated at fair value through profit or loss	..	..	200	..	..	..	200
Total contractual financial liabilities	**..**	**..**	**200**	**..**	**..**	**139 156**	**139 356**

Note:
(a) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable). [AASB 132.AG12]

8.1.2 Financial instruments – Net holding gain/(loss) on financial instruments by category [AASB7.20]

($ thousand)

Source reference	20X2	Net holding gain/(loss)	Total interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
	Contractual financial assets					
AASB 7.20 (a)(i)	Debt investments mandatorily measured at fair value through profit/loss	65	1 689	..	..	1 754
AASB 7.20(a)(i), (b)	Equity investments designated at fair value through profit/loss	(2 105)	..	..	..	(2 105)
AASB 7.20(a)(vii)	Equity investments designated at fair value through other comprehensive income – recognised in other comprehensive income	(173)	..	..	..	(173)
AASB 7.20 (a)(vi)	Financial assets at amortised cost – other than on derecognition	(471)	2 175	..	(455)	1 249
	Total contractual financial assets	**(2 684)**	**3 864**	**..**	**(455)**	**725**
	Contractual financial liabilities					
AASB 7.20(a)(v),(b), (c)(i)	Financial liabilities at amortised cost	1 830	(10 566)	307	..	(8 429)
AASB 7.20(a)(i),(b), (c)(i)	Financial liabilities designated at fair value through profit/loss	20	..	..	..	20
	Total contractual financial liabilities	**1 850**	**(10 566)**	**307**	**..**	**(8 409)**

Source reference	20X1					
	Contractual financial assets					
AASB 7.20 (a)(i)	Debt investments mandatorily measured at fair value through profit/loss	400	1 262	..	..	1 662
AASB 7.20(a)(i), (b)	Equity investments designated at fair value through profit/loss	210	1 635	..	(276)	1 569
AASB 7.20(a)(vii)	Equity investments designated at fair value through other comprehensive income – recognised in other comprehensive income	..	..	..	..	..
AASB 7.20 (a)(vi)	Financial assets at amortised cost	..	..	..	..	..
	Total contractual financial assets	**610**	**2 897**	**..**	**(276)**	**3 231**
	Contractual financial liabilities					
AASB 7.20(a)(v),(b), (c)(i)	Financial liabilities at amortised cost	1 420	(8 575)	144	..	(7 011)
AASB 7.20(a)(i),(b), (c)(i)	Financial liabilities designated at fair value through profit/loss	..	..	..	..	..
	Total contractual financial liabilities	**1 420**	**(8 575)**	**144**	**..**	**(7 011)**

[**Note**: Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.]

The net holding gains or losses disclosed above are determined as follows:

- for cash and cash equivalents, financial assets at amortised cost and debt instruments that are classified as financial assets at fair value through other comprehensive income, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost
- for financial asset and liabilities that are mandatorily measured at or designated at fair value through net result, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

Financial liabilities designated at fair value through net result changes in fair value relating to the Department's own credit risk recognised through other comprehensive income

Source reference		*20X2*	*20X1*
AASB 7.10 (a)	Cumulative impact of changes in credit risk	**30**	**..**
	Carrying amount	150	200
	Contractual amount to be paid	200	200
AASB 7.10 (b)	Difference	**(50)**	**..**

Guidance – Categorisation of financial instruments [AASB 7.8]

Categories of financial instruments [AASB 7.7]

An entity shall disclose the carrying amounts of the following categories either in the balance sheet or in the notes:

- financial instruments (contractual financial assets or financial liabilities) at fair value through profit or loss, showing separately:
  - those designated as such upon initial recognition
  - those mandatorily measured as fair value through net result (e.g. those are held for trading).
- financial assets at amortised cost
- financial instruments at fair value through comprehensive income
- financial liabilities measured at amortised cost.

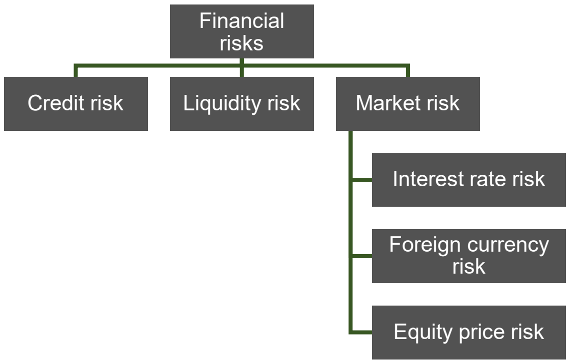
Entities in the general government sector and public non-financial corporations sector can refer to FRD 114 for further guidance on the categorisation of financial instruments (for entities in the public financial corporations sector).

In relation to the illustrative example in Table 8.1.1, for departments, all trust balances in the Public Account should be included in the category 'cash and deposit'.

Capital management objectives

Not-for-profit entities are exempt from the disclosure requirements of AASB 101.134 136, which would otherwise require an entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

8.1.3 Financial risk management objectives and policies [AASB 7.21]



As a whole, the Department's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 8.3 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Department's financial risks within the government policy parameters. [AASB 7.33(a), (b)]

The Department's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The Department manages these financial risks in accordance with its financial risk management policy.

The Department uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer of the Department. [SD 2.3.1]

Guidance – Financial risk management objectives and policies and nature and extent of disclosures [AASB 7.21,31]

In accordance with paragraph 117 of AASB 101 *Presentation of Financial Statements*, an entity discloses, in the summary of significant accounting policies, the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

AASB 7 requires comprehensive disclosure requirements for financial instruments including, but not limited to, the following:

- the measurement basis (bases) and the criteria used to determine classification for different types of financial instruments
- the movements in fair value for financial instruments classified as fair value through profit or loss
- an entity's objectives, policies and processes for managing capital
- the qualitative and quantitative disclosures for each type of risk (e.g. credit risk, liquidity risk, and market risk) that the entity is exposed to.

AASB 7 requires that an entity provide qualitative and quantitative disclosures for each type of risk arising from financial instruments. [AASB 7.31]

An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

Qualitative disclosure [AASB 7.33]

For each type of risk arising from financial instruments, an entity shall disclose:

(a) the exposures to risk and how they arise

(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk

(c) any changes in (a) or (b) from the previous reporting period.

Quantitative disclosure [AASB 7.34-35]

For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in AASB 124 *Related Party Disclosures*)

(m) specific disclosures as required for each type of risk (see credit, liquidity and market risks), to the extent not provided in (a), unless the risk is not material.

Disclosures provided in this Model only cover credit risk, liquidity risk, and market risk. Entities should consider whether there may be other types of risks that they may need to disclose, specific to their own circumstances.

Financial instruments: Credit risk [AASB 7.33]

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The Department's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Department. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Department's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Department's policy to only deal with entities with high credit ratings of a minimum triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

In addition, the Department does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the Department's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Department will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 60 days overdue, and changes in debtor credit ratings.

Contract financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off by mutual consent is classified as a transaction expense. Bad debt written off following a unilateral decision is recognised as other economic flows in the net result.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Department's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to the Department's credit risk profile in 20X1-X2.

Credit quality of financial assets [(a)(b)] [AASB 7.35M] **($ thousand)**

20X2	*Financial institution (triple-A credit rating)*	*Government agencies (triple-B credit rating)*	*Other (min triple-B credit rating)*	*Total*
Financial assets				
Financial assets with loss allowance measured at 12-month expected credit loss				
Cash and deposits (not assessed for impairment due to materiality)	24 112	8 929	2 976	59 728
Statutory receivables (with no impairment loss recognised)	..	..	..	31 951
Debt investment measured at amortised cost	2 890	..	..	8 088
Financial assets with loss allowance measured at lifetime expected credit loss:				
Contractual receivables applying the simplified approach for impairment	1 923	723	749	4 697
Total financial assets	**60 876**	**9 652**	**3 725**	**104 464**

Notes: [AASB 132.AG12]

(a) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

(b) [The above illustrated disclosure is a best practice disclosure to meet the requirement of AASB 7 paragraph 36(c) and should be followed to the extent it is practicable. Where it is impractical to disclose credit ratings, these can be omitted and an entity can simply disclose creditors using categories that fit the entity's own creditor profile.]

Credit quality of contractual financial assets that are neither past due nor impaired [(a)(b)] [AASB 7.36(c)]

($ thousand)

20X1	*Financial institution (triple-A credit rating)*	*Government agencies (triple-A credit rating)*	*Government agencies (triple-B credit rating)*	*Other (min triple-B credit rating)*	*Total*
Financial assets					
Financial assets with loss allowance measured at 12-month expected credit loss					
Cash and deposits (not assessed for impairment due to materiality)	20 895	18 224	7 297	2 432	48 848
Statutory receivables (with no impairment loss recognised)	16 675	..	..	..	16 675
Debt investment measured at amortised cost	5 130	5 013	..	..	10 143
Financial assets with loss allowance measured at lifetime expected credit loss:					
Contractual receivables applying the simplified approach for impairment	1 794	1 294	560	549	4 197
Total financial assets	**44 494**	**24 531**	**7 857**	**2 981**	**79 863**

Notes: [AASB 132.AG12]
(a) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).
(b) [The above illustrated disclosure is a best practice disclosure to meet the requirement of AASB 7 paragraph 36(c) and should be followed to the extent it is practicable. Where it is impractical to disclose credit ratings, these can be omitted and an entity can simply disclose creditors using categories that fit the entity's own creditor profile.]

Impairment of financial assets under AASB 9

The Department records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the Department's contractual receivables, statutory receivables and its investment in debt instruments. [AASB 9.5.5.1]

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Although not a financial asset, contract assets recognised applying AASB 15 (refer to Note 6.1) are also subject to impairment however it is immaterial. [AASB 9.5.5.1]

Contractual receivables at amortised cost

The Department applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. The Department has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the Department's past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

On this basis, the Department determines the closing loss allowance at the end of the financial year as follows:

($ thousand)

Source reference
AASB7.35K(a),6

30 June 20X1	*Current*	*Less than 1 month*	*1–3 months*	*3 months – 1 year*	*1–5 years*	*Total*
Expected loss rate (%)	..	4	15	50	95	**..**
Gross carrying amount of contractual receivables	3 433	237	86	68	373	**4 197**
Loss allowance	**..**	**9**	**13**	**34**	**354**	**410**

Source reference
AASB7.35K(a),6

30 June 20X2						
Expected loss rate (%)	..	3	12	44	94	**..**
Gross carrying amount of contractual receivables	3 735	198	105	70	589	**4 697**
Loss allowance	**..**	**6**	**13**	**31**	**554**	**603**

Reconciliation of the movement in the loss allowance for contractual receivables is shown as follows:

($ thousand)

Source reference		*20X2*	*20X1*
	Balance at beginning of the year	**(327)**	**(53)**
AASB 7.35I (a)	**Opening Loss Allowance**	**(327)**	**(53)**
AASB 7.35I (c)	Transfers in / acquired outputs	(25)	..
AASB 7.35I (b)	Transfers out / disposed outputs	137	..
AASB 7.35I (d)	Modification of contractual cash flows on financial assets	..	..
AASB7.35I (c)	Increase in provision recognised in the net result	4 732	(341)
AASB7.35I (c)	Reversal of provision of receivables written off during the year as uncollectible	30	52
AASB7.35H(b)(iii)	Reversal of unused provision recognised in the net result	150	15
	Balance at end of the year	**4 697**	**(327)**

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts are considered as written off by mutual consent.

Statutory receivables and debt investments at amortised cost [AASB 9.Aus2.1.1]

The Department's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

The Department also has investments in five-year government bonds and debentures.

Both the statutory receivables and investments in debt instruments are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months of expected losses. No loss allowance has been recognised.

Debt investments at fair value through net result [AASB 7.36(a)]

The Department is also exposed to credit risk in relation to debt instruments that are designated at fair value through net result. The maximum exposure at the end of the reporting period is the carrying amount of these investments (20X2: $3 823 000; 20X1: $2 149 000).

Guidance – Credit risk disclosures

Credit risk [AASB 7.35B] and [AASB 7.36]

The credit risk disclosures intend to enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall provide:

- information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses
- quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes
- information about an entity's credit risk exposure (i.e. the credit risk inherent in an entity's financial assets and commitments to extend credit), including significant credit risk concentrations. [AASB 7.35B]

For all financial instruments within the scope of this standard, but to which the impairment requirements in AASB 9 are not applied, an entity shall, in addition to the required quantitative disclosure above, disclose by class of financial instrument:

- the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset in accordance with AASB 132). This disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk
- a description of collateral held as security and other credit enhancements, and their financial effect (e.g. quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument). [AASB 7.36]

Impairment – expected credit loss [AASB 9.5.5]

AASB 9 requires the entity to assess impairment loss using the 'expected credit loss' (ECL) model. Under the ECL model, the allowance for credit losses is calculated by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability-weighted outcomes. Because every loan and receivable carries with it some risk of default, every such asset has an expected loss attached to it – from the moment of its origination or acquisition.

AASB 9 establishes three separate approaches for measuring and recognising expected credit losses:

- A general approach that applies to all loans and receivables not eligible for the other approaches
- A simplified approach that is required for certain trade receivables and lease receivables
- A 'credit adjusted approach' that applies to loans that are credit impaired at initial recognition (e.g. loans acquired at a deep discount due to their credit risk).

A distinguishing factor among the approaches is whether the allowance for expected credit losses at any balance sheet date is calculated by considering possible defaults only for the next 12 months ('12 month ECLs') or for the entire remaining life of the asset ('Lifetime ECLs').

Under both the general and simplified approach, the loss allowance is measured in the same period as an asset is recognised. Under the general approach, the loss allowance is based on 12-month ECLs unless a significant increase in credit risk occurs. In this case, loss allowance is measured based on lifetime ECLs unless the increase reverses.

An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk of default at the reporting date [AASB 9.B.5.5.10]. Financial instruments are not considered to have low risk simply because of the value of collateral without which the financial instrument would not be considered low credit risk. Financial instruments are not considered to have low credit risk simply because they have a lower risk of default than the entity's other financial instruments or relative to the credit risk of the jurisdiction within which an entity operates [AASB 9.B5.5.22].

Indicators for significant increase in credit rise (and as the result the impairment assessment moves from 12-month ECLs to Lifetime ECLs) include:

- changes in general economic or market conditions
- significant changes in financial position or operating results of a borrower
- changes in financial support from parent or group companies
- expected or potential breaches of covenants
- expected delay in payment.

If an entity has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk has not increased significantly since initial recognition, the entity shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date. [AASB 9.5.5.7]

Under the simplified approach, loss allowance is measured based on lifetime ECLs. For example, expected credit losses for trade receivables from large number of small customers is often determined based on provision matrix, which is in turn, based on historical observed default rates, adjusted for forward looking estimates.

Credit adjusted approach should be used when there is objective evidence of impairment and measures expected credit loss based on cumulative change in lifetime ECL since initial recognition of the asset. Unlike the general and simplified approach where interest (if applicable) is calculated on gross basis, under the credit adjust approach interest is calculated on net basis (gross carrying amount less loss allowance).

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower
- a breach of contract, such as a default or past due event
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Contract assets recognised applying AASB 15: Contract assets are required to be assessed for impairment in accordance with AASB 9. Impairment of a contract asset is required to be measured, presented and disclosed on the same basis as a financial asset that is within the scope of AASB 9. Where material, the disclosures in this note should incorporate contract asset impairment information. [AASB 15.107, AASB 9.5.5.1, AASB 7.35H and 35M]

It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired. [Appendix A of AASB 9]

Debt investments carried at fair value through other comprehensive income are also subject to the expected credit loss model. However, the loss allowance is recognised in profit or loss and reduces the fair value loss otherwise recognised in other comprehensive income.

To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for:

- the loss allowance measured at an amount equal to 12-month expected credit losses
- the loss allowance measured at an amount equal to lifetime expected credit losses for:
  - financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets
  - financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit impaired)
  - trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of AASB 9
- financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period. [AASB 7.35H]

Collateral and other credit enhancements obtained [AASB 7.38]

When an entity obtains financial instruments or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other AASs, an entity shall disclose:

- the nature and carrying amount of the assets obtained
- when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Financial instruments at fair value through net result [AASB 7.9] and [AASB 7.10]

If the entity has designated as measured at fair value through net result a financial asset (or group of financial assets) that would otherwise be measured at fair value through other comprehensive income or amortised cost, it shall disclose:

- the maximum exposure to credit risk of the contractual financial asset (or group of financial assets) at the end of the reporting period
- the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk
- the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the contractual financial asset determined either:
  - as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk
  - using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.
- changes in market conditions that give rise to market risk, include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates
- the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the loan or receivable was designated. [AASB 7.9]

If the entity has designated a financial liability as at fair value through net result in accordance with paragraph 4.2.2 of AASB 9 and is required to present the effects of changes in that liability's credit risk in other comprehensive income (see paragraph 5.7.7 of AASB 9), it shall disclose:

- the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk (see paragraphs B5.7.13–B5.7.20 of AASB 9 for guidance on determining the effects of changes in a liability's credit risk)
- the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation
- any transfers of the cumulative gain or loss within equity during the period, including the reason for such transfers
- if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition. [AASB 7.10]

Assets received as collateral

Guidance – Assets received as collateral [AASB 7.15]

When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

- the fair value of the collateral held
- the fair value of any such collateral sold or repledged and whether the entity has an obligation to return it
- the terms and conditions associated with its use of the collateral. [AASB 7.15]

If transferor provides non-cash collateral (such as debt or equity instruments) to the transferee, the accounting for the collateral by the transferor and the transferee depends on whether the transferee has the right to sell or repledge the collateral and on whether the transferor has defaulted. The transferor and transferee shall account for the collateral as follows:

(a) If the transferee has the right by contract or custom to sell or repledge the collateral, then the transferor shall reclassify that asset in its statement of financial position (e.g. as a loaned asset, pledged equity instruments or repurchase receivable) separately from other assets.

(b) If the transferee sells collateral pledged to it, it shall recognise the proceeds from the sale and a liability measured at fair value for its obligation to return the collateral.

(c) If the transferor defaults under the terms of the contract and is no longer entitled to redeem the collateral, it shall derecognise the collateral, and the transferee shall recognise the collateral as its asset initially measured at fair value or, if it has already sold the collateral, derecognise its obligation to return the collateral.

(d) Except as provided in (c), the transferor shall continue to carry the collateral as its asset, and the transferee shall not recognise the collateral as an asset. [AASB 9.3.2.23]

Financial instruments: Liquidity risk [AASB 7.7, 33, 39]

Liquidity risk arises from being unable to meet financial obligations as they fall due. The Department operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Department is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. The Department manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- holding investments and other contractual financial assets that are readily tradeable in the financial markets
- careful maturity planning of its financial obligations based on forecasts of future cash flows
- a high credit rating for the State of Victoria (Moody's Investor Services and Standard & Poor's double-A, which assists in accessing debt market at a lower interest rate).

The Department's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments.

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial statements, and $200 000 (20X1: $200 000) in relation to financial guarantees granted for loans to other entities (refer to Note 8.2), represents the Department's maximum exposure to liquidity risk.

Guidance – Liquidity risk disclosures

Liquidity risk [AASB 7.39]

An entity shall disclose:

(a) a maturity analysis for non-derivative financial instrument liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities

(b) a maturity analysis for derivative financial instrument liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial instrument liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows

(c) a description of how it manages the liquidity risk inherent in (a) and (b).

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows. An entity shall use its judgement to determine an appropriate number of time bands. For example, an entity might determine that the following time bands are appropriate:

- not later than one month
- later than one month and not later than three months
- later than three months and not later than one year
- later than one year and not later than five years
- greater than five years. [AASB 7.B11]

An entity is required to disclose maturity analysis for financial liabilities that shows the remaining contractual maturities for some financial liabilities. In this disclosure:

- when a counterparty has a choice of when an amount is paid, the liability is allocated to the earliest period in which the entity can be required to pay. For example, financial liabilities an entity can be required to repay on demand (e.g. demand deposits) are included in the earliest time band
- when an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay. For example, an undrawn loan commitment is included in the time band containing the earliest date it can be drawn down
- for issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. [AASB 7.B11C]

The contractual amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, for example:

- gross lease obligations (before deducting finance charges)
- prices specified in forward agreements to purchase financial assets for cash
- net amounts for pay floating/receive fixed interest rate swaps for which net cash flows are exchanged
- contractual amounts to be exchanged in a derivative financial instrument (e.g. a currency swap) for which gross cash flows are exchanged
- gross loan commitments. [AASB 7.B11D]

Financial instruments: Market risk

The Department's exposures to market risk are primarily through interest rate risk, foreign currency risk and equity price risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Sensitivity disclosure analysis and assumptions [AASB 7.40(b), 41, B17 B21]

The Department's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. The Department's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 100 basis points up and down (100 basis points up and down) in market interest rates (AUD)
- proportional exchange rate movement of 15 per cent down (20X2: 15 per cent, depreciation of AUD) and 15 per cent up (20X1: 15 per cent, appreciation of AUD) against the USD, from the year end rate of 0.90 (20X1: 0.90)
- a movement of 15 per cent up and down (20X1: 15 per cent) for the top ASX 200 index.

The tables that follow show the impact on the Department's net result and equity for each category of financial instrument held by the Department at the end of the reporting period, if the above movements were to occur.

[Entities should use basis points (interest rates) or percentages (foreign exchange and for equities/managed investment funds) relevant to their own situation at the end of the financial year.]

Interest rate risk [AASB 7.33]

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Department does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Department has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

The Department manages this risk by mainly undertaking fixed rate or non-interest-bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing the Department to significant bad risk, management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the Department's sensitivity to interest rate risk are set out in the table that follows.

Interest rate exposure of financial instruments [AASB 7.34(a)] **($ thousand)**

20X2	*Weighted average interest rate (%)*	*Carrying amount*	*Fixed interest rate*	*Variable interest rate*	*Non-interest bearing*
Financial assets					
Cash and deposits	3	69 774	..	69 774	..
Receivables [(a)]					
Finance lease receivables	5	581	581	..	..
Sale of goods and services		1 374	..	..	1 374
Loans to third parties		544	..	..	544
Accrued investment income		1 864	..	..	1 864
Other receivables		334	..	..	334
Investments and other contractual financial assets					
Equities and managed investment schemes		2 165	..	..	2 165
Term deposits	4	2 890	..	2 890	..
Debt securities	5	9 021	5 198	3 823	..
Total financial assets		**88 547**	**5 779**	**76 487**	**6 281**
Financial liabilities					
Payables [(a)]					
Supplies and services		4 508	..	..	4 508
Amounts payable to government and agencies		10 891	..	..	10 891
Other payables		817	..	..	817
Borrowings					
Lease liabilities	5	8 064	8 064	..	..
Service concession financial liability	6	58 500	..	..	..
Advances from government		5 313	..	..	5 313
Loans from TCV	4	48 696	48 696	..	..
Total financial liabilities		**136 789**	**56 760**	**..**	**21 529**

($ thousand)

20X1	*Weighted average interest rate (%)*	*Carrying amount*	*Fixed interest rate*	*Variable interest rate*	*Non-interest bearing*
Financial assets					
Cash and deposits	4	65 723	..	65 723	..
Receivables [(a)]					
Finance lease receivables	4	1 231	1 231	..	..
Sale of goods and services		965	..	..	965
Loans to third parties		485	..	..	485
Accrued investment income		1 058	..	..	1 058
Other receivables		438	..	..	438
Investments and other contractual financial assets					
Equities and managed investment schemes		4 179	..	..	4 179
Term deposits	4	5 130	..	5 130	..
Debt securities	5	7 422	5 013	2 409	..
Total financial assets		**86 631**	**6 244**	**73 262**	**7 125**
Financial liabilities					
Payables [(a)]					
Supplies and services		3 387	..	..	3 387
Amounts payable to government and agencies		1 796	..	..	1 796
Other payables		8 925			8 925
Borrowings					
Bank overdraft	10	5 437		5 437	..
Lease liabilities	5	20 062	20 062	..	..
Service concession financial liability	6	59 500	..	..	..
Advances from government		12 344	..	..	12 344
Loans from TCV	5	27 705	27 705	..	..
Financial liabilities designated at fair value through profit or loss	6	200	..	200	..
Total financial liabilities		**139 356**	**47 767**	**5 637**	**26 452**

Note: [AASB 132.AG12]
(a) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

Interest rate risk sensitivity [AASB 7.31, 34, 40(a)] **($ thousand)**

		-100 basis points		+100 basis points	
20X2	*Carrying amount*	*Net result*	*Fair value through OCI revaluation reserve*	*Net result*	*Fair value through OCI revaluation reserve*
Contractual financial assets					
Cash and deposits [(a)]	69 774	(698)	..	698	..
Investments and other contractual financial assets [(b)]	6 713	(67)	..	67	..
Total impact		**(662)**	**..**	**(662)**	**..**

20X1					
Contractual financial assets					
Cash and deposits [(a)]	65 723	(657)	..	657	..
Investments and other contractual financial assets [(b)]	7 539	(75)	..	75	..
Total impact		**(733)**	**..**	**733**	**..**
Contractual financial liabilities					
Borrowings [(b)]	5 637	(56)	..	56	..
Total impact		**(56)**	**..**	**54**	**..**

Notes:

(a) Cash and deposits include a deposit of $59 728 thousand (20X1: $48 848 thousand) that is exposed to floating rates movements. Sensitivities to these movements are calculated as follows:

- *20X2: $59 728 thousand × 0.01 = $595 thousand; and $59 728 thousand × 0.01 = $595 thousand; and*
- *20X1: $48 848 thousand × 0.01 = $486 thousand; and $48 848 thousand × 0.01 = $486 thousand. [AASB 7.40(b)]*

(b) [Disclosures on amounts exposed to movements in foreign currencies and the method of calculations as per note (a) above should be made for each class of contractual financial asset or liability presented in the interest rate sensitivity table. Refer also to the guidance on calculation of interest rate risk sensitivity available in the commentary – nature and extent of risk disclosures.]

Foreign currency risk [AASB 7.33, 40(b)]

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies, are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

The Department is exposed to foreign currency risk mainly through its foreign currency term deposits, other receivables relating to the hire of the Department's venue by overseas clients, and payables relating to purchases of supplies and consumables from overseas. Risk is minimal, as the Department has a limited amount of transactions denominated in foreign currencies and there is a relatively short timeframe between commitment and settlement.

The Department exposures are mainly against the US dollar (USD) and are managed through continuous monitoring of movements in exchange rates against the USD, and by ensuring availability of funds through rigorous cash flow planning and monitoring. Based on past and current assessment of economic outlook, it is deemed unnecessary for the Department to enter into any hedging arrangements to manage the risk.

The Department's sensitivity to foreign currency movements is set out below.

Foreign exchange risk sensitivity [AASB 7.31, 34, 40(a)] **($ thousand)**

		-15%		*15%*	
20X2	*Carrying amount*	*Net result*	*Fair value through OCI revaluation reserve*	*Net result*	*Fair value through OCI revaluation reserve*
Contractual financial assets					
Cash and deposits [(a)]	9 712	1 714	..	(1 267)	..
Receivables [(b)(c)]	4 094	722	..	(534)	..
Investments and other contractual financial assets [(c)]	997	176	..	(130)	..
Total impact		2 612		(1 931)	
Contractual financial liabilities					
Payables [(b)(c)]	730	129	..	(95)	..
Total impact		**(129)**	**..**	**95**	**..**

20X1					
Contractual financial assets					
Cash and deposits [(a)]	7 936	1 400	..	(1 035)	..
Receivables [(b)(c)]	3 850	679	..	(502)	..
Investments and other contractual financial assets [(c)]	750	132	..	(98)	..
Total impact		2 211	..	(1 635)	..
Contractual financial liabilities					
Payables [(b)(c)]	866	153	..	(113)	..
Total impact		**(153)**	**..**	**113**	**..**

Notes:

(a) Cash and deposits include a deposit of $9 712 thousand (20X1: $7 936 thousand) that is exposed to USD foreign currency movements. Sensitivities to these movements are calculated as follows:
- *20X2: [$9 712 thousand x 0.9/(0.9(1-0.15))] – $9 712 thousand = $1 714 thousand; and [$9 712 thousand x 0.9/(0.9(1+0.15))] – $9 712 thousand = $1 267 thousand; and*
- *20X1: [$7 936 thousand x 0.9/(0.9(1-0.15))] – $7 936 thousand = $1 401 thousand; and [$7 936 thousand x 0.9/(0.9(1+0.1))] – $7 936 thousand = – $1 035 thousand. [AASB 7.40(b)]*

(b) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from the Victorian Government, GST input tax credit recoverable, and GST payables). [AASB 132.AG12]

(c) [Disclosures on amounts exposed to movements in foreign currencies and the method of calculations as per note (b) above should be made for each class of contractual financial asset or liability presented in the interest rate sensitivity table. Refer also to the guidance on calculation of interest rate risk sensitivity available in the commentary – nature and extent of risk disclosures.]

Equity price risk [AASB 7.33]

The Department is exposed to equity price risk through its investments in listed and unlisted shares and managed investment schemes. Such investments are allocated and traded to match the investment objectives appropriate for the Department's liabilities.

The Department appointed a State organisation to manage its investment portfolio in accordance with the Investment Risk Management Plan approved by the Treasurer. The fund manager on behalf of the Department closely monitors performance and manages the equity price risk through diversification of its investment portfolio.

The Department's sensitivity to equity price risk is set out below.

Other price risk sensitivity [AASB 7.31, 34, 40(a)] **($ thousand)**

		-15%		15%	
20X2	*Carrying amount*	*Net result*	*Fair value through OCI revaluation reserve*	*Net result*	*Fair value through OCI revaluation reserve*
Contractual financial assets					
Investments and other contractual financial assets [(a)]	2 165	(276)	(48)	276	48
Total impact		**(276)**	**(48)**	**276**	**48**
20X1					
Contractual financial assets					
Investments and other contractual financial assets [(a)]	4 179	..	(627)	..	627
Total impact		**..**	**(627)**	**..**	**627**

Note:

(a) Investments and other contractual financial assets include equities and managed investment schemes to the value of $2 065 000 (20X1: $4 179 000) that are exposed to movements in equity prices. Sensitivities to these movements are calculated as follows:

- *20X2: net result: $1 843 000 × ±0.15 = $276 000; and*
- *20X2: Fair Value OCI Revaluation surplus: $222 000 × ±0.15 = ±$33 000; and*
- *20X1: AFS Revaluation Surplus: $4 179 000 × ±0.15 = ±$627 000.*

[AASB 7.40(b)]

[Disclosures on amounts exposed to movements in foreign currencies and the method of calculations as per note (a) above should be made for each class of contractual financial asset or liability presented in the interest rate sensitivity table. Refer also to the guidance on calculation of interest rate risk sensitivity available in the commentary – nature and extent of risk disclosures.]

The balances for these calculations are to be gross of any income tax equivalents.

Guidance – Market risk disclosures

Market risk [AASB 7.40]

Market risk comprises foreign currency risk, interest rate risk and other price risk.

Unless an entity prepares a sensitivity analysis, such as value at risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, an entity shall disclose:

- a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date
- the methods and assumptions used in preparing the sensitivity analysis
- changes from the previous period in the methods and assumptions used, and the reasons for such changes.

Further guidance for preparation of sensitivity analysis

Interest rate risk sensitivity

The carrying value of a floating rate interest bearing instrument valued at fair value would not be impacted by a change in interest rates. However, the change in interest rates would result in a change in the interest earned (if interest rates increase, the interest earned on the instrument would also increase).

The carrying value of a fixed rate interest bearing instrument valued at fair value would be impacted by a change in interest rates (if interest rates increase, the carrying value of the instrument would decrease, but the interest earned would not be impacted).

The carrying value of a fixed rate interest bearing instrument valued at amortised cost would not be impacted by a change in interest rates and neither would the interest earned.

The impacts resulting from the above will change to the extent that interest rate risk was hedged.

The balances to be used for the interest rate sensitivity analysis should be the period-end balances. Where the year end balances are not reflective of the balance held through the year, narrative explaining this and the impact on the sensitivity analysis should be included as an additional disclosure. [AASB 7.42]

Impacts of an **increase** in interest rates

	At fair value		At amortised cost	
Fixed rate asset (liability)	Interest income (expense)	Carrying value	Interest income (expense)	Carrying value
	No change	Decrease	No change	No change
Floating rate asset (liability)	Interest income (expense)	Carrying value	Interest income (expense)	Carrying value
	Increase	No change	Increase	No change

Leases are held at amortised cost
- If these are at a fixed rate there will be no impact
- If these are at a floating rate the impact will need to be quantified

Term deposits are held at amortised cost
- Normally at a fixed rate so there will be no impact

Cash deposits are normally at call
- Normally at a floating rate so the impact will need to be quantified

Impacts of an **decrease** in interest rates

	At fair value		At amortised cost	
Fixed rate asset (liability)	Interest income (expense)	Carrying value	Interest income (expense)	Carrying value
	No change	Increase	No change	No change
Floating rate asset (liability)	Interest income (expense)	Carrying value	Interest income (expense)	Carrying value
	Decrease	No change	Decrease	No change

Leases are held at amortised cost
- If these are at a fixed rate there will be no impact
- If these are at a floating rate the impact will need to be quantified

Term deposits are held at amortised cost
- Normally at a fixed rate so there will be no impact

Cash deposits are normally at call
- Normally at a floating rate so the impact will need to be quantified

Foreign currency risk sensitivity

The sensitivity analysis on foreign currency risk should include foreign currency denominated investments items and adjust their translation at the period-end by the percentage of change in foreign currency rates determined to be reasonably possible.

A positive number indicates an increase in the net result where the Australian dollar strengthens against the respective currency.

The balances to be used for the foreign currency sensitivity analysis should be the period end balances. Where the year-end balances are not reflective of the balance held through the year, narrative explaining this and the impact on the sensitivity analysis should be included as an additional disclosure. [AASB 7.42]

Other price risk sensitivity

Equity price risk arises from equity investments (comprising both shares and investments in managed investment schemes). This price risk arises from listed and/or unlisted Australian and/or overseas securities.

The sensitivity data collection for price risk is based on the:

- exposure to the prices of listed equities (including managed investment schemes), and also unlisted equities (including managed investment schemes) both in Australia and overseas markets, at the end of the reporting period
- stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

The balances to be used for the other price risk sensitivity analysis should be the period end balances. Where the year end balances do not reflect the balance held through the year, narrative explaining this and the impact on the sensitivity analysis should be included as an additional disclosure. [AASB 7.42]

Value-at-risk [AASB 7.41]

If an entity uses value-at-risk for its sensitivity analysis, which reflects interdependencies between risk variables, and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified above. The entity shall also disclose:

- an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided
- an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

Investments held through trusts or managed investments

Entities are not required to prepare sensitivity analyses for such investments on a look-through basis. Sensitivity for these investments may be prepared on the price per unit level only, not on the individual investments in the trust or portfolio and disclosed as other price risk sensitivity.

However, an entity that holds investments in unlisted bond trusts shall disclose the fact that the market values of such investments are impacted by market expectations of future interest rate changes and changes to official interest rates. The entity's other price risk sensitivity analysis shall account for potential interest rate changes and the related impact on unit market price.

8.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

Quantifiable contingent assets (arising from outside of government) **($ thousand)**

	20X2	*20X1*
Contingent assets		
Guarantees [(a)]	140	..
Early termination of contractual arrangement	..	..
	140	**..**

Note:
(a) The Department has a claim outstanding against a supplier for the supply of faulty products. Based on negotiations to date, management believes that it may be possible to recover this amount.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations
  - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

Non-quantifiable contingent liabilities

A number of potential obligations are non-quantifiable at this time arising from:

- indemnities provided in relation to transactions, including financial arrangements and consultancy services, as well as for directors and administrators
- performance guarantees, warranties, letters of comfort and the like
- deeds in respect of certain obligations
- unclaimed monies, which may be subject to future claims by the general public against the State.

Quantifiable contingent liabilities **($ thousand)**

	20X2	*20X1*
Legal proceedings and disputes [(a)]	250	210
Share of an associate's contingent liabilities [(b)]	..	..
Share of a joint ventures' contingent liabilities	..	..
Guarantees for loans to other entities [(c)]	200	200
Total	**450**	**410**
The Department is severally liable for all/part of the liabilities of an associate, [name] [(d)]		

Notes:
(a) Claims for damages were lodged during the year against the Department and certain staff in relation to alleged non-performance under a technology contract. The Department has disclaimed liability and is defending the action.
(b) The extent to which an outflow of funds will be required is dependent on the future operations of the associate being more or less favourable than currently expected.
(c) The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Department, not the fair value of the financial guarantee. The Department has reviewed its financial guarantees and determined there is no material liability to be recognised for financial guarantee contracts at 30 June 20X2.
(d) The Department's joint and several liabilities for the liabilities of [name] will only be called upon in the event of default by [name]. The term of this arrangement is indefinite. The amount disclosed as a contingent liability is the aggregate liabilities of [name] as at 30 June 20X2. The extent to which an outflow of funds will be required is dependent on the future operations of [name] being more or less favourable than currently expected.

Guidance – Contingent assets and contingent liabilities

Contingent assets [AASB 137.89-91]

Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the end of the reporting period, and where practicable, an estimate of their financial effect. Where any of this information is not disclosed because it is not practicable to do so, that fact shall be stated.

It is important disclosures for contingent assets avoid giving misleading indications of the likelihood of income arising.

For the purposes of providing illustrative disclosures that will assist users in preparing financial statements, the disclosures of contingent assets have been illustrated irrespective of whether a situation might give rise to future economic benefits, which are considered to be not probable.

Exemptions [AASB 137.92]

In extremely rare cases, disclosure of some or all of the information illustrated above may seriously prejudice the position of the entity in a dispute with other parties. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Provisions [AASB 137.88]

Where a provision and a contingent liability arise from the same set of circumstances, an entity makes the required disclosures in a way that shows the link between the provision and the contingent liability.

Contingent liabilities [AASB 137.86-87, 137.91]

Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where practicable:

- an estimate of its financial effect
- an indication of the uncertainties relating to the amount or timing of any outflow
- the possibility of any reimbursement.

Where any of the information is not disclosed because it is not practicable to do so, that fact shall be stated.

In determining which contingent liabilities may be aggregated to form a class, it is necessary to consider whether the nature of the items is sufficiently similar for a single statement about them to fulfil the requirements of AASB 137.86 (a) and (b) above.

For the purposes of providing illustrative disclosures that will assist users in preparing financial statements, the disclosures of contingent liabilities have been illustrated irrespective of whether a situation might give rise to future economic sacrifices, which are considered to be remote.

Financial guarantee

Entities are encouraged to disclose the underlying nominal amounts of any loan, for which it provided financial guarantees, in this note under contingent liabilities.

8.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Department.

This section sets out information on how the Department determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through profit or loss
- financial assets at fair value through other comprehensive income land, buildings, infrastructure, plant and equipment
- investment properties
- biological assets.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

The Department determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Department determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is the Department's independent valuation agency (or) the Department, in conjunction with VGV *[and other external valuers, if applicable]*, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

How this section is structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value)
- which level of the fair value hierarchy was used to determine the fair value:
  - in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
  - a reconciliation of the movements in fair values from the beginning of the year to the end
  - details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (refer to Note 8.3.1) and non-financial physical assets (refer to Note 8.3.2).

8.3.1 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial assets and liabilities are determined as follows: [AASB 13.93(a)(b)]

- Level 1 – the fair value of financial instruments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Department currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the 20X1-X2 reporting period. [AASB 7.29(a)]

These financial instruments include:

Financial assets	*Financial liabilities*
Cash and deposits	Payables:
Receivables:	• For supplies and services
• Sale of goods and services	• Amounts payable to government and agencies
• Accrued investment income	• Other payables
• Other receivables	Borrowings:
Investments and other contractual financial assets:	• Bank overdraft
• Term deposits	

Where the fair value of the financial instruments is different from the carrying amounts, the following information has been included to disclose the difference. [AASB 7.25]

Fair value of financial instruments measured at amortised cost **($ thousand)**

Source reference		*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
AASB 13.93(b)(d)		*20X2*	*20X2*	*20X1*	*20X1*
	Financial assets				
	Receivables [(a)]				
	Finance lease receivables	581	590	1 231	1 450
	Loans to third parties	544	159	241	250
	Debt securities [(a)]	5 198	5 222	5 013	5 155
	Financial liabilities				
	Finance lease liabilities	8 064	8 110	20 062	21 500
	Advances from government [(b)]	5 313	5 579	12 344	12 961
	Service concession financial liability	58 500	58 645	59 500	59 620
	Loans from TCV	**48 696**	**47 500**	**27 705**	**23 000**

Notes:
(a) Debt securities include a five-year government bond that is intended to be held until maturity. Therefore, it has been measured at amortised cost with the carrying amount of $5 198. The remaining portion of debt securities ($3 823) is designated as fair value through profit and loss.
(b) The fair value of advances from government is based on cash flows discounted using a rate based on the borrowing rate of 7.5 per cent (20X1: 7.2 per cent). The discount rate equals to LIBOR plus appropriate credit rating. The fair value is within Level 2 of the fair value hierarchy.

Financial assets and liabilities measured at fair value (a) **[AASB 13.93(b)]** **($ thousand)**

Source reference

AASB 13.93(b)

20X2	*Carrying amount as at 30 June*	*Fair value measurement at end of reporting period using: Level 1* (b)	*Level 2* (b)	*Level 3*
Financial assets at FVTPL				
Five-year government bonds	3 823	..	3 823	..
Managed investment schemes	229	..	229	..
Listed securities	1 614	1 614	..	..
Financial assets at FVOCI				
Unlisted securities	322	..	..	322
Financial liabilities at fair value through net result	150	..	150	..
Total	**6 138**	**1 614**	**4 202**	**322**

Source reference

AASB 13.93 (b)

20X1	*Carrying amount as at 30 June*	*Fair value measurement at end of reporting period using: Level 1* (b)	*Level 2* (b)	*Level 3*
Financial assets at FVTPL				
Debt securities – five-year government bonds	2 409	..	2 409	..
Available-for-sale securities				
Listed securities	1 492	1 492	..	..
Unlisted securities	538	..	..	538
Equities and managed investment schemes	2 149	..	2 149	..
Financial liabilities at fair value through net result	200	..	200	..
Total	**6 788**	**1 492**	**4 758**	**538**

Notes:
(a) *[The fair value hierarchy disclosures shall be disclosed by class of financial instrument where class is the lowest level disclosed in the financial statements or notes and is distinct from a category of financial instrument as specified in AASB 9.4.1 paragraph 9.]* *[AASB 7.26]*
(b) *There is no significant transfer between Level 1 and Level 2.*

There have been no transfers between levels during the period. [AASB 13.93(c)]

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair value. [AASB 13.93(d)]

Listed securities: The listed securities are valued at fair value with reference to a quoted (unadjusted) market price from an active market. The Department categorises these instruments as Level 1.

Debt securities: In the absence of an active market, the fair value of the Department's debt securities and government bonds are valued using observable inputs, such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Department categorises these investments as Level 2.

Unlisted securities: The fair value of unlisted securities is based on the discounted cash flow method. Significant inputs in applying this technique include growth rates applied for future cash flows and discount rates utilised. To the extent that the significant inputs are unobservable, the Department categorises these investments as Level 3.

Managed investment schemes: The Department invests in managed funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock-up periods, redemption gates and side pockets. The Department considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investment, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions and redemptions, future commitments and other specific factors of the fund. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading of the Department, the Department classifies these funds as either Level 2 or Level 3.

Reconciliation of Level 3 fair value movements [(a)] **($ thousand)**

Source reference		*Financial assets at fair value through other comprehensive income*	*Available for sale financial assets through other comprehensive income*	*Total*	
		Unlisted securities			
AASB 13.93(d)(e)		*20X2*	*20X1*	*20X2*	*20X1*
	Opening balance	**538**	**509**	**538**	**509**
	Total gains or losses recognised in:			..	..
	net result	..	..	..	..
	other comprehensive income	100	..	100	..
	Purchases	349	202	349	202
	Machinery of government transfer in	108	..	108	..
	Machinery of government transfer out	(406)	..	(406)	..
	Settlements	(330)	(173)	(330)	(173)
	Transfers from other categories	..	..	..	..
	Transfers out of Level 3 [(b)]	(37)	..	(37)	..
	Closing balance	**322**	**538**	**322**	**538**
	Total gains or losses for the period included in profit or loss for assets held at the end of the period	**..**	**..**	**..**	**..**

Notes:
(a) [Where significant transfers have occurred during the period, provide disclosure of such transfers and the reasons thereof.] [AASB 13.93(d)(e)]
(b) This transfer is due to transfer to assets held for sale category.

The fair value of unlisted investments is based on the discounted cash flow technique. Significant inputs in applying this technique include growth rates applied for cash flows and discount rates used. An increase in the growth rates applied to cash flows by 1 per cent would result in a change in the fair value of the unlisted investments by $50 000. An increase in the discount rates used of 50 basis points would result in a decrease in the fair value of the investments by $66 000. [AASB 13.93(h)(i)]

Description of Level 3 valuation techniques used and key inputs to valuation [AASB 13.93(d), (h)(ii)]

	Valuation technique [(a)]	*Significant unobservable inputs [(a)]*	*Range (weighted average) % [(a)]*	*Sensitivity of fair value measurement to changes in significant unobservable inputs [(b)]*
Unlisted securities	Discounted cash flow method	Long-term growth rate for cash flows for subsequent years	4.4–6.1 (5.3)	1 per cent increase or decrease in the growth rate would result in an increase or decrease in fair value by $23 000
		Long-term operating margin	10.0–16.1 (14.3)	1 per cent increase or decrease in the margin would result in an increase or decrease in fair value by $12 000
		WACC	12.1–16.7 (13.2)	1 per cent increase or decrease in the WACC would result in a decrease or increase in fair value by $21 000
		Discount for lack of marketability	5.1–20.2 (16.3)	1 per cent increase or decrease in the discount would result in a decrease or increase in fair value by $34 000
Discontinued operation – unlisted securities	Discounted cash flow method	Long-term growth rate for cash flows for subsequent years	3.6–4.6 (4.1)	1 per cent increase or decrease in the growth rate would result in an increase or decrease in fair value by $165 000
		Long-term operating margin	12.0–21.1 (19.3)	1 per cent increase or decrease in the margin would result in an increase or decrease in fair value by $97 000
		WACC	10.1–14.7 (11.2)	1 per cent increase or decrease in the WACC would result in a decrease or increase in fair value by $85 000
		Discount for lack of marketability	6.1–21.2 (17.3)	1 per cent increase or decrease in the discount would result in a decrease or increase in fair value by $20 000

Notes:

(a) Illustrations on the valuation techniques, significant unobservable inputs and the related quantitative range of those inputs are indicative and should not be directly used without consultation with entities' independent valuer.

(b) In addition to providing a narrative description of the sensitivity of recurring Level 3 fair value measurements to changes in the unobservable inputs used, entities are required to describe any interrelationships between the unobservable inputs and discuss how they might magnify or mitigate the effect of changes on the fair value measurement. For example, if WACC has increased due to changes in assumptions used in the risk profile, we need to examine the impact of this change on the long-term growth rates and operating margins, and whether the change impacts the assumptions used and sensitivity of the inputs to fair value.

Guidance – Fair value determination of financial assets and liabilities

Carrying amount and fair value disclosures [AASB 7.25 and AASB 13.93]

If management considers that the carrying amount of contractual financial assets and liabilities recorded in the financial statements does not approximate their fair values, or as set out in AASB 7.29, for each class of financial instruments, an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the balance sheet (AASB 139 provides guidance for determining fair value). In addition, for each class of financial instrument that is recognised on the balance sheet at fair value, the entity shall disclose:

- the level in the fair value hierarchy in accordance with the levels defined in AASB 13.76-90 [AASB 13.93(b)]
- any significant transfers in and transfers out between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level [AASB 13.93(c)]
- for Level 3 of the fair value hierarchy, a reconciliation of opening balances to closing balances shown separately, including:
  - total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the comprehensive operating statement (if presented)
  - total gains or losses recognised in other comprehensive income
  - purchases, sales, issues and settlements (each type of movement disclosed separately)
  - transfers into or out of Level 3 (e.g. transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3 [AASB 13.93(e)]
- the amount of total gains or losses for the period that are recognised in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the comprehensive statement (if presented) [AASB 13.93(f)]
- if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact, disclose the effect of those changes and how the effect was calculated. [AASB 13.93(h)(ii)]

The level in the fair value hierarchy in which the fair value measurement is categorised in its entirety shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. [AASB 13.73]

A department shall present the quantitative fair value disclosures stated above in tabular format unless another format is more appropriate.

Fair value determined using valuation techniques [AASB 13.93(e)]

The fair value hierarchy and the reconciliation of those financial instruments whose fair value is measured based on unobservable inputs (Level 3) are required by class. Class of financial instrument is distinct from the categories of financial instruments specified in AASB 139 (which determines how financial instruments are measured and where changes in the fair value are recognised). The class of financial instrument is determined by the entity based on whether the financial instruments have similar characteristics, such as the valuation techniques, inputs or other matters.

Entities are required to disclose the effect of a reasonably possible alternative assumption if this would change the fair value significantly. Disclosures about the effect of reasonably possible alternative unobservable inputs is likely to provide useful and transparent information if the analysis is provided at a disaggregated level. [AASB 7.27B(e)]

Disclosures about the effect of reasonably possible alternative unobservable inputs could be enhanced through disclosure of how the effect has been calculated, allowing users to understand better the disclosure and what it represents. Entities might consider explaining:

- what the entity regards as a reasonably possible alternative assumption
- how the entity calculated the effect disclosed
- whether the disclosure takes into account any offsetting or hedged positions
- whether the effect disclosed represents the movement in a single input or a movement in all unobservable inputs.

Fair value Level 3 financial asset and liability disclosure

AASB 13.93(h)(ii) requires a quantitative sensitivity analysis for financial assets and financial liabilities that are measured at fair value on a recurring basis. For all other recurring fair value measurements that are categorised within Level 3 of the fair value hierarchy, an entity is required to:

- state if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly and disclose the effect of those changes
- disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For that purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

Exceptions to fair value disclosures [AASB 7.29, 30]

Disclosures of fair value are not required if:

(a) the carrying amount is a reasonable approximation of fair value

(b) it is an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that is measured at cost in accordance with AASB 139 because its fair value cannot be measured reliably

(c) it is a contract containing a discretionary participation feature and the fair value of that feature cannot be measured reliably.

In the cases of (b) and (c) above, an entity shall disclose information to help users of the financial statement make their own judgements about the extent of possible differences between the carrying amount of those financial instrument assets or liabilities and their fair value, including:

- the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably
- a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably
- information about the market for the instruments
- information about whether and how the entity intends to dispose of the financial instruments
- if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.

8.3.2 Fair value determination: Non-financial physical assets

Fair value measurement hierarchy [AASB 13.93 (a)(b)] **($ thousand)**

20X2	Carrying amount as at 30 June 20X2	Fair value measurement at end of reporting period using: Level 1 [(a)]	Level 2 [(a)]	Level 3 [(a)]
Land at fair value				
Non-specialised land	1 778	n.a.	1 778	..
Specialised land	2 784	n.a.	..	2 784
Total of land at fair value	**4 562**	**n.a.**	**1 778**	**2 784**
Buildings at fair value				
Non-specialised buildings	6 877	n.a.	6 877	..
Specialised buildings	63 323	n.a.	..	63 323
Heritage assets [(b)]	10 596	n.a.	..	10 596
Total of buildings at fair value	**80 796**	**n.a.**	**6 877**	**73 919**
Plant, equipment and vehicles at fair value				
Vehicles [(c)]	16 941	n.a.	..	16 941
Plant and equipment	34 598	n.a.	..	34 598
Total of plant, equipment and vehicles at fair value	**51 539**	**n.a.**	**..**	**51 539**
Infrastructure at fair value				
Infrastructure	1 685	n.a.	..	1 685
Total of infrastructure at fair value	**1 685**	**n.a.**	**..**	**1 685**
Road, infrastructure and earthworks at fair value				
Road, infrastructure and earthworks at fair value	2 257	n.a.	..	2 257
Total of road, infrastructure and earthworks at fair value	**2 257**	**n.a.**	**..**	**2 257**
Cultural assets at fair value				
Artworks	2 764	n.a.	2 764	..
Total of cultural assets at fair value	**2 764**	**n.a.**	**2 764**	**..**
Intangible assets at fair value				
Intellectual property database	2 000	n.a.		2 000
Total of intangible assets at fair value	**2 000**	**n.a.**	**..**	**2 000**

20X1	Carrying amount as at 30 June 20X1	Fair value measurement at end of reporting period using: Level 1 [(a)]	Level 2 [(b)]	Level 3 [(c)]
Land at fair value				
Non-specialised land	987	n.a.	987	..
Specialised land	2 534	n.a.	..	2 534
Total of land at fair value	**3 521**	**n.a.**	**987**	**2 534**
Buildings at fair value				
Non-specialised buildings	2 082	n.a.	2 082	..
Specialised buildings	63 395	n.a.	..	63 395
Heritage assets [(b)]	12 553	n.a.	..	12 553
Total of buildings at fair value	**78 030**	**n.a.**	**2 082**	**75 948**
Plant, equipment and vehicles at fair value				
Vehicles [(c)]	15 321	n.a.	..	15 231
Plant and equipment	27 788	n.a.	..	27 788
Total of plant, equipment and vehicles at fair value	**43 109**	**n.a.**	**..**	**43 019**
Infrastructure at fair value				
Infrastructure	4 931	n.a.	..	4 931
Total of infrastructure at fair value	**4 931**	**n.a.**	**..**	**4 931**
Road, infrastructure and earthworks at fair value				
Road, infrastructure and earthworks at fair value	4 993	n.a.	..	4 993
Total of road, infrastructure and earthworks at fair value	**4 993**	**n.a.**	**..**	**4 993**
Cultural assets at fair value				
Artworks	..	n.a.	..	..
Total of cultural assets at fair value	**..**	**n.a.**	**..**	**..**

Notes:
(a) Classified in accordance with the fair value hierarchy.
(b) The Department holds $10.6 million worth of properties listed as heritage assets. These heritage assets cannot be modified nor disposed of without formal ministerial approval.
(c) [Vehicles are categorised to Level 3 assets if the current replacement cost is used in estimating the fair value. However, entities should consult with an independent valuer in determining whether a market approach is appropriate for vehicles with an active resale market available. If yes, a Level 2 categorisation for such vehicles would be appropriate.]

There have been no transfers between levels during the period. [AASB 13. 93(c)]

Non-specialised land, non-specialised buildings and artworks are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value. [AASB 13.93(d)]

An independent valuation was performed by Norton and Paine to determine fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From this analysis, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 20X2.

[AASB 116.77(a), (b)]

For artwork, valuation of the assets is determined by a comparison to similar examples of the artist's work in existence throughout Australia and research on recent prices paid for similar examples offered at auction or through art galleries. No revaluation was performed for artwork for the financial period ending at 30 June 20X1 [Entities should disclose the effective date of revaluation and the fact whether an independent valuer was involved if artwork was revalued during the current financial period].

To the extent that non-specialised land, non-specialised buildings and artworks do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the current replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 20X2. [AASB 13.66]

For all assets measured at fair value, the current use is considered the highest and best use. [AASB 13.93(i)]

Vehicles are valued using the current replacement cost method. The Department acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Department who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Specialised land and specialised buildings: The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment reflects the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the majority of the Department's specialised buildings, the current replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of the Departments' specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 20X1. Service concession assets recognised as required by AASB 1059 were not revalued at this time. [AASB 116.77(a), (b), AASB 116 Aus77.1]

Heritage assets, infrastructure and road infrastructure and earthworks are valued using the current replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. However, for some heritage and iconic assets, the cost may be the reproduction cost rather than the replacement cost if those assets' service potential could only be replaced by reproducing them with the same materials.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable.

An independent valuation of the Department's heritage assets, infrastructure and road infrastructure and earthworks was performed by the Valuer-General Victoria. The valuation was performed based on the current replacement cost of the assets. The effective date of the valuation is 30 June 20X1. [AASB 116.77(a), (b), AASB 116 Aus77.1]

For a more detailed analysis of the sensitivity of significant unobservable inputs used in valuation, please refer to table Description of significant unobservable inputs to Level 3 valuation on page 222**220**.

Reconciliation of Level 3 fair value movements [AASB 13.93 (e)(f)] **($ thousand)**

20X2	*Specialised land*	*Specialised buildings*	*Heritage assets*	*Vehicles*	*Plant and equipment*	*Infrastructure*	*Road, infrastructure and earthworks*	*Intangible assets*
Opening balance	**2 534**	**63 395**	**12 553**	**15 321**	**27 788**	**4 931**	**4 993**	**..**
Purchases (sales)	579	11 198	479	1 870	3 385	(2 419)	(1 501)	2 000
Transfers in (out) of Level 3	..	..	..	..	..	..	..	..
Gains or losses recognised in net result								
Depreciation	..	(2 470)	(950)	(125)	(238)	(200)	(550)	..
Impairment loss	..	(55)	(450)	(125)	..	(230)	(300)	..
Subtotal	**..**	**(2 525)**	**(1 400)**	**(250)**	**(238)**	**(430)**	**(850)**	**..**
Gains or losses recognised in other economic flows – other comprehensive income								
Revaluation	(329)	(89)	(1 036)	..	..	(397)	(385)	..
Subtotal	**(329)**	**(89)**	**(1 036)**	**..**	**..**	**(397)**	**(385)**	**..**
Closing balance	**2 784**	**71 979**	**10 596**	**16 941**	**30 935**	**1 685**	**2 257**	**2 000**
Unrealised gains/(losses) on non-financial assets [(a)]	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**

20X1								
Opening balance	**2 306**	**62 494**	**14 943**	**13 881**	**25 016**	**7 767**	**8 475**	**..**
Purchases (sales)	527	1 073	570	1 691	3 041	(986)	(749)	..
Transfers in (out) of Level 3	..	..	..	..	..	..	..	..
Gains or losses recognised in net result								
Depreciation	..	(56)	(1 131)	(138)	(269)	(585)	(1 217)	..
Impairment loss	..	(44)	(536)	(113)	..	(673)	(664)	..
Subtotal	**..**	**(100)**	**(1 667)**	**(251)**	**(269)**	**(1 258)**	**(1 881)**	**..**
Gains or losses recognised in other economic flows – other comprehensive income								
Revaluation	(299)	(72)	(1 293)	..	..	(592)	(852)	..
Subtotal	**(299)**	**(72)**	**(1 293)**	**..**	**..**	**(592)**	**(852)**	**..**
Closing balance	**2 534**	**63 395**	**12 553**	**15 321**	**27 788**	**4 931**	**4 993**	**..**
Unrealised gains/(losses) on non-financial assets [(a)]	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**

Note:
(a) *[Please note AASB 13* Fair Value Measurement *provides an exemption for not-for-profit public sector entities from disclosing the shaded row relating to 'unrealised gains/(losses) on non-financial assets' if the assets are held primarily for their current service potential rather than to generate net cash inflows. As this exemption is not applicable for assets that are held for cash generating purposes, not-for-profit entities that have assets generating net cash inflows will still need to disclose the information in the shaded row.]*

Description of significant unobservable inputs to Level 3 valuations [AASB 13.93 (h)(i)]

($ thousand)

20X1 and 20X2	*Valuation technique [(a)]*	*Significant unobservable inputs [(a)]*	*Range (weighted average) [(a)]*	*Sensitivity of fair value measurement to changes in significant unobservable inputs [(a)]*
Specialised land	Market approach	Community service obligation (CSO) adjustment	50-70 per cent (60 per cent) [(b)]	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value.
Specialised buildings	Current replacement cost	Direct cost per square metre	$1 000-$1 500/m^2 ($1 300)	A significant increase or decrease in direct cost per square metre adjustment would result in a significantly higher or lower fair value.
		Useful life of specialised buildings	30-60 years (45 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Heritage assets	Current replacement cost [(c)]	Direct cost per square metre	$600-$900/m^2 ($800)	A significant increase or decrease in direct cost per square metre adjustment would result in a significantly higher or lower fair value.
		Useful life of heritage assets	75-95 years (85 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	Current replacement cost	Cost per unit	$9 000-$10 000 per unit ($9 500 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of vehicles	3-5 years (3 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment	Current replacement cost	Cost per unit	$3 000-$4 000 per unit ($3 500 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	5-10 years (7 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Infrastructure	Current replacement cost	Cost per unit	$5 000-$8 000 per unit ($7 000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	10 to 32 years (15 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Road, infrastructure and earthworks	Current replacement cost	Cost per metre	$500-$650 per metre ($600 per metre)	A significant increase or decrease in cost per metre would result in a significantly higher or lower fair value.
		Useful life of the road, infrastructure and earthworks	60 to 90 years (75 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

Notes:
(a) [Illustrations on the valuation techniques and significant unobservable inputs are indicative and should not be directly used without consultation with entities' independent valuer. Please note AASB 13 Fair Value Measurement *provides an exemption for not-for-profit public sector entities from disclosing the shaded row relating to 'unrealised gains/(losses) on non-financial assets' if the assets are held primarily for their current service potential rather than to generate net cash inflows. As this exemption is not applicable for assets that are held for cash generating purposes, not-for-profit entities that have assets generating net cash inflows will still need to disclose the information in the shaded columns.]*
(b) CSO adjustments ranging from 50 per cent to 70 per cent were applied to reduce the market approach value for the Department's specialised land, with the weighted average 60 per cent reduction applied.
(c) For some heritage and iconic assets, cost may be the reproduction cost of the asset rather than the replacement cost if their service potential could only be replaced by reproducing them with the same materials.

Significant unobservable inputs have remained unchanged since June 20X1.

Investment properties measured at fair value and their categorisation in the fair value hierarchy
[AASB 13.93 (a)(b)] **($ thousand)**

	Carrying amount	Fair value measurement at end of reporting period using:		
20X2	*as at 30 June*	*Level 1 [(a)]*	*Level 2 [(a)]*	*Level 3 [(a)]*
Investment properties	2 354	n.a.	2 354	..
20X1				
Investment properties	5 029	n.a.	5 029	..

Note:
(a) Classified in accordance with the fair value hierarchy.

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 20X2. [AASB 13.93(c), AASB 13.66]

For investment properties measured at fair value, the current use of the asset is considered the highest and best use. [AASB 13.93(i)]

The fair value of the Department's investment properties at 30 June 20X2 have been arrived at on the basis of an independent valuation carried out by independent valuers, Norton and Prime Pty Ltd.

The valuation was determined by reference to market evidence of transaction prices for similar properties with no significant unobservable adjustments, in the same location and condition and subject to similar lease and other contracts. [AASB 13.93(d)]

Norton and Prime Pty Ltd has more than 20 years' experience valuing similar commercial properties in Melbourne's CBD.

Guidance – Fair value determination: Non-financial physical assets [AASB 13.83]

AASB 13 acknowledges that, unlike a Level 1 input, adjustments to Level 2 inputs may be more common, but will vary depending on the factors specific to the asset or liability.

There are a number of reasons why an entity may need to make adjustments to Level 2 inputs. Adjustments to observable data from inactive markets, for example, might be required for timing differences between the transaction date and the measurement date, or differences between the asset being measured and a similar asset that was the subject of the transaction. In addition, factors such as the condition or location of an asset should also be considered when determining if adjustments to Level 2 inputs are warranted.

If an adjustment to a Level 2 input is significant to the entire fair value measurement, it may affect the fair value measurement's categorisation within the fair value hierarchy for disclosure purposes. If the adjustment uses significant unobservable inputs, it would need to be categorised within Level 3 of the hierarchy.

For example, in the tables in note 8.3.2, the 'specialised land' has been categorised within Level 3 of the fair value hierarchy. This was a direct result of the significant adjustment to Level 2 inputs (observable indirectly through corroboration with market data) for community service obligation (CSO), which was derived based on significant unobservable inputs. This can be contrasted with categorisation of 'non-specialised land', where no significant adjustments in similar vein to CSO were made to Level 2 inputs.

Leasing transactions within the scope of AASB 16

As Right-of-use Assets are carried at fair value and are classified as property, plant, and equipment as part of the notes, the disclosure requirements of AASB 116 are **not** excluded from AASB 13 as noted below.

AASB 16 paragraph 57 indicates that 'If a lessee measures right-of-use assets at revalued amounts applying AASB 116, the lessee shall disclose the information required by paragraph 77 of AASB 116 for those right-of-use assets'.

AASB 116 applies to property, plant and equipment carried at fair value which notes:

'If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed in addition to the disclosures required by AASB 13:

(a) the effective date of the revaluation

(n) whether an independent valuer was involved

(o) [deleted]

(p) [deleted]

(q) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model

(r) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

Aus77.1 Notwithstanding paragraph 77(e), in respect of not-for-profit entities, for each revalued class of property, plant and equipment, the requirement to disclose the carrying amount that would have been recognised had the assets been carried under the cost model does not apply.'

Exemption from disclosing quantitative information of Level 3 inputs [AASB 13. Aus93.1]

AASB 13 provides an exemption for not-for-profit public sector entities from disclosing quantitative information of Level 3 inputs in relation to assets that are held primarily for their current service potential rather than to generate net cash inflows. As this exemption is not applicable for assets that are held for cash generating purposes, not-for-profit entities that have assets generating net cash inflows will still need to disclose quantitative information about the significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy.

Specifically, paragraph Aus93.1 exempts not-for-profit public sector entities from applying the requirements in AASB 13.93(d) if the entity has assets within the scope of AASB 116 *Property, Plant and Equipment* for which the future economic benefits are not primarily dependent on the asset's ability to generate net cash flows. Specifically, for fair value measurements that have been categorised within Level 3 of the fair value hierarchy, the entity will no longer be required to provide quantitative information about the 'significant unobservable inputs' used in the fair value measurement.

However, it is important to note entities will still be required to provide a description of the valuation techniques and the input used in the fair value measurement.

Changes in valuation techniques [AASB 13.66]

Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate in accordance with AASB 108. However, entities are exempted from the disclosure requirements in paragraphs 39 and 40 of AASB 108 for changes in valuation techniques.

Valuation hierarchy: Entities need to use valuation techniques that are appropriate for the circumstances and where there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. It is based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Identifying unobservable inputs (Level 3) fair value measurements

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non-financial assets.

Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Assumptions about risk include the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability i.e. it might be necessary to include a risk adjustment when there is significant measurement uncertainty. For example, when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability, or similar assets or liabilities, and the entity has determined that the transaction price or quoted price does not represent fair value.

An entity shall develop unobservable inputs using the best information available in the circumstances, which might include the entity's own data. In developing unobservable inputs, an entity may begin with its own data, but it shall adjust this data if reasonably available information indicates that other market participants would use different data or there is something particular to the entity that is not available to other market participants (e.g. an entity-specific synergy). An entity need not undertake exhaustive efforts to obtain information about market participant assumptions. However, an entity shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the objective of a fair value measurement.

Fair value measurement expectation for Victorian public assets

Entities can refer to a guidance note on fair value measurement of non-financial physical assets.

Reconciliation of Level 3 fair value [AASB 13.93(e)]

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances is required, disclosing separately changes during the period attributable to the following: [FRD 103]

- total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised
- total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognised
- purchases, sales, issues and settlements (each of those types of changes disclosed separately)
- the amounts of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred (see paragraph 95). Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

Exemption from disclosing sensitivity analysis for Level 3 fair value measurement

For all recurring non-financial assets measured at Level 3 fair value measurement and held not primarily dependent on the asset's ability to generate net cash inflows, an entity is no longer required to provide:

- a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement
- if there are interrelationships between the inputs and other unobservable inputs used in the fair value measurement, a description of the interrelationships and of how this might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Disclosures for assets stated at revalued amounts

- the effective date of the revaluation
- whether an independent valuer was involved
- [requirement deleted by IASB]
- [deleted by the IASB]
- for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model
- revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

Notwithstanding AASB 116.77(e), in respect of not-for-profit entities, for each revalued class of property, plant and equipment, the requirement to disclose the carrying amount that would have been recognised had the assets been carried under the cost model does not apply.

Revaluation surplus of derecognised assets

A department may choose to transfer the revaluation surplus in respect of an item of non-financial physical asset to the accumulated funds when the asset is derecognised or as the asset is used. However, transfer of the revaluation surplus to accumulated funds is not mandatory.

Not-for-profit entities are not recommended to transfer revaluation surplus relating to derecognised assets to accumulated funds due to the relief provided to not-for-profit entities to offset revaluation and impairment adjustments on a class basis.

For-profit entities are encouraged to transfer the revaluation surplus in respect of an item of non-financial physical asset to accumulated funds when the asset is derecognised rather than as the asset is used.

Additional disclosures

Entities are encouraged to disclose the following information, as users of the financial statements may find the information relevant to their needs:

- the carrying amount of temporarily idle property, plant and equipment
- the gross carrying amount of any fully depreciated property, plant and equipment that is still in use
- the carrying amount of property, plant and equipment retired from active use and not classified as held-for-sale in accordance with AASB 5
- when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.

Compensation from third parties: If not disclosed separately in the comprehensive operating statement, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is recognised in the net result shall be disclosed.

Restrictive nature of assets: There may be restrictions on the use and/or disposal of cultural and heritage assets, Crown land and infrastructure. Disclosure should be made to identify those assets that are subject to restrictions and the nature of those encumbrances/restrictions.

Fair value measurement **[AASB 13.86-89]**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the following assumptions:

- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the entity at the measurement date
- that the entity uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its Highest and Best Use (HBU) or by selling it to another market participant that would use the asset in its HBU.

Biological assets measured at fair value and their categorisation in the fair value hierarchy [AASB 13.93 (a)(b)]

($ thousand)

	Carrying amount	Fair value measurement at end of reporting period using:		
20X2	*as at 30 June*	*Level 1 (a)*	*Level 2 (a)*	*Level 3 (a)*
Nature forests	2 749	n.a.	2 749	..
Livestock	1 285	n.a.	1 285	..
20X1				
Nature forests	..	..	..	..
Livestock	..	..	..	..

Note:
(a) Classified in accordance with the fair value hierarchy.

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 20X2. There are no comparative disclosures because the Department did not hold any biological assets at 30 June 20X1. [AASB 13.93(c), AASB 13.66]

Biological assets comprise nature forests and livestock. Biological assets are measured at fair value less costs to sell, with any changes recognised in the Comprehensive operating statement – other economic flows. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. If an active market exists for a biological asset in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where access exists to different markets, the most relevant market is referenced.

In the event that market-determined prices or values are not available for a biological asset in its present condition, the present value of the expected net cash flows from the asset, discounted at a current market determined rate, is utilised to determine fair value.

Nature forests

The fair value for nature forests is determined using a discounted cash flow method whereby expected net future cash flows are discounted at a current market determined rate. After harvest, productive trees are treated as inventories. [AASB 141.12, AASB 141.13]

Livestock

For livestock, fair value is based on relevant market indicators, which include store cattle prices, abattoir market prices, and cattle prices received/quoted for the Department's cattle at the reporting date. Prices for cattle generally reflect the shorter-term spot prices available in the marketplace and vary depending on the weight and condition of the animal.

Guidance – Biological assets

The determination of fair value for a biological asset may be facilitated by grouping biological assets according to significant attributes, for example, by age or quality. An entity selects the attributes corresponding to the attributes used in the market as a basis for pricing. [AASB 141.15]

Entities often enter into contracts to sell their biological assets at a future date. Contract prices are not necessarily relevant in determining fair value, because fair value reflects the current market in which a willing buyer and seller would enter into a transaction.

As a result, the fair value of a biological asset is not adjusted because of the existence of a contract. In some cases, a contract for the sale of a biological asset may be an onerous contract. AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* applies to onerous contracts. [AASB 141.16]

If an active market exists for a biological asset in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an entity has access to different active markets, the entity uses the most relevant one. For example, if an entity has access to two active markets, it would use the price existing in the market expected to be used. [AASB 13.93]

If an active market does not exist, an entity uses one or more of the following, when available, in determining fair value:

- the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period
- market prices for similar assets with adjustment to reflect differences
- sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat. [AASB 13.93]

In some cases, the information sources listed above may suggest different conclusions as to the fair value of a biological asset. An entity considers the reasons for those differences, in order to arrive at the most reliable estimate of fair value within a relatively narrow range of reasonable estimates. [AASB13.93]

In some circumstances, market determined prices or values may not be available for a biological asset in its present condition. In these circumstances, an entity uses the present value of expected net cash flows from the asset discounted at a current market determined rate in determining fair value. [AASB13.93]

The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition.

An entity considers this in determining an appropriate discount rate to be used and in estimating expected net cash flows. In determining the present value of expected net cash flows, an entity includes the net cash flows that market participants would expect the asset to generate in its most relevant market. [Now captured by AASB13.93]

An entity does not include any cash flows for financing the assets, taxation, or re-establishing biological assets after harvest. [AASB 141.22]

In agreeing an arm's length transaction price, knowledgeable and willing buyers and sellers consider the possibility of variations in cash flows. It follows that fair value reflects the possibility of such variations. Accordingly, an entity incorporates expectations about possible variations in cash flows into either the expected cash flows, or the discount rate, or some combination of the two. In determining a discount rate, an entity uses assumptions consistent with those used in estimating the expected cash flows, to avoid the effect of some assumptions being double counted or ignored. [AASB13.93]

Cost may sometimes approximate fair value, particularly when:

- little biological transformation has taken place since initial cost incurrence
- the impact of the biological transformation on price is not expected to be material. [AASB 141.24]

Biological assets are often physically attached to land. Where there is no separate market for biological assets that are attached to land, but an active market may exist for combined assets, the fair value of the raw land and land improvements may be deducted from the fair value of the combined assets to arrive at the fair value of the biological assets.

Non-financial physical assets classified as held for sale [AASB 13.93 (a)(b)]

The following table provides the fair value measurement hierarchy of the Department's non-financial physical assets held for sale.

($ thousand)

	Carrying amount	*Fair value measurement at end of reporting period using:*		
20X2	*as at 30 June*	*Level 1 (a)*	*Level 2 (a)*	*Level 3 (a)*
Freehold land held for sale (b)	753	n.a.	753	..
Investments and other financial assets (c)	521	n.a.	521	..
20X1				
Freehold land held for sale (b)	1 469	n.a.	1 469	..
Investments and other financial assets (c)	1 575	n.a.	1 575	..

Notes:
(a) *Classified in accordance with the fair value hierarchy.*
(b) *Freehold land held for sale is reported in Note 9.3.6.*
(c) *Investments and other financial assets are reported in Note 9.3.5.*

Guidance – Non-financial physical assets classified as held for sale

AASB 5 clarifies that disclosure requirements in other standards do not apply to non-current assets held for distribution (or disposal groups) unless those standards explicitly refer to these assets and disposal groups. AASB 5.5B(b) states that disclosure requirements continue to apply for assets and liabilities that are not within the scope of the measurement requirements of AASB 5, but within the disposal group. The illustration above reflects this circumstance, as the financial assets measured at fair value are financial instruments as defined in AASB 9 and are, therefore, scoped out of the measurement requirements of AASB 5.

While the assets of discontinuing operations are fair valued on a non-recurring basis under AASB 13.93(a), fair value measurements of financial assets of the discontinuing operations are recurring, since valuations are required at the end of each reporting period. As the illustrative example categorises ‘investments and other financial assets’ as Level 2 assets, reconciliation required for recurring Level 3 assets or liabilities is not illustrated in the Model. Refer to Note 5.1.3 and Note 8.1.3 for illustration on reconciliation of recurring Level 3 assets.

9 OTHER DISCLOSURES

Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

9.1 Ex gratia expenses [(a)]

Ex gratia expenses are the voluntary payments of money or other non-monetary benefit (e.g. a write off) that are not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against the entity.

($ thousand)

Source reference		*20X2*	*20X1*
	Forgiveness or waiver of debt [(b)]	100	..
	Compensation for economic loss [(c)]	56	..
	Property damage payments [(d)]	..	16
FRD 11	**Total ex gratia expenses [(e)]**	**156**	**16**

Notes:

(a) *Includes ex gratia expenses for both individual items and in aggregate that are greater than or equal to $5 000.*

(b) *Forgiveness of loans to several organisations under the 'Upgrade Your Technology' program, due to excessive hardship from severe flood damage in March [Refer to Guidance – Ex gratia expenses for more guidance on write offs.]*

(c) *Payment to a commercial fishing operator who assisted authorities in a sea search and rescue.*

(d) *Payments for water damage to properties adjacent to the Victorian Highway site due to burst pipes in the March storms (not being in settlement of a legal liability).*

(e) *The total for ex gratia expenses is also presented in 'other operating expenses' of Note 3.4 Other operating expenses.*

Guidance – Ex gratia expenses [FRD 11; FMA s3]

The disclosure of ex gratia expenses is required for all entities that are defined as either a public body or a department under section 3 of the *Financial Management Act 1994*. Public bodies include the following:

- public statutory authority
- a State business corporation or State body within the meaning of the *State Owned Enterprises Act 1992*
- Court Services Victoria
- a body, office or trust body that is:
  - established by or under an Act or enactment
  - established by the Governor in Council or a Minister

  declared by the Minister, by notice published in the Government Gazette, to be a body or office to which Part 7 of *Financial Management Act 1994* applies.

Departments should include information on ex gratia expenses (greater or equal to $5 000 or material in nature) with a description of the nature and purpose of the expenses, together with amounts written off that are considered as ex gratia expenses.

Materiality threshold of $5 000 for ex gratia expenses disclosure

An entity shall apply the ex gratia expenses materiality threshold of $5 000 to both individual items and in aggregate, unless there are factors (e.g. material by nature) that make an expense item of less than $5 000 material in the circumstances.

Write offs captured as ex gratia expenses

To determine whether a write off meets the scope of 'ex gratia' under FRD 11 *Disclosure of ex-gratia expenses*, it is important to understand the underlying purpose of the write off.

For trade receivable write offs, while the reduction in economic benefits (i.e. receivable) is driven by AASB 136 *Impairment of Assets*, the entity needs to consider whether there is still an intention to pursue the recovery of the receivables from the customer.

If the entity writes off a trade receivable but still has and intends to keep the legal entitlement to payment for services rendered, a write off to debtors under such circumstances does not equate to a waiver of the debt. In this instance, trade receivable write offs would not be considered as 'ex gratia' expenses.

Conversely, if the entity has voluntarily decided to waive the legal entitlement to the payment, it is reasonable to consider this as a 'benefit' to the debtor, and therefore such a write off should be disclosed as 'ex gratia' expenses for reporting purposes under FRD 11.

9.2 Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates
- reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

($ thousand)

Source reference		*20X2*	*20X1*
AASB 101.97	**Net gain/(loss) on non-financial assets**		
AASB 136.126 (a)	Impairment of property plant and equipment (including intangible assets)	(2 010)	585
	Impairment of biological assets	..	..
AASB 101.98 (a)	Write down of inventory	(178)	(19)
	Revaluation of investment property	(3 485)	450
AASB 141.40	Net gain arising from changes in fair value less estimated point-of-sale costs of biological assets	1 476	..
AASB 101.98 (c)	Net gain/(loss) on disposal of property plant and equipment	(844)	549
AASB 101.98 (d)	Net gain/(loss) on disposal of investment properties	(120)	240
	Total net gain/(loss) on non-financial assets	**(5 161)**	**1 805**
	Net gain/(loss) on financial instruments		
	Impairment of: [(a)]		
	Loans and receivables	..	(341)
	Financial assets at amortised cost	(485)	..
AASB 7.20 (a)	Net FX gain/(loss) arising from foreign cash held	(385)	105
	Net FX gain/(loss) arising from financial instruments	(86)	55
	Bad debts written off unilaterally	75	50
	Net gain/(loss) on disposal of financial instruments	..	..
	Net gain/(loss) arising from revaluation of financial assets at fair value through net result	(2 105)	400
	Net (gain)/loss arising from revaluation of financial liabilities at fair value through net result – market risk	20	..
	Interest on government advances	(4 155)	(4 240)
	Total net gain/(loss) on financial instruments	**(7 121)**	**(3 971)**
	Share of net profits/(losses) of associates and joint entities, excluding dividends		
	Share of net profits/(losses) of associates, excluding dividends	1 055	652
	Share of net profits/(losses) of joint entities, excluding dividends	231	745
	Total share of net profits/(losses) of associates and joint entities, excluding dividends	**1 286**	**1 397**
	Other gains/(losses) from other economic flows		
	Net gain/(loss) arising from revaluation of long service liability [(b)]	(2 846)	(2 009)
AASB 137.60	Unwinding of other provision	(49)	(39)
	Total other gains/(losses) from other economic flows	**(2 895)**	**(2 048)**

Notes:
(a) Including increase/(decrease) in provision for doubtful debts and bad debts from other economic flows – refer to Note 6.1.
(b) Revaluation gain/(loss) due to changes in bond rates.
[Please note that revaluation gain/(loss) on the long service leave liability due to the changes in the discount bond rates is included in other economic flows.]

Guidance – Other economic flows

Disclosure requirements

To align with whole of government reporting, which complies with AASB 1049 requirements, departments are required to classify items of expense between transactions and other economic flows as appropriate. Departments should refer to the Glossary of terms and style conventions (Note 9.14 and Note 9.15) in the Model for definitions on 'transactions' and 'other economic flows', and refer to the DTF website for the Practical classification guide between transactions and other economic flows for further examples.

9.3 Discontinued operations and non-current assets held for sale [AASB 5.41, 101.98(e)]

9.3.1 Disposal of activities of the Commissioner for Technology

On 28 March 20X2, the Minister for the Department, the Hon. John Bristol, MP, approved a sale plan to dispose of the activities of the Commissioner for Technology under the strategic policy advice output to the third parties external to Victorian Government. The proceeds of the sale substantially exceeded the book value of the related net assets.

The disposal of Commissioner for Technology activities is consistent with the Department's long-term policy to promote the adoption of new technology and monitor its appropriate use. The disposal was completed on 30 June 20X2, being the date control of the officer passed to the acquirer.

9.3.2 Plan to dispose of Gene Services business

On 30 November 20X1, the Minister for the Department, the Hon. John Bristol, MP announced a plan to dispose of the Department's Gene Services business to parties outside of the Victorian Government Sector, which involves provision of information technology and telecommunication systems for new biological technology. The disposal is consistent with the Department's long-term policy to focus its activities in the information technology and telecommunications services industry. The Department is actively seeking a buyer for its Gene Services business and expects to complete the sale by 31 July 20X2.

Reclassification of these operations as held for sale [AASB 5.33(b), 34 and 38]

On initial reclassification of these operations as held for sale, the Department has not recognised any impairment losses.

The results of the discontinued operations, which have been included in the comprehensive operating statement are as set out. The comparative net result and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current period.

Amounts recognised in other comprehensive income relating to discontinued operations reflect cumulative income or expense recognised in other comprehensive income that are attributable to the discontinued operation.

9.3.3 Net result from discontinued operations [AASB 5.33(b) and 34]

($ thousand)

Source reference		*20X2*	*20X1*
AASB 5.33(b) and 34	**Income from transactions**		
	Output appropriations	10 426	14 242
	Special appropriations	1 781	2 401
	Interest	245	578
	Sale of goods and services	278	532
	Grants	87	75
	Fair value of assets and services received free of charge or for nominal consideration	..	58
	Other income	125	414
	Total income from transactions	**12 942**	**18 300**
	Total expenses from transactions	**(10 269)**	**(12 970)**
	Net result from transactions (net operating balance)	**2 673**	**5 330**
	Other economic flows included in net result		
	Net gain/(loss) on non-financial assets	43	329
	Net gain/(loss) on financial instruments	(440)	(863)
	Other gains/(losses) from other economic flows	(1 046)	(940)
	Total other economic flows included in net result	**(1 443)**	**(1 474)**
	Net result from discontinued operations	**1 230**	**3 856**

9.3.4 Net cash flows from discontinued operations [AASB 5.33(c)]

($ thousand)

	20X2	20X1
Net cash flows from operating activities	1 326	6 655
Net cash flows from investing activities	(1 376)	(2 484)
Net cash flows from financing activities	(326)	(116)
Net cash flows from discontinued operations	**(376)**	**4 055**

9.3.5 Discontinued operations: Carrying amounts of assets and liabilities (major classes) comprising the operations classified as held for sale [AASB 5.38]

($ thousand)

	20X2	20X1
Cash and deposits	5 254	1 283
Receivables	2 797	4 736
Investments and other financial assets	521	5 737
Inventories	2 827	5 937
Property, plant and equipment	3 201	7 194
Total assets classified as held for sale	**14 600**	**24 887**
Payables	(378)	(2 713)
Borrowings	(860)	(2 567)
Provisions	(3 149)	(3 680)
Other liabilities	(51)	(20)
Total liabilities classified as held for sale	**(4 438)**	**(8 980)**
Net assets held for sale	**10 162**	**17 376**

9.3.6 Non-financial assets held for sale [AASB 5.38, 5.41]

In addition to the assets and liabilities disclosed above as part of the disposal groups, the following non-financial assets held for sale exist at the reporting date:

($ thousand)

	20X2	20X1
Non-Current assets:		
Freehold land held for sale [(a)]	753	1 469
Disposal group assets:		
Assets of discontinued operations (Note 9.3.5)	6 028	13 131
Total non-financial physical assets and disposal group classified as held for sale	**6 781**	**14 600**

Note:
(a) The Department intends to dispose of freehold land it no longer utilises in the next 10 months. The land was previously vacant land used as a storage site. A search is under way for a buyer. No impairment loss was recognised on reclassification of the freehold land as held for sale or at the end of the reporting period.

Measurement of non-financial physical assets (including disposal group assets)

Non-financial physical assets (including disposal group assets) are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition
- the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell and are not subject to depreciation or amortisation.

Freehold land held for sale is carried at fair value less costs to disposal. Refer to Note 8.3 for the valuation technique applied to non-specialised land.

The discontinued operation includes an investment in unlisted securities with a carrying amount of $521 000 in 20X2. These are classified as available for sale and carried at fair value through other economic flows – other comprehensive income. The Department did not pledge the financial assets nor receive any collateral for it. For details on the recognition, measurement valuation techniques and inputs used for these assets, refer to Note 8.3.

Guidance – Discontinued operations and non-current assets held for sale

Scope: The illustrated disclosures are for a discontinued operation that is material to the economic entity and where the operation was classified as held for sale in the previous reporting period and was sold during the current reporting period. The disclosures will need to be amended to cover the specific disclosure requirements of AASB 5 relevant to the circumstances of each discontinued operation.

Disclosure requirements of other standards do not apply to assets held for sale or discontinued operations unless those standards require either: [AASB 5.5B]

- specific disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations
- disclosures about measurement of assets and liabilities in a disposal group that are not in the scope of the measurement requirement of AASB 5 and such disclosures are not already provided in the other notes to the financial statements.

Note machinery of government changes are not discontinued operations and should be reported separately. Therefore, AASB 5 requirements do not apply to such administrative changes. [AASB 5.Aus2.1]

Discontinued administered activity: An administered activity of a government department does not give rise to income and expenses of the department reporting the administered activity and therefore, from the point of view of the department, the discontinuance of an administered activity does not give rise to a discontinued operation. However, if a government was to discontinue an activity that one of its departments had disclosed as an administered activity, from the point of view of that government, the discontinuance may constitute a discontinued operation.

Definition of a discontinued operation: A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and either:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations
- is a subsidiary acquired exclusively with a view to resale. [AASB 5.32]

A component of an entity comprises of operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash generating unit or a group of cash generating units while being held for use. [AASB 5. Appendix A]

Disclosure requirements

Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations. The nature and amount of such adjustments shall be disclosed. [AASB 5.35]

If an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations in accordance with AASB 5 paragraphs 33-35 shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been represented. [AASB 5.36]

Where a commitment to a sale plan involves the loss of control of a subsidiary, disclosure shall be provided for the information required as per AASB 5.33-36 when the subsidiary is a disposal group that meets the definition of a discontinued operation. [AASB 5.36A]

Amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the statements of financial position for prior periods shall not be reclassified or represented to reflect the classification in the statement of financial position for the latest period presented. [AASB 5.40]

When an entity decides to change the plan to sell such that the non-current assets (or disposal group) no longer meet the criteria of held for sale, the non-current asset (or disposal group) shall cease to be classified as held for sale.

In the period where the non-financial physical assets (or disposal group) cease to be classified as held for sale, an entity shall disclose a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented. [AASB 5.42]

In addition, where there is a tax implication related to a discontinued operation, the entity should disclose the tax expense relating to:

- the gain or loss on discontinuance
- the net result from the ordinary activities of the discontinued operation for the period together with the corresponding amounts for each prior period presented. [AASB 112.81(h)]

Administered activity classified as held for sale

Assets classified as non-current in accordance with AASB 101 shall not be reclassified as current assets until they meet the criteria to be classified as held for sale in accordance with this standard. Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resell shall not be classified as current unless they meet the criteria to be classified as held for sale in accordance with this standard.

As with discontinued operations, machinery of government changes do not meet the definition of non-current assets and disposal group assets held for sale. Therefore, AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requirements do not apply to such administrative changes.

An administered activity of a government department does not give rise to income and expenses of the department reporting the administered activity and therefore, from the point of view of the department, the discontinuance of an administered activity does not give rise to a discontinued operation. However, if a government was to discontinue an activity that one of its departments had disclosed as an administered activity, from the point of view of that government, the discontinuance may constitute a discontinued operation.

Classification of non-financial physical asset as held for sale

An entity shall classify a non-financial physical asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. Please refer to When to account for surplus assets as 'held for sale' on the DTF website for more information.

Fair value measurement for non-financial physical assets classified as held for sale

AASB 5 clarifies that disclosure requirements in other standards do not apply to non-current assets held for distribution (or disposal groups) unless those standards explicitly refer to these assets and disposal groups. AASB 5.5B(b) states that disclosure requirements continue to apply for assets and liabilities that are not within the scope of the measurement requirements of AASB 5, but within the disposal group. The illustration above reflects this circumstance, as the unquoted available for sale equity instrument is a financial instrument as defined in AASB 139 and is, therefore, scoped out of the measurement requirements of AASB 5.

While the assets of discontinuing operations are fair valued on a non-recurring basis under AASB 13.93(a), fair value measurements of available for sale investments of the discontinuing operations are recurring since valuations are required at the end of each reporting period. As the illustrative example in Note 8.3 categories 'investments and other financial assets' as Level 2 assets, reconciliation required for recurring Level 3 assets or liabilities is not illustrated in the Model. Refer to Note 8.3 for illustration on reconciliation of recurring Level 3 assets.

9.4 Reserves

($ thousand)

Source reference		20X2	20X1
AASB 101.106 (d)	**Physical asset revaluation surplus** [(a)]		
	Balance at beginning of financial year	5 759	4 626
	Revaluation increments/(decrements)	7 903	2 989
AASB 136.126 (c)	Impairment losses	(500)	(164)
AASB 136.126 (d)	Reversals of impairment losses	..	..
	Transfers to accumulated surplus	(637)	(1 822)
	Share of increments in revaluation surplus attributable to joint ventures	..	..
	Share of increments in revaluation surplus attributable to associates	210	130
	Disposal or transferred out	(3 396)	..
	Balance at end of financial year	**9 339**	**5 759**
AASB 101.106 (d)	**Financial assets through other comprehensive income revaluation surplus** [(b)]		
	Balance at beginning of financial year	1 723	1 723
	Opening balance adjustment on adoption of AASB 9	..	..
AASB 9.5.7.1(d)	Valuation gain/(loss) recognised	100	..
AASB 9.5.7.1(d)	Cumulative gain/(loss) transferred to net result on impairment of financial assets	..	..
	Share of increments in revaluation surplus attributable to joint ventures	..	..
	Share of increments in revaluation surplus attributable to associates	50	..
	Disposal or transferred out	(323)	..
	Balance at end of financial year	**1 550**	**1 723**
AASB 101.106 (d)	**Own credit risk revaluation reserve for financial liabilities through other comprehensive income revaluation surplus** [(b)]		
	Balance at beginning of financial year	..	..
AASB 9.5.7.1(d)	Valuation (gain)/loss recognised	30	..
AASB 9.5.7.1(d)	Cumulative gain/(loss) transferred to net result on impairment of financial assets	..	..
	Share of increments in revaluation surplus attributable to joint ventures	..	..
	Share of increments in revaluation surplus attributable to associates		..
	Disposal or transferred out	..	..
	Balance at end of financial year	**30**	**..**
	Net changes in reserves	**10 919**	**7 482**

Notes:
(a) The physical assets revaluation surplus arises on the revaluation of infrastructure, land and buildings. [AASB 101.79(B)]
(b) The financial assets available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, a portion of the revaluation surplus that relates to that financial asset is effectively realised, and is recognised in the net result. Where a revalued financial asset is impaired, that portion of the revaluation surplus that relates to that financial asset is recognised in the net result. [AASB 101.79(B)]

Guidance – Reserves

The illustrated requirement to show movements in reserves from opening balance to closing balance shall apply to each reserve, including general reserves. In providing a description of the nature and purpose of the reserves, it would be appropriate to refer to any restrictions on their distribution or any other important characteristics of the reserves.

Please note, in accordance with amending standard AASB 2009-6, the term 'revaluation reserve' is now to be referred to as the 'revaluation surplus'.

The Model does not include a description of the nature of 'other reserves' as the reason for creating it will be rare and specific to each department. Therefore, if used, agencies are required to provide a description of the nature and purpose of the 'other reserves'. [AASB 101.79(b)]

Amounts recognised in other comprehensive income relating to non-current assets classified as held for sale

An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale. [AASB 5.38]

Dividends

An entity must disclose, in the notes only, any amount of dividends proposed or declared before the financial statements are authorised for issue but not recognised as a distribution during the period.

Revaluation surplus

In addition to physical asset revaluation surplus, the Model presents separately on consolidated balance sheet different types of revaluation surplus. An entity can group together the revaluation surplus associated with financial assets and liabilities, present on balance sheet as a single line item and disclose them separately in the Reserve Note. Available-for-sale revaluation surplus includes cumulative fair value changes of available for sale financial asset recognised under AASB 139 in other comprehensive income. As part of the transition adjustment, opening balance of this revaluation reserve is reversed in full.

Financial assets through other comprehensive income revaluation surplus includes cumulative fair value changes of equity investments that are designated at initial recognition as fair value through other comprehensive income in accordance with AASB 9. As part of the transition adjustment, the existing balance of cumulative fair value changes related to equity investments reclassified from available for sale to fair value through other comprehensive income shall be transferred to fair-value-through-other-comprehensive-income revaluation surplus.

AASB 9 introduces a new category of revaluation surplus to record the cumulative fair value changes of financial liabilities designated as fair value through net result that is attributable to its own credit risk.

Transferred financial assets

An entity is regarded as transferring a financial asset if, and only if, it either:

(a) transfers the contractual rights to receive the cash flows of the financial asset (i.e. a sale of a financial asset that grants the transferee a legal claim on the cash flows)

(b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in AASB9.3.2.5 (i.e. an arrangement whereby an entity that is a trust issues to investors beneficiary interests in the underlying financial assets it originates, owns and provides servicing of those assets). [AASB 9.3.2.4]

When an entity transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity must derecognise the financial asset in its entirety. [AASB 9.3.2.6(a)] For example:

- a sale of a financial asset together with a put or call option that is deeply out of the money
- a loan sub-participation arrangement whereby fully proportionate share of the cash flows are transferred and the arrangement meets the transfer conditions in (b) above.

Where the transferred financial assets are derecognised in their entirety, the required disclosures include:

- the carrying amount of the assets and liabilities recognised
- fair value of the assets and liabilities that represent continuing involvement
- maximum exposure to loss from the continuing involvement
- maturity analysis of the undiscounted cash flows to repurchase the derecognised financial assets [AASB 7.42E]
- any gain or loss recognised at the date of transfer of the assets
- income or expenses recognise from the entity's continuing involvement in the derecognised financial assets, as well as details of uneven distribution of proceed from transfer activity throughout the reporting period. [AASB 7.42G]

If the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity continues to recognise the financial asset [AASB 9.3.2.6(b)]. For example:

- a sale of a financial asset with a deeply in the money put or call option
- a sale and repurchase transaction where the repurchase price is a fixed price or the sale price plus a lender’s return
- a sale of short-term receivables in which the entity guarantees to compensate the transferee for credit losses that are likely to occur. [AASB 9.3.2.7]

Where the transferred financial assets are not derecognised in their entirety, the required disclosures include:

- description of the nature of the transferred assets
- nature of risk and rewards
- description of the nature and quantitative disclosure depicting relationship between transferred financial assets and the associated liabilities. [AASB 7.42D]

9.5 Entities consolidated pursuant to section 53(1)(b) of the FMA

The following three entities have been consolidated into the Department's financial statements pursuant to a determination made by the Assistant Treasurer under section 53(1)(b) of the *Financial Management Act 1994*:

- Gene Sciences Victoria
- The Office of the Commissioner of New Technology
- Innovation Victoria

The financial effects of each of those entities were not material to the departmental consolidated group. However, the financial effects of those entities in aggregate were material to the departmental consolidated group. Therefore, those entities are reported in aggregate in the table below.

($ thousand)

	Department of Technology (DoT)		*Material section 53(1)(b) entity* [(a)]		*Other section 53(1)(b) entities* [(b)]		*Eliminations and adjustments*		*DoT consolidated group*	
	20X2	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*	*20X2*	*20X1*
Total income from transactions	103 068	82 723	..	..	4 406	3 537	..	..	107 474	86 260
Net result from transactions	25 342	8 132	..	..	881	707	..	..	26 223	8 839
Total assets [(c)]	203 179	202 730	..	..	35 855	25 056	..	..	239 034	227 786
Total liabilities	95 649	110 569	..	..	1 952	2 257	..	..	97 601	112 826

Notes:
(a) Each of the material entities are reported individually.
(b) Other non-material entities that are material in aggregate are reported in aggregate.
(c) Total assets for other section 53(1)(b) entities in aggregate were material to the DoT consolidated group.

Guidance – Entities consolidated pursuant to section 53(1)(b) of the FMA

Departments shall disclose total income from transactions, net result from transactions, total assets and total liabilities for each of material entities that have been consolidated into their financial statements, pursuant to section 53(1)(b) of the FMA, in a relevant note to their financial statements.

Where those entities are not material individually but material in aggregate, departments shall report them in aggregate.

9.6 Correction of a prior period error

Sample disclosure

This note has been included as an example only to illustrate the disclosure of a restatement of prior period figures due to a material error correction. This note should be omitted if not relevant. [AASB 108.49]

The investment properties note has been used in the Model to illustrate a third balance sheet required to correct an error from a previous year. The error occurred because the Department of Technology did not recognise an investment property. [AASB 101.54(b)]

The Department has identified two prior period errors. These are explained below and have since been adjusted for the error and restated each of the affected financial statements for the 20X1 financial year, as shown in the tables below.

9.6.1 Investment property not recognised

During the 20X0-X1 financial year, the Department did not recognise an investment property, which was contributed to it for nil consideration. This error had the effect of understating investment properties and income for the year ended 30 June 20X1 by $2 500 000. The error also had the effect of understating investment properties and accumulated surplus as at 30 June 20X1 by $2 500 000.

9.6.2 Error in not consolidating a controlled entity

Innovation Victoria was established on 1 July 2019 as a new entity of the Department of Technology under the *Innovation Victoria Act 2019*. The Department determined that it controlled Innovation Victoria based on the control criteria in AASB 10 but due to an inadvertent human error, the Department did not include Innovation Victoria in its group financial statements for the 20X0-X1 reporting period.

Impact of correction of an error on the consolidated operating statement **($ million)**

	For the period ended 30 June 20X2	*For the period ended 30 June 20X1 (restated)*	*Consolidation of Innovation Victoria (100% owned)*	*For the period ended 30 June 20X1 as previously presented*
Interest	3 864	2 897	(50)	2 947
Sale of goods and services	1 839	1 346	50	1 296
Other income	101 771	82 017	..	82 017
Total income from transactions	**107 474**	**86 260**	**..**	**86 260**
Employee expenses	(13 767)	(10 970)	1 950	(12 920)
Depreciation	(15 099)	(12 157)	900	(13 057)
Interest expense	(2 366)	(2 336)	1 050	(3 386)
Other operating expenses	(50 020)	(51 958)	..	(51 958)
Total expenses from transactions	**(81 252)**	**(77 421)**	**3 900**	**(81 321)**
Net result from transactions (net operating balance)	**26 222**	**8 839**	**..**	**4 939**
Share of net profits/(losses) of associates and joint entities, excluding dividends	1 286	1 397	(3 900)	5 297
Other gains/(losses) from other economic flows	(13 947)	(4 213)	..	(4 213)
Total other economic flows included in net result	**(12 661)**	**(2 816)**	**(3 900)**	**1 084**
Net result from continuing operations	**13 561**	**6 023**	**..**	**6 023**
Net result from discontinued operations	1 229	3 856	..	3 856
Net result	**14 790**	**9 879**	**..**	**9 879**
Total other economic flows – other comprehensive income	**6 413**	**4 101**	**..**	**4 101**
Comprehensive result	**21 203**	**13 980**	**..**	**13 980**

Impact of correction of an error on the consolidated balance sheet **($ million)**

Assets	*As at 30 June 20X2*	*As at 30 June 20X1 (restated)*	*Consolidation of Innovation Victoria (100% owned)*	*As at 30 June 20X1 (as previously reported)*
Cash and deposits	59 528	48 648	(800)	47 848
Receivables	36 045	20 544	(2 000)	22 544
Investments accounted for using equity method	5 187	6 112	6 000	112
Other financial assets	22 548	28 488	..	28 488
Total financial assets	**123 308**	**103 792**	**4 800**	**98 992**
Inventories	12 056	19 733	..	19 733
Property, plant and equipment	83 044	76 807	5 200	71 607
Other non-financial assets	22 826	27 455	..	27 455
Total non-financial assets	**117 926**	**123 995**	**5 200**	**118 795**
Total assets	**241 234**	**227 787**	**10 000**	**217 787**
Liabilities				
Payables	17 591	16 704	10 000	6 704
Other liabilities	80 010	96 122	..	96 122
Total liabilities	**97 601**	**112 826**	**10 000**	**102 826**
Equity				
Accumulated surplus/(deficit)	78 633	71 133	..	71 133
Physical asset revaluation surplus	7 338	3 759	..	3 759
Financial assets available-for-sale	200	1 723	..	1 723
Contributed capital	57 460	38 345	..	38 345
Net worth	**143 631**	**114 960**	**..**	**114 960**

Impact of correction of an error on the consolidated cash flow statement **($ million)**

	As at 30 June 20X2	*Consolidation of Innovation Victoria (100% owned)*	*As at 30 June 20X1 (as previously reported)*
Receipts from government	78 344	(500)	87 635
Receipts from other entities	5 536	(1 400)	5 773
Interest received	1 749	..	1 606
Dividends received	1 698	..	1 611
Other receipts	516	..	262
Total receipts	**87 843**	**(1 900)**	**96 887**
Payments of grants and other transfers	(36 227)	..	(47 011)
Payments to suppliers and employees	(22 979)	(1 500)	(20 667)
GST paid to the ATO	(3 055)	..	(3 497)
Capital asset charge payments	(1 567)	..	(952)
Interest and other costs of finance paid	(2 427)	..	(2 507)
Other payments	(6 382)	..	(3 200)
Total payments	**(72 637)**	**14 500**	**(77 834)**
Net cash flows from operating activities	**15 206**	**(3 400)**	**19 053**
Net cash flows from/(used in) investing activities	**(25 403)**	**..**	**(23 124)**
Net cash flows from/(used in) financing activities	**30 607**	**..**	**13 711**
Net increase/(decrease) in cash and cash equivalents	**20 411**	**(3 400)**	**12 641**
Cash and cash equivalents at beginning of financial year	44 494	13 000	22 094
Effect of exchange rate on cash held in foreign currency	(471)	(8 800)	8 960
Cash and cash equivalents at end of financial year	**64 434**	**44 494**	**43 694**

Guidance – Correction of prior period errors and changes in accounting policy and accounting estimates

Prior period errors

Material prior period errors shall be retrospectively corrected in the first complete set of financial statements authorised for issue after their discovery by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. [AASB 108.42]

Exceptions to this will be made to the extent that it is impracticable to determine the:

- period specific effects of an error on comparative information for one or more prior periods presented. The entity shall then restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period [AASB 108.44]
- cumulative effect, at the beginning of the current period, of an error on all prior periods. The entity shall then restate the comparative information to correct the error prospectively from the earliest date practicable. [AASB 108.45]

The correction of a prior period error is excluded from the net result for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable. [AASB 108.46]

Changes in accounting policy

A change in accounting policy resulting from the initial application of an AAS shall be applied in accordance with the transitional provisions of that AAS. Where specific transitional provisions are not included, the change shall be applied retrospectively. [AASB 108.19]

Where a change in accounting policy is applied retrospectively, the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented shall be adjusted as if the policy had always been applied, except to the extent it is impracticable to do so. [AASB 108.22]

When there is a change in accounting policy that requires the changes to be applied retrospectively, entities must disclose the amount of the adjustment relating to the previous periods to the extent practicable. [AASB 108.28 (g)]

Third balance sheet: When an accounting policy is applied retrospectively, the correction of an error is made retrospectively and/or a reclassification of items is made in the financial statements, the public sector entity will be required to present, as a minimum, three balance sheets.

The balance sheets to be presented are:

- at the end of the current period
- at the end of the previous period
- at the beginning of the earliest comparative period.

However, a third balance sheet is not required when the adjustment is immaterial to the financial position at the beginning of the preceding period. [AASB 101.40A]

Inappropriate accounting policies not rectified by disclosure [AASB 101.18]

Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used or by notes or explanatory material.

Voluntary changes in accounting policies [AASB 108.14]

An entity shall change an accounting policy only if the change:

- is required by an AAS
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

When a voluntary change in accounting policy has an effect on the current period or any prior period, or would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose: [AASB 108.29]

- the nature of the change in accounting policy
- the reasons why applying the new accounting policy provides reliable and more relevant information
- for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
  - for each financial statement's line item affected
  - if AASB 133 applies, for basic and diluted earnings per share.
- the amount of the adjustment relating to periods before those presented, to the extent practicable
- if retrospective application of the accounting policy is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Effect of changes in accounting policy of equity [AASB 101.106(b)]

For each component of equity affected by the change in accounting policy, AASB 101 requires that the entity discloses the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108.

Change in accounting estimates [AASB 116.76]

An entity shall disclose the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:

- residual values
- the estimated costs of dismantling, removing or restoring items of property, plant and equipment
- useful lives
- depreciation methods.

Recognition [AASB 108.36-37]

The effect of a change in an accounting estimate, shall be recognised prospectively by including it in the net result in either:

- the period of the change if the change affects that period only
- the period of the change and future periods if the change affects both.

Except to the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

Disclosure requirements [AASB 108.39-40, AASB 116.76]

An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

If the amount of the effect in future periods is not disclosed because estimating it is impracticable, this fact shall be disclosed.

Where a change in an accounting estimate affects the current reporting period only, the effect of the change shall be recognised in the net result in the reporting period in which the accounting estimate is revised. [AASB 108.36(a)]

Where the change in an accounting estimate affects both the current and future reporting periods, the effect of the change shall be recognised in the net result in the reporting period of the revision and in future reporting periods. [AASB 108.36(b)]

For property, plant and equipment, disclosure of a change in an accounting estimate may arise from changes in estimates with respect to:

- residual values
- the estimated costs of dismantling, removing or restoring items of property, plant and equipment
- useful lives
- depreciation methods.

If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the annual reporting period but a separate set of financial statements is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note in the annual financial statements for that annual reporting period.

Sample disclosure

This note has been included as an example only and should be used only if there is a change in accounting policy.

Reassessment of estimated useful lives of assets

During the financial year, the Department reassessed the estimated total useful lives of certain items of plant and equipment used in [specify where]. The net financial effect of this reassessment in the current financial year was an increase in depreciation expense of the Department of [$XX].

Assuming the assets are held until the end of their estimated useful lives, depreciation of the departmental assets for the next four years in relation to these assets will be increased by the following amounts:

	($ thousand)
Year ending 30 June	*xx*
20X1	xx
20X2	xx
20X3	xx

9.7 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994* (FMA), the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of Ministers and Accountable Officers in the Department are as follows:

Minister for Technology	The Hon. John Bristol MP	1 July 20X1 to 30 June 20X2
Minister for Biotechnology	The Hon. Laura Toddington MP	1 July 20X1 to 30 June 20X2
Secretary	Ms Jane Smith	1 July 20X1 to 30 June 20X2

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Department during the reporting period was in the range: $460 000–469 000 (20X1: $450 000–459 000).

Guidance – Responsible persons

The disclosure requirements of FRD 21 *Disclosures of responsible persons and executive officers in the financial report* issued by the Assistant Treasurer recognise that responsible persons, such as ministers, accountable officers and executive officers have significant responsibility for the management of a department's operations. To that end, they have an obligation to disclose information relating to those occupying management roles, including disclosure in the financial statements of details regarding their remuneration, transactions and loans with the department, which discharges their accountability.

Remuneration includes all employee benefits (as defined in AASB 119 *Employee Benefits*), which are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. It also includes amounts paid on behalf of a parent of the entity in respect of the entity. Accordingly, remuneration needs to be determined on an accrual basis.

Ministers may have different responsibilities or interests that can cause ethical challenges in their public role. Their first responsibility is to act in the public interest, and not to promote their own private interests. They must also follow a code of conduct and publicly give details of their interests. These interests are often called 'pecuniary interests'. In respect of related party disclosures, Ministers must declare their pecuniary interests, which are included in a register of members' interests.

For further disclosure guidance in relation to responsible persons, please refer to FRD 21.

9.8 Remuneration of executives

The number of senior executive service members, other than Ministers and accountable officers, and their total remuneration during the reporting period are shown in the table on the following page. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Share-based payments an agreement between the entity and the employee that entitles them to receive cash or other assets for amounts that are based on the price of shares/share options provided specified vesting conditions, if any, are met [Delete if not applicable].

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and renegotiated and a number of senior executive service members retired, resigned or were retrenched in the past year. This has had a significant impact on remuneration figures for the termination benefits category. [FRD 21]

($ thousand)

Remuneration of the senior executive service (including Key Management Personnel disclosed in Note 9.9) [(a)]	*Total remuneration 20X2*	*20X1*
Short-term employee benefits	5 609	5 274
Post-employment benefits	1 260	1 177
Other long-term benefits	1 726	1 096
Termination benefits	320	154
Share-based payments	n.a.	n.a.
Total remuneration [(a)]	**8 915**	**7 701**
Total number of executives	**79**	**77**
Total annualised employee equivalents [(b)]	**76.2**	**75.8**

Notes:
(a) *The total number of senior executive service members includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124* Related Party Disclosures *and are also reported within the related parties note disclosure (Note 9.9). This footnote only applies for entities that may have executives who also meet the definition of a KMP under AASB 124.9, to provide clarification to readers so that remuneration is not misinterpreted or double-counted. This circumstance may not be applicable to all entities and should only be included where appropriate.*
(b) *Annualised employee equivalent is based on the time fraction worked over the reporting period.*

Guidance – Remuneration of executives [FRD 21]

Remuneration includes all employee benefits (as defined in AASB 119 *Employee Benefits*), which are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. It also includes amounts paid on behalf of a parent of the entity in respect of the entity.

The objective of the remuneration disclosure is to capture the total remuneration attributable to the entity's executives for the reporting period. As a result, amounts reported should reflect the expenses recognised in the entity's Statement of Comprehensive Income (in line with the relevant accounting standards) for the reporting period.

For guidance on how to disclose an executive's total remuneration package and other specific employee benefits, refer to the 'Guidelines for reporting remuneration in accordance with AASB 124' document available on the DTF website.

Remuneration is disclosed in the financial statements based on the nature of the payment in accordance with AASB 124. The disclosure categories include:

- **short-term employee benefits**: wages, salaries, paid annual and sick leave, profit sharing and bonuses (if payable within 12 months of the end of the period), and non-monetary benefits such as car (parking, e-tags and chauffer allowances), medical care, accommodation (housing) or relocation benefits, and free/subsidised goods or services
- **post-employment benefits**: pensions, post-employment life insurance or health care, superannuation entitlements and other retirement benefits
- **other long-term employee benefits**: long service leave, sabbatical leave, jubilee or other long service benefits, long-term disability benefits, deferred compensation and profit sharing and bonuses (not payable wholly within 12 months)
- **termination benefits**: employee benefits provided on termination of employment as a result of either an entity's decision to terminate an employee before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for termination of employment.

Share-based payments: benefits paid according to an agreement between the entity and the employee that entitles them to receive cash or other assets for amounts that are based on the price of shares or share options provided specified vesting conditions, if any, are met. This category is unlikely to be applicable to public sector not-for-profit entities.

Annualised employee equivalent (AEE) is required to be disclosed in addition to the headcount disclosure of the senior executive service. AEE is defined and explained in FRD 21 in the financial statements. It is calculated by dividing the total number of days that an employee is engaged to work during the week by the total number of full-time working days per week.

Example 1

A part-time Employee A works 3 days per week.

AEE = 3 days/5 days = 0.6

Example 2

A full-time Employee B works 5 full working days in a compressed week over 4 days under flexible working arrangements.

AEE = 5 days/5 days = 1.00

If a person becomes an executive during the reporting period, no disclosure is required for remuneration paid to that person prior to their appointment as an executive.

If a person ceases to be an executive during the reporting period, the disclosure should only include their remuneration for the reporting period up until the end of their term of employment as an executive.

The disclosure of senior executive service remuneration does not relate to any VPS 6 or 7 staff acting on a temporary basis in executive roles, while the substantive senior executive service member is on paid leave or secondment.

Where a member of the senior executive service from the same department backfills for another executive while on paid leave or secondment in that same department, then both senior executive service members are included in the disclosure. [FRD 15]

For further disclosure guidance in relation to senior executive service, please refer to FRD 21.

Reconciliation with 'executive data' in the Report of Operations

Entities must also ensure that the total number of executives reported in the note to the financial statements corresponds with the total numbers of senior executive service members reported in the executive data disclosure in the Report of Operations (i.e. Table 9: *Reconciliation of executive numbers* on page **43** of the Model Report of Operations).

9.9 Related parties

The Department is a wholly owned and controlled entity of the State of Victoria.

The following agencies have been consolidated into the Department's financial statements pursuant to the determination made by the Assistant Treasurer under section 53(1)(b) of the *Financial Management Act 1994* (FMA):

- Gene Sciences Victoria
- The Office of the Commissioner of New Technology
- Innovation Victoria

Related parties of the Department, Gene Sciences Victoria, the Office of the Commissioner of New Technology and Innovation Victoria include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
- all Cabinet Ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

The Department received funding from and made payments to the Consolidated Fund of $85.5 million (20X1: $63.7 million) and $26.6 million (20X1: $27.5 million) respectively.

[During the year, the Department had the following government-related entity transactions:

- the following information in sufficient detail to enable users' of the entity's financial statements to understand the effect of related party transaction on its financial statements:
  – the nature and amount of each individually significant transaction
  – for other transactions that are collectively, but not individually significant, a qualitative or quantitative indication of their extent.]

Key management personnel (KMP) of the Department includes the Portfolio Ministers, the Hon. John Bristol MP and the Hon. Laura Toddingham MP, the Secretary, Jane Smith, and members of the Senior Executive Team, which includes:

- Head of the Strategic Policy Advice division, John Tails
- Head of the Research and Development Biological Technologies division, Paul Germs
- Head of the Information Technology and Telecommunication Services division, Gail Mods
- Chief Finance and Accounting Officer, Robert McIvor.

KMP of the agencies consolidated pursuant to section 53(1)(b) of the FMA into the Department's financial statements include:

Entity	*Position title*
Gene Sciences Victoria	Chief Executive Officer
Gene Sciences Victoria	Chief Financial Officer
Office of the Commissioner of New Technology	Commissioner and CEO
Innovation Victoria	Chairperson
Innovation Victoria	Governing board member
Innovation Victoria	Governing board member
Innovation Victoria	Chief Executive Officer

Remuneration of key management personnel

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the State's Annual Financial Report.

($ thousand)

Compensation of KMPs	*Department of Technology*		*Section 53 / Administrative Offices* [c]	
	20X2	*20X1*	*20X2*	*20X1*
Short-term employee benefits [a]	2 798	2 544	1 367	1 305
Post-employment benefits	500	432	326	112
Other long-term benefits	989	869	200	271
Termination benefits	n.a.	72	n.a.	n.a.
Share based payments	n.a.	n.a.	n.a.	n.a.
Total [b]	**4 287**	**3 845**	**1 893**	**1 688**

Notes:
(a) Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 9.9).
(b) This includes remuneration of KMPs for Gene Sciences Victoria, The Office of the Commissioner of New Technology and Innovation Victoria.
(c) Total remuneration paid to KMPs employed as a contractor during the reporting period through an external service provider has been reported under short-term employee benefits.

Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Purchasing Board requirements.

Outside of normal citizen type transactions with the Department of Technology, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Outside of normal citizen type transactions, there were no related party transactions that involved key management personnel, their close family members and their personal business interests, for the following agencies consolidated into the Department's financial statements:

- Gene Sciences Victoria
- The Office of the Commissioner of New Technology
- Innovation Victoria

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Example of specific disclosure note

During the year, a company of which the spouse of John Bristol MP, the Portfolio Minister for the Department of Technology is a senior partner, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm's length transactions under the State's procurement process. The transaction involved the provision of IT support services to support the migration of the Department's general ledger to a new platform with a total value of $100 million over five years.

All other transactions that have occurred with KMP and their related parties have not been considered material for disclosure. In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that the Department's financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

Example of aggregated disclosure note

During the year, related parties of KMP were awarded contracts on terms and conditions equivalent for those that prevail in arm's length transactions under the State's procurement process. The transactions involved the provision of consultancy, legal, IT and general support services with an aggregated value of $10 million.

All other transactions that have occurred with KMP and their related parties have not been considered material for disclosure. In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that the Department's financial position and profit or loss may have been affected by the existence of related parties, and by transactions and outstanding balances, including commitments, with such parties.

Guidance – Related parties

AASB 124 *Related Party Disclosures* only require the disclosure of material related party transactions and outstanding balances. Materiality is subject to professional judgement and goes beyond the dollar value of the transaction or balance.

However, it is important to note all KMP need to declare all relevant related party transactions (refer to *Declaration certificate for executives – The certificate for declaration of related party transactions in compliance with AASB 124* on the DTF website for sample declaration checklist for executive KMPs). This provides the required evidence (subject to audit) that all relevant information has been made available for the assessment and also because a transaction that may appear immaterial on its own, may in combination with other like transactions, have a material effect on the State's, department's or agency's financial statements and warrants disclosure (refer to *AASB 124 Related Party Disclosures – entity management checklist* on the DTF website for sample entity management checklist to support management's assessment of the completeness of the related party disclosure in their annual financial report).

Importantly, items of a similar nature may be disclosed in aggregate except where separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the department or entity i.e. individual transactions that are unusual in nature or significantly material by amount.

The aggregated disclosures must include:

- the nature of the relationships
- the nature of the services/balances concerned
- the total amounts/balances involved.

The individual disclosures are a matter of management and auditor judgement in the context of respective reporting entity financial reports, and the size and nature of the transaction involved. Such transactions will generally not be usual business and are large or significant in amount in relation to the entity's operations, and therefore not expected to be frequent.

AASB 124.19 requires related party disclosures to be made separately for each consolidated entity in the financial statements. This includes:

- the parent
- subsidiaries
- associates or joint ventures
- agencies consolidated into the Department's financial statements pursuant to the determination made by the relevant Minister under section 53(1) of the *Financial Management Act 1994* (FMA)
- administrative offices established pursuant to an Order under section 11 of the *Public Administration Act 2004* (PAA).

Remuneration of other personnel (contractors with significant management responsibilities)

Previously under FRD 21, entities were required to separately disclose expenses paid or payable to other personnel during the reporting period. Other personnel were defined as personnel engaged by an entity as contractors and charged with significant management responsibilities. As these contractors are responsible for planning, directing or controlling, directly or indirectly, the department's activities, they meet the definition of Key Management Personnel (KMP) under AASB 124. As a result, contractors with significant management responsibilities will be captured as part of the related parties disclosure.

KMP of section 53 entities

Pursuant to a determination made by the Assistant Treasurer under section 53(1) of the FMA, entities can be included or consolidated into a department's financial statements, in accordance with either:

- section 53(1)(a) where the entity's financial statements are included as a separate attachment to the department's own financial reports
- section 53(1)(b) where the entity's financial statements are consolidated into the department's financial reports.

Where an entity is included with the department's financial report under section 53(1)(a) – regard should be given to identifying relevant executives who meet the definition of KMP for these entities for inclusion in the respective entity's financial report (i.e. the section 53(1)(a) entity's financial report).

Where an entity is consolidated in the department's financial report under section 53(1)(b) – regard should be given to identifying relevant executives who meet the definition of KMP for these entities, to be included as part of the consolidated group/department's financial statements. KMPs of section 53(1)(b) will be disclosed in accordance with AASB 124.19, which requires related party information for each consolidated entity to be separately disclosed, where relevant and material, in the consolidated entity's related party transactions note.

KMP of administrative offices

Administrative offices are established and abolished through Orders under section 11 of the PAA. While these offices are established in relation to a department, they are considered to be departments in their own right for FMA purposes. Under section 45(4) of the FMA, the financial statements of administrative offices are required to be incorporated into, and consolidated with, the department's financial statements.

As administrative offices are considered to be departments in their own right under the FMA, regard should be given to identifying relevant executives who meet the definition of KMP for these entities.

KMPs of administrative offices will be disclosed in accordance with AASB 124.19, which requires related party information for each consolidated entity to be separately disclosed, where relevant and material, in the consolidated entity's related party transactions note.

Statutory officers

Statutory officers (e.g. Governor in Council appointments) have authority under legislation to direct or control the activities of a specified division or function. Typically, this division or function will be a cost centre that is part of the department.

While the statutory officer may meet the definition of a KMP for their specified division or function, regard should be given to assessing whether the statutory officer is considered a KMP of the department. This will be a matter of judgement.

Declaration certificates should be collected from all statutory officers for their related party transactions. Management will need to exercise their professional judgement to determine whether the statutory officer's division/function and relevant related party transactions are considered to be material and significant to the department for disclosure in the financial report.

In performing this assessment, departments should consider whether the statutory officer has the ability to direct activities of a division/function that significantly affects the department's outcomes as a whole i.e. the division/function is material and significant to the department's overall business and financial outcomes. Note that the statutory officer does not necessarily need to be able to strategically influence all decisions made at the overall department level, to qualify as a KMP of the department.

9.10 Remuneration of auditors

($ thousand)

Source reference		*20X2*	*20X1*
AASB 1054.10	**Victorian Auditor-General's Office**		
AASB 1054.10 (a)	Audit or review of the financial statements	1 014	1 177
AASB 1054.10 (b)	**Other non-audit services** [(a)]	**..**	**..**
	Total remuneration of auditors	**1 014**	**1 177**

Note:
(a) The Victorian Auditor-General's Office is prohibited from providing non-audit services.

Guidance – Remuneration of auditors

The amount paid or due and payable to the Auditor-General for auditing the financial statements of the Department pursuant to the Audit Act 1994 must be disclosed and should be net of GST except where the GST included in fees is not recoverable from the tax authority. GST that is not recoverable should be included as part of the remuneration.
[AASB Interpretation 1031.6,7]

An entity shall disclose fees to each auditor or reviewer, including any network firm, separately for:

- the audit or review of the financial statements
- all other services performed during the reporting period with a description of the nature of the services performed.
[AASB 1054.10,11]

9.11 Subsequent events

The Department of Technology (the Department) intends to privatise its consulting division subsequent to the current reporting period. Given that the expertise of this division is highly regarded in the private sector, several expressions of interests have been received. Further announcements, including the financial effect on the operations of the Department, will be made once agreements are finalised.

The policy in connection with recognising subsequent events that are for events that occur between the end of the reporting period and the date when the financial statements are authorised for issue is as follows:

- adjustments are made to amounts recognised in the financial statements where those events provide information about conditions that existed at the reporting date
- disclosure is made where the events relate to conditions that arose after the end of the reporting period that are considered to be of material interest.

Guidance – Subsequent events

The financial statements should disclose for each material category of subsequent events (other than those events whose financial effects have already been brought to account) that occurred after the reporting period and before authorisation of the financial statements:

- the nature of the event
- an estimate of its financial effect, or a statement that such an estimate cannot be made. Statements should consider likely impacts. For example, following a major catastrophic event such as the February 2009 Victorian bushfires:
  - impairment of assets damaged or destroyed
  - increases in grants to assist citizens
  - extra costs by State agencies managing emergencies
  - reduced income to the State due to a lower tax base or tax exemptions granted.

Examples of events occurring after the reporting period that do not provide evidence about conditions existing at the end of the reporting period include:

- a major business combination after the end of the reporting period or disposing of a major subsidiary
- announcing a plan to discontinue an operation
- major purchases of assets, classifications of assets as held for sale, other disposals of assets, or expropriation of major assets by government
- destruction of a major production plant by a fire, more widespread destruction such as the February 2009 Victorian bushfires that might occur after the reporting period
- announcing, or commencing the implementation of, a major restructure
- abnormally large changes after the reporting period in asset prices or foreign exchange rates
- entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees
- commencing major litigation arising solely out of events that occurred after the reporting period.

9.12 Other accounting policies

Contributions by owners [FRD 119, AASB Interpretation 1038.7]

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Department.

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Foreign currency balances/transactions [AASB 121.21 and 121.23]

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

Foreign currency translation differences are recognised in other economic flows in the consolidated comprehensive operating statement and accumulated in a separate component of equity, in the period in which they arise.

Guidance – Foreign Currency Disclosures

The following disclosure may be appropriate for departments with foreign operations:

'The presentation currency of Department [insert entity name] is the Australian dollar. The functional currency of each subsidiary throughout the group is generally the local currency. For consolidation purposes, assets and liabilities of these subsidiaries are translated at the closing rate at the end of the reporting period. Income and expense items are translated at the average exchange rate for the period. The effects of translating the financial position and results of operations from local functional currencies are included in other comprehensive income.'

9.13 Australian Accounting Standards issued that are not yet effective

[AASB 108.30-31]

Certain new and revised accounting standards have been issued but are not effective for the 20X1-X2 reporting period. These accounting standards have not been applied to the Model Financial Statements.

AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities.*

AASB 2022-10 amends AASB 13 *Fair Value Measurement* by adding authoritative implementation guidance and illustrative examples for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.

Among other things, the Standard:

- specifies that an entity needs to consider whether an asset's highest and best use differs from its current use only when it is held for sale or held for distributions to owners under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* or if it is highly probable that it will be used for an alternative purpose;
- clarifies that an asset's use is 'financially feasible' if market participants would be willing to invest in the asset's service capacity, considering both the capacity to provide needed goods or services and the resulting costs of those goods and services;
- specifies that if both market selling price and some market participant data required to fair value the asset are not observable, an entity needs to start with its own assumptions and adjust them to the extent that reasonably available information indicates that other market participants would use different data; and
- provides guidance on the application of the cost approach to fair value, including the nature of costs to be included in a reference asset and identification of economic obsolescence.

This Standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

AASB 17 *Insurance Contracts*, **AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments*** **and AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector***

AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* for not-for-profit public sector entities for annual reporting periods beginning on or after 1 July 2026.

AASB 2022-9 amends AASB 17 to make public sector-related modifications (for example, it specifies the pre-requisites, indicators and other considerations in identifying arrangements that fall within the scope of AASB 17 in a public sector context). This Standard applies for annual reporting periods beginning on or after 1 July 2026.

AASB 2022-8 makes consequential amendments to other Australian Accounting Standards so that public sector entities are permitted to continue to apply AASB 4 and AASB 1023 to annual periods before 1 July 2026. This Standard applies for annual reporting periods beginning on or after 1 January 2023.

AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* **and AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants***

AASB 2020-1 amended AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current and was applicable to annual reporting periods beginning on or after 1 January 2022.

AASB 2020-6 subsequently amended AASB 2020-1, deferring the mandatory effective date of AASB 2020-1 from 1 January 2022 to 1 January 2023. AASB 2022-6 was applicable for annual reporting periods beginning on or after 1 January 2022.

AASB 2022-6 amends and clarifies the requirements contained in AASB 2020-1. Among other things, it:

- clarifies that only those covenants that an entity must comply with at or before the reporting date affect a liability's classification as current or non-current; and
- requires additional disclosures for non-current liabilities that are subject to an entity complying with covenants within twelve months after the reporting date.

AASB 2022-6 applies to annual reporting periods beginning on or after 1 January 2023.

The Department is currently in the process of assessing the potential impact of these standards and amendments.

- A number of other standards and amendments have also been issued that apply to future reporting periods, however they are not expected to have any significant impact on the financial statements in the period *of* initial application.

Guidance – New Accounting Standards and interpretations

AAS issued but not yet effective [AASB 108.30]

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 20X2 reporting period. DTF assesses the impact of all these new standards and advises the department of their applicability and early adoption where applicable.

The latest listing on impacts of AASs that are issued but not yet effective will be issued as Appendix 2 of the upcoming FRD 120. Entities are advised to refer to this appendix to assist them in disclosing the impacts of AASs issued not yet effective, as required by AASB 108.

Entities will need to exercise judgement in deciding which issued but not yet effective standards may have material impacts on their entities and not just reallocate this section of the FRD into their annual reports.

When an entity has not applied a new AAS that has been issued but is not yet effective, the entity shall disclose this fact, as well as known or reasonably estimable information relevant to assessing the possible impact that application of the new AAS will have on the entity's financial statements in the period of initial application.

In complying with the requirement above, an entity considers disclosing:

- the title of the new AAS
- the nature of the impending change or changes in accounting policy
- the date by which application of the standard is required
- the date at which it plans to apply the standard initially
- and either:
  - a discussion of the impact that initial application of the standard is expected to have on the entity's financial statements
  - if that impact is not known or reasonably estimable, a statement to that effect.

The disclosures as described above must be made even if the impact on the entity is not expected to be material. However, there is no need to mention an AAS if it is clearly not applicable to the entity. [AASB 108.31]

9.14 Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Actuarial gains or losses on superannuation defined benefit plans are changes in the present value of the superannuation defined benefit liability resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred)
- the effects of changes in actuarial assumptions.

Administered item generally refers to a department lacking the capacity to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

Amortisation is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

Associates are all entities over which an entity has significant influence but not control, generally accompanying a shareholding and voting rights of between 20 per cent and 50 per cent.

Biological assets may comprise commercial forests and also any living animal, plant or agricultural produce that is the harvested product of biological assets.

Borrowings refers to interest-bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, lease liabilities, service concession arrangements and other interest-bearing arrangements. Borrowings also include non interest-bearing advances from government that are acquired for policy purposes.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Controlled item generally refers to the capacity of a department to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

Current grants are amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Effective interest method is the method used to calculate 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 through the expected life of the financial asset or, where appropriate, a shorter period.

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Ex gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Financial asset is any asset that is either:

- cash
- an equity instrument of another entity
  - a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.
- A financial asset can also be a contract that will or may be settled in the entity's own equity instruments and is either:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is either:

- a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity
- a contract that will or may be settled in the entity's own equity instruments and is either:
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements in the Model report comprises:

- a balance sheet as at the end of the period
- a comprehensive operating statement for the period
- a statement of changes in equity for the period
- a cash flow statement for the period
- notes, comprising a summary of significant accounting policies and other explanatory information
- comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

Grant expenses and other transfers are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general-purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

General government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those that are mainly non-market in nature, those that are largely for collective consumption by the community and those that involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

Grants for on-passing are grants paid to one institutional sector (e.g. a State general government entity) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

Infrastructure systems provide essential services used in the delivery of final services or products. They are generally a complex interconnected network of individual assets and mainly include sewerage systems, water storage and supply systems, and public transport assets owned by the State.

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments, service concession financial liabilities and amortisation of discounts or premiums in relation to borrowings.

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

Joint ventures are contractual arrangements between the department and one or more other parties to undertake an economic activity that is subject to joint control and have rights to the net assets of the arrangement. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net acquisition of non-financial assets (from transactions) are purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write offs, impairment write downs and revaluations.

Net financial liabilities is calculated as liabilities less financial assets, other than equity in public non-financial corporations (PNFC) and public financial corporations (PFC). This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Net gain on equity investments in other sector entities [DTF only] measured at proportional share of the carrying amount of net assets/(liabilities) comprises the net gains relating to the equity held by the general government sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of inter-sector balances.

Net lending/borrowing is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net operating balance or **net result from transactions** is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

Non-financial assets are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, cultural and heritage assets, intangibles and biological assets such as commercial forests.

Non-financial public sector represents the consolidated transactions and assets and liabilities of the general government and PNFC sectors. In compiling statistics for the non-financial public sector, transactions and debtor/creditor relationships between sub-sectors are eliminated to avoid double counting.

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'. Refer also to 'net result'.

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non produced) from their use or removal.

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They include changes in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

Payables includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films and research and development costs (which does not include the start-up costs associated with capital projects).

Public financial corporations (PFC) are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services). Estimates are not published for the public financial corporation sector.

The **public non-financial corporation** (PNFC) sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the marketplace at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, PNFCs are legally distinguishable from the governments that own them.

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

Service concession arrangement is a contract effective during the reporting period between a grantor and an operator in which:

- the operator has the right of access to the service concession asset (or assets) to provide public services on behalf of the grantor for a specified period of time
- the operator is responsible for at least some of the management of the public services provided through the asset and does not act merely as an agent on behalf of the grantor
- the operator is compensated for its services over the period of the service concession arrangement.

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Department.

Taxation income represents income received from the State's taxpayers and includes:

- payroll tax, land tax and duties levied principally on conveyances and land transfers
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing
- insurance duty relating to compulsory third-party, life and non-life policies
- insurance company contributions to fire brigades
- motor vehicle taxes, including registration fees and duty on registrations and transfers
- levies (including the environmental levy) on statutory corporations in other sectors of government
- other taxes, including landfill levies, licence and concession fees.

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

..	zero, or rounded to zero
(xxx.x)	negative numbers
200x	year period
200x-0x	year period

The financial statements and notes are presented based on the illustration for a government department in the *20X1-X2 Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Department's annual reports.

GUIDANCE SECTION

GUIDANCE SECTION 1: GENERAL AND SPECIFIC DISCLOSURE REQUIREMENTS, INCLUDING PRESENTATION REQUIREMENTS

Requirements that apply to all aspects of the preparation of financial statements

This guidance section highlights those requirements that all agencies need to adhere to in preparing financial statements.

Consistency: The presentation and classification of items in the financial statements shall be retained from one period to the next unless either:

- it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in AASB 108
- an AAS requires a change in presentation. [AASB 101.45]

Materiality and aggregation: Each material class of similar items shall be presented separately in the financial statements. Items of a similar nature or function shall be presented separately unless they are immaterial. [AASB 101.29]

An agency must assess and make judgements to determine if an item is material. As a general guide, financial information will be considered material if their omission, misstatement or non-disclosure has the potential, individually or collectively, to:

- influence the economic decisions that users make on the basis of the financial statements
- affect the discharge of accountability by management or governing body of the entity.

Items that are immaterial both individually and in aggregate may be combined and presented as a single line item. However, the value of such line item is unlikely to exceed 10 per cent of the total value of the financial statement component that it forms part of.

Offsetting: Income, expenses, assets and liabilities shall not be offset unless required by an AAS or permitted by an FRD. [AASB 101.32]

For financial instruments, a financial asset and a financial liability shall be offset and the net amount presented in the balance sheet only when an entity:

- currently has a legally enforceable right to set off the recognised amounts
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability. [AASB 132.42]

Comparative information shall be disclosed in respect of the previous period for all amounts reported in the complete set of financial statements unless an AAS permits otherwise. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's complete set of financial statements. [AASB 101.38]

Reclassification of financial information: When the presentation or classification of items in the complete set of financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose:

- the nature of the reclassification
- the amount of each item or class of items that is reclassified
- the reason for the reclassification. [AASB 101.41]

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- the reason for not reclassifying the amounts
- the nature of the adjustments that would have been made if the amounts had been reclassified. [AASB 101.42]

Goods and Services Tax (GST): AASB Interpretation 1031 provides that revenue, expenses and assets must be recognised, net of the amount of GST, except where GST relating to the expenditure items is not recoverable from the taxation authority, in which case the item is recognised GST inclusive.

Agencies that are not able to recover GST relating to particular expenditure items should include a disclosure note indicating which items are inclusive of non-recoverable GST and amend the wording of specific disclosures to make it clear that the amounts disclosed are inclusive of non-recoverable GST. [AASB Interpretation 1031.6 and 1031.7]

Receivables and payables shall be stated with the amount of GST included. [AASB Interpretation 1031.8]

The gross amount of GST recoverable from, or payable to, the taxation authority shall be included as part of either receivables or other liabilities in the balance sheet. [AASB Interpretation 1031.9]

The GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority shall be classified as operating cash flows and will be included in receipts from customers or payments to suppliers, as appropriate. [AASB Interpretation 1031.10, 1031.11]

True and fair override: A complete set of financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the AASB's conceptual framework (the framework). The application of AASs, with additional disclosure when necessary, is presumed to result in a complete set of financial statements that achieves a fair presentation. [AASB 101.15]

In the extremely rare circumstance when management concludes that compliance with a requirement in an AAS would be so misleading that it would conflict with the objective of financial statements set out in the framework, the agency shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

- the title of the AAS in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the framework [AASB 101.23(a)]
- for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation. [AASB 101.23(b)]

Going concern basis [AASB 101.25]

When preparing financial statements, management shall make an assessment of the agency's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the agency or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the agency's ability to continue as a going concern, those uncertainties shall be disclosed. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason the entity is not regarded as a going concern.

APPENDICES

APPENDIX 1: BUDGETARY REPORTING: EXPLANATION OF MATERIAL VARIANCES BETWEEN BUDGET AND ACTUAL OUTCOMES [RECOMMENDATION 47, PAEC REPORT 118]

The requirements for budgetary reporting are detailed in AASB 1055 *Budgetary Reporting*. The Standard applies to the general government sector and the not-for-profit entities within the general government sector for year ending 30 June 20X2.

Where the entity's budgeted financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statement or statement of changes in equity) for controlled items are presented to the Parliament and are separately identified as relating to the entity, the entity should disclose for the reporting period:

- the original budgeted financial statement presented to Parliament, presented and classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statements prepared in accordance with Australian Accounting Standards
- explanations of major variances between the actual amounts presented in the financial statements and the corresponding original budget amounts.

Where the entity's budgeted financial information for major classes of administered income and expense, or major classes of administered assets and liabilities, is presented to Parliament and is separately identified as relating to that entity, the entity should disclose for the reporting period:

- the original budgeted financial information presented to Parliament, presented and classified on a basis that is consistent with the presentation and classification adopted to comply with AASB 1050 *Administered Items*
- explanations of major variances between the actual disclosed amounts in the financial statements in accordance with AASB 1050 and the corresponding original budget amounts.

Comparative budgetary information in respect of the previous period need not be disclosed.

Additional guidance

This Standard is expected to have little impact for a majority of departments and entities, as the budgeted financial statements presented to Parliament are portfolio budgetary information that is not separately identifiable for individual reporting entities.

The explanations of major variances required to be disclosed are those relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity, not merely focusing on the numerical differences between original budget and actual amounts. They include high level explanations of the causes of major variances rather than merely the nature of the variances. Furthermore, if revised budgets are presented to Parliament, even when there are no major numerical differences between the original budget and actual amounts, an entity might need to have regard to those revised budgets and include explanations for major numerical differences between them and actual amounts.

[Where applicable, entities are required to include the information illustrated in this Appendix in a note to the financial statements.]

APPENDIX 2: INDEX OF ACCOUNTING GUIDANCE AND ASSOCIATED CHECKLISTS ON THE DTF WEBSITE

Supporting information on the Australian accounting standards is available on the DTF website. This incorporates accounting guidance and assessment checklists that were previously included in past editions of the Model report appendices.

These documents should be used as a general guide only and note there may be exceptions specific to the arrangements of the user.

The following table provides a summary of the supporting information available at: www.dtf.vic.gov.au/financial-reporting-policy/accounting-standards-checklists.

Accounting standard	*Title of the document*	*Summary*
AASB 10 *Consolidated Financial Statements*	Control analysis for Victorian Public Sector Entities – checklist	The assessment template assists users to determine whether an entity is required to be consolidated into another entity under AASB 10.
AASB 5 *Non-current assets held for sale and discontinued operations*	When to account for surplus assets as ‘held for sale’	The document provides accounting guidance on the classification of surplus assets as ‘held for sale’, including a checklist to aid the assessment on whether the surplus asset meets the recognition criteria of ‘held for sale’ under AASB 5.
AASB 12 *Disclosure for interest in subsidiaries*	Interests in subsidiary and unconsolidated structured entities	The document provides guidance on the disclosure requirements for interests in subsidiaries and interest in unconsolidated structured entities under AASB 12.
AASB 119 *Employee Benefits*	Annual leave provisions	The document provides guidance on the revised requirements for short-term employee benefits under AASB 119, including an example illustration with calculation guidance,
Practical classification guide between transactions and other economic flows	Classification guide	The document provides guidance on the classification of items between transactions, OEF included in net result and OEF-OCI for presentation in the operating statement.
Hierarchy of Accounting Standards	Hierarchy of Accounting Standards	The Hierarchy of Accounting standards is a framework that assists in determining the appropriate standard to apply.
AASB 1059 *Service Concession Arrangements: Grantors*	Classification of Arrangements checklist	The Service Concessions guidance checklist assists with analysing whether a contract between the State and the private sector is a service concession arrangement under AASB 1059.
AASB 9 *Financial Instruments*	Guidance	The document provides accounting guidance on AASB 9.
AASB 16 *Leases*	Identification of a lease checklist	The Leases questionnaire assists users to identify whether a contract is, or contains, a lease.

Accounting standard	*Title of the document*	*Summary*
AASB 15 *Revenue from Contracts with Customers*; and AASB 1058 *Income of not-for-profit entities*	AASB 15 *Revenue from contract with customers* and AASB 1058 *Income of Not-for-Profit entities* – assessment checklist	The document provides accounting guidance on AASB 15 and AASB 1058.
	AASB 15 Enforceability checklist	For revenue to be recognised under AASB 15, the contract must be 'enforceable' and contain 'sufficiently specific performance obligations'. The checklist assists users to identify whether a contract is enforceable.
	AASB 15 Sufficiently specific performance obligations checklist	For revenue to be recognised under AASB 15, the contract must be 'enforceable' and contain 'sufficiently specific performance obligations'. The checklist assists users to identify whether a contract has sufficiently specific performance obligations.
	AASB 1058 Accounting for volunteer services checklist	Entities are required to assess their specific circumstances and use the checklist to help determine if they meet the requirements to recognise volunteer services.

These supporting documents for AASB 124 Related Party Disclosures are available at: www.dtf.vic.gov.au/financial-reporting-policy/aasb-124-related-party-disclosures.

Accounting standard	*Title of the document*	*Summary*
AASB 124 *Related Party Disclosures*	Declaration certificate for executives – The certificate for declaration of related party transactions in compliance with AASB 124	The document supports preparers' due diligence processes in the preparation of the related party disclosures under AASB 124.
AASB 124 *Related Party Disclosures*	AASB 124 *Related Party Disclosures* – entity management checklist	The document supports preparers in the preparation of the remuneration disclosures in the financial statements.