**2015–16** Model Report for  
Victorian Government  
Departments

Model financial statements and report   
of operations guidance for reporting  
period ending 30 June 2016

The Secretary

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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.



A message from the Minister for Finance

I am pleased to endorse the 2015‑16 *Model Report for Victorian Government Departments* (the Model) together with the revised user guidance material.

This publication serves as the State’s primary compliance guide under Standing Direction 4.2 *Reporting Requirements in terms of Part 7 of the Financial Management Act 1994*, which assists in the preparation of annual reports.

The provision of high quality and accurate information through annual reports is an essential part of open, accountable and effective government. This version of the Modelcontains further enhancements based on user feedback, and revisions consistent with the relevant Australian Accounting Standards including Interpretations (AASs) and Financial Reporting Directions (FRDs). The Modelwill also assist with the preparation of, and the information collected 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.

**ROBIN SCOTT MP**

Minister for Finance

Acknowledgments

The Department of Treasury and Finance (DTF) wishes to acknowledge the suggestions and comments provided by users and departments for the preparation of the 2016 edition of this publication. DTF would also like to express its gratitude to the Victorian Auditor‑General’s Office for its significant contribution and support of the Model.

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Introduction

The Victorian Government provides a number of 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 Victorian Government. Public sector agencies fund, deliver and regulate a wide range of services on behalf of the Government, mainly related 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 public sector bodies 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 the *Constitution Act 1975*, *Appropriation Acts* (annual and standing), the *Financial Management Act 1994* (FMA), the *Borrowing and Investment Powers Act 1987*, the *Public Administration Act 2004* and the *Audit Act 1994*. All of these Acts may contain sections that affect the requirements of the budget and financial reporting obligations to Parliament. In particular 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. ‘Public sector agencies’ is a term used in the Standing Directions of the Minister for Finance 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 for the coordination, preparation and publication of the State’s main planning and financial accountability documents that are required under the FMA. These include budgetary and financial reports, which are summarised in Diagram 1 *2015‑16 annual financial publication cycle* and include:

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

Each of these publications provides a consolidated set of financial statements and accompanying notes based on data submitted by departments and other public sector agencies. In addition to the consolidated financial statements, each department and agency prepares its 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. The analysis and application of this data has significant consequences for the State. For example, the ABS publishes interstate comparisons of this financial data,[[1]](#footnote-1) which is 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.

Therefore, high quality financial data is required, not only to fairly reflect the Government’s financial performance and management of the State’s resources, but also to fairly represent the level of activity in the State that impacts on the quantum of funding received by Victoria from the Commonwealth Government.

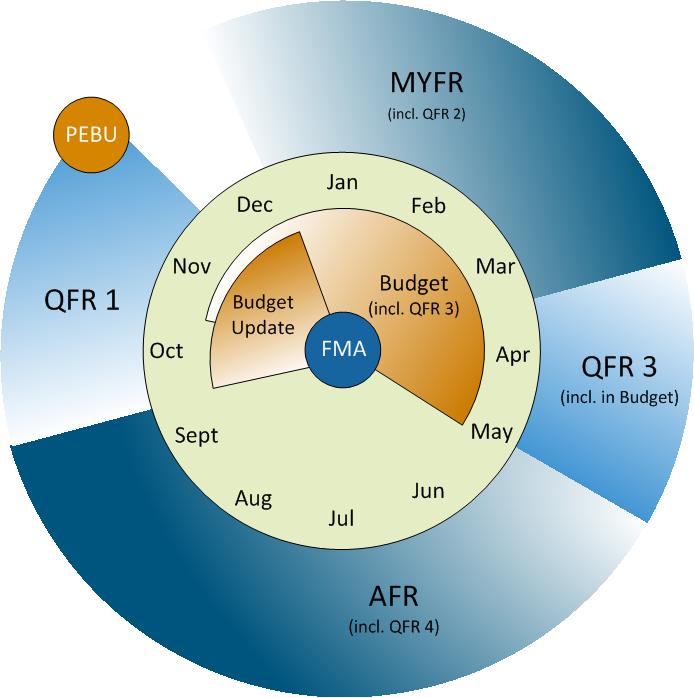
## Resource materials

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 of the Minister for Finance, including about 38 Financial Reporting Directions (FRDs)[[2]](#footnote-2);
* Budget and Financial Management Guidances (BFMGs)[[3]](#footnote-3); and
* The Model Report for Victorian Government Departments which is revised and issued annually2.

The Minister for Finance has issued the revised Standing Directions under the FMA, which will be applicable from 1 July 2016. The reform will help modernise Victoria’s public financial management through strengthened accountability, planning and decision‑making, and a stronger flow of information between departments, agencies and government. DTF will review the relevant references in the 2016‑17 Model Report to align with the revised Standing Directions.

Diagram 1: 2015‑16 annual financial publication cycle



Source: Department of Treasury and Finance

Notes:

(i) The darker the shading the more intensive the work effort.

(ii) PEBU is only published in an election year. Refer to Diagram 3.

(iii) Appropriation Bills are prepared and tabled with the Budget.

(iv) The timelines illustrated above are indicative only.

# 

# 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 16 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,[[4]](#footnote-4)4 which classifies public sector bodies into either the general government sector, public non‑financial corporations (PNFCs) or public financial corporations (PFCs) sectors. Diagram 2 *Reporting structure of the State of Victoria,* provides an overview of this reporting structure.

Diagram 2: Reporting structure of the State of Victoria

State of Victoria

Non‑financial public sector

General government

Public non‑financial corporations

Public financial corporations

Departments

Statutory authorities and other agencies controlled by government

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 for example, schools and hospitals. They generally receive more than 50 per cent 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 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 (WOS) 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 *2014‑15* *Annual Financial Report*.

Under the FMA, the budget papers mainly relate to the general government sector whereas the mid‑year and annual financial reports include both the WOS and general government sector as required by the accounting standards. A comprehensive list of public sector agencies, identified by sector, that submit financial data for consolidation into the State’s key financial publications can be found in Note 42 of the *2014‑15 Annual Financial Report*.

Diagram 3 *Publication coverage and project indicative timelines* provides further details regarding the reporting sector/entity basis of the key financial publications issued by DTF.

Diagram 3: Publication coverage and project indicative timelines

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Publication timelines** | | | | | | | | | | | | | | |
|  |  | **2015** | | | | | | **2016** | | | | | | | | | **Sector/entities** | | | | |
|  |  | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | WOS | GGS | Depts | PNFCs | PFCs |
| **ESTIMATES** | ERSC (preliminary to budget) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Budget Papers No. 1, 2, 3 and 5 |  |  |  |  |  |  |  |  |  | **(a)** |  |  |  |  |  |  | (c) |  |  |  |
| Budget Paper No. 4 (BP4) |  |  |  |  |  |  |  |  |  | **(a)** |  |  |  |  |  |  |  |  |  |  |
| Budget Update |  |  |  |  |  | **(b)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Pre‑Election Budget Update (PEBU)(e) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **ACTUALS** | Quarterly Financial Report (QFR1) |  |  |  |  | **(b)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Mid‑Year Financial Report (MYFR) |  |  |  |  |  |  |  |  | **(b)** |  |  |  |  |  |  |  |  |  |  |  |
| Quarterly Financial Report No. 2 (QFR 2) |  |  |  |  |  |  |  |  | **(b)** |  |  |  |  |  |  |  |  |  |  |  |
| Quarterly Financial Report No. 3 (QFR 3) |  |  |  |  |  |  |  |  |  |  | **(a)** |  |  |  |  |  |  |  |  |  |
| Annual Financial Report (AFR) |  |  |  | (b) |  |  |  |  |  |  |  |  |  |  | **(d)** |  |  |  |  |  |
| Quarterly Financial Report No. 4 (QFR 4) |  |  |  | (b) |  |  |  |  |  |  |  |  |  |  | **(d)** |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2014‑15 publication |  | 2015‑16 publication |  | 2016‑17 publication |

Notes:

(a) The 2016‑17 Budget will be tabled on 27 April 2016.

(b) Tabled on or before 15th of the month.

(c) Includes limited analysis of the whole of state.

(d) At the time of issuing of this Model Report, it is anticipated that the indicative project timeline for the 2015‑16 AFR is from July 2016 to October 2016.

(e) The PEBU for the general government sector is due in October/November 2018, and will be issued within 10 days after the writ to prorogue Parliament has been issued.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| GGS: | General government sector |  | WOS: | Whole of state |
| PNFCs: | Public non‑financial corporations entities |  | PFCs: | Public financial corporations entities |
| BERC: | Budget and Expenditure Review Committee |  | GGE: | General government entities |

# 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 incorporates 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, extracts from the complete set of most recently published financial statements from the budget estimates, Quarterly Financial Reports (QFR), Mid‑Year Financial Report (MYFR), and AFR can be found in Appendix 1 *Extracts of whole of government financial statements and analysis of disclosures*.

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. Consistent with the existing tabling policy, annual reports are required to be tabled within three months after the end of financial year. Where there are insufficient sitting days in the third month after the end of the financial year, reports should be tabled no later than the first sitting day of the following month.

Under *Standing Direction 4.2 Reporting Requirements in terms of Part 7 of the FMA* (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 and Training;
* Economic Development, Jobs, Transport and Resources;
* Environment, Land, Water and Planning;
* Health and Human Services;
* Justice and Regulation;
* Premier and Cabinet; and
* 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. **Judgement is required to determine where to apply or modify the Model to meet the entity‑specific reporting requirements.**

# How to use the Model report

Since its introduction in 2001, the Model hasprescribed 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; and
* illustrative AAS and FRD disclosures related to 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).

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

Further, Appendix 1(d) *Analysis of disclosures made in Victorian financial publications* provides a handy cross reference guide between the types of disclosure found in the Model’sfinancial statements and notes with those produced in the most recent financial publications for the State.

# 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 11 sections:

* Introduction;
* Model report of operations;
* Model financial statements, including supplementary information for the third balance sheet disclosure;
* Appendix 1 – Extracts of whole of government financial statements and analysis of disclosures;
* Appendix 2 – Practical classification guide between transactions and other economic flows;
* Appendix 3 – Fair value measurement indicative expectations;
* Appendix 4 – Annual leave provisions;
* Appendix 5 – Summary of new/revised accounting standards effective for current and future reporting periods;
* Appendix 6 – Budgetary reporting: Explanation of material variances between budget and actual outcomes; and
* Appendix 7 – AASB 10 Consolidated Financial Statements checklist – Control analysis for Victorian public sector entities.

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 1 March 2016 for the reporting period ending 30 June 2016. Any additional pronouncements applicable to the 2015‑16 reporting period that become available post publication of this Modelwill be issued by DTF in the form of FRD 120J *Accounting and reporting pronouncements applicable to 2015‑16 reporting period* closer to year end.**

It is assumed in the Model that Accounting Standards issued by the AASB, which are not yet effective, have not been early adopted as FRD 7B *Early Adoption of Authoritative Accounting Pronouncements* does not permit early adoption. This policy is outlined in the *Model financial statements* under Note 1(W) *Australian Accounting Standards issued that are not yet effective*.

The Model focuses on illustrating disclosure requirements for departments. Therefore the Model may not cover all 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.

# ‘Keys’ used in the illustrations and guidance

Disclosure illustrations in both the *Model report of operations* and the *Model financial statements* are presented in **black** text. These illustrations represent **the minimum** disclosures that Modelusers shall include in their annual reports.

Guidance in relation to these illustrations are provided and presented in **blue** text. The guidance mainly provides additional clarifications on the preparation, presentation and disclosure requirements of the relevant pronouncements related to these illustrations.

# Source references

References to the relevant requirements are provided in the left hand column of each page of this Model. If further clarity is required as to the appropriate treatment, examination of the source of the disclosure requirement is recommended.

The current Modelalso uses ‘**New’** or ‘**Revised’** in the source reference column next to relevant sections 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, which include Interpretations |
| DoT | Department of Technology (fictitious department) |
| FRD | Financial Reporting Direction |
| SD | Standing Direction |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standards |

# The design and printing of annual reports

A financial reporting direction, FRD 30C *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. FRD 30C can be found on the DTF website [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au) under Financial Reporting Directions.

Department of Technology – Model report of operations

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About the Model report of operations

SD4.2  
FRD 22G

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 that forms a significant part of the annual reports of companies.

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 and, where appropriate, adopt a narrative form which is written in a clear style and supported by figures and graphics that assist understanding of the matters discussed. The report of operations should be balanced and objective, and free from bias. In keeping with this requirement, clear design of the annual report may help communicate this message.

FRD 30C

Additionally, Financial Reporting Direction (FRD) 30C *Standard requirements for the publication of annual report*s provides specifications on the design of annual reports, use of colour and images, standard sizing, paper stocks, and other publishing requirements, which focus on reducing publication cost and environmental impact, and ensuring greater consistency in government annual reports. The FRDs can be found on the DTF website [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au) under FRDs.

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 that their report of operations complies with all new and revised legislative pronouncements that may be issued and applicable subsequent to 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 that 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 Modelare applicable to all public sector entities. Professional judgement and awareness of an entity’s reporting obligations are to be applied when using the Modelas a reference point.**

Presentation of report of operations

SD4.2

Presentation of the report of operations as a discrete section of a department’s annual report ensures that the information required is presented 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.

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) of the Minister for Financeand FRDs, as listed in *Disclosure Index* on page 71, as well as sections of the *Financial Management Act 1994* (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 4.2

SD4.2(g)

(a) The report of operations should include qualitative and quantitative information on the operations of the public sector agency and should be prepared on a basis consistent with the financial statements prepared by the public sector agency pursuant to the FMA. This report should provide users with general information about the entity and its activities, operational highlights for the reporting period, future initiatives and other relevant information not included in the financial statements.

SD4.2(h)

(b) The report of operations must be prepared in accordance with the requirements of the FRDs.

SD4.2(i)

(c) The report of operations for government departments must be presented in accordance with the guidelines contained in the Model.

SD4.2(j)

(d) The report of operations must be signed and dated by the Accountable Officer in the case of a government department or, in the case of any other public sector agency, a member of the Responsible Body.

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.

Recommendation 42, PAEC Report 109

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 that 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.

Therefore, departments are required to disclose in the report of operations where estimates are presented as actual results for clarification purposes.

Department of Technology report of operations – FRD guidance

SD4.2(j)

## Accountable Officer’s declaration

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 2016.

[Signature]

J Smith  
Secretary  
Department of Technology

15 August 2016

Commentary – Accountable Officer sign‑off

Legislative and documented references

SD4.2(j)

**SD 4.2(j)** requires the report of operations to be signed and dated by the Accountable Officer in the case of a government department or, in the case of any other public sector agency, a member of the Responsible Body.

Guidance

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

.

Section 1: Year in review

Commentary – Year in review (overview)

Legislative and documented references

FRD 22G

FRD 22G

**FRD 22G** states that the report of operations should include ‘purpose, functions, powers and duties of the entity’. It goes on to state that ‘an entity’s purpose, functions, powers and duties should be linked to a summary of its activities, programs and achievements for the reporting period’.

Under the Government’s performance management system, the 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 22Grequires 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

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 our people’s views. Provide accurate and objective information. Use plain and clear language.

**Work together:** Demonstrate effective team behaviours. Collaborate across and outside 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 which make a difference. Plan how best to achieve 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

[Useful guidance regarding appropriate content can be found in the ‘Year in review’ commentary.]

[Signature is optional]

Jane Smith  
Secretary

FRD 22G

## 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 regards to the adoption of new technology. With the establishment of the Department, the Government was able to centralise its research and development efforts, 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.

The Department’s function is to ensure that 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 2015‑16

|  |  |  |
| --- | --- | --- |
| 2015‑16 departmental objective | 2015‑16 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 2015. |

|  |  |  |
| --- | --- | --- |
| 2014‑15 departmental objective | 2014‑15 output | Reason for change |
| *[Insert 2014‑15 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 2015. |

As a consequence of policy decisions announced by the Government on 2 August 2015, 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 that 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 2015.

*[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.

Commentary – Changes to a department during 2015‑16

Guidance

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 disclosure in Notes 2 and 3 of the Model Financial Report, in the table disclosure of disaggregated controlled and administered items; and
* for general guidance on machinery of government changes and disclosure in the financial report, refer to illustrative disclosure and guidance provided in Note 9 of the Model Financial Report.

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 as 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.

Revised

FRD 8D

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 8D. The transferee department will provide commentary on all impacted outputs and associated departmental objectives explaining:

(a) the departmental objective and associated indicator(s) and output and associated performance measures that were transferred to the department;

(b) details of the transferor department; and

(c) the date on which the administrative arrangement occurred.

Commentary – Changes to a department during 2015‑16 *(continued)*

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:

(a) the outputs that were transferred to another department and related departmental objective (whole or in part) and indicator(s);

(b) details of the transferee department; and

(c) 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. Entities 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.

Portfolio performance reporting – non‑financial section

FRD 8D

Recommendation 15, PAEC Report 118

2014‑15 Budget Paper No. 3 *Service Delivery*

Revised

## Departmental objectives, indicators and outputs

The medium‑term departmental objectives, associated indicators and linked outputs as set out in the 2015‑16 State Budget Paper No. 3 *Service Delivery* are shown in Table 1.

Table 1 – Departmental objectives, indicators and linked outputs

|  |  |  |
| --- | --- | --- |
| Departmental objectives | Indicators | Outputs |
| *[Departments to insert specific departmental objectives as published in the 2015‑16 Budget]* | *[Departments to insert specific indicators as published in the 2015‑16 Budget]* | *[Departments to insert specific outputs as published in the 2015‑16 Budget]* |

## 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 th**at should be taken into account, 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 2016‑17 Budget to help explain performance.]*

Revised

*[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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Indicator | Unit of measure | 2013‑14 | 2014‑15 | 2015‑16 |
|  |  |  |  |  |
|  |  |  |  |  |

*[Where possible, 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].*

*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 taken into account, 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 2016‑17 Budget to help explain performance.]*

*[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 | 2013‑14 | 2014‑15 | 2015‑16 |
|  |  |  |  |  |
|  |  |  |  |  |

*[Where possible, departments should include the relevant outputs and their performance covered under the ‘Performance against output performance measures’ section to strengthen the link between department objectives and outputs performance reporting.]*

New

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

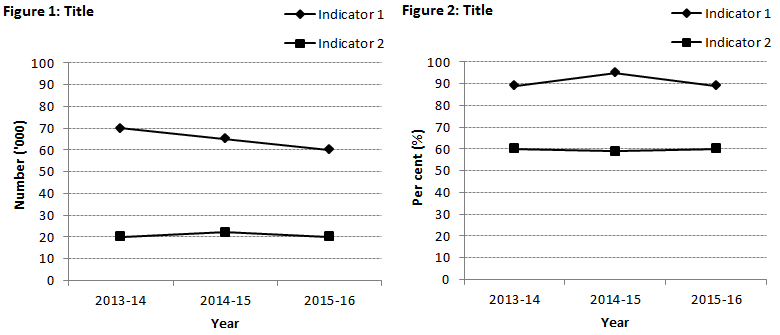
In May 2013, the Government introduced the use of objective indicators in the 2013‑14 Budget Paper No. 3 *Service Delivery* (BP3) to provide information on progress in the achievement of objectives. The government also made a commitment in BP3 to report progress figures in each department’s annual report.

Guidance

In this section, Departments should communicate the performance story for each departmental objective based on the indicator information over time (minimum four years). Given departmental indicators were only introduced in the 2013‑14 BP3, the reporting requirement on progress is currently illustrated for three years only. Although not manadatory, developing a baseline and medium‑term target/standard for the indicators would facilitate communicating performance progress. In some instances, appropriate graphical representation of this information would potentially enhance performance reporting, for example:

In 2015‑16, 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 three years (see Figure 1).

In 2015‑16, 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 2014‑15 (58.8 per cent). There has been minimal variation in satisfaction levels over the three years (see Figure 2).



## Performance against output performance measures

*[Where possible, departments should consider including the output performance information under the relevant departmental objective to strengthen the link between department objectives and outputs performance reporting.]*

FRD 8D

FRD 22G

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 2016.

Commentary – Key initiatives and projects

Entities 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 an entity’s initiatives and projects that are identified in their strategic plan or the equivalent. Each year the discussion should include outcomes achieved on those key initiatives and projects and also 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 that are relevant to the key initiative or project.

An entity may describe its key initiatives and projects in relation to its outputs where appropriate, preferrably 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.

FRD 8D  
  
  
  
  
  
  
  
  
Revised

FRD 22G

Recommendation 17, PAEC Report 107

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

### 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.

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 2015, the Department has initiated the Technology Trade and Innovation Program, which assists businesses to develop and integrate new technologies.

Up to 30 June 2016, 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 additional $29 million investment to the State, and create 219 new jobs in 2017‑18.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Performance measures | Unit of measure | 2015‑16 actual | 2015‑16 target | Performance variation (%) | Result 1 |
| *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. | | | | | |

Note:

1. ✓ Performance target achieved or exceeded. [A variance exceeding 5 per cent is a significant variance that requires an explanation, including internal or external factors that cause the variance.]

FRD 8D

Revised

**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, and also to provide leadership in Information technology and telecommunication services (IT&TS) that promotes Victoria as a centre of excellence in the application of new information technology that has the potential to contribute to the economic growth of the State.

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 19 for additional guidance].*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Performance measures | Unit of measure | 2015‑16 actual | 2015‑16 target | Performance variation (%) | Result 1 |
| *Quantity* |  |  |  |  |  |
| New clients gained | number | 120 | 500 | 6 | ✓ |
| Database system report delivered |  | 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:*

1. ✓ Performance target achieved or exceeded. [A variance exceeding 5 per cent is a significant variance that requires an explanation, including internal or external factors that cause the variance].

◼ Performance target not achieved – exceeds 5 per cent variance. [This is a significant variance that requires an explanation, including internal or external factors that cause the variance]

FRD 8D

Revised**Research and development of biological technology**

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

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 19 for additional guidance.]

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Performance measures | Unit of measure | 2015‑16 actual | 2015‑16 target | Performance variation (%) | Result 1 |
| *Quantity* |  |  |  |  |  |
| Businesses supported with implementation of new technology | number | 100 | 120 | ‑16.7 | ◼ |
| The actual outcome in 2014 15 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. | | | | | |
| New platform key success factors | Per cent | 80.0 | 80.0 | 0 | ✓ |
| *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:

1. ◼ Performance target not achieved – exceeds 5 per cent variance. [This is a significant variance that requires an explanation, including internal or external factors that cause the variance].

✓ Performance target achieved or exceeded. [A variance exceeding 5 per cent is a significant variance that requires an explanation, including internal or external factors that cause the variance].

○ Performance target not achieved – within 5 per cent variance;

**Discontinued operation**

On 28 March 2015, 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 activities is consistent with the Department’s long‑term policy to promote the adoption of new technology and monitor their appropriate use. The departmental objective indicator *[insert objective indicator(s) which the discontinued activities contributed to]* will be *[removed/adjusted]* as a result of this decision. The discontinuation was completed by 30 June 2015.

Commentary – Performance against output performance measures

**Legislative and documented references**

FRD 8D

FRD 8D requires entities 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 22G

FRD 22G states that 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 22G to detail the ‘purpose, functions, powers and duties’ of the entity (which is fulfilled in the earlier ‘*Year in review’* section).

Recommendation 39, PAEC Report 118

Guidance

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 2015‑16*).

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); and
* 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 output 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, and

– 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 output created due to a government policy decision, output name change 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.

Commentary – Performance against output performance measures *(continued)*

Significant or material variances in output performance reporting

General criteria in determining a significant variation of output performances

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

* greater than five per cent (as opposed to five percentage points) increase or decrease from budget;

Recommendation 38,

PAEC Report 118

Recommendation 36,

PAEC Report 118

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 that if the target is 80 per cent and the expected outcome is 84 per cent, the variance is 5 per cent.

* 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); and
* an explanation for the variance that may be of public interest.

Recommendation 27, PAEC Report 109

Recommendation 32, PAEC Report 109

Recommendation 19,

PAEC Report 118

Specific criteria in determining a significant target variances

* For a target that is range based – if the target 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.
* For the target that is a date:

– if the target reflects a statutory requirement, any variance later than the target is significant; and

– if the target is a quarter (e.g. quarter four), anything that falls outside the target is a significant target variance.

* 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; or

– the actual result varied from the target in an undesirable direction by more than 5 per cent.

* 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; and

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

Commentary – Performance against output performance measures *(continued)*

Presentation of output reporting

Departments are expected to present their output performance results in the same format as the Departmental output statements contained in the corresponding BP3 *Service Delivery.* From 2013‑14 onwards, 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 rather than as a footnote to the 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.

FRD 8D

Recommendation 9, PAEC Report 109

FRD 8D

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.

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.

The following budget portfolio outcomes statements are not subject to audit by the Victorian Auditor‑General’s Office 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:

*[Insert list of controlled entities or refer reader to Note XX in the financial statements.]*

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

*[Please refer to Appendix 6 for illustrations on the disclosure of budget portfolio outcomes.]*

Commentary – Budget portfolio outcomes

Legislative and documented references

**FRD 8D** [*Consistency of Budget and Departmental Reporting*](http://www.dtf.vic.gov.au/CA25713E0002EF43/WebObj/FRD8BConsistencyofbudgetanddepartmentalreporting/$File/FRD8BConsistency%20of%20budget%20and%20departmental%20reporting.pdf) states that 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.

Recommendation 10, PAEC Report 109

Commentary – Budget portfolio outcomes *(continued)*

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**). 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 the Victorian Auditor‑General’s Office.

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 that 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 entity shall explain the reasons why the variance occurred.

FRD 22G

## Departmental five year financial summary

($ thousand)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Five year financial summary** | 2016 | 2015 | 2012 | 2013 | 2012 |
| Income from government (i) | 93 663 | 75 078 | 110 490 | 101 311 | 100 460 |
| Total income from transactions | 107 474 | 86 260 | 112 500 | 106 263 | 104 669 |
| Total expenses from transactions | (81 252) | (77 421) | (110 000) | (100 000) | (100 000) |
| Net result from transactions (ii) | 26 222 | 8 839 | 2 500 | 6 263 | 4 669 |
| Net result for the period (iii) | 14 790 | 9 879 | 3 369 | 3 874 | 3 409 |
| Net cash flow from operating activities | 15 207 | 18 654 | 9 357 | 9 712 | 9 386 |
| Total assets | 239 034 | 227 787 | 227 759 | 228 314 | 227 897 |
| Total liabilities | 97 601 | 112 826 | 39 419 | 37 150 | 36 117 |

Notes:

(i) Income from government includes both output and special appropriations.

(ii) The ‘net result from transactions’ is identical to the ‘net operating balance’ for the general government sector.

(iii) Includes net result from discontinued operations.

## Departmental current year financial review

FRD 22G

### Overview

*[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 2015‑16, the Department achieved a net result from transactions of $26.2 million, $17.3 million higher than in 2014‑15. Both total income and expenses from transactions have steadily increased since 2011‑12 up to 2013‑14 and the net result from transactions in both income and expenses from transactions in 2014‑15 before stabilising again in 2015‑16, 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 $14.8 million in 2015‑16 is the highest in the five year period 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 $26.5 million in 2015‑16 to $141.4 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 $15.2 million from last year’s $18.7 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. As a consequence, dividends from the venture are now received by the latter Department.

FRD 22G

### Financial performance and business review

As part of the *Administrative Arrangements Order* *[No.XXX]* *2015*, the transfer of outputs on 1 September 2015 was reflected in the financial statement of the Department as follows:

* the *New Technology Administration* outputis included for the period 1 July until 31 August 2015. From 1 September 2015 to 30 June 2016 this output is reported by the Department of Cabinet and Administration; and
* the *Research and Development of Biological Technology* output is included from 1 September 2015 to 30 June 2016. From 1 July to 31 August 2015 it was reported by the Department of Natural Resources.

While the Department achieved a higher net result from transactions in 2015‑16 of $17.4 million, income dropped marginally 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 $4.9 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 particular 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 increase of $4.9 million [or 50 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 certain available‑for‑sale financial instruments. *[Where appropriate, the key general purpose group category of related reserves could be named as well as any key available‑for‑sale investments.]*

FRD 22G

### Financial position – balance sheet

Net assets increased by $26.5 million over the year to $141.4 million, mainly due to increases in total assets of $11.2 million comprising $19.5 million of increases in financial assets partly offset by a reduction of $8.3 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 17 *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 technologyoutput;
* 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, etc.]* in plant, equipment and vehicles in the public administration and transport and communications sectors; and
* biological assets received from 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 new output transferred in.

### Cash flows

The overall cash surplus of $20.4 million for the 2015‑16 financial year was a net increase of $11.2 million compared to the previous year. This additional cash was the result of a large net cash inflow from financing activities of $34.7 million, in particular increased borrowings that the Department undertook to *[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 $15.2 million, and 18.5 per cent lower than in 2013‑14 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*.*

Commentary – Departmental five year financial summary and current year financial review

Guidance

FRD 22G

Financial information

The financial information in the Report of Operation should include the following information relating to the current reporting period:

(a) a summary of the financial results for the year, with comparative information for the preceding four reporting periods;

(b) a summary of the significant changes in financial position;

(c) a summary of the operational and budgetary objectives, including performance against the objectives and significant achievements;

(d) any events occurring after balance date which may significantly affect the entity’s operations in subsequent reporting periods;

(e) expenditure on consultancies; and

(f) expenditure on government advertising.

The report of operations should 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

Recommendation 45, PAEC Report 109

New

Recommendation 51, PAEC Report 118

The Department and its related portfolio entities manage a range of capital projects to deliver services for government.

Information on the new and existing capital projects for Departments and the broader Victorian public sector is contained in the most recent Budget Paper No. 4 *State Capital Program* (BP4) which is available on the Department of Treasury and Finance’s website.

During the year, the Department/agency completed the following capital projects with a Total Estimated Investment of $10 million or greater. The details related to these projects are reported below:

Table 1: Capital projects completed during the financial year ended 30 June 2016

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Project Name | Original completion date | Latest approved completion date | Actual completion date | Original approved TEI\* budget $M | Latest approved TEI\* budget $M | Actual TEI cost $M | Variation between actual cost and latest approved TEI budget | Reason for variance from latest approved TEI Budget |
| Anti‑ virus IT system | April 2015 | June 2015 | June 2015 | 9 | 10 | 8 | (2) | The variance relates to suitable hardware being sourced more cheaply than anticipated. |

\*Total estimated investment

*The table above is for illustrative purposes only. Departments are required to disclose* ***all*** *capital projects funded through the State budget, with a total estimated investment of $10 million or greater (total funding from all sources for the overall project) completed within the reporting period. This includes budget funded capital projects of portfolio agencies.*

New

Commentary – Capital projects/asset investment programs

Guidance

The Department of Treasury and Finance, on behalf of all portfolio departments, publishes information on the State’s asset investment program in Budget Paper No. 4 *State Capital Program* 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 total estimated investment of $10 million or greater that reach practical completion by the department or portfoilo agencies in the current reporting period. Departments are not required to provide further reporting on a project which reaches financial completion in a subsequent period (unless there is a material variation) if it has been reported as practically complete in an earlier reporting period. 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 government and an explanation for this variance.

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 their annual report. Individual portfolio agencies are not required to report on these projects in their annual report.

For example, VicTrack delivers projects on behalf of other agencies and has recently completed a capital project which was funded through the State Budget. The portfolio department for the agency, the Department of Economic Development, Jobs, Transport and Resources, will report these completed capital projects in its annual report.

Nil reports

An explicit statement of ‘nil reports’ is required where completed asset or capital projects do not reach the disclosure threshold of $10 million. 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.

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

Recommendation 15, PAEC Report 87

The department has provided assistance to certain companies and organisations. Financial assistance provided in 2015‑16 was as follows:

#### 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.]*

New

Commentary – Disclosure of grants and transfer payments

There is little detailed coverage of grant programs in the annual reports of government department 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 in 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 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 that 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 reporting period, the Government announced its intention to privatise the consulting division of the Department. Further details are provided in Note 43 of the Financial Statements.

Commentary – Subsequent events

FRD 22G

Guidance

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 43 Commentary in the *Model financial statement*.

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 on 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

Commentary – Governance and organisational structure (overview)

FRD 22G

**FRD 22G** 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.

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 making contact with 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.

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## Organisational structure and corporate governance arrangements

### The Department’s Ministers

#### Minister for Technology

The Hon. John Bristol MP was appointed as the Minister for Technology in May 2015. 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 here]*

#### Minister for Biotechnology

The Hon. Laura Toddingham MP was appointed as the Minister for Biotechnology in May 2015. 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 here]*

### 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 July 2014. 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 August 2014. John is responsible for coordinating the Department’s strategic policy advice to 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 July 2014.

#### 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 December 2014.

#### Robert McIvor

Robert is the Department’s Chief Finance and Accounting Officer and was appointed in May 2014. He is responsible for maintaining and developing the Department’s financial management systems, and providing a full range of financial and accounting services.

FRD 22G

## Organisational structure



SD 2.2(f)

FRD 22G

## Audit Committee membership and roles

The Audit Committee consists of the following members:

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

The main responsibilities of the audit committee are to:

* 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 that its resources are adequate and used effectively, including coordination with the external auditors; and
* oversee the effective operation of the risk management framework.

## Occupational health and safety

FRD 22G

Best practice based on disclosure made by Department of Justice, recommended by PAEC

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 put in place 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.

During the 2015‑16 financial year, the Department developed a number of initiatives to improve the health and safety of staff including the OH&S bulletin, ergonomic assessments, quarterly safety audits 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 1.7 per cent per 100 FTE in 2015‑16. Incidents include injuries and other hazards (non‑injury) related incidents. In real terms, the increase equates to 74 additional reported incidents compared with the previous year.

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 1).

FRD 22G

Best practice based on disclosure made by Department of Justice, recommended by PAEC



While the number of standard claims rose marginally in 2015‑16, mainly due to predicted increases in muscular skeletal disorder and stress claims, the rate per 100 staff remained steady (Figure 2). 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 programs that focus on reducing sprains and strains, stress reductions, and good claims management practices in high‑risk areas.



The total number of WorkCover claims lodged decreased in 2015‑16 (Figures 3 and 4). In addition, the claims rate continued to decrease due to the growth in staff numbers since 2009‑10 (due to the opening of two new research laboratories) and effective early intervention strategies and improved claims performance management. The average cost per claim decreased from $36 070 to $33 131.

FRD 22G

Best practice based on disclosure made by Department of Justice, recommended by PAEC





FRD 22G

Best practice based on disclosure made by Department of Justice, recommended by PAEC

The Department’s WorkCover premium rate continued to decrease in 2015‑16 (Figure 5). 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 reducing.



FRD 22G

Recommendation 10, PAEC Report 107

## The Department’s performance against OH&S management measures

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Measure | KPI | 2013‑14 | 2014‑15 | 2015‑16 |
| Incidents | No. of incidents | 600 | 526 | 730 |
|  | Rate per 100 FTE | 9.4 | 7.7 | 9.6 |
| Claims | No. of standard claims(i) | 110 | 134 | 143 |
|  | Rate per 100 FTE | 41 | 1.8 | 2.1 |
|  | No. of lost time claims(i) | 0.7 | 55 | 43 |
|  | Rate per 100 FTE | 21 | 0.7 | 0.6 |
|  | No. of claims exceeding 13 weeks (i) | 2.0 | 19 | 1.8 |
|  | Rate per 100 FTE | 0.5 | 0.2 | 0.3 |
| Fatalities | Fatality claims(ii) | 1 | .. | .. |
| Claim costs | Average cost per standard claim (i) | $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 |
| Risk management | Percentage of internal audits/inspections conducted as planned. | 100% | 100% | 100% |
|  | Percentage of issues identified actioned arising from: |  |  |  |
|  | * internal audits; | 100% | 100% | 100% |
|  | * HSR provisional improvement notices (PINs); and | 100% | 100% | 100% |
|  | * 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, temps, and visitors. | n/a | n/a | n/a |
|  | Percentage of HSRs trained: |  |  |  |
|  | * acceptance of role; | 100% | 100% | 100% |
|  | * re‑training (refresher); and | 100% | 100% | 100% |
|  | * reporting of incidents and injuries. | 5% | 4% |  |

Notes:

(i) Data sourced from Victorian WorkCover Authority (VWA).

Recommendation 24,  
PAEC Report 107

(ii) The fatality claim received in 2013‑14 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.]

## Employment and conduct principles

FRD 22G

The Department is committed to applying merit and equity principles when appointing staff. The selection processes ensure that 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.

Commentary – Occupational health and safety

**FRD 22G** 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; and
* 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.

Recommendation 10, PAEC Report 107

Guidance

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; and
* 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 administration values and employment principles

The *Public Administration Act 2004* abolished the Office of Commissioner for Public Employment and established the State Services Authority. The Victorian Public Sector Commission was established on 1 April 2014 through an amendment to the *Public Administration Act 2004* and replaced the State Services Authority. Notwithstanding, the Department continues to implement the previous directions of the Commissioner for Public Employment with respect to upholding public sector conduct, managing and valuing diversity, managing underperformance, reviewing personal grievances, and selecting on merit.

The Department introduced a suite of detailed employment policies, including policies with respect to grievance resolution, recruitment, redeployment, and managing diversity. Policies with respect to managing underperformance and discipline were produced and have been implemented across the Department.

Commentary – Public administration values and employment principles

Legislative and documented references

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

The Public Sector Standards Commissioner’s role is to promote high standards of integrity and conduct in the public sector. To do this the Commissioner may:

* prepare and issue codes of conduct to promote adherence to public sector values (s61);
* conduct reviews of action (s64‑65) and issue applicable standards;
* establish and issue standards concerning the application of employment principles (s62); and
* require public service body heads and public entity heads to provide him or her with information on the application of:

– public sector values;

– public sector employment principles;

– codes of conduct; and

– standards (s63).

**Departments should check for further FRD 22G workforce requirements that may not be illustrated in the Model, and any other information on reporting requirements that may be contained on the Victorian Public Sector Commission website http://vpsc.vic.gov.au/.**

FRD 22G

## Comparative workforce data(i)(ii)(iii)

Table 1: Full time equivalents (FTE) staffing trends from 2012 to 2016

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2016 | 2015 | 2014 | 2013 | 2012 |
| 478 | 481 | 401 | 427 | 397 |

Table 2: Summary of employment levels in June of 2015 and 2016

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Ongoing employees(iv) | | | | Fixed term and casual employees |
|  | Employees (headcount)(v) | Full time (headcount) | Part time (headcount) | FTE | FTE |
| **June 2016** | 564 | 401 | 163 | 434 | 44 |
| **June 2015** | 432 | 396 | 36 | 414 | 67*(vi)* |

Table 3: Details of employment levels in June of 2015 and 2016(vii)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2016** | | | **2015** | | |
|  | Ongoing | | Fixed term and casual employees | Ongoing | | Fixed term and casual employees |
|  | Employees (headcount) | FTE | FTE | Employees (headcount) | FTE | FTE | |
| **Gender**: |  |  |  |  |  |  | |
| Male | 243 | 199 | 21 | 192 | 192 | 21 | |
| Female | 321 | 235 | 23 | 240 | 222 | 46 | |
| **Total** | **564** | **434** | **44** | **432** | **414** | **67** | |
| **Age** |  |  |  |  |  |  | |
| Under 25 | 33 | 11 | 4 | 6 | 6 | 22 | |
| 25‑34 | 123 | 75 | 14 | 77 | 67 | 11 | |
| 35‑44 | 135 | 101 | 15 | 113 | 113 | 27 | |
| 45‑54 | 186 | 177 | 10 | 167 | 167 | 7 | |
| 55‑64 | 79 | 63 | 1 | 67 | 59 | 0 | |
| Over 64 | 8 | 7 | 0 | 2 | 2 | 0 | |
| **Total** | **564** | **434** | **44** | **432** | **414** | **67** | |
| **Classification** |  |  |  |  |  |  | |
| VPS 1 | 24 | 19 | 0 | 21 | 18 | 4 | |
| VPS 2 | 114 | 76 | 14 | 82 | 82 | 31 | |
| VPS 3 | 157 | 93 | 9 | 95 | 93 | 15 | |
| VPS 4 | 91 | 78 | 3 | 81 | 76 | 3 | |
| VPS 5 | 90 | 87 | 8 | 76 | 71 | 6 | |
| VPS 6 | 67 | 61 | 10 | 59 | 56 | 8 | |
| STS | 5 | 5 | 0 | 3 | 3 | 0 | |
| Other(viii) | 2 | 2 | 0 | 2 | 2 | 0 | |
| **Total** | **564** | **434** | **44** | **432** | **414** | **67** | |

Notes:

(i) All figures reflect employment levels during the last full pay period in June of each year.

(ii) Excluded are those on leave without pay or absent on secondment, external contractors/consultants, and temporary staff employed by employment agencies, and a small number of people who are not employees but appointees to a statutory office, as defined in the Public Administration Act 2004.

(iii) The Technology Purchasing Authority is a discrete agency within this portfolio that employs public servants independently of the Department Secretary. The authority is required to produce its own annual report. Employee numbers for the Authority are published in that annual report.

(iv) Ongoing employees includes people engaged on an open ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.

(v) The increase in employment headcount levels between June 2015 and June 2016is a result of an increase in part time employment that followed implementation of initiatives to support family friendly work arrangements.

(vi) Twenty fixed term and casual FTE staff were employed for a two month period to support delivery of the Melbourne Technology Exhibition in May 2015.

(vii) Employees attached to the Office of the Commissioner for Research Ethics are employees of the Department Secretary and are included in the above figures. Staff are also reported in the Commissioner for Research Ethics’ annual report.

(viii) Employees reported with a classification of ‘other’ are one ministerial chauffeur and one legal officer.

Commentary – Workforce data staffing trends

FRD 22G

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

FRD 29A

**FRD 29A** *Workforce Data Disclosures in the Report of Operations* and the Guidance Note to FRD 29A prescribe the minimum disclosure requirements on the public service workforce for ongoing, fixed term and casual employees who are employed under Part 3 of the *Public Administration Act 2004.* This FRD provides comprehensive definitions of ‘active’ staff, classifications and other terms related to workforce data reporting.

Guidance

Information on workforce data is to be presented by headcount and the number of full time equivalents, separated by gender, age and VPS classification levels. The Model provides a suggested table format, but entities have the 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; and
* any classification categories that are rolled into an ‘other’ category.

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.

## 

## Recommendation 20, PAEC Report 107Workforce inclusion policy

The Department is working towards creating a balanced working environment where equal opportunity and diversity are valued. As part of the workforce inclusion policy, the Department has a 50/50 target on the employees’ gender profile by 2017. The following table outlines the Department’s actual progress against this target in 2015‑16.

|  |  |  |
| --- | --- | --- |
| Workforce inclusion policy initiative | Target | Actual progress in 2015‑16 |
| Balanced employee gender profile | Ongoing/fixed‑terms/casual basis employees:  50 per cent male; 50 per cent female by 2017 | Employee:  56c per cent male; 44 per cent female |

Note:

[The above workforce inclusion policy initiative is for illustration purpose only.]

Commentary – 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 of these initiative, and/or provide reasons why the initiative has not been implemented. This is to enable the evaluation of progress of the workforce inclusion plan. As this is the first year that this information is being reported, there are no comparatives. It is expected that in subsequent years, comparative data will be 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.

FRD 15C

## Executive officer data

An **executive officer** (EO) is defined as a person employed as a public service body head or other executive under Part 3, Division 5 of the *Public Administration Act 2004*. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

The definition of an EO does not include Governor in Council appointments as statutory office holders.

The total group of executives is classified into two distinct categories based on the following definitions:

* ‘ongoing’ executives are executives who are responsible for functions or outputs that are expected to be ongoing at the end of the reporting period; and
* ‘special projects’ executives are executives who are employed for a specific project. These projects are generally for a fixed period of time and relate to a specific government priority.

For the Department’s portfolio authorities (public authorities as defined under the *Public Administration Act 2004*), an EO is defined as a person employed as an EO at an annual remuneration rate not less than an EO employed by a department.

The following tables disclose the EOs of the Department and its portfolio authorities for 30 June 2016:

* Table 1 discloses the number of EOs in the categories of ‘ongoing’ and ‘special projects’ and the total numbers of EOs for the Department;
* Table 2 provides a breakdown of EOs according to gender for the categories of ‘ongoing’ and ‘special projects’;
* Table 3 provides a reconciliation of executive numbers presented between the report of operations and Note 41(a) ‘Remuneration of executives’ in the financial statements;
* Table 4 provides the total executive numbers for all of the Department’s portfolio agencies; and
* Tables 1 to 4 also disclose the variations, denoted by ‘var’, between the current and previous reporting periods. Current vacancies are shown in tables 2 and 4.

Table 1: Number of EOs classified into ‘ongoing’ and ‘special projects’

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | All | |  | Ongoing | |  | Special projects | |
| Class | No. | Var. |  | No. | Var. |  | No. | Var. |
| EO‑1 | 2 | 0 |  | 2 | 0 |  | 0 | 0 |
| EO‑2 | 23 | (1) |  | 21 | (1) |  | 2 | 0 |
| EO‑3 | 58 | (3) |  | 41 | (2) |  | 17 | (1) |
| **Total** | **83** | **(4)** |  | **64** | **(3)** |  | **19** | **(1)** |

FRD 15C

Table 2: Breakdown of EOs into gender for ‘ongoing’ and ‘special projects’

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Ongoing | | | | |  | Special projects | | | | |
|  | Male | | Female | | Vacancies |  | Male | | Female | | Vacancies |
| Class | No. | Var. | No. | Var. | No. |  | No. | Var. | No. | Var. | No. |
| EO‑1 | **1** | 0 | **1** | 0 | **0** |  | **0** | 0 | **0** | 0 | **0** |
| EO‑2 | **13** | (1) | **7** | 0 | **1** |  | **1** | 0 | **1** | 0 | **0** |
| EO‑3 | **20** | (1) | **19** | (1) | **2** |  | **9** | 0 | **6** | (1) | **2** |
| **Total** | **34** | **(2)** | **27** | **(1)** | **3** |  | **10** | **0** | **7** | **(1)** | **2** |

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 41(a) in the Financial Statements lists the actual number of and amount of remuneration paid to EOs over the course of the reporting period. The Financial Statements note does not distinguish between executive levels, nor does it disclose separations, vacant positions, executives whose total remuneration is below $100 000, nor does it include the Accountable Officer. Separations are those executives who received more than $100 000 in the financial year and have left the Department during this year. To assist readers, these two disclosures are reconciled below.

Table 3: Reconciliation of executive numbers

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2016 | 2015 |
|  | Executives with total remuneration over $100 000 (Financial Statement Note 41(a)) | 63 | 62 |
| Add | Vacancies (Table 2) | 5 | 7 |
|  | Executives employed with total remuneration below $100 000 | 16 | 21 |
|  | Accountable Officer (Secretary) | 1 | 1 |
| Less | Separations | (2) | (4) |
|  | **Total executive numbers at 30 June** | **83** | **87** |

Revised

Table 4: Number of EOs for the Department’s portfolio agencies

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Total | | Vacancies |  | Male | | Female | |
| Portfolio agencies | No. | Var. | No. | No. | Var. | No. | Var. |
| Commissioner of New Technology | 9 | (4) | 1 |  | 9 | (1) | 0 | (3) |
| Innovation Victoria | 2 | 2 | 0 |  | 0 | 0 | 2 | 2 |
| Regional Computer Teaching | 49 | 1 | 2 |  | 36 | 0 | 13 | 1 |
| Victorian Technology Commission | 129 | (19) | 6 |  | 88 | (10) | 41 | (9) |
| **Total** | **189** | **(20)** | **9** |  | **133** | **(11)** | **56** | **(9)** |

Commentary – EO data

Legislative and documented references

FRD 15C

Revised

**FRD 15C** *Executive Officer Disclosures in the Report of Operations by Departments* explains the requirements for disclosing EO numbers in annual reports. It states that a department’s report of operations must disclose the following disaggregated information on EO numbers as per the last pay period for the financial year:

* disaggregated information on EO numbers including:

– executive classification;

– gender split across classifications;

– comparison to the previous reporting period;

– vacancies; and

– ongoing or special project executives;

* a reconciliation of the EO 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
* EO numbers for all its portfolio entities.

This FRD provides definitions for accountable officers, EOs, ongoing executives, special project executives and portfolio entities.

Guidance

Departments should follow the table format provided in the Model to show their executive numbers. EO numbers should be based on the annualised employee equivalent (AEE). Refer to the definition and calculation of AEE illustrated in the guidance of Note 41 of this Model.

Departments are also required to provide a table reconciling EO numbers disclosed in the financial statements with those in the report of operations, showing vacant positions, executives with remuneration below $100 000, 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 details of gender splits and vacancies required for the disclosure.

Section 4: Other disclosures

FRD 25B

The *Victorian Industry Participation Policy Act 2003* requires departments and public sector bodies to report on the implementation of the Victorian Industry Participation Policy (VIPP). Departments and public sector bodies are required to apply VIPP in all procurement activities valued at $3 million or more in metropolitan Melbourne and for statewide projects, or $1 million or more for procurement activities in regional Victoria.

During 2015‑16, the Department commenced three VIPP applicable procurements totalling $44.16 million. Of those projects, one was located in regional Victoria and two in metropolitan Melbourne.

The outcomes expected from the implementation of the VIPP to these projects where information was provided are as follows:

* an average of 93 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); and
* a total of six positions for apprentices/trainees were committed, including the creation of three new apprenticeships/traineeships, and the retention of the remaining three existing apprenticeships/traineeships.

The commitments to the Victorian economy in terms of skills and technology transfer include use of the latest building skills techniques and embedding new technology into building designs.

During 2015‑16, the Department completed three VIPP applicable projects, collectively valued at about $200 million. The outcomes reported from the implementation of the VIPP where information was provided, were as follows:

* an average of 88.3 per cent of local content outcome was recorded;
* a total of 77 (AEE) positions were created; and
* 27 new apprenticeships/traineeships were created and 54 existing apprenticeships/ traineeships retained.

The benefits to the Victorian economy in terms of retention of skills from the completed projects included the use of local carpentry, plumbing (hydraulics and HVAC), electrical (lighting and power), stone paving and tiling, and rigging (glazing installation), joinery, lift mechanics and roofing and installation.

During 2015‑16, 25 small to medium sized businesses prepared a VIPP Plan, with the remaining prepared by large businesses.

During 2015‑16, two interaction reference numbers were undertaken with the Industry Capability Network for grants provided and design contracts by the Department.

FRD 25B

Commentary – Implementation of the Victorian Industry Participation Policy

Reporting on all contracts except those related to grants provided

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

* During *[insert current financial year]*, this Department commenced and/or completed *[insert figure]* contracts totalling $*[insert figure]* to which a VIPP Plan was required.
* During *[insert current financial year]*, this Department commenced *[insert figure]* contracts with a total of *[insert figure]* per cent estimated to be of local content to which a VIPP Plan was not required as the procurement activity was local by nature.
* During *[insert current financial year]*, this Department commenced *[insert figure]* contracts with a total of *[insert figure] per cent* estimated to be of local content to which a VIPP Plan was not required as the procurement activity was international by nature.
* During *[insert current financial year]*, *[insert figure]* small to medium sized businesses prepared a VIPP Plan.
* During *[insert current financial year]*, *[insert figure]* contracts commenced and/or completed, to which a VIPP Plan was required, occurred in metropolitan Melbourne, representing *[insert figure]* per cent of estimated local content.
* During *[insert current financial year]*, *[insert figure]* contracts commenced and/or completed, to which a VIPP Plan was required, occurred in regional Victoria, representing *[insert figure]* per cent of estimated local content.
* The total VIPP Plan commitments achieved as a result of contracts commenced include:

– local content of [insert figure] per cent of the total value of the contracts;

– [insert figure] new jobs and [insert figure] retained jobs (Annualised Employee Equivalent (AEE)). (Refer to the definition and calculation of AEE illustrated in the guidance of Note 41 of this Model.);

– [insert figure] new apprenticeships/traineeships and [insert figure] retained apprenticeships/traineeships; and

– benefits to the Victorian economy in terms of skills and/or technology transfer outcomes of .....

* The total VIPP Plan commitments achieved as a result of contracts completed include:

– local content of [insert figure] percentage of the total value of the contracts;

– [insert figure] new jobs and [insert figure] retained jobs (AEE). (Refer to the definition and calculation of AEE illustrated in the guidance of Note 41 of the Model.);

– [insert figure] new apprenticeships/traineeships and [insert figure] retained apprenticeships/traineeships; and

– benefits to the Victorian economy in terms of skills and/or technology transfer outcomes of ....

* During *[insert current financial year]*, *[insert figure]* Interaction Reference Number conversations were held with the Industry Capability Network (Victoria) Ltd.

Commentary – Implementation of the Victorian Industry Participation Policy *(continued)*

Reporting on grants provided or design contracts

The report of operations should contain the following information related to grants provided or design contracts to which an Interaction Reference Number was required:

* For design contracts or grants provided in the reporting period, a total of [insert figure] Interaction Reference Numbers were required, which entailed a conversation with the Industry Capability Network (Victoria) Ltd.
* For contracts completed in the reporting period that required a VIPP Plan under the VIPP policy prior to the implementation of the 1 January 2013 VIPP reform, the total VIPP Plan outcomes include:

– local content of [insert figure] percentage of the total value of the contracts;

– [insert figure] new jobs and [insert figure] retained jobs (AEE). (Refer to the definition and calculation of AEE illustrated in the guidance of Note 41 of the Model);

– [insert figure] new apprenticeships/traineeships and [insert figure] retained apprenticeships/traineeships; and

– benefits to the Victorian economy in terms of skills and/or technology transfer outcomes of .....

Revised

FRD 22G

Recommendation 50, PAEC Report 118

Revised

FRD 22G

Recommendation 49, PAEC Report 118

## Government advertising expenditure

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

($ thousand)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | 2015‑16 | | | | |  |
| 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 on how to stay safe online. | Aug 2015 – Jan 2016 | 1 250 | 40 | 15 | 65 | 0 | 1 370 |
| E‑recycling | The Department is committed to setting the standard for responsible recycling of electronic equipments. A six month campaign has been initiated to educate companies on how to responsibly dispose electronic waste. | Oct 2015 – Mar 2016 | 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 2016 – Mar 2016 | 500 | 10 | 40 | 50 | 10 | 610 |

Commentary – Government advertising expenditure

Nil report statement

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.

In accordance with paragraph 6.16 of FRD 22G, 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:

a) name of advertising campaign;

b) start and end date of campaign;

c) campaign summary; and

d) details of campaign expenditure for the reporting period (exclusive of GST) including:

– advertising (media);

– creative and campaign development;

– research and evaluation;

– print and collateral; and

– other campaign costs.

FRD 22G

Recommendation 71, PAEC Report 87

## 

## 

FRD 22G

## Consultancy expenditure

### Details of consultancies (valued at $10 000 or greater)

In 2015‑16, there were three consultancies where the total fees payable to the consultants were $10 000 or greater**.** The total expenditure incurred during 2015‑16 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 2015‑16 (excl. GST) | Future expenditure (excl. GST) |
| Reedy Consultants | Undertake community satisfaction measurement surveys | 1 Feb 2016 | 1 Apr 2017 | $1 200 | $500 | $700 |
| GMPK | Advice on internal control functions | 6 Nov 2015 | 21 Jan 2016 | $650 | $650 | nil |
| Morecroft and Crawford | Legal advisory services | 5 May 2015 | 30 Sept 2015 | $500 | $500 | nil |

Note:

1. The disclosure on ‘start date’ and ‘end date’ of a consultancy is not a mandatory requirement of FRD 22G.

### Details of consultancies under $10 000

In 2015‑16, 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 2015‑16 in relation to these consultancies was $1.3 million (excl. GST).

Commentary – Consultancy expenditure disclosure

Guidance

For the purposes of the requirements of FRD 22G:

(a) 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:

(i) provision of expert analysis and advice; and/or

(ii) development of a written report or other intellectual output.

(b) A **contractor** is an individual or organisation that is formally engaged to provide works or services for or on be half of an entity. This definition does not apply to casual, fixed‑term or temporary employees directly employed by the entity.

Refer to FRD 22G for the detailed disclosure requirements on consultancy expenditure. Examples of ‘consultants’ and ‘contractors’ are also available on the Guidance Note to FRD 22G accessible at:

http://www.dtf.vic.gov.au/Publications/Government‑Financial‑Management‑publications/Financial‑Reporting‑Policy/Financial‑reporting‑directions‑and‑guidance

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.

New  
FRD 22G

FRD 22G

## Information and Communication Technology expenditure

### Details of Information and Communication Technology (ICT) expenditure

For the 2015‑16 reporting period, the Department had a total ICT expenditure of $100 000, with the details shown below.

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| 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. 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 which primarily relates to ongoing activities to operate and maintain the current ICT capability.

Commentary – ICT expenditure

Guidance

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

a) total entity ICT Business‑As‑Usual (BAU) expenditure for the full 12 month reporting period; and

b) total entity ICT Non‑BAU expenditure for the full 12 month reporting period; and provide a breakdown for:

i) Operational expenditure (OPEX); and

ii) Capital Expenditure (CAPEX).

**ICT expenditure:** an agency’s costs in providing business‑enabling ICT services and consists of the following cost elements:

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

**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.

FRD 12A

Commentary – ICT expenditure *(continued)*

Further detail is available from the ICT Reporting Standard and ICT Expenditure Reporting Guideline, found at <http://www.enterprisesolutions.vic.gov.au> by searching for ICT expenditure.

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 which it entered into during the year ended 30 June 2016. Details of contracts that have been disclosed in the Victorian Government contracts publishing system can be viewed on the internet at:

<http://www.contracts.vic.gov.au>

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

The contractual details with MNO People Solutions for staff recruitment and training has not been disclosed as at 30 June 2016 but will be disclosed on 1 October 2016 on the internet once signed.

FRD 12A

Commentary – Disclosure of major contracts

Legislative and documented references

**FRD 12A** *Disclosure of Major Contracts* 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; and
* 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*; and
* 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.

FRD 22G

## Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Department. For the 12 months ending 30 June 2016, the Department received 26 applications. Of these requests, six were from Members of Parliament and the remainder were from the general public. Of the total requests received by the Department, the majority were acceded to, but three went to internal review with none progressing to the appeal stage.

FRD 22G

### Making a request

Access to documents may be obtained through written request to the Freedom of Information Manager, as detailed in s17 of the *Freedom of Information Act 1982.* In summary, the requirements for making a request are:

* it should be in writing;
* it should identify as clearly as possible which document is being requested; and
* it should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

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

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

Requests can also be lodged online at www.foi.vic.gov.au

Access charges may also apply once documents have been processed and a decision on access is made for example, photocopying and search and retrieval charges.

Further information regarding Freedom of Information can be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

Commentary – Freedom of Information

Legislative and documented references

FRD 22G

**FRD 22G** 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 and the remainder were from the general public’) and the outcome of the requests, in brief detail (e.g. ‘the majority were acceded to’); and
* 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.**

FRD 22G

## 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].*

Commentary – Compliance with the *Building Act 1993*

Legislative and documented references

**FRD 22G** states that a department’s annual report must include a ‘statement on 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);
* major works (greater than $50 000) not subject to certification of plans, mandatory inspections of the works and issue of occupancy permits or certificate of final inspection;
* mechanisms for inspection, reporting, scheduling and carrying out of rectification and maintenance works on existing buildings;
* number of buildings conforming with building standards;
* number of buildings that have been brought into conformity during the reporting period; and
* number of cases and circumstances where registered building practitioners became deregistered.

## 

## National Competition Policy

Under the National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

* the benefits of the restriction to the community as a whole outweigh the costs; and
* the objectives of the legislation can only be achieved by restricting competition.

The Department continues to comply with the requirements of the National Competition Policy.

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if they are not in the public interest. Government businesses are required to cost and price these services as if they were privately owned and thus be fully cost reflective. Competitive neutrality policy 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.

Therefore the Department is working to ensure that Victoria fulfils its requirements on competitive neutrality reporting for technological based businesses against the enhanced principles as required under the National Reform Agenda

Commentary – National Competition Policy

Legislative and documented references

FRD 22G

**FRD 22G** 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

Departments may wish to include some background information in this section, outlining the basis upon which NCP was implemented and subsequent reviews as part of the National Reform Agenda. This section should include details of compliance with competitive neutrality policy and background information on competitive neutrality.

## Compliance with the *Protected Disclosure Act 2012* (formerly the *Whistleblowers Protection Act 2001)*

FRD 22G

The *Protected Disclosure 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.

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 and/or officers may be made to any of the following Department personnel:

* the Protected Disclosure Coordinator;
* the Secretary of the Department;
* a Protected Disclosure Officer of the Department;
* a manager or supervisor of a person from the Department who chooses to make a disclosure; or
* a manager or supervisor of a person from the Department about whom a disclosure has been made.

FRD 22G

Alternatively, disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers may also be made directly to the Independent Broad‑based Anti‑corruption Commission:

Level 1, North Tower, 459 Collins Street   
Melbourne, VIC 3000  
Phone: 1300 735 135   
Internet: [www.ibac.vic.gov.au](http://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 Protected 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 *Protected Disclosure Act 2012*

|  |  |  |
| --- | --- | --- |
|  | 2015‑16 | 2014‑15 |
|  | number | 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 |

Commentary – Compliance with *Protected Disclosure Act 2012 (formerly the Whistleblowers Protection Act 2001*)

Legislative and documented references

FRD 22G

FRD 22G states that the department’s annual report should include a ‘summary of the application and operation of the *Protected Disclosure Act 2012*, including disclosures required by the Act’.

The *Protected Disclosure Act 2012* commenced operation on 10 February 2013 and replaces the former *Whistleblowers Protection Act 2001*.

Guidance

Similar to the former legislation, the applicable of the current *Protected Disclosure Act 2012* may be presented in a table format.

Illustration under the *Protected Disclosure Act 2012* has been prepared for departments only, **and 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]; and/or
* 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]; and/or
* considering the carer 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].

## Compliance with *Technology Act 1991*

Under section 4(a) of the *Technology Act 1991 [fictitious act]*, 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 2015‑16:

* 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; and
* no new research programs involving the use of animal tissues commenced.

Commentary – 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*,* for example the *Disability Act 2006,* which requires an entity to disclose its disability action plans, and other Acts as applicable to certain entities.

Disability action plans

A disability action plan is a strategic plan which helps an organisation to remove barriers that prevent people with a disability from using the organisation’s goods, services and facilities, and from gaining and keeping employment. Disability action planning strives to remove barriers for people with a disability from taking part in the organisation’s activities and in changing practices that may result in discrimination. The *Disability Act 2006* requires that all public sector bodies prepare a disability action plan and that departments report on the implementation of their disability action plan in their annual report (s38). Compliance with this legislation could take the format of a summary of achievements for the financial year in relation to the four areas of disability action planning under this Act.

Guidance

You 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 the Act.

FRD 24C

## Office based environmental impacts

*[It is important that you read the commentary for this section (on page 67) before making the disclosure below.]*

DOT’s Environment Management System (EMS) was set up to meet government requirements and to reduce the Department’s impact on the environment. The initial focus has been on the Department’s office‑based activities in the areas of energy and paper consumption, transportation to and during work, waste generation, water consumption, and green procurement. The program is independently audited each year by an environmental auditor appointed under the *Environment Protection Act 1970*.

The EMS objectives include:

* reducing the amount of waste, and maximising the amount reused and recycled;
* purchasing green power;
* separating office waste into reusable, recyclable, compost and true waste parts;
* reducing passenger vehicle fleet emissions;
* ensuring new capital works incorporate environmental sustainability principles;
* making environmentally sound purchasing decisions for capital items and consumables;
* adopting an environmental management system based on ISO14001;
* communicating environmental performance through regular reporting; and
* encouraging staff to reduce environmental impacts.

Following machinery of government changes, the *Research and Development of Biological Technology* output was transferred to Department of Natural Resources and the *New Technology Administration* output was received from the Department of Cabinet Administration. Environmental data relevant to the transferred and received outputs will be reported by the respective transferee.

### Eco Office Challenge

The Department uses the Eco Office Challenge to inspire departmental staff to continually improve performance in cutting energy, water and paper use, and reducing waste to landfill. A group of about 100 staff, called ‘eco office champions’, help develop, implement and refine a range of initiatives aimed at changing staff behaviour. Each month, the champions focus on a new topic to promote to staff, encouraging changes in behaviour to limit environmental impacts.

FRD 24C

### Energy

The Department consumes energy for a number of different uses including: office facilities (50 per cent); research and development facilities (20 per cent) and other uses such as *[describe].*

The data represented below was collected through energy retailer billing information and represents 80 per cent of sites and 95 per cent of FTE staff. The Department is continuing to develop systems to more comprehensively collect data, particularly for non‑office facilities.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | 2015‑16 | | | 2014‑15 | | |
|  | Electricity | Natural gas | Green power | Electricity | Natural gas | Green power |
| Total energy usage segmented by primary source (MJ) | 10 032 | 5 034 | 5 160 | 10 532 | 5 334 | 3 160 |
| Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO2 e) | 1 022 | 350 | .. | 1 222 | 380 | .. |
| Percentage of electricity purchased as green power | 20 |  |  | 30 |  |  |
| Units of energy used per FTE (MJ/FTE) | 89 |  |  | 68 |  |  |
| Units of energy used per unit of office area (MJ/m2) | 175 |  |  | 150 |  |  |
| **Actions undertaken** | | | | | | |
| Delamping | Delamping occurred throughout 95 per cent of sites across the state | | | | | |
| Implementation | All opportunities with paybacks less than four years implemented | | | | | |

## Targets

The following targets have been set for 2015‑16:

* 5 per cent energy intensity reduction, measured as MJ/m2, from 2010‑11 values by 30 June 2016; and
* purchase 25 per cent green power, as percentage of total electricity consumption, by 30 June 2016.

## Explanatory notes

The increase in total energy usage from 2014‑15 to 2015‑16 has occurred because the Department is now reporting data for an additional seven research facilities.

FRD 24C

### Waste

The waste generated by processes within the Department is divided into three general classes – landfill, compost and recycling.

The *aWay With Waste* system was made available to a slightly greater proportion of departmental staff in 2015‑16, with most regional sites now covered. This program facilitates the easy segregation of waste materials for recycling, composting or landfill in the Department’s offices.

The data presented below is derived from four waste audits that were each over five days and conducted at two sites accommodating over 30 per cent of employees.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Indicator | 2015‑16 | | | 2014‑15 | | |
|  | Landfill | Commingled recycling | Compost | Landfill | Commingled recycling | Compost |
| Total units of waste disposed of by destination (kg/yr) | 100 500 | 25 100 500 | 90 500 | 100 500 | 25 100 500 | 90 500 |
| Units of waste disposed of per FTE by destinations (kg/FTE) | 25 | 52 | 28 | 25 | 52 | 28 |
| Recycling rate (percentage of total waste) | 85 | | | 90 | | |
| Greenhouse gas emissions associated with waste disposal (t CO2‑e) | 15 500 | | | 12 500 | | |
| Actions undertaken | | | | | | |
| *aWay with Waste* | The program was launched at a further five sites and now covers 94 per cent of sites and 89 per cent of staff | | | | | |
| Fluro tube recycling | Introduction of fluro tube recycling at six sites | | | | | |

## Targets

The following targets have been set for 2015‑16:

* *aWay With Waste* to be available to 95 per cent of Department staff by 30 June 2016; and
* all Department sites with greater than 100 FTEs to have Green Collect service available by 30 June 2016.

## Explanatory notes

*[Insert as appropriate.]*

FRD 24C

### Paper

The Department is becoming more efficient in relation to paper use. Programs commenced during the reporting period which provided additional reductions in consumption.

|  |  |  |
| --- | --- | --- |
| **Indicator** | 2015‑16 | 2014‑15 |
| Total units of copy paper used (reams) | 522 509 143 | 600 585 222 |
| Units of copy paper used per FTE (reams/FTE) | 13.7 | 15.8 |
| Percentage of 75‑100% recycled content copy paper purchased | 86 | 80 |
| Percentage of 50‑75% recycled content copy paper purchased | 5 | 10 |
| Percentage of 0‑50% recycled content copy paper purchased | 9 | 10 |
| **Optional indicators** |  |  |
| Total units of A4 equivalent paper used in publications (reams) | Unable to access this data at time of publication | n/a |
| Percentage of publications publicly accessible electronically | 86 | 80 |
| **Actions undertaken** | | |
| Default paper | Default copy paper purchased through stationary supplier is 80 per cent recycled content. If this is unavailable, supply defaults to 50 per cent recycled content. | |

## Targets

The following targets have been set for 2015‑16:

Example provided by the Department of Sustainability and Environment

* reduce total units of A4 equivalent copy paper used (reams) by 5 per cent based on 2009‑10 baselines by 30 June 2016;
* reduce units of A4 equivalent copy paper used per FTE (reams per FTE) by 5 per cent based on 2009‑10 baselines by 30 June 2016;
* all the Department’s white A4 and A3 paper stock to have at least 70 per cent recycled content by 30 June 2016; and
* all the Department’s white A4 and A3 paper stock to have at least 80 per cent recycled content by 30 June 2016.

## Explanatory notes

*[Insert as appropriate.]*

FRD 24C

### Water

The data in the table below is based on water meter readings at five major departmental sites covering 70 per cent of staff. The reduction in water use has easily surpassed the earlier target of achieving a 10 per cent reduction in office based water consumption by 30 June 2016.

|  |  |  |
| --- | --- | --- |
| **Indicator** | 2015‑16 | 2014‑15 |
| Total units of metered water consumed by usage types (kilolitres) | 12 854 | 13 153 |
| Units of metered water consumed in offices per FTE (kilolitres/FTE) | 7.85 | 8.03 |
| Units of metered water consumed in offices per unit of office area (kilolitres/m2)) | 543 | 558 |
| **Actions undertaken** |  |  |
| Flow controllers | Flow controllers installed at all sites with greater than 10 FTEs | |
| Water efficient urinals | Water efficient urinals installed at all sites with greater than 50 FTEs | |

## Targets

The following targets have been set for 2015‑16:

* 10 per cent reduction in water consumption (litres per FTE) by 30 June 2016.

## Explanatory notes

*[Insert as appropriate.]*

FRD 24C

### Transport

The Department’s fleet comprises 800 vehicles, 60 per cent of which are operational vehicles, and the remainder executive fleet. Of the operational fleet, 50 per cent are LPG, 25 per cent are four cylinder petrol fuelled, 10 per cent are six cylinder petrol fuelled and 15 per cent are hybrid. The executive fleet comprised 80 per cent six cylinder petrol fuelled and 20 per cent hybrid vehicles.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Operational vehicles** | | | | | | | | | | | |
|  | 2015‑16 | | | | | | *2014/15* | | | | |
|  | 4 cyl diesel van | 6 cyl | | 4WD | | | 4 cyl diesel van | | 6 cyl | | 4WD |
| Total energy consumption by vehicles (MJ) | 10 800 | 16 200 | | 22 500 | | | 12 000 | | 18 000 | | 25 000 |
| Total vehicle travel associated with entity operations (km) | 114 480 | 171 720 | | 238 500 | | | 127 200 | | 190 800 | | 265 000 |
| Total greenhouse gas emissions from vehicle fleet (t CO2 e) | 269 028 | 403 542 | | 560 475 | | | 298 920 | | 448 380 | | 622 750 |
| Greenhouse gas emissions from vehicle fleet per 1 000km travelled (t CO2 e) | 0.18811831 | 0.28217747 | | 0.39191315 | | | 0.1693065 | | 0.2539597 | | 0.352722 |
|  | | |  | | | | |  | | | |
|  | | | 2015‑16 | | | | | *2014/15* | | | |
| Total distance travelled by aeroplane (km) | | | 13 500 | | | | | 15 000 | | | |
|  | | | CBD | | Metro | Regional | | CBD | | Metro | Regional |
| Percentage of employees regularly (>75 per cent of work attendance days) using public transport, cycling, walking, or carpooling to and from work or working from home, by locality type. | | | 84% | | 68% | 13% | | 80% | | 65% | 12% |

## Targets

The following targets have been set for 2015‑16:

* reduce consumption of unleaded petrol used by the Department’s passenger vehicle fleet compared to 2013‑14 by 10 per cent by 30 June 2016; and
* reduce the distance travelled annually in passenger vehicles by the Department’s employees by 10 per cent by 30 June 2016.

## Explanatory notes

*[Insert as appropriate.]*

FRD 24C

### Greenhouse gas emissions

The emissions disclosed in the section below are taken from the previous sections and brought together here to show the Department’s greenhouse footprint.

|  |  |  |
| --- | --- | --- |
| **Indicator** | 2015‑16 | 2014/15 |
| Total greenhouse gas emissions associated with energy use (t CO2 e) | 1 372 | 1 602 |
| Total greenhouse gas emissions associated with vehicle fleet (t CO2 e) | 1 233 | 1 370 |
| Total greenhouse gas emissions associated with air travel (t CO2 e) | 510 | 523 |
| Total greenhouse gas emissions associated with waste production (t CO2 e) | 78 | 83 |
| Greenhouse gas emissions offsets purchased (t CO2 e) | .. | .. |
| **Optional indicators** | | |
| Any other known greenhouse gas emissions associated with other activities (t CO2 e) | 18 | 23 |
| **Actions undertaken** | | |
| All the actions undertaken in the energy, waste and transport sectors will help to reduce the Department’s impacts. | | |
| The Department’s full greenhouse inventory can be found at www.dot.vic.gov.au/ghginventory *[fictitious web address]* | | |

## Targets

The following targets have been set for 2015‑16:

* to increase the number of greenhouse sources accounted in the greenhouse inventory by two per year until 2016; and
* to reduce the Department’s carbon footprint by 50 per cent by 2035.

## Explanatory notes

*[Insert as appropriate.]*

### Other information

Actions taken during the year to reduce energy use in buildings include:

* replacement of older, inefficient boilers with higher efficiency boilers including a new control strategy and pump system; and
* a staff awareness program to encourage staff to turn off equipment and lights after use.

Actions taken during the year to reduce energy use in the Department’s vehicle fleet:

* converted dedicated departmental vehicles from petrol to LPG; and
* purchase of a number of hybrid vehicles to reduce fuel usage and greenhouse gas emissions.

The Department has developed a green purchasing policy that complies with the Government’s Environmental Purchasing Policy. While value for money is the core principle governing the Department’s procurement activities, the Department’s green purchasing policy also requires environmental considerations to be included in the procurement planning stage, tender specifications and tender evaluation criteria, where applicable.

## Procurement

FRD 24C

The Department’s main areas of procurement are contractors (40 per cent), and goods and services (60 per cent).

Examples of how the Department has incorporated environmental considerations into procurement decision making include:

* clauses in quotes and tender documents requiring tenderers to disclose environmental breaches;
* clauses in quotes and tender documents requiring tenderers to disclose environmental practices; and
* weighting of environmental considerations in quotes and tenders.

Tenders, contracts, or products for which the Department has developed or is using sustainability clauses or specifications include:

* stationery contract; and
* uniforms contract.

## Targets

The following targets have been set for 2015‑16:

* to always purchase printing paper containing at least 50 per cent recycled properties.

## Explanatory notes

*[Insert as appropriate.]*

Commentary – Environmental reporting

Legislative and documented references

FRD 24C

**FRD 24C** states that the department’s annual report of operations must disclose information on the aspects of energy use, waste production, paper use, water consumption, transportation fuel consumption, greenhouse gas emissions and sustainable procurement, and other information relevant to understanding and reducing its office‑based environmental impacts.

In addition, for water consumption purposes, departments must now report on water sources, the purposes for which water is consumed (office/non‑office and government‑owned/leased properties), and information about the source and coverage of the water consumption data. Guidance on the reporting format for environmental data and a new definition of ‘water use’ is available in the guidance note to the FRD.

The FRD also outlines suggestions of what information departments may wish to disclose voluntarily including intentions and principles in relation to environmental performance, environmental awareness raising techniques and environmental management system objectives, targets and other relevant indicators.

A detailed list of the mandatory disclosure requirements is outlined in the FRD.

Guidance

Departments are required to include environmental reporting in their annual report, in order to reflect the Government’s objective to improve environmental management through departments managing and reducing the environmental impacts of their office‑based activities.

This section should be a mix of narrative, illustrating the department’s environmental performance achievements and tables or charts showing actual performance against targets.

Many of the achievements in this section will have been due to staff changing work behaviours and being more aware of reducing consumption of elements such as paper, water and energy.

A list of useful definitions relating to environmental reporting and websites that may assist in developing suitable environmental measures and reports, including the *Government environmental purchasing policy* and *Our environment our future* – *Sustainability action statement 2006,* is also included in FRD 24C.

Please note that non‑office based disclosure, while encouraged, is not currently a requirement of FRD 24C.

Additional guidance

The latest guidance to FRD 24C on environmental reporting from the Department of Environment, Land, Water and Planning (DELWP) can be found on the DTF website at:

[http://www.dtf.vic.gov.au/Publications/Government‑Financial‑Management‑publications/Financial‑Reporting‑Policy/Financial‑reporting‑directions‑and‑guidance](http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-Reporting-Policy/Financial-reporting-directions-and-guidance)

A guide for FRD 24C reporting was developed and outlines the rationale for environmental reporting and the Government’s broad objectives for introducing these measures. It also provides reporting indicators for each area (energy, water, waste and transportation) and very detailed guidance on data sources, collection and analysis for each key indicator.

The guide includes definitions and conversion tables for various energy and consumption measures, as well as tools and resources to assist with environmental reporting. Appendix 2 *Optional reporting*, of the guidance outlines optional reporting measures that departments may choose to include in their environmental reporting section, such as recycling (e.g. kilograms of paper recycled, number of toner cartridges recycled, etc.).

## Additional departmental information available on request

FRD 22G

In compliance with the requirements of the Standing Directions of the Minister for Finance, 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*.

1. a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the Department;
2. …
3. …

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](mailto:information@dot.vic.gov.au)

*[Refer to FRD 22G* Standard Disclosures in Report of Operation *for the latest detailed list of information required to be retained and made available on request to complete the list in the table above.]*

Commentary – Additional departmental information available on request

Legislative and documented references

**FRD 22G** 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 22G *Standard Disclosures in Report of Operation* 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 22G* for further guidance to assist entities to comply with any request for this information. This guidance is available from:

[http://www.dtf.vic.gov.au/Publications/Government‑Financial‑Management‑publications/Financial‑Reporting‑Policy/Financial‑reporting‑directions‑and‑guidance](http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-Reporting-Policy/Financial-reporting-directions-and-guidance)

Revised

SD 4.5.5

## Attestation for compliance with *Ministerial Standing Direction 4.5.5*

I, *[Responsible Body]* certify that the Department of Technology has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Department of Technology Audit Committee has verified this.

<Signature>

J Smith  
Secretary  
Department of Technology

Commentary – Attestation for compliance with *Ministerial Standing Direction 4.5.5*

Legislative and documented references

Revised

SD 4.5.5

Victorian Government Risk Management Framework

*Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes*directs that the responsible body must ensure the public sector agency complies with the mandatory requirements set out in the *Victorian Government Risk Management Framework* (VGRMF).

To comply with *Ministerial Standing Direction 4.5.5* agencies need to meet the mandatory requirements in the VGRMF. The responsibility for the agency’s risk management performance rests primarily with the responsible body.

The updated VGRMF, which now incorporates both the risk management and insurance requirements, was approved by the Minister for Finance and with the relevant Ministerial Standing Directions revised in May 2015.

Entities are strongly encouraged to read the VGRMFpublished by the Department of Treasury and Finance for more information. An electronic copy of the publication is accessible from:

[http://www.dtf.vic.gov.au/Publications/Victoria‑Economy‑publications/Victorian‑risk‑management‑framework‑and‑insurance‑management‑policy](http://www.dtf.vic.gov.au/Publications/Victoria-Economy-publications/Victorian-risk-management-framework-and-insurance-management-policy)

Guidance

Under Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes departments and agencies must provide an annual attestation of compliance.

The responsible body of a department or agency is responsible for the accuracy and completeness of attestation and should utilise audit committees or other internal governance bodies, where available, to support the view expressed. For a department, the accountable officer is the responsible body. For other agencies, it is the board or the person with ultimate decision making authority.

For the risk management and insurance requirements the agency must::

* conduct an annual review of its compliance with both the risk management and insurance requirements;
* attest in the agency’s annual report that it has complied with Ministerial Standing Direction 4.5.5 or, if it is partially in compliance, identify areas of non‑compliance and remedial actions taken in the attestation; and
* ensure the Audit Committee reviews and monitors compliance with Ministerial Standing Direction 4.5.5, and makes a recommendation to the Responsible Body on the level of compliance attained.

Attestation of compliance should be made annually in the report of operations and the person making the attestation, usually the chief Executive Officer or accountable officer, should not make the attestation unless the audit committee or responsible body (for instance the board of a statutory authority) agrees that such an assurance can be given.

**Below is the suggested attestation disclosure for statutory authorities and other relevant entities:**

*I, [Responsible Body] certify that the [Agency] has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The [Agency] Audit Committee has verified this [if an audit committee is available to verify].*

*[Signature]*

*[Signatory details]*

## Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the information [*insert relevant information submitted to DataVic e.g. all data tables*] included in this Annual Report will be available at <http://www.data.vic.gov.au/> in electronic readable format *[note: suitable formats are CSV, XLS, XML etc., PDF and Word are not suitable formats].*

Commentary – DataVic Access Policy

Guidance

In August 2012 the Victorian Government released the [DataVic Access Policy](http://www.data.vic.gov.au/../../../../cms/policy/285), which enables the sharing of Government data at no, or minimal, cost to users. Government data from all agencies will be progressively supplied in a 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; and
* strategies for the coming year, including a list of proposed categories of datasets to be made available.

Revised

FRD 10A

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.

| Legislation | Requirement | Page reference |
| --- | --- | --- |
| Ministerial Directions | | |
| Report of operations – FRD guidance | | |
| Charter and purpose | | |
| FRD 22G | Manner of establishment and the relevant Ministers | Page 12 |
| FRD 22G | Purpose, functions, powers and duties | Page 13 |
| FRD 8D | Departmental objectives, indicators and outputs | Page 15 |
| FRD 22G | Key initiatives and projects | Page 18 |
| FRD 22G | Nature and range of services provided | Page 12 |
| Management and structure | | |
| FRD 22G | Organisational structure | Page 34 |
| Financial and other information | | |
| FRD 8D | Performance against output performance measures | Page 18 |
| FRD 8D | Budget portfolio outcomes | Page 25 |
| FRD 10A | Disclosure index | Page 71 |
| FRD 12A | Disclosure of major contracts | Page 53 |
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FRD 10A

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| Legislation | | |
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FRD 10A

Commentary – Disclosure index

**FRD 10A** 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 has to comply with;
* a short description of the relevant requirements; and
* 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.

Department of Technology – Model financial statements

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About the Model financial statements

The Model financial statements (the Model) illustrates the minimum disclosure requirements for the financial statements and accompanying notes that are representative of the types of transactions and events that may occur in departments. Departments are **required to adopt the presentation formats** (the look and feel)illustratedin the Model in preparing their financial statements and notes. However, the **textual information** and illustrations provided in the Model are based on a fictitious department and **should not** be used as a template.

The requirement for departments to adopt the presentation format in the Model is in accordance with Direction 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act* *1994*. In addition, departmental financial statements must also comply with:

* Australian Accounting Standards (AASs) which includes Interpretations;
* Financial Reporting Directions (FRDs); and
* business rules in the Budget Financial Management Guidances (BFMGs).

FRD 30C

Additionally, FRD 30C provides specifications on the design of annual reports, use of colour and images, standard sizing, paper stocks, and other publishing requirements, which focus on reducing publication costs and environmental impacts, and enable greater consistency in the presentation of government annual reports. The FRD can be found on the DTF website [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au) under Financial Reporting Directions.

Use of professional judgement

The Model provides a valuable guide by illustrating the **minimum** disclosure requirements in accordance with the requirements of applicable AASs and FRDs. However, Model users will need to use their own knowledge of the disclosure requirements of applicable pronouncements and to use professional judgement in making appropriate disclosures following the guidance in this Model.

Modelusers **should not**:

* use this Model as a substitute for referring to the AASs and FRDs themselves. Preparers should ensure that their annual reports comply with all new/revised AASs and FRDs that may be issued subsequent to the publication of the Model that are applicable;
* simply copy and paste the textual information and illustrations from the Model into their disclosure notes, except for financial table formats. Textual information and illustrations are based on a fictitious department. Entities should assess their own situations and provide textual information accordingly; and
* disclose all the line items illustrated in the financial statements and the notes in this Model without considering materiality.

Minimum general requirements under AASB 101 and AASB 108

AASB 101.10  
AASB 101.Aus1.1 (b) and 1(c)

Minimum general requirements relating to the format of the general purpose financial statements are established in AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors,* and have been applied in the Model.

AASB 101 allows the **presentation formats** of financial statements in the Model to be aligned with the general government sector financial statement formats that are in compliance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The aim of aligning the Modelpresentation of financial statements with AASB 1049 formats was to achieve greater consistency in reporting across the Victorian public sector. All Victorian public sector entities (whether incorporated or unincorporated or for‑profit or not‑for‑profit) are encouraged to apply the financial statement formats presented in this Model.

General disclosures

The general disclosures include that:

AASB 101.49

* the complete set of financial statements shall be identified clearly and distinguished from other information in the same published document;

AASB 101.36

* a complete set of financial statements shall be presented at least annually;

AASB 101.36

* if the entity’s reporting period changes and the annual financial statements are presented for a period longer or shorter than one year, the entity shall disclose, in addition to the period covered by the financial statements:
* the reason for using a longer or shorter period; and
* the fact that comparative amounts for the comprehensive operating statement, the statement of changes in equity, cash flow statement and related notes are not entirely comparable;

AASB 101.39

* 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 and the adjustment is **material**, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes. This is illustrated separately in the Modelin the guidance to *Note 8.*

AASB 101.51

* each component of the complete set of financial statements shall be clearly identified;
* the following information shall be displayed prominently and repeated where necessary for a proper understanding of the information presented:

AASB 101.51(a)

* the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;

AASB 101.51(b)

* whether the financial statements are of the individual entity or a group of entities;

AASB 101.51(c)

* the date of the end of the reporting period covered by the set of financial statements or notes;

AASB 101.51(d)

* the presentation currency; and

AASB 101.51(e)

AASB 101.45

* the level of rounding used in presenting amounts in the financial statements;
* the presentation and classification of items in the complete set of financial statements shall be retained from one period to the next unless:

AASB 101.45(a)

* it is apparent, following a significant change in the nature of the entity’s operations or a review of its complete set of 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; or

AASB 101.45(b)

* an AAS requires a change in presentation.

Specific disclosures

The following information shall be disclosed in the complete set of financial statements:

AASB 101.138(a)

* the domicile and legal form of the entity, its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office);

AASB 101.138(b)

* a description of the nature of the entity’s operations and its principal activities; and

AASB 101.138(c)

* the name of the parent and the ultimate parent of the group (this requirement is considered to be met by the following statement – ‘The Department is administrative agency acting on behalf of the Crown’).

Additional line items, headings and subtotals

AASB 101.55

Additional line items, headings and subtotals shall be presented in the financial statements when such presentation is relevant to an understanding of the entity’s financial performance and position.

General presentation requirements

Consistency

AASB 101.45

The presentation and classification of items in the financial statements shall be retained from one period to the next unless:

(a) 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; or

(b) an AAS requires a change in presentation.

Materiality and aggregation

AASB 101.29

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.

Offsetting

AASB 101.32

Income, expenses, assets and liabilities shall not be offset unless required by an AAS or permitted by an FRD issued by DTF.

Offset of financial assets and financial liabilities

AASB 132.42

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet only when an entity:

(a) currently has a legally enforceable right to set off the recognised amounts; and

(b) 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.

Comparative information

AASB 101.38

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.

Reclassification of financial information

AASB 101.41

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:

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

AASB 101.42

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

(a) the reason for not reclassifying the amounts; and

(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

Errors made in prior periods

AASB 108.42

Material prior period errors shall be retrospectively corrected in the first complete set of financial statements authorised for issue after their discovery by:

(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or

(b) 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 108.43

Exceptions to this will be made to the extent that it is impracticable to determine the:

AASB 108.44

(a) 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); and/or

AASB 108.45

(b) 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 108.46

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.

Change in accounting policy

AASB 108.19

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 108.22

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.

Change in accounting estimate

AASB 108.36(a)

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(b)

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.

True and fair override

AASB 101.15

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 101.23

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 entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

AASB 101.23(a)

(a) 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; and

AASB 101.23(b)

(b) 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.

Not‑for‑profit guidance

Not‑for‑profit terminology

AASB 101.5

AASB 101 uses terminology that is suitable for for‑profit entities, including public sector business entities. Entities with not‑for‑profit activities in the public sector applying AASB 101 may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves. These entities should use this Model as a guide.

Compliance with Aus paragraphs

From time to time, the AASB adds Aus paragraphs to existing AASs for specific application by not‑for‑profit public sector entities. Where applicable these paragraphs must be complied with by departments and other government not‑for‑profit public sector entities.

For‑profit guidance

Although the Model is aimed at government departments, DTF is aware that there are some for‑profit entities that also use the Model as guidance. To accommodate these users, the Model includes some commentary and sample disclosures to act as a guide for for‑profit entities. For‑profit entities should be mindful that the Model is not intended as a comprehensive for‑profit guide.

Exclusions

As stated earlier, this Model does not and cannot be expected to cover all situations that may be encountered in practice.

Specifically, this Model does not provide illustration guidance on the disclosure requirements of the following AASs that have been issued and become effective by the AASB up to and including 1 March 2016.

| **Reference** | **Title** |
| --- | --- |
| AASB 1 | First‑time Adoption of Australian Accounting Standards |
| AASB 2 | Share‑based Payment |
| AASB 4 | Insurance Contracts |
| AASB 6 | Exploration for and Evaluation of Mineral Resources |
| AASB 8 | Operating Segments |
| AASB 111 | Construction contracts |
| AASB 112 | Income Taxes |
| AASB 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| AASB 124 | Related Party Disclosures\* |
| AASB 129 | Financial Reporting in Hyperinflationary Economics |
| AASB 133 | Earnings per Share |
| AASB 134 | Interim Financial Reporting |
| AASB 1023 | General Insurance Contracts |
| AASB 1038 | Life Insurance Contracts |
| AASB 1039 | Concise Financial Reports |
| AASB 1048 | Interpretation of Standards |
| AASB 1053 | Application of Tiers of Australian Accounting Standards |
| AAS 25 | Financial Reporting by Superannuation Plans |
| Interpretation 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| Interpretation 2 | Members’ Shares in Co‑operative Entities and Similar Instruments |
| Interpretation 5 | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| Interpretation 6 | Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment |
| Interpretation 7 | Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies |
| Interpretation 9 | Reassessment of Embedded Derivatives |
| Interpretation 10 | Interim Financial Reporting and Impairment |
| Interpretation 12 | Service Concession Arrangements |
| Interpretation 13 | Customer Loyalty Programmes |
| Interpretation 14 | AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction |
| Interpretation 15 | Agreements for the Construction of Real Estate |
| Interpretation 16 | Hedges of a Net Investment in a Foreign Operation |

Exclusions *(continued)*

|  |  |
| --- | --- |
| **Reference** | **Title** |
| Interpretation 17 | Distributions of Non‑cash Assets to Owners |
| Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |
| Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine |
| Interpretation 21 | Levies |
| Interpretation 107 | Introduction of the Euro |
| Interpretation 110 | Government Assistance – No Specific Relation to Operating Activities |
| Interpretation 125 | Income Taxes – Changes in the Tax Status of an Entity or Its Shareholders |
| Interpretation 127 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease |
| Interpretation 131 | Revenue – Barter Transactions Involving Advertising Services |
| Interpretation 132 | Intangible Assets – Web Site Costs |
| Interpretation 1003 | Australian Petroleum Resource Rent Tax |
| Interpretation 1019 | The Superannuation Contributions Surcharge |
| Interpretation 1030 | Depreciation of Long‑lived Physical Assets: Condition‑based Depreciation and Related Methods |
| Interpretation 1042 | Subscriber Acquisition Costs in the Telecommunications Industry |
| Interpretation 1047 | Professional Indemnity Claims Liabilities in Medical Defence Organisations |
| Interpretation 1052 | Tax Consolidation Accounting |
| Interpretation 1055 | Accounting for Road Earthworks |

\*AASB 2015‑6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not‑for‑Profit Public Sector Entities removes the exemption for not‑for‑profit public sector entities from AASB 124 Related Party Disclosures for annual reporting periods beginning 1 January 2016.

All amending standards relevant to the standards excluded from illustration in the Model have not been listed for practical purpose.

Update to 1 March 2016, all accounting standards applicable for current and future reporting periods have been listed in Appendix 5 of the 2015‑16 Model Report. For any subsequent release of the accounting pronouncements up to 30 June 2016, please refer to the upcoming FRD 120J Accounting and Reporting Pronouncements Applicable to the 2015‑16 Reporting Period.

IASB/AASB developments potentially relevant to government

Entities are encouraged to refer to the latest publication of Accounting Policy Update (newsletter), for the most up‑to‑date information on IASB/AASB developments that are relevant to public sector entities.

This newsletter is available from:

[http://www.dtf.vic.gov.au/Publications/Government‑Financial‑Management‑publications/Financial‑Reporting‑Policy/Accounting‑policy‑update‑newsletters](http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-Reporting-Policy/Accounting-policy-update-newsletters)

Accounting pronouncements

Entities are encouraged to refer to the AASB website for the latest applicable pronouncements for the 2015‑16 reporting period. DTF also releases an updated version of FRD 120 on the applicable FRDs and AASs for the current reporting year on a yearly basis (usually published in early July on the DTF website). This FRD is applicable to departments and public bodies, and this year’s version will be FRD 120J *Accounting and Reporting Pronouncements Applicable to 2015‑16 Reporting Period*.

Budget and Financial Management Guidances

Budget and Financial Management Guidances (BFMGs) provide detailed guidances on the elements of the existing budget and financial management policy framework, and how it is to be applied. BFMGs typically provide guidance on how to comply with relevant sections of the FMA, manage accrual output budget management issues or how to apply relevant AASs. The BFMGs are currently being revised as part of the revisions to the Standing Directions of the Minister for Finance and will remain operational until 30 June 2016.

The BFMGs relevant to financial reporting are listed below in numeric sequence and are accessible at [http://www.dtf.vic.gov.au/Government‑Financial‑Management/Budgeting](http://www.dtf.vic.gov.au/Government-Financial-Management/Budgeting) by only departments and entities internal to the Victoria public sector (VPS) network.

|  |  |  |
| --- | --- | --- |
| **Reference** | **Title** | **Description** |
| BFMG 22 | Depreciation expense and accumulated depreciation | Guidance on how depreciation expense and accumulated depreciation is treated under accrual output budgeting. |
| BFMG 22 | Appendix: Depreciation – indicative rates | Sets out the indicative depreciation rates for assets. |
| BFMG 23 | Depreciation on administered assets | Guidance on how departments should calculate and record depreciation expense on their administered non‑current assets. |
| BFMG 25 | Recognition of non‑current physical assets | Provides the framework for the recognition of non‑current physical assets. |
| BFMG 26 | Inventory: purchase, valuation, expense | Guidance on inventory purchase and usage, including stock obsolescence and treatment in departments’ financial statements and budget planning. |
| BFMG 27 | Long service leave | Guidance on how departments should provide for the cost of employees long service leave. |
| BFMG 28 | Provided and accrued annual leave | Guidance on distinction between accrued and provided annual leave. |
| BFMG 29 | Leases | Guidance on the treatment of lease costs in departmental budgeting. |
| BFMG 30 | Redundancy payments | Guidance on how the costs of redundancy payments should be treated in departmental budgeting. |
| BFMG 31 | Motor vehicle leasing | Guidance on how departments/agencies should account for actual and budget transactions relating to the new VicFleet vehicle finance leases. |
| BFMG 33 | Sale or disposal of non‑current physical assets | Guidance on the key factors that should be considered in determining when an asset sale or disposal has effectively taken place and therefore when it should be recognised. |
| BFMG 34 | Meeting cash costs of departments | Guidance on how the cash expenditure commitments of departments are met. |
| BFMG 35 | Accounting for the remittance of cash to the Consolidated Fund following sale of non‑financial assets | Guidance on accounting treatment of all asset sales of a department (other than inventory and consumables) where the sales proceeds are required to be paid into the Consolidated Fund. |
| BFMG 36 | Asset valuation policy | Describes how adjustments to asset values in the opening departmental statement of financial position can affect output costs and appropriations. |
| BFMG 37 | Liability for accumulated superannuation | Guidance on the issue of accumulated superannuation liability on departments’ statements of financial position. |

Budget and Financial Management Guidances *(continued)*

|  |  |  |
| --- | --- | --- |
| **Reference** | **Title** | **Description** |
| BFMG 39 | Departmental surpluses/deficits | Guidance on the treatment of the operating surplus or deficit. |
| BFMG 45 | Materiality | Guidance on what is a material or significant item for budget purposes. |
| BFMG 46 | Contributed capital: accounting for and reconciliation between the department’s administered investment in controlled entities and contributed capital | Guidance on how departments account for and reconcile between the department’s investment in controlled entities and the State Administrative Unit (SAU). |
| BFMG 47 | Monthly reporting | Guidance on what information that departments are required to report to DTF on a monthly basis. |
| BFMG 60 | Administered and controlled classification | Guidance on the basis for classifying items in financial statements as either administered or controlled. |
| BFMG 61 | Financial statements: controlled and administered items | Guidance on how departments should display controlled and administered items in their financial statements. |
| BFMG 65 | Inter/intra agency trading | Guidance on how departments should budget for income earned by internal and sales to other departments. |

This BFMG list reflects information available as at 1 March 2016.

Accountable Officer’s and Chief Finance and Accounting Officer’s declaration

SD 4.2(c)

Revised

The attached financial statements for the Department of Technology have been prepared in accordance with Direction 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

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 2016 and financial position of the Department at 30 June 2016.

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.

We authorise the attached financial statements for issue on 15 August 2016.

|  |  |
| --- | --- |
| [Signature]  R McIvor Chief Finance and Accounting Officer  Department of Technology  Melbourne 15 August 2016 | [Signature]  J Smith  Secretary Department of Technology  Melbourne 15 August 2016 |

Commentary – Accountable Officer’s and Chief Finance and Accounting Officer’s declaration

SD 4.2(c)

It is recommended that the general purpose financial statements of a government department should form part of, or be presented in a manner which enables it to be read in conjunction with, the annual report of that government department. To that end, SD 4.2(c) requires that the financial statements of a government department and a public body must, where applicable, be signed and dated by the Accountable Officer, Chief Finance and Accountable Officer (CFAO) and a member of the responsible body.

For departments, the secretary also represents the responsible body, therefore only two signatories are required for the departmental financial statements. (For public bodies, only two signatories are required if the Accountable Officer or the CFAO is a member of the public body’s board. However, if the Accountable Officer and the CFAO are not members of the public body’s board, three signatures are required.)

SD 3.1.2

In light with the direction set out in SD 3.1.2, the responsible body must ensure financial management leadership is secured from a suitably experienced and qualified CFAO. It is recommended, but not mandatory, that the CFAO should hold at least tertiary level accounting qualifications and membership of the Chartered Accountants Australia and New Zealand (CAANZ), CPA Australia, National Institute of Accountants (NIA), or equivalent.

**Abolished agencies and financial declarations required by SD 4.2(c)**

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 as required by SD 4.2(c).

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 successor in law of the agency should take on responsibility for meeting the requirements of SD 4.2(c).

If, for any reason, no successor in law 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 CFAO in the abolished entity, it is recommended that any one signing a declaration in the place of a CFAO is expected to hold the experience and qualifications of CFAOs as suggested in the above section.

**Declaration details**

The declaration should state:

AASB 101.15

(a) their opinion on the fairness of presentation of the financial statements. 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 framework. The application of AASs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation; and

AASB 101.17

(b) 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.



**INDEPENDENT AUDITOR’S REPORT**

*[Please insert independent auditor’s report received.]*

AASB 101.10(b)  
AASB 101.85  
AASB 101.97

AASB 101.82(a)

AASB 1004.63(a)

AASB 1004.63(a)

AASB 118.35(b)(iii)

AASB 118.35(b)(i)

AASB 1004.62

AASB 101.85

AASB 101.99

AASB 101.85

AASB 101.85

AASB 101.82(b)

AASB 101.85

AASB 101.82(b)

AASB 101.85

AASB 1049.32

AASB 101.85‑86

AASB 101.98(c)

AASB 101.82(c)

AASB 101.85

AASB 5.33(a)

AASB 101.85

AASB 101.82A(a)

AASB 128.39

AASB 101.82A(b)

AASB 7.20(a)(ii)

AASB 101.8

Department of Technology financial statements

Comprehensive operating statement for the financial year ended 30 June 2016

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| FOR ILLUSTRATIVE PURPOSES ONLY | Notes | 2016 | 2015 |
| **Continuing operations** |  |  |  |
| **Income from transactions** |  |  |  |
| Output appropriations |  | 85 535 | 63 682 |
| Special appropriations |  | 8 128 | 11 396 |
| Interest | 4(a) | 3 864 | 2 897 |
| Sale of goods and services | 4(b) | 1 839 | 1 346 |
| Grants | 4(c) | 306 | 140 |
| Fair value of assets and services received free of charge or for nominal consideration | 4(d) | 1 589 | 1 708 |
| Other income | 4(e) | 6 213 | 5 091 |
| **Total income from transactions** |  | **107 474** | **86 260** |
| **Expenses from transactions** |  |  |  |
| Employee expenses | 5(a) | (13 767) | (10 970) |
| Depreciation | 5(b) | (15 099) | (12 157) |
| Interest expense | 5(c) | (2 366) | (2 336) |
| Grants and other transfers | 5(d) | (32 883) | (43 040) |
| Capital asset charge |  | (1 309) | ( 720) |
| Other operating expenses (i) | 5(e) | (15 828) | (8 197) |
| **Total expenses from transactions** |  | **(81 252)** | **(77 421)** |
| **Net result from transactions (net operating balance)** |  | **26 223** | **8 839** |
| **Other economic flows included in net result** |  |  |  |
| Net gain/(loss) on non‑financial assets (ii) | 6(a) | (5 161) | 1 805 |
| Net gain/(loss) on financial instruments (iii) | 6(b) | (5 891) | (3 971) |
| Share of net profits/(losses) of associates and joint entities, excluding dividends | 6(c) | 1 286 | 1 397 |
| Other gains/(losses) from other economic flows | 6(d) | (2 895) | (2 047) |
| **Total other economic flows included in net result** |  | **(12 661)** | **(2 816)** |
| **Net result from continuing operations** |  | **13 562** | **6 023** |
| Net result from discontinued operations | 10(c) | 1 229 | 3 856 |
| **Net result** |  | **14 790** | **9 879** |
| **Other economic flows – other comprehensive income** |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |
| Changes in physical asset revaluation surplus (iv) | 35 | 7 403 | 2 825 |
| Share of net movement in revaluation surplus of associates and joint ventures | 35 | 260 | 280 |
| **Items that may be reclassified subsequently to net result** |  |  |  |
| Changes to financial assets available‑for‑sale revaluation surplus (iv) | 35 | (1 250) | 996 |
| **Total other economic flows – other comprehensive income** |  | **6 413** | **4 101** |
| **Comprehensive result** |  | **21 203** | **13 980** |

**The comprehensive operating statement should be read in conjunction with the notes to the financial statements**.

Notes:

(i) ‘Other operating expenses includes bad debts expense from transactions that are mutually agreed – refer to definition of ‘transactions’ in Note 44.

(ii) ‘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.

Notes (continued):

(iii) ‘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 available‑for‑sale revaluation surplus.

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

[The use of brackets to reflect outgoings in the financial columns of the comprehensive operating statement is consistent with the Model report of prior years.]

Commentary – Comprehensive operating statement

AASB 1049.29 and 1049.30

Presentation of comprehensive operating statement

The comprehensive operating statement presents income and expense items separated by whether or not 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 (termed as ‘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.

For further information on transactions and other economic flows, refer to Note 1(E) *Scope and presentation of financial statements*, Note 44 *Glossary of terms and style conventions* and Appendix 2 of this Model.

Revised terminology

Consistent with the revised AASB 101 *Presentation of Financial Statements*, references to ‘other non‑owner changes in equity’ or ‘other changes in equity’ were amended to ‘other comprehensive income’.

**Materiality**

An entity must assess and make judgements to determine if an item is material. As a general guide, accounting policies 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; and
* affect the discharge of accountability by management or governing body of the entity.

Classification of expenses by nature or function

AASB 101.99 and 100

An entity shall present, either in the comprehensive operating statement or in the notes to the financial statements, an analysis of expenses using a classification based on either the nature or their function in the entity, whichever provides information that is reliable and more relevant.

AASB 101.29

Regardless of whether expenses are classified by nature or by function, each material class is separately disclosed. Unclassified expenses that are immaterial both individually and in aggregate may be combined and presented as a single line item. It follows that the total of unclassified expenses is unlikely to exceed 10 per cent of total expenses classified by nature or by function.

Commentary – Comprehensive operating statement *(continued)*

Information to be presented

In the profit or loss (i.e. net result) section of the comprehensive operating statement

AASB 101.82

As a minimum, the comprehensive operating statement shall include line items that present the following amounts for the period:

(a) revenue;

(b) finance costs;

(c) share of the profit or loss of associates and joint ventures accounted for using the equity method;

(d) tax expense; and

(e) a single amount for the total of discontinued operations.

AASB 101.82A

In the other comprehensive income (i.e. other economic flow) section of the comprehensive operating statement

The other comprehensive income section shall present line items for amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other Australian Accounting Standards:

(a) will not be reclassified subsequently to profit or loss; and

(b) will be reclassified subsequently to profit or loss when specific conditions are met.

Income

The income required to be disclosed by AASB 101 (the income line items) include all income recognised in accordance with AASB 118 *Revenue* and AASB 1004 *Contributions* requirements.

Disclosure is also required for the amount of income arising from the exchange of goods or services included in each significant category of income.

Reconciliation to detailed categorisation

The income and expenses disclosed in the comprehensive operating statement are reconciled to the detailed categorisation of income and expenses unless these disclosures are presented in the comprehensive operating statement.

‘Net result from transactions’ vs ‘other economic flows’

Refer to Note 44 for the definitions of ‘net result from transactions’, ‘other economic flows included in net result’ and ‘other economic flows – other comprehensive income’. Further guidance on the classifications of comprehensive operating statement can be found in Appendix 2.

For entities subject to National Tax Equivalent Regime

AASB 101.90‑91

Those entities that are subject to National Tax Equivalent Regime (NTER) are required to disclose in the comprehensive operating statement additional items such as 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.

Commentary – Comprehensive operating statement *(continued)*

Either in the comprehensive operating statement or in the notes

Material items of income and expense

AASB101.97

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.

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.

Disclosure of additional information

AASB 101.85

In addition to those disclosures explained above, additional line items, headings and subtotals shall be presented in the comprehensive operating statement when such presentation is relevant to an understanding of the entity’s financial performance. Entities should ensure that where additional information is to be disclosed, disclosure and presentation should be aligned to and consistent with the requirements in AASB 1049 (refer to Appendix 1: *Extracts of whole of government financial statements and analysis of disclosures*).

AASB 108.19, 28

Changes in accounting policy

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. Refer to Note 1 (F) for disclosures on retrospective application and adjustments made.

Goods and Services Tax

AASB Interpretation 1031.6 and 7

AASB Interpretation 1031 *Accounting for the Goods and Services Tax (GST)* provides that income and expenses must be recognised net of the amount of GST, except that where GST relating to expense items is not recoverable from the taxation authority it must be recognised as part of the item of expense.

Entities that are not able to recover GST relating to particular expense items should include a policy note indicating which expense items disclosed in the financial statements are inclusive of non‑recoverable GST. They could also amend the wording of specific disclosures (e.g. auditor’s remuneration – refer to commentary on ‘remuneration of auditors’ in Note 42 *Remuneration of auditors*) to make it clear that the amounts disclosed are inclusive of non‑recoverable GST.

AASB 101.10(a)

AASB 101.77

AASB 101.60

AASB 101.58(a)

AASB 101.54(i)

AASB 101.54(h)

AASB 101.54(j)

AASB 101.54(d)

AASB 101.54(e)

AASB 101.58(a)

AASB 101.54(g)

AASB 101.54(j)

AASB 101.54(a)

AASB 101.54(f)

AASB 101.54(b)

AASB 101.54(c)

AASB 101.58(a)

AASB 101.54(k)

AASB 101.54(m)

AASB 101.54(l)

AASB 101.54(p)

AASB 101.54(r)

AASB 101.54(r)

AASB 101.54(r)

Balance sheet as at 30 June 2016

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| FOR ILLUSTRATIVE PURPOSES ONLY | Notes | 2016 | 2015 |
| **Assets** |  |  |  |
| **Financial assets** |  |  |  |
| Cash and deposits | 34(a) | 59 528 | 48 648 |
| Receivables | 11 | 36 045 | 20 544 |
| Financial assets classified as held for sale including disposal group assets | 10 | 8 572 | 11 757 |
| Investments and other financial assets | 12 | 13 976 | 16 731 |
| Investments accounted for using the equity method | 13 | 5 187 | 6 112 |
| **Total financial assets** |  | **123 308** | **103 792** |
| **Non‑financial assets** |  |  |  |
| Inventories | 16 | 12 056 | 19 733 |
| Non‑financial physical assets classified as held for sale including disposal group assets | 10, 15 | 6 781 | 14 599 |
| Property, plant and equipment | 17 | 83 044 | 76 807 |
| Biological assets | 18 | 4 034 | .. |
| Investment properties | 19 | 2 354 | 5 029 |
| Intangible assets | 20 | 5 974 | 7 447 |
| Other non‑financial assets | 21 | 1 483 | 380 |
| **Total non‑financial assets** |  | **115 726** | **123 995** |
| **Total assets** |  | **239 034** | **227 787** |
| **Liabilities** |  |  |  |
| Payables | 22 | 17 591 | 16 704 |
| Borrowings | 23 | 62 074 | 65 548 |
| Provisions | 24 | 12 906 | 21 011 |
| Other liabilities |  | 592 | 583 |
| Liabilities directly associated with assets classified as held for sale including disposal groups | 10, 15 | 4 438 | 8 980 |
| **Total liabilities** |  | **97 601** | **112 826** |
| **Net assets** |  | **141 432** | **114 961** |
| **Equity** |  |  |  |
| Accumulated surplus/(deficit) |  | 76 434 | 71 133 |
| Physical asset revaluation surplus | 35 | 7 338 | 3 759 |
| Financial assets available‑for‑sale revaluation surplus | 35 | 200 | 1 723 |
| Contributed capital |  | 57 460 | 38 345 |
| **Net worth** |  | **141 432** | **114 960** |
| Commitments for expenditure | 31 |  |  |
| Contingent assets and contingent liabilities | 32 |  |  |

**The balance sheet should be read in conjunction with the notes to the financial statements.**

[A sample third balance sheet is presented in the commentary for Note 8.]

[For guidance as to when a third balance sheet is required to be disclosed, or guidance on the presentation of a third balance sheet, refer to the commentary – balance sheet on the following pages.]

Commentary – Balance sheet

Presentation of the balance sheet

Current/non‑current vs liquidity presentation

The balance sheet presents:

* line items in liquidity order; and
* assets split into financial and non‑financial assets.

AASB 101.60‑61

Aligned with AASB 1049 presentation, an entity shall present assets and liabilities based on the order of liquidity in the balance sheet. The presentation of ‘current’ and ‘non‑current’ assets and liabilities are in the notes, in accordance with AASB 101 paragraphs 60 and 61.

Information to be presented

In the balance sheet

AASB 101.54

Paragraph 54 of AASB 101 sets out the line items that shall, as a minimum, be presented in the balance sheet, and these are:

Assets

* cash and cash equivalents;
* trade and other receivables;
* inventories;
* assets held for sale;
* investment property;
* biological assets;
* current tax assets;
* deferred tax assets;
* investments accounted for using the equity method (must be recognised as a non‑current asset);
* financial assets (excluding cash and cash equivalents, trade and other receivables, inventories and investments accounted for using the equity method);
* the total assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with AASB 5;
* property, plant and equipment; and
* intangible assets.

AASB 101.54

Liabilities

* trade and other payables;
* liabilities held for sale;
* current tax liabilities;
* deferred tax liabilities;
* liabilities included in disposal groups classified as held for sale in accordance with AASB 5;
* financial liabilities; and
* provisions.

Commentary – Balance sheet *(continued)*

Notes:

(a) where a department has no amounts applicable to any individual line item, that line item should be omitted from the balance sheet; and

AASB 101.55

(b) additional line items, headings and subtotals shall be presented in the balance sheet when such presentation is relevant to an understanding of the entity’s financial position.

Third balance sheet

AASB 101.39  
AASB 108.19‑27

When an entity applies an accounting policy retrospectively or makes a retrospective restatement or error correction of items it its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes. The balance sheet shall be presented as at:

* the end of the current period;
* the end of the previous period; and
* the beginning of the earliest comparative period.

Materiality

AASB 101.40A

In accordance with AASB 101.40A, a third balance sheet is required only when the adjustment has a material effect on the information of the balance sheet at the beginning of the preceding period. Therefore, to the extent that the adjusting effect is immaterial, a third balance sheet is not required.

Refer to the commentary for Note 8 for sample disclosure.

Either in the balance sheet or in the notes

AASB 101.77 and 78

An entity shall disclose, either in the balance sheet or in the notes, further sub‑classifications of the line items presented, classified in a manner appropriate to the entity’s operations. The detail provided in sub‑classifications depends on the requirements of AASs and on the size, nature and function of the amounts involved.

Non‑financial physical asset or disposal group classified as held for sale

AASB 5.40

An entity shall not reclassify or represent amounts for non‑financial physical assets or for the assets and liabilities of disposal groups classified as held for sale in the balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented.

Refinancing liabilities

AASB 101.72

In the notes, where current and non‑current liabilities are presented separately, financial liabilities shall be categorised as current when they are due to be settled within 12 months of reporting period, even if:

(a) the original term was for a period longer than 12 months; and

(b) an agreement to refinance, or to reschedule payments, on a long‑term basis is completed after the reporting period and before the financial statements are authorised for issue.

AASB 101.73

However, 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 loan facility, it classifies the obligation as non‑current, even if it would otherwise be due in a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.

Commentary – Balance sheet *(continued)*

Breach of loan covenants

AASB 101.74

Where current and non‑current liabilities are presented separately and an undertaking, including a covenant included in a borrowing agreement, is breached such that the liability becomes payable on demand, the liability shall be categorised as current even if the lender has agreed, after the reporting period, and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach.

AASB 101.75

However, the liability 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 entity can rectify the breach and during which the lender cannot demand immediate repayment.

Goods and Services Tax

AASB Interpretation 1031 *Accounting for the Goods and Services Tax (GST)* provides that assets shall be recognised net of the amount of goods and services tax (GST), except where:

AASB Interpretation 1031.7

* the amount of GST incurred by a purchaser that is not recoverable from the taxation authority shall be recognised as part of the cost of acquisition of an asset or as part of an item of expense; and/or

AASB Interpretation 1031.8

* the interpretation provides that receivables and payables shall be stated with the amount of GST included.

AASB Interpretation 1031.9

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 101.106(d)

AASB 1004.48

AASB 1004.49

Statement of changes in equity for the financial year ended  
30 June 2016

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | Notes | Physical asset revaluation surplus |
| **Balance at 1 July 2014** |  | **2 626** |
| Net result for the year |  | .. |
| Other comprehensive income for the year |  | 2 955 |
| Transfer to accumulated surplus |  | (1 822) |
| Capital appropriations |  |  |
| **Balance at 30 June 2015** |  | **3 759** |
| **Net result for the year** |  |  |
| Other comprehensive income for the year |  | 7 613 |
| Transfer to accumulated surplus – on disposal of business | 35 | (3 396) |
| Transfer to accumulated surplus | 35 | (637) |
| Transfer to contributed capital(i) | 35 |  |
| Capital appropriations |  |  |
| Administrative restructure – net assets received | 9 |  |
| Administrative restructure – net assets transferred | 9 |  |
| **Balance at 30 June 2016** |  | **7 338** |

Note:

(i) These are amounts transferred from accumulated surplus to contributed capital due to insufficient contributed capital for the purpose of the machinery of government transfer to the Department of Cabinet Administration on 2 August 2015.

**The statement of changes in equity should be read in conjunction with the notes to the financial statements.**

|  |  |  |  |
| --- | --- | --- | --- |
| Available‑for‑sale  financial asset  revaluation surplus | Accumulated surplus | Contributions by owner | Total |
| **577** | **59 433** | **27 845** | **90 480** |
| .. | 9 879 | .. | 9 879 |
| 1 146 |  |  | 4 101 |
|  | 1 822 |  | .. |
|  |  | 10 500 | 10 500 |
| **1 723** | **71 133** | **38 345** | **114 960** |
|  | 14 790 |  | 14 790 |
| (1 200) |  |  | 6 413 |
| (323) | 3 719 | .. | .. |
|  | 637 |  | .. |
|  | (13 847) | 13 847 | .. |
|  |  | 5 750 | 5 750 |
|  |  | 19 616 | 19 616 |
|  |  | (20 097) | (20 097) |
| **200** | **76 433** | **57 461** | **141 432** |

Commentary – Statement of changes in equity

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.

Information to be disclosed

In the statement

AASB 101.106

An entity shall present a statement of changes in equity showing:

AASB 101.106(a)

(a) total comprehensive result for the period, showing separately the total amounts attributable to owners of the parent and to minority interest;

AASB 101.106(b)

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108.

AASB 101.110

AASB 108 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another AAS requires otherwise. AASB 108 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements 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. AASB 101.106(b) requires disclosure in the statement of changes in equity of the total adjustment to each component of equity resulting, from changes in accounting policies and separately, from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period; and

AASB 101.106(d)

(c) 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:

(i) profit or loss;

(ii) each item of other comprehensive income; and

(iii) 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.

Either in the statement or in the notes – for‑profit guidance

AASB 101.107

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.

Events affecting changes in equity

AASB 101.109

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 101.10(d)

FRD 110

AASB 107.10

AASB 107.31

AASB 107.31

AASB 107.14(c), (d)

AASB Interpretation 1031.11

AASB 107.31

AASB 107.10

AASB 107.16(c)

AASB 107.16(d)

AASB 107.16(a)

AASB 107.16(b)

AASB 107.16(e)

AASB 107.16(f)

AASB 107.10

AASB 107.17(c)

AASB 107.17(d) and (e)

AASB 107.28

Cash flow statement for the financial year ended 30 June 2016

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Notes | 2016 | 2015 |
| **Cash flows from operating activities** |  |  |  |
| **Receipts** |  |  |  |
| Receipts from government |  | 78 344 | 87 135 |
| Receipts from other entities |  | 5 536 | 4 373 |
| Interest received |  | 1 749 | 1 606 |
| Dividends received (i) |  | 1 698 | 1 611 |
| Other receipts |  | 516 | 262 |
| **Total receipts** |  | **87 843** | **94 987** |
| **Payments** |  |  |  |
| Payments of grants and other transfers |  | (36 227) | (47 011) |
| Payments to suppliers and employees |  | (22 979) | (19 167) |
| Goods and Services Tax paid to the ATO (ii) |  | (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)** | **(76 334)** |
| **Net cash flows from/(used in) operating activities** | **34(g)** | **15 207** | **18 654** |
| **Cash flows from investing activities** |  |  |  |
| Payments for investments (iii) |  | (6 364) | (13 386) |
| Proceeds from sale of investments (iii) |  | 7 857 | 2 409 |
| Purchases of non‑financial assets |  | (23 828) | (19 438) |
| Sales of non‑financial assets |  | 2 855 | 7 428 |
| Loans granted to other parties (iv) |  | ( 390) | ( 277) |
| Repayments of loans from other parties (iv) |  | 78 | 140 |
| Proceeds from disposal of activity | 34(c) | 17 795 | .. |
| Payments for purchase of activity |  | (23 407) | .. |
| **Net cash flows from/(used in) investing activities** |  | **(25 403)** | **(23 124)** |
| **Cash flows from financing activities** |  |  |  |
| Cash received from activity transferred in – MoG changes |  | 5 | .. |
| Cash transferred on activity transferred out – MoG changes |  | (3 072) | .. |
| Owner contributions by State Government – appropriation for capital expenditure purposes |  | 5 750 | 10 500 |
| Proceeds from borrowings |  | 34 673 | 7 255 |
| Repayment of borrowings and finance leases |  | (6 749) | (4 044) |
| **Net cash flows from/(used in) financing activities** |  | **30 607** | **13 711** |
| **Net increase/(decrease) in cash and cash equivalents** |  | **20 411** | **9 241** |
| Cash and cash equivalents at beginning of financial year |  | 44 494 | 35 094 |
| Effect of exchange rate fluctuations on cash held in foreign currency |  | ( 471) | 160 |
| **Cash and cash equivalents at end of financial year** | **34(a)** | **64 434** | **44 494** |
| Non‑cash transactions | 34(d) |  |  |

**The above cash flow statement should be read in conjunction with the notes to the financial statements.**

Notes:

(i) [Please note that ‘dividends received’ is recognised as cash flow from operating activities. In contrast, ‘dividends paid’ is recognised as cash flow from financing activities.]

(ii) Goods and Services Tax paid to the ATO is presented on a net basis.

(iii) [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.]

(iv) [Includes loans granted to/from entities external to the Department and related entities.]

Commentary – Cash flow statement

Reporting cash flows

AASB 107.11

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

AASB 107.18 and 19

There are two methods in reporting cash flows, the direct or indirect method. DTF supports the use of the direct method, and this method is adopted for this Model.

AASB 107.14

Operating activities

Cash flows from operating activities are primarily derived from the principal income‑producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of net result. Examples of cash flows from operating activities are:

(a) cash receipts from the sale of goods and the rendering of services;

(b) cash receipts from royalties, fees, commissions and other income;

(c) cash payments to suppliers for goods and services;

(d) cash payments to and on behalf of employees;

(e) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;

(f) cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities;

(g) cash receipts and payments from contracts held for dealing or trading purposes; and

(h) cash dividends received.

Some transactions, such as the sale of an item of property, plant and equipment, may give rise to a gain or loss which is recognised in net result. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets held for rental as described in AASB 116 *Property, Plant and Equipment* paragraph 68A are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

Investing activities

AASB 107.16

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows.

AASB 107.16

Cash flows can be disclosed under ‘cash flows from investing activities’ only if the entity is absolutely certain that it will have an asset on its balance sheet as a result of the cash expenditure. Accordingly, cash expenditure on a research and development project cannot be disclosed as cash flows from investing activity until the asset is realised.

Examples of cash flows arising from investing activities are:

(a) cash payments to acquire property, plant and equipment, intangibles and other long‑term assets. These payments include those relating to capitalised development costs and self‑constructed property, plant and equipment;

(b) cash receipts from sales of property, plant and equipment, intangibles and other long‑term assets;

(c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);

Commentary – Cash flow statement *(continued)*

(d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);

(e) cash advances and loans made to other parties (other than advances and loans made by a financial institution);

(f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution);

(g) cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and

(h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.

Purchases of non‑financial assets

AASB 107.14(c)

Purchases of inventory are not included in ‘purchases of non‑financial assets’ under investing activities, but in ‘payments to suppliers and employees’ under operating activities.

Financing activities

AASB 107.21

AASB 107.17

An entity shall report separately major classes of gross cash receipts and gross cash payments arising from financing activities, except to the extent that cash flows described in paragraphs 22 and 24 of AASB 107 *Statement of Cash Flows* are reported on a net basis (refer below).

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:

(a) cash proceeds from issuing shares or other equity instruments;

(b) cash payments to owners to acquire or redeem the entity’s shares;

(c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short or long‑term borrowings;

(d) cash repayments of amounts borrowed; and

(e) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

**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 107.22, 23 and 23A

Cash flows arising from the following operating, investing or financing activities are to be reported on a net basis:

(a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity; and

(b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.

Commentary – Cash flow statement *(continued)*

AASB 107.24

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

(a) cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;

(b) the placement of deposits with and withdrawal of deposits from other financial institutions; and

(c) cash advances and loans made to customers and the repayment of those advances and loans.

Goods and Services Tax

AASB Interpretation 1031.10

Cash flows shall be included in the cash flow statement on a gross basis, subject to the paragraph below and AASB 107.

AASB Interpretation 1031.11

The GST component of cash flows arising from investing and financing activities which 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.

Some entities have experienced difficulty in adjusting net of GST income and expense amounts to GST inclusive amounts for cash flow statements. At the Urgent Issues Group (UIG) meeting in April 2001, UIG members agreed that it would be inappropriate to allow alternative approaches to the preparation of cash flow statements. Accordingly, the requirements of AASB Interpretation 1031 *Accounting for the Goods and Services Tax (GST)* remain in force.

Interest and dividends

AASB 107.31

Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities.

FRD 110

An entity must classify interest paid and interest and dividends received as operating cash flows.

Investments in subsidiaries, associates and joint ventures

AASB 107.37

When accounting for an investment in an associate, a joint venture or a subsidiary using the equity or cost method, an investor restricts its reporting in the cash flow statement to the cash flows between itself and the investee, for example, to dividends and advances.

AASB 107.38

An entity that reports its interest in an associate or a joint venture using the equity method includes in its cash flow statement, the cash flows in respect of its investments in the associate or joint venture, and distributions and other payments or receipts between it 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.

Requirements not applicable to departments

Taxes on income

AASB 107.35

The disclosure requirements on cash flows arising from taxes on income in accordance with paragraph 35, AASB 107, do not apply to departments.

Please note: entities exposed to National Tax Equivalent Regime are still required to disclose this. Only departments are exempted.

Notes to the financial statements

[Notes disclosed below are example notes only. Omit those that are not relevant or include any others that are relevant.]

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[Note 3. Administered (non‑controlled) items 148](#_Toc448157182)

[Note 4. Income from transactions 153](#_Toc448157183)

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Commentary – Notes to the financial statements

Table of contents for the notes to the financial statements

DTF **encourages** entities to set out a contents page such as the one illustrated above.

Commentary – Notes to the financial statements *(continued)*

Contents of notes to the financial statements

AASB 101.112

The notes to the financial statements of an entity shall:

(a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 112‑124 of AASB 101 *Presentation of Financial Statements*;

(b) disclose the information required by AASs that is not presented in the face of the balance sheet, comprehensive operating statement, statement of changes in equity or cash flow statement; and

(c) provide additional information that is not presented in the face of the balance sheet, comprehensive operating statement, statement of changes in equity or cash flow statement, but is relevant to an understanding of the financial statements.

Systematic structure

AASB 101.113

Notes shall, as far as practicable, be presented in a systematic manner. Each item in the balance sheet, comprehensive operating statement, statement of changes in equity and cash flow statement shall be cross referenced to any related information in the notes.

AASB 101.114

Notes are normally presented in the following order, which assists users in understanding the financial statements and comparing them with financial statements of other entities:

AASB 1054.7

(a) a statement of compliance with AASs (refer to paragraph 7of AASB 1054). Departments are normally unable to fully comply with International Financial Reporting Standards because of the application of not‑for‑profit Aus. paragraphs and Australian specific standards;

(b) a summary of significant accounting policies applied (refer to paragraph 117 of AASB 101);

(c) supporting information for items presented in the financial statements, and to follow the order in which each statement and each line item is presented, i.e. comprehensive operating statement, balance sheet, statement of changes in equity and cash flow statement; and/or

(d) other disclosures, including:

(i) contingent liabilities (refer to AASB 137) and unrecognised contractual commitments; and

(ii) non‑financial disclosures; for example, the entity’s financial risk management objectives and policies (refer to AASB 7).

Notes to the financial statements

AASB 1054.7‑9, SD4.2 (a)

## For the financial year ended 30 June 2016

Note 1. Summary of significant accounting policies

*[Customise/insert/omit accounting policies as applicable to your department after reading the commentary section on summary of accounting policies.]*

AASB 1054.9

These annual financial statements represent the audited general purpose financial statements for the Department of Technology (the Department) for the period ending 30 June 2016. The report provides users with information about the Department’s stewardship of resources entrusted to it.

1. Statement of compliance

AASB 1054.7

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

AASB 110.17

Where appropriate, those AASs paragraphs applicable to not‑for‑profit entities have been applied.

AASB 101.17

Accounting policies are selected and applied in a manner which ensures 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.

To gain a better understanding of the terminology used in these financial statements, a glossary of terms and style conventions can be found in Note 44.

These annual financial statements were authorised for issue by the Secretary of the Department on *[insert day month year].*

1. Basis of accounting preparation and measurement

AASB 101.117(a)

The accrual basis of accounting has been applied in the preparation of 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 101.122 and 125

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The 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.

*[Entities are required by AASB 101 paragraph 122 to disclose the nature of significant judgements, estimates and assumptions made by management. The illustrated paragraph above only discloses:*

* *the fact that significant assumptions, judgements and estimates were made; and*
* *how these were made (the method used).*

*It does not describe the nature of these significant assumptions, judgements and estimates. Entities may provide the nature of significant assumptions, judgements and estimates (e.g. for operating lease commitments, valuation of investments, impairment of Property, Plant and Equipments etc) in addition to the above, either in Note 1 or in relevant notes to the financial statements.*

AASB 12.7

*Where applicable, entities should also 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;*
* *that it has joint control of an arrangement or significant influence over another entity; and*

Note 1. Summary of significant accounting policies *(continued)*

* *the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle.]*

AASB 108.36

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. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

* the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1(M));
* superannuation expense (refer to Note 1(H);
* actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(N)); and
* equities and managed investment schemes classified at level 3 of the fair value hierarchy (refer to Note 33).

*[Entities to include other examples as appropriate.]*

AASB 101.51(d), 121.11 and 53

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for:

FRD 104

* non‑financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
* productive trees in commercial native forests which are measured at their fair value less costs to sell;
* derivative financial instruments, managed investment schemes, certain debt securities, investment properties after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit and loss);
* certain liabilities, most notably… *[add liabilities or omit where appropriate]*; and
* available‑for‑sale investments which are measured at fair value with movements reflected in ‘other economic flows – other comprehensive income.

AASB 13.93(g)

Consistent with AASB 13 *Fair Value Measurement*, the Department determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, biological assets, investment properties and financial instruments and for non‑recurring fair value measurements such as non‑financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, 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; and
* Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Department has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Note 1. Summary of significant accounting policies *(continued)*

In addition, 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.

AASB 13. 95

The Valuer‑General Victoria (VGV) is the Department’s independent valuation agency.

*[There may be occasions when the entity utilises the services of other external third party valuers to determine fair value. Please disclose the fact if so.]*

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.

*[An entity is required to provide a description of the valuation policies and processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period.]*

1. Reporting entity

AASB 101.138(a)

The financial statements cover the Department as an individual reporting entity.

The Department is a government department of the State of Victoria, established pursuant to an order made by the Premier under the *Administrative Arrangements Act 1983*.

Its principal address is:

Department of Technology  
1 Victoria Place  
Melbourne VIC 3000

AASB 101.138(c)

The Department is administrative agency acting on behalf of the Crown.

The financial statements include all the controlled activities of the Department.

The following statutory bodies are included in the Department’s reporting entity:

* Gene Sciences Victoria is a business unit of the Department established under the *Biological Technology Act 1998* (the Act). The unit is headed by the Director of Gene Sciences, established under s15 of the Act. The Director’s powers and functions are set out in s16 of the Act. The Director reports to the Secretary of the Department.
* The Office of the Commissioner of New Technology is an administrative unit of the Department established under the *New Technology Act 1999* (the Act). The powers and function of the Commissioner are set out in s50 of the Act. The Commissioner reports directly to the Minister for New Technology on policy matters but reports to the Secretary on all operational and administrative matters.
* The Innovation Victoria is an entity of the Department established under the *Innovation Victoria Act 2015* (the Act). The entity is headed by the Director of Innovation, established under s15 of the Act. The powers and function of the Innovation Victoria are set out in s21 of the Act. The Director reports to the Secretary of the Department.

AASB 101.138(b)

A description of the nature of the Department’s operations and its principal activities is included in the report of operations on page 13, which does not form part of these financial statements.

#### Objectives and funding

FRD 9A

AASB 1052.15(b)

AASB 1050.7

The Department’s overall objective is to research, develop, promote and support the use of leading edge information, biological technology and telecommunications in the public and private sectors, that brings improvements to the efficiency and effectiveness of government operation, as well as improvements to the quality of life of Victorians.

Note 1. Summary of significant accounting policies *(continued)*

The Department is predominantly funded by accrual based parliamentary appropriations for the provision of outputs that are further described in Note 2 *Departmental (controlled) outputs*. It provides, on a fee for service basis, advice and other services on information technology and telecommunications. The fees charged for these services are determined by prevailing market forces.

#### Outputs of the Department

AASB 1052.15(a), (c)‑(d)

Information about the Department’s output activities, and the expenses, income, assets and liabilities which are reliably attributable to those output activities is set out in the output activities schedule (Note 2). Information about expenses, income, assets and liabilities administered by the Department are given in the schedule of administered expenses and income and the schedule of administered assets and liabilities (see Note 3).

As a consequence of machinery of government administrative changes announced on 2 August 2015, financial statements of the Department reflect the actual period of responsibility for the outputs, being the period from 1 July to 31 August 2015 for the transferred output New Technology Administration and from 1 September 2015 to 30 June 2016 for the received output research and development for biological technology. Comparative amounts for the prior year have not been adjusted.

Details of assets and liabilities transferred into the Department and other information relating to machinery of government changes are reflected in Note 2 and Note 9.

1. Basis of consolidation

In accordance with AASB 10 *Consolidated Financial Statements*:

* the consolidated financial statements of the Department include all reporting entities controlled by the Department as at 30 June 2016; and
* the consolidated financial statements exclude bodies in the Department’s portfolio that are not controlled by the Department, and therefore are not consolidated. Bodies and activities that are administered (see explanation below under administered items) are also not controlled and not consolidated.

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 commenced. 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.

*[Include if appropriate]* Entities consolidated into the Department reporting entity include:   
*[insert list].*

*[Entities should assess the facts and circumstances in accordance with AASB 10, including the not‑for‑profit implementation guidance to determine whether there are any changes to the entities that need to be consolidated into the group. Please refer to Appendix 7* AASB 10 Consolidated Financial Statements Checklist – Control analysisfor Victorian public sector entities *for this assessment. Where entities have made a material prior period error in the consolidation assessment, please refer to Note 8 for a sample disclosure of the consequential impacts on the financial statements.]*

Note 1. Summary of significant accounting policies *(continued)*

#### Administered items

AASB 1050.7

AASB 1050.24

Certain resources are administered by the Department on behalf of the State. While the Department is accountable for the transactions involving administered items, it does not have the discretion to deploy the resources for its own benefit or the achievement of its objectives. Accordingly, transactions and balances relating to administered items are not recognised as departmental income, expenses, assets or liabilities in the body of the financial statements.

Administered income includes taxes, fees and fines and the proceeds from the sale of administered surplus land and buildings. Administered assets include government income earned but yet to be collected. Administered liabilities include government expenses incurred but yet to be paid.

AASB 1050.24

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.

Disclosures related to administered items can be found in Note 3 and Note 9.

#### Funds held in trust

##### Other trust activities on behalf of parties external to the Victorian Government

The Department has responsibility for transactions and balances relating to trust funds on behalf of third parties external to the Victorian Government. Income, expenses, assets and liabilities managed on behalf of third parties are not recognised in these financial statements as they are managed on a fiduciary and custodial basis, and therefore are not controlled by the Department or the Victorian Government. Funds under management are reported in Note 39(b) *Third party funds under management*.

1. Scope and presentation of financial statements

AASB 1049.App A

#### Comprehensive operating statement

The comprehensive operating statement comprises three components, being ‘net result from transactions’ (or termed as ‘net operating balance’), ‘other economic flows included in net result’, as well as ‘other economic flows – other comprehensive income’. The sum of the former two, together with the net result from discontinued operations, represents the net result.

The net result is equivalent to profit or loss derived in accordance with AASs.

‘Other economic flows’ are changes arising from market remeasurements. They include:

* gains and losses from disposals of non‑financial assets;
* revaluations and impairments of non‑financial physical and intangible assets;
* remeasurement arising from defined benefit superannuation plans;
* fair value changes of financial instruments and agricultural assets; and
* depletion of natural assets (non‑produced) from their use or removal.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*. *[Refer to Note 44 Glossary for the definitions of ‘net result from transactions, ‘other economic flows included in net result’ and ‘other economic flows – other comprehensive income’. Further guidance on the classifications of comprehensive operating statement can be found in Appendix 2.]*

Note 1. Summary of significant accounting policies *(continued)*

#### Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non‑financial assets.

Current and non‑current assets and liabilities are disclosed in the notes, where relevant. In general, non‑current assets or liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if the Department does not have the unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period.

#### Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

#### Statement of changes in equity

The statement of changes in equity presents reconciliations of non‑owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the ‘Comprehensive result’ and amounts related to ‘Transactions with owner in its capacity as owner’.

#### Rounding

AASB 101.51(e)  
SD 4.2 (d)

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. Please refer to the end of Note 44 for a style convention for explanations of minor discrepancies resulting from rounding.

1. Changes in accounting policies

AASB 108.14,28

*[Include or omit where appropriate.]*

1. Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value.

#### Appropriation income

Appropriated income becomes controlled and is recognised by the Department when it is appropriated from the consolidated fund by the Victorian Parliament and applied to the purposes defined under the relevant appropriations Act. Additionally, the Department is permitted under s29 of the FMA to have certain income annotated to the annual appropriation. The income which forms part of a s29 agreement is recognised by the Department and the receipts paid into the consolidated fund as an administered item. At the point of income recognition, s29 provides for an equivalent amount to be added to the annual appropriation. Examples of receipts which can form part of a s29 agreement are Commonwealth specific purpose grants, municipal council special purpose grants, the proceeds from the sale of assets and income from the sale of products and services.

Note 1. Summary of significant accounting policies *(continued)*

Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. All amounts of income over which the Department does not have control are disclosed as administered income in the schedule of administered income and expenses (see Note 3). Income is recognised for each of the Department’s major activities as follows:

AASB 118.20

##### 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 [XX] of the [YY] Act, income related to [ZZ] is recognised when the amount appropriated for that purpose is due and payable by the Department.

AASB 118.30(a)

#### Interest

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.

AASB 118.20

#### Sale of goods and services

##### Income from the supply of services

Income from the supply of services is recognised by reference to the stage of completion of the services being performed. The income is recognised when:

* the amount of the income, stage of completion and transaction costs incurred can be reliably measured; and
* it is probable that the economic benefits associated with the transaction will flow to the Department.

Under the stage of completion method, income is recognised by reference to labour hours supplied or to labour hours supplied as a percentage of total services to be performed in each annual reporting period.

AASB 118.14

##### Income from sale of goods

Income from the sale of goods is recognised when:

* the Department no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
* the Department no longer has continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
* the amount of income, and the costs incurred or to be incurred in respect of the transactions, can be reliably measured; and
* it is probable that the economic benefits associated with the transaction will flow to the Department.

Sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

Note 1. Summary of significant accounting policies *(continued)*

#### Grants

Income from grants (other than contribution by owners) is recognised when the Department obtains control over the contribution

AASB 1004

Where such grants are payable into the consolidated fund, they are reported as administered income (refer to Note 1 (D) and (J)). For reciprocal grants (i.e. equal value is given back by the Department to the provider), the Department is deemed to have assumed control when the Department has satisfied its performance obligations under the terms of the grant. For non‑reciprocal grants, the Department is deemed to have assumed control when the grant is receivable or received. Conditional grants may be reciprocal or non‑reciprocal depending on the terms of the grant.

*[Entities are encouraged to elaborate on the specific accounting policy treatment of material non‑exchange transactions where appropriate.]*

#### Fair value of assets and services received free of charge or for nominal consideration

AASB 1004.11, 20 and 44

Contributions of resources received free of charge or for nominal consideration are recognised at fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. 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 received as a donation.

#### Other income

AASB 117.50, AASB 118.29, and AASB 1004.16

Other income includes non‑property rental, dividends, forgiveness of liabilities, and bad debt reversals.

AASB 118.30(c)

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 (refer to Note 1 (L) *Financial Assets*).

1. Expenses from transactions

Expenses from transactions are recognised as they are incurred, and reported in the financial year to which they relate.

#### Employee expenses

Refer to the section in Note 1(N) regarding employee benefits.

AASB 119.8

These expenses include all forms of considerations (other than superannuation which is accounted for separately) given by the Department in exchange for service rendered by employees or for the termination of employment. This includes wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

##### Superannuation

FRD 112D

The amount recognised in the comprehensive operating statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Department of Treasury and Finance (DTF) in its annual financial statements, disclose 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.

Note 1. Summary of significant accounting policies *(continued)*

#### Depreciation

AASB 116.73(b)

All infrastructure assets, buildings, plant and equipment and other non‑financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. 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. Refer to Note 1 (M) for the depreciation policy for leasehold improvements.

BFMG 22

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 following are typical estimated useful lives for the different asset classes for current and prior years.

AASB 116.73(c)

|  |  |
| --- | --- |
| Asset | Useful life |
| Buildings: | 20 to 100 years |
| Leasehold buildings | 2 to 60 years |
| Infrastructure systems: |  |
| * water infrastructure – storage facilities | 25 to 300 years |
| * water infrastructure – other | 25 to 100 years |
| * rail infrastructure | 2 to 50 years |
| * other infrastructure | 10 to 32 years |
| Plant, equipment and vehicle (incl. leased assets) | 3 to 10 years |
| Road and road networks (incl. bridges) | 60 to 90 years |
| Cultural assets (with finite useful lives) | 100 years |
| Intangible produced assets: |  |
| * capitalised software development costs | 3 to 5 years |

*[The useful lives illustrated in the Model are for illustrative purposes only. Departments should determine the useful lives of assets by consideration of the nature and characteristics of specific assets.]*

AASB 1051.11

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 138.97, 104, 109 and 118(b)

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight‑line) basis over the asset’s useful life. Depreciation begins 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 138.108

On the other hand, the consumption of intangible non‑produced assets with finite useful lives is not classified as a transaction, but as amortisation. Consequently, the amortisation is included as an other economic flow in the net result.

All intangible assets with indefinite useful lives are not depreciated or amortised, but are tested for impairment by comparing its recoverable amount with its carrying amount:

1. annually; and
2. whenever there is an indication that the intangible asset may be impaired (refer to Note 1(I)).

Note 1. Summary of significant accounting policies *(continued)*

FRD 105A and   
AASB 123. 8 and 9

#### Interest expense

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Interest expense (excluding swap interest that is classified as an other economic flow) is recognised in the period in which it is incurred. Refer to Note 44 for an explanation of interest expense items.

#### Grants and other transfers

AASB Framework paragraph 83

Revised

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals; other transfer payments made to State‑owned agencies, local government, non‑government schools, and community groups. Refer to Note 44 for an explanation of grants and other transfers.

#### Capital asset charge

BFMG 12

A charge levied on the written‑down value of controlled non‑current physical assets in a department’s balance sheet which aims to: attribute to agency outputs the opportunity cost of capital used in service delivery; and provide incentives to departments to identify and dispose of underutilised or surplus assets in a timely manner. The capital asset charge is calculated on the budgeted carrying amount of applicable non‑financial physical assets.

#### Other operating expenses

Other operating expenses generally represent the day‑to‑day running costs incurred in normal operations and include:

##### Supplies and services

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 distributed.

##### Bad and doubtful debts

Refer to Note 1(L) *Impairment of financial assets*.

AASB 1004.9

##### Fair value of assets and services provided free of charge or for nominal consideration

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another government department or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at its carrying value.

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.

##### Borrowing costs of qualifying assets

AASB 123.Aus1.0, Aus 8.1

In accordance with the paragraphs of AASB 123 *Borrowing Costs* applicable to not‑for‑profit public sector entities, the Department continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset

1. Other economic flows included in the net result

Other economic flows are changes in the volume or value an asset or liability that does not result from transactions.

Note 1. Summary of significant accounting policies *(continued)*

#### Net gain/(loss) on non‑financial assets

Net gain/(loss) on non‑financial assets and liabilities includes realised and unrealised gains and losses as follows:

##### Revaluation gains/(losses) of non‑financial physical assets

Refer to Note 1(M) Revaluations of non‑financial physical assets.

##### Gain/(loss) arising from fair value changes of biological assets

Refer to Note 1(M) Biological assets.

##### Net gain/(loss) on disposal of non‑financial assets

Any gain or loss on the disposal of non‑financial assets is recognised at the date of disposal and is determined after deducting the proceeds from the carrying value of the asset at the time.

##### Amortisation of non‑produced intangible assets

Intangible non‑produced assets with finite lives are amortised as an other economic flow on a systematic (typically straight‑line) basis over the asset’s useful life. Amortisation begins 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.

##### Gain/(loss) arising from transactions in foreign exchange

Refer to Note 1(U) *Foreign currency balances/transactions*.

AASB 136.10(a)

##### Impairment of non‑financial assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

* inventories (refer Note 1(M));
* non‑financial physical assets held for sale (refer Note 1(M));
* certain biological assets related to agricultural activity (refer Note 1(M));
* investment properties that are measured at fair value (refer Note 1(M)); and
* assets arising from construction contracts (refer Note 1(M)).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write‑down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in the estimate of an asset’s recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Refer to Note 1(M) in relation to the recognition and measurement of non‑financial assets.

Note 1. Summary of significant accounting policies *(continued)*

#### Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

* realised and unrealised gains and losses from revaluations of financial instruments at fair value;
* impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 1(K)); and
* disposals of financial assets and derecognition of financial liabilities.

##### Revaluations of financial instruments at fair value

Refer to Note 1(K) *Financial instruments*.

##### Share of net profits/(losses) of associates and jointly controlled entities, excluding dividends

Refer to Note 1(D) *Basis of consolidation*.

##### Other gains/(losses) from other economic flows

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; and
* 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.

1. Administered income

#### Taxes, fines and regulatory fees

AASB 1050.7  
AASB 1050.12

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 (see Note 3). Refer to Note 1(G) *Income from transactions* for the accounting of grants.

#### Grants from the Commonwealth Government and other jurisdictions

The Department’s administered grants mainly comprise funds provided by the Commonwealth to assist the State Government in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on passing to other recipients. The Department also receives grants for on passing from other jurisdictions. The Department does not have control over these grants, and the income is not recognised in the Department’s financial statements. Administered grants are disclosed in the schedule of Administered Items in Note 3.

1. Financial instruments

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. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the Department are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Note 1. Summary of significant accounting policies *(continued)*

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

#### Categories of non‑derivative financial instruments

##### Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(L)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

##### Available‑for‑sale financial assets

Available‑for‑sale financial instrument assets are those designated as available‑for‑sale or not classified in any other category of financial instrument asset.

Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in ‘Other economic flows – other comprehensive income’ until the investments are disposed.

Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in ‘other economic flows – other comprehensive income’ is transferred to other economic flows in the net result.

Fair value is determined in the manner described in Note 33 *Financial instruments*.

Available‑for‑sale category includes certain equity investments and those debt securities that are designated as available‑for‑sale.

##### Held‑to‑maturity financial assets

If the Department has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held‑to‑maturity. Held‑to‑maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held‑to‑maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The Department makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held‑to‑maturity investments not close to their maturity, would result in the whole category being reclassified as available‑for‑sale. The Department would also be prevented from classifying investment securities as held‑to‑maturity for the current and the following two financial years.

The held‑to‑maturity category includes certain term deposits and debt securities for which the entity concerned intends to hold to maturity.

Note 1. Summary of significant accounting policies *(continued)*

##### Financial assets and liabilities at fair value through profit and loss

FRD 114A  
AASB 139.9, 45

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

AASB 139.43 and 46

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

Financial assets and liabilities at fair value through profit or loss include the majority of the Department’s equity investments, debt securities, and borrowings.

##### Financial liabilities at amortised cost

Financial instrument liabilities 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 (refer to Note 44).

Financial instrument liabilities measured at amortised cost include all of the Departments contractual payables, deposits held and advances received, and interest‑bearing arrangements other than those designated at fair value through profit or loss.

#### Derivative financial instruments

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

*[A master netting arrangement or similar arrangement can be set up with counterparties where required by general market practice. To the extent that these arrangements meet the criteria for offsetting in the consolidated balance sheet, they are reported on a net basis.]*

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.

#### Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non‑derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Note 1. Summary of significant accounting policies *(continued)*

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available‑for‑sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

AASB 7.21

1. Financial assets

#### Cash and deposits

AASB 107.6

Cash and deposits recognised on the balance sheet 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), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and readily convertible to known amounts of cash with an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as borrowings on the balance sheet.

#### Receivables

AASB 139.43 and 46(a)

Receivables consist of:

* contractual receivables, such as debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables (refer to Note 1(O) *Leases*); and
* statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(K) *Financial Instruments* for recognition and measurement). Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

For the measurement principle of receivables, refer to Note 1(K).

FRD 114A  
AASB 139.45

#### Investments and other financial assets

Investments are classified in the following categories:

* financial assets at fair value through profit or loss;
* loans and receivables;
* held‑to‑maturity; and
* available‑for‑sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

Note 1. Summary of significant accounting policies *(continued)*

#### Investments accounted for using the equity method

AASB 128.10

AASB 12. 21(b)

An associate is an entity over which the Department exercises significant influence, but not control.

The investment in the associate is accounted for in the financial statements using the equity method. Under this method, the investment in the associate is recognised at cost on initial recognition, and the carrying amount is increased or decreased in subsequent years to recognise the Department’s share of the profits or losses of the associate after the date of acquisition. The Department’s share of the associate’s profit or loss is recognised in the Department’s 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 carrying amount of the investment, including dividends received or receivable from the associate.

AASB 11.7

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

AASB 11.16

Joint ventures are joint arrangements whereby the Department, via its joint control of the arrangement, has rights to the net assets of the arrangements.

AASB 12. 21(b)

Interests in joint ventures are accounted for in the financial statements using the equity method, as applied to investments in associates and are disclosed as required by AASB 12.

AASB 11.20

#### Investments in joint operations

In respect of any interest in joint operations, the Department recognises in the financial statements:

* its assets, including its share of any assets held jointly;
* its liabilities, including its share of any liabilities that it had incurred;
* its revenue from the sale of its share of the output from the joint operation;
* its share of the revenue from the sale of the output by the joint operation; and
* its expenses, including its share of any expenses incurred jointly.

#### 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; or
* 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; or
* the Department has transferred its rights to receive cash flows from the asset and either:

(a) has transferred substantially all the risks and rewards of the asset; or

(b) 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.

Note 1. Summary of significant accounting policies *(continued)*

#### Impairment of financial assets

AASB 139.58‑70  
AASB 7.B5(f)

At the end of each reporting period, the Department assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non‑contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

1. Non‑financial assets

#### Inventories

Inventories include goods and other property held either for sale, or for distribution at zero or nominal cost, or for consumption in the ordinary course of business operations.

AASB 102.9 and 36(a)

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.

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.

AASB 102.Aus9.1

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 5.6 and 15

#### Non‑financial physical assets classified as held for sale, 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; and
* the sale is highly probable and the asset’s sale is expected to be completed in 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 of disposal, and are not subject to depreciation or amortisation.

Note 1. Summary of significant accounting policies *(continued)*

#### Property, plant and equipment

AASB 116.73(a)  
FRD 103F

All non‑financial physical assets 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.

The initial cost for non‑financial physical assets under a finance lease (refer to Note 1(O)) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Non‑financial physical assets such as national parks, other Crown land and heritage assets are measured at fair value with regard to the property’s highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non‑financial physical assets will be their highest and best uses.

Road network assets (including earthworks of the declared road networks) are measured at fair value, determined by reference to the asset’s depreciated replacement cost.

AASB 1051.11  
FRD 118B

Land under declared roads acquired prior to 1 July 2008 is measured at fair value. Land under declared roads acquired on or after 1 July 2008 is measured initially at cost of acquisition and subsequently at fair value. The fair value methodology applied by the Valuer‑General Victoria is based on discounted site values for relevant municipal areas applied to land area under the arterial road network, including related reservations.

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset’s depreciated replacement cost, or where the infrastructure is held by a for‑profit entity, the fair value may be derived from estimates of the present value of future cash flows.

Certain assets are acquired under finance leases, which may form part of a service concession arrangement (i.e. public private partnership). Refer to Notes 1(O) *Leases* and 1(Q) *Commitments* for more information.

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.

For the accounting policy on impairment of non‑financial physical assets, refer to impairment of non‑financial assets under Note 1(I) *Impairment of non‑financial assets*.

More details about the valuation techniques and inputs used in determining the fair value of non‑financial physical assets are discussed in Note 17 *Property, plant and equipment*.

##### Leasehold improvements

The cost of a leasehold improvements is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

#### Restrictive nature of cultural and heritage assets, Crown land and infrastructure assets

During the reporting period, the Department also holds cultural assets, heritage assets, and other non‑financial physical assets (including Crown land and infrastructure assets) that the Department intends to preserve because of their unique historical, cultural or environmental attributes.

Note 1. Summary of significant accounting policies *(continued)*

In general, the fair value of those assets is measured at the depreciated replacement cost. However, the cost of some heritage and iconic assets 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. In addition, as there are limitations and restrictions imposed on those assets use and/or disposal, they may impact the fair value of those assets, and should be taken into account when the fair value is determined.

##### Revaluations of non‑financial physical assets

FRD 103F

Non‑financial physical assets are measured at fair value on a cyclical basis, in accordance with the FRDs issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset’s government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increases or decreases arise from differences between an asset’s carrying value and fair value.

AASB 116.Aus39.1

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in ‘other economic flows – other comprehensive income’, and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

AASB 116 Aus 40.1

Net revaluation decrease is recognised in ‘other economic flows – other comprehensive income’ to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in ‘other economic flows – other comprehensive income’ reduces the amount accumulated in equity under the asset revaluation surplus.

AASB 116.Aus 40.2

Revaluation increases and decreases relating to individual assets in a class of property, plant and equipment, are offset against one another in that class but are not offset in respect of assets in different classes. The asset revaluation surplus is not transferred to accumulated funds on derecognition of the relevant asset.

#### Biological assets

AASB 141.12, 20, 25 and 47

Productive trees in commercial native forests and breeding livestock are recognised as biological assets. These biological assets are measured at fair value less costs to sell and are revalued at 30 June each year.

For breeding livestock, fair value is based on the amount that could be expected to be received from the disposal of livestock with similar attributes.

For productive trees, revaluation to fair value is determined using a discounted cash flow method based on expected net future cash flows, discounted by a current market determined rate. After harvest, productive trees are treated as inventories (refer to Note 1(M)).

An increase or decrease in the fair value of these biological assets is recognised in the consolidated comprehensive operating statement as other economic flow. *[Omit if not applicable.]*

Note 1. Summary of significant accounting policies *(continued)*

#### Investment properties

AASB 140.20, 30, 32A, 33 and 75(a)  
FRD 107A

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 measured 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.

Rental income from the leasing of investment properties is recognised in the comprehensive operating statement on a straight‑line basis over the lease term.

*[Omit if not applicable.]*

#### Intangible assets

AASB 138.74 and 75  
FRD 109

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Department.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

Refer to Note 1(H) *Depreciation*, Note 1(I) *Amortisation of non‑produced intangible assets* and Note 1(I) *Impairment of non‑financial assets*.

AASB 138.54

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

AASB 138.57

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:

1. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
2. an intention to complete the intangible asset and use or sell it;
3. the ability to use or sell the intangible asset;
4. the intangible asset will generate probable future economic benefits;
5. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
6. the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Note 1. Summary of significant accounting policies *(continued)*

#### Other non‑financial assets

##### Prepayments

Other non‑financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

1. Liabilities

#### Payables

AASB 7.21, 139.43   
and 47

Payables consist of:

* contractual payables, such as accounts payable, and unearned income including deferred income from concession notes. Accounts payable represent liabilities for goods and services provided to the Department prior to the end of the financial year that are unpaid, and arise when the Department becomes obliged to make future payments in respect of the purchase of those goods and services; and
* statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(K)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

*Borrowings*

AASB 7.21, 139.43   
and 47  
FRD 114A

All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs (refer also to Note 1(O) *Leases*). The measurement basis subsequent to initial recognition depends on whether the Department has categorised its interest‑bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The above classification depends on the nature and purpose of the interest bearing liabilities. The Department determines the classification of its interest bearing liabilities at initial recognition.

#### Provisions

AASB 137.14

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.

AASB 137.36, 45, 47 and 60

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 discount rate that reflects the time value of money and risks specific to the provision.

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.

Note 1. Summary of significant accounting policies *(continued)*

##### Employee benefits

AASB 119.11

AASB 119.153

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.

AASB 101.69

AASB 119.8

##### (i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non‑monetary benefits annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as ‘current liabilities’, because the Department does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

nominal value – if the Department expects to wholly settle within 12 months; or

present value – if the Department does not expect to wholly settle within 12 months.

AASB 119.28

##### (ii) Long service leave

Liability for LSL is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements 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.

The components of this current LSL liability are measured at:

nominal value‑ if the Department expects to wholly settle within 12 months; and

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 an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non‑current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non‑current LSL liability is recognised in the ‘net result from transactions’, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as an other economic flow (refer to Note 1(I)).

AASB 119.128, 133‑134 and 139

##### (iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Department recognises termination benefits when it is demonstrably committed to either 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. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

##### On‑costs related to employee expenses

AASB 137.85

On‑costs such as payroll tax, and workers compensation are recognised separately from the provision for employee benefits.

Note 1. Summary of significant accounting policies *(continued)*

##### Onerous contracts

AASB 137.66

An onerous contract is considered to exist when the unavoidable cost of meeting the contractual obligations exceeds the estimated economic benefits to be received. 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.

AASB 139.47(c)

##### Financial guarantees

AASB 139.43

Payments that are contingent under financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is a material increase in the likelihood that the guarantee may have to be exercised, then it is measured at the higher of the amount and the amount initially recognised less cumulative amortisation, where appropriate.

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 in Note 32 *Contingent assets and contingent liabilities*.

#### 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 estimated consolidated comprehensive operating statement.

*[Omit if not applicable.]*

AASB 117.4

1. Leases

AASB 117.8

AASB Interpretation 4.6

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. For service concession arrangements (see Note 1(S)), the commencement of the lease term is deemed to be the date the asset is commissioned. All other leases are classified as operating leases.

#### Finance leases

##### Department as lessor

AASB 117.36, 39

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 income 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.

Note 1. Summary of significant accounting policies *(continued)*

##### Department as lessee

AASB 117.27

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non‑financial physical asset. If there is certainty that the Department will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

*[Omit if not applicable.]*

#### Operating leases

##### Department as lessor

AASB 117.50

Rental income from operating leases is recognised on a straight‑line basis over the term of the relevant lease.

AASB Interpretation 115.3

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 115.4

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are 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.

*[Omit if not applicable.]*

##### Department as lessee

AASB 117.33

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight‑line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

AASB Interpretation 115.3

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 115.5

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight‑line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*[Omit if not applicable.]*

Note 1. Summary of significant accounting policies *(continued)*

1. Equity

#### Contributions by owners

FRD 119A  
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 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.

AASB 116.74(c)

AASB 117.35(a)

AASB 138.122(e)

AASB 12.23(a)

1. Commitments

Commitmentsfor future expenditure include operating and capital commitments arising from contracts.These commitmentsare disclosedby way of a note (refer to Note 31 *Commitments for expenditure*) at their nominal value and inclusive of the GST payable.

In addition, 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.

1. Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 32 *Contingent assets and contingent liabilities*) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

1. Service concession arrangements

The Department sometimes enters into certain arrangements with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements are typically complex and usually include the provision of operational and maintenance services for a specified period of time. These arrangements are often referred to as either public private partnerships or service concession arrangements (SCAs).

These SCAs usually take one of two main forms. In the more common form, the Department pays the operator over the period of the arrangement, 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 a lease payment in accordance with the lease policy (see Note 1(O)). The remaining components are accounted for as commitments (see Note 1(Q)) for operating costs which are expensed in the comprehensive operating statement as they are incurred.

The other, less common form of SCA, 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 SCA 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 grantor Department.

Note 1. Summary of significant accounting policies *(continued)*

*[Entities are strongly encouraged to briefly describe significant arrangements.]*

There is currently no authoritative accounting guidance applicable to grantors (the Department) on the recognition and measurement of the right of the Department to receive assets from such concession arrangements. Due to the lack of such guidance, there has been no change to existing policy and those assets are not currently recognised.

1. Accounting for the goods and services tax

AASB Interpretation 1031.6 and 7

Income, expenses and assets are recognised net of the amount of associated goods and services tax (GST), except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

AASB Interpretation 1031.8 and 9

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

AASB Interpretation 1031.10 and 11

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as an operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST (refer to Note 1(Q) and Note 1(R)).

1. Foreign currency balances/transactions

AASB 121.21 and 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.

AASB 121.52(b)

Foreign currency translation differences are recognised in other economic flows and accumulated in a separate component of equity, in the period in which they arise.

*[Omit if not applicable.]*

1. Events after the reporting period

*[Include as appropriate.]*

AASB 110.3

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Department and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

AASB 108.30

AASB 108.31

Note 1. Summary of significant accounting policies *(continued)*

1. Australian Accounting Standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2016 reporting period. DTF assesses the impact of all these new standards and advises the Department of their applicability and early adoption where applicable. Please refer to Appendix 5 for the detailed list of the AASs issued but are not yet effective for the 2015‑16 reporting period.

*[The latest listing on impacts of AASs that are issued but not yet effective will be issued as Appendix 2 of the upcoming FRD 120J. 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, in Policy Note 1 of the annual financial statements.]*

***[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.]***

1. Correction of a prior period error

*[Include or omit as appropriate. Refer to Note 8 Correction of Error.]*

Commentary – Summary of significant accounting policies

AASB 101.112(a)

Disclosures in Note 1 – summary of significant accounting policies

The following disclosures should be made in Note 1:

AASB 1054.9

(a) a statement that the financial statements are general purpose financial statements or special purpose financial statements;

AASB 1054.7

(b) a statement of compliance with AASs; and

AASB 101.16

(c) where applicable, a statement of compliance with the International Financial Reporting Standards (IFRSs).

AASB 101.Aus16.3

This statement of compliance is unlikely to be applicable to departments because they would have applied additional Australian paragraphs or Australian standards applicable to not‑for‑profit entities, which are not part of IFRSs.

Where compliance with AAS does not lead to compliance with IFRSs

AASB 101.Aus16.3

Some AASs contain requirements specific to not‑for‑profit entities that are inconsistent with IFRS requirements. A not‑for‑profit entity is only able to make a statement of explicit and unreserved compliance with IFRSs if the entity:

– has not applied any of these not‑for‑profit requirements that are inconsistent with IFRSs;

– has voluntarily applied those IFRS‑compliant AASs that are not required to be applied by not‑for‑profit entities;

– is not a parent that falls within the exceptions in AASB 101 Aus16.2; and

(d) summary of accounting policy.

AASB 101.112(a)

Summary of accounting policies

Contents

The summary of accounting policies shall include a description of each specific accounting policy that is necessary for an understanding of the financial statements. In making judgements about the details to be disclosed about an entity’s accounting policies, consideration shall be given to the information needs of the likely users of the financial statements, the nature of the entity’s operations and the policies that a user would expect to find disclosed for that type of entity.

AASB 101.117

Measurement basis

An entity shall disclose 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.

Basis of consolidation

AASB 10 *Consolidated Financial Statements* defines the principle of control, and establishes control as the basis for consolidation. Please refer to Appendix 7 on the detailed guidance for application of AASB 10 in the not‑for‑profit context.

AASB 12.7(a)

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, ie an investee as described in paragraphs 5 and 6 of AASB 10.

New

Commentary – Summary of significant accounting policies *(continued)*

For departments that aggregate entities under section 53(1)(b) of the FMA in their annual report, this following guidance has been provided for use in the policy 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]*

AASB 101.25

Going concern basis

When preparing financial statements, management shall make an assessment of an entity’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 entity 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 entity’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 why the entity is not regarded as a going concern.

Critical accounting estimates and judgements

AASB 101.122

An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

AASB 101.123

In the process of applying the entity’s accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements. For example, management makes judgements in determining:

(a) whether financial assets are held‑to‑maturity investments;

(b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;

(c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to income; and

(d) whether the substance of the relationship between the entity and a special purpose entity indicates that the special purpose entity is controlled by the entity.

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:

(a) their nature; and

(b) their carrying amount at the end of the reporting period.

AASB 101.126

AASB 101.128

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.

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.

Commentary – Summary of significant accounting policies *(continued)*

AASB 101.119

In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in AASs. Some AASs specifically require disclosure of particular accounting policies, including choices made by management between different policies allowed by an AAS.

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; and
* 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 or by selling it to another market participant that would use the asset in its highest and best use.

Consideration of highest and best use for non‑financial physical assets

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset’s physical nature and any applicable legislative/contractual arrangements.

In considering the highest and best use (HBU) for non‑financial physical assets, valuers are probably best placed to determine HBU in consultation with entities. Entities and their valuers therefore need to have a shared understanding of the circumstances of the assets. An entity has to form its own view about a valuer’s determination, as the entity is ultimately responsible for what is presented in its audited financial statements.

In accordance with paragraph AASB 13.29, entities can assume the current use of a non‑financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Therefore, an assessment of the HBU will be required when the indicators are triggered within a reporting period, which suggest that the market participants would have perceived an alternative use of an asset that can generate maximum value. Once identified, entities are required to engage with VGV or other independent valuers for formal HBU assessment.

These indicators, as a minimum, include:

External indicators

* changed Acts, regulation, local law or such instrument which affects or may affect the use or development of the asset;
* changes in planning scheme, including zones, reservations, overlays that would affect or remove the restrictions imposed on the assets’ use;
* existence of government policies (e.g. Government Gazette)/public announcements with expectations that an asset will be used in certain way to support the service delivery;
* government decisions declaring the asset’s redundancy or surplus; and
* social‑environmental evidences indicating changes in public expectations of the assets’ use.

Commentary – Summary of significant accounting policies *(continued)*

Internal indicators

* where an asset use is within an entity’s discretion, any plans or intentions that have been formally communicated for a different use of the asset from its past use;
* evidence that suggest the current use of an asset is no longer core to requirements to deliver an entity’s service obligation; and
* evidence that suggests that the asset might be sold or demolished as reaching the late stage of an asset’s life cycle.

In addition, entities need to assess the HBU as part of the five‑year review for fair value of non‑financial physical assets. This is consistent with the current requirements in   
FRD 103F *Non‑financial phyiscal assets* and FRD 107A *Investment Properties*.

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; and
* 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.

Commentary – Summary of significant accounting policies *(continued)*

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***

Please see Appendix 3 for a summary table regarding fair value measurement expectations for the typical VPS assets.

Changes in accounting policies

Initial application of an AAS

AASB 108.28

When initial application of an AAS has an effect on the current period or any prior period, or would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the title of the AAS;

(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) the nature of the change in accounting policy;

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

(i) for each financial statement’s line item affected; and

(ii) if AASB 133 *Earnings per Share* applies to the entity, for basic and diluted earnings per share;

(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(h) if retrospective application required by paragraph 19(a) or (b) of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* 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.

Voluntary changes in accounting policies

AASB 108.14

An entity shall change an accounting policy only if the change:

* is required by an AAS; or
* 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.

Commentary – Statement of significant accounting policies *(continued)*

AASB 108.29

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:

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

(i) for each financial statement’s line item affected; and

(ii) if AASB 133 *Earnings per Share* applies to the entity, for basic and diluted earnings per share;

(d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(e) 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.

Where compliance with an AAS is misleading

AASB 101.23

In the extremely rare circumstances in which 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 entity 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; and
* 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.

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.

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.

AASB 1050.25

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.

Commentary – Statement of significant accounting policies *(continued)*

Administered items

AASB 1050.24

To facilitate the assessment of the costs incurred and the cost recoveries generated as a result of the government 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.

Other trust activities on behalf of parties external to the Victorian Government

Such trust activities should be distinguished from administered activities although the latter are sometimes referred to as trust items managed by the department.

Transactions and balances from other trust activities of an entity on behalf of parties external to the Victorian Government should be reported in a separate note (refer to illustration in Note 39(b) *Third party funds under management*).

Commonwealth grants

Example policy note disclosure for a for‑profit entity

AASB 120.12

‘*Government grants relating to* [describe income item to which the grant relates] *are recognised as income over the periods necessary to match them with the related costs.*

*Government grants relating to* [describe the asset item to which the grant relates] *are treated as deferred income and released to the net result over the expected useful lives of the assets concerned*.*’*

This treatment under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* differs from that applied by not‑for‑profit entities, which are required to follow AASB 1004 *Contributions.*

Non‑financial physical assets

Depreciation

AASB 116.60

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 116.51, 61

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.

Capital asset charge

Departments and other entities pay a capital assets charge as set out in BFMG 12 *Capital Assets Charge*. The policy note for the fictitious DoT includes a suitable example disclosure.

AASB 136.9 and 138.111  
FRD 106

Impairment of non‑financial physical assets

Goodwill, intangible assets and all other assets must be tested annually for indications of impairment, except for the following:

* inventories;
* assets arising from construction contracts;
* assets arising from employee benefits;
* deferred tax assets;

Commentary – Statement of significant accounting policies *(continued)*

* financial instrument assets;
* investment property that is measured at fair value;
* certain biological assets related to agricultural activity;
* certain deferred acquisition costs and intangible assets arising from an insurer’s contractual rights; and
* non‑financial physical assets held for sale.

For‑profit entities may use the following paragraphs to replace relevant paragraphs in their accounting policy disclosure on impairment of assets:

*‘If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off by a charge to the comprehensive operating statement except to the extent that the write‑down can be debited to an asset revaluation surplus amount applicable to that specific asset.*

*The recoverable amount for assets is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell’.*

Inventories held for distribution

Guidance for assessing loss of service potential

AASB 102.Aus9.2 and BC15

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‑BC20 for detailed guidance on assessing loss of service potential.

AASB 116

Recoverable amount and revaluation of non‑financial physical assets

FRD 103F

Accounting requirements for the recoverable amount and revaluation of non‑financial physical assets are set out in AASB 116 *Property, Plant and Equipment*. In addition, entities should refer to FRD 103F on the required timing and process in relation to any subsequent revaluation undertaken.

AASB 116.2

AASB 116 shall be applied in accounting for property, plant and equipment except when another standard requires or permits a different accounting treatment.

AASB 116.3

AASB 116 does not apply to:

(a) property, plant and equipment classified as held for sale in accordance with AASB 5 *Non‑current Assets Held for Sale and Discontinued Operations*; or

(b) biological assets related to agricultural activity; or

(c) mineral rights and mineral reserves such as oil, natural gas and similar non‑regenerative resources.

Commentary – Statement of significant accounting policies *(continued)*

**Note:** The policy disclosure provided in this Model for revaluation of non‑financial physical assets is also applicable to for‑profit entities, except for the policy on the transfer of physical asset revaluation surplus to accumulated surplus. Unlike not‑for‑profit entities, for‑profit entities may transfer the physical asset revaluation surplus to accumulated surplus on derecognition of the relevant asset.

Biological assets

AASB 141.15

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 141.16

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 141.17

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 141.18

If an active market does not exist, an entity uses one or more of the following, when available, in determining fair value:

(a) 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;

(b) market prices for similar assets with adjustment to reflect differences; and

(c) 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 141.19

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.

AASB 141.20

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.

AASB 141.21

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.

AASB 141.22

An entity does not include any cash flows for financing the assets, taxation, or re‑establishing biological assets after harvest.

AASB 141.23

In agreeing an arm’s length transaction price, knowledgeable, 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

Commentary – Statement of significant accounting policies *(continued)*

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.

AASB 141.24

Cost may sometimes approximate fair value, particularly when:

1. little biological transformation has taken place since initial cost incurrence; or
2. the impact of the biological transformation on price is not expected to be material.

AASB 141.25

Biological assets are often physically attached to land. Wherethere 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.

AASB 139.9

Other financial liabilities – 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.

It is highly unlikely that 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 that the department seeks separate advice regarding this matter.

AASB 139.47(c)

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 and the amount initially recognised less cumulative amortisation, where appropriate.

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.

Reclassification of financial assets

AASB 7.12

If, as a result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available, or because the ‘two preceding annual reporting periods’ have passed in relation to a financial asset that could previously not be classified as held‑to‑maturity, where an entity reclassifies a financial asset as one measured at cost or amortised cost rather than at fair value, it shall disclose the reason for the reclassification.

Functional and presentation currency

FRD 104

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.’*

Commentary – Statement of significant accounting policies *(continued)*

SD 4.2

Rounding of amounts

The rounding used in the presentation of amounts in the financial statements must be prominently displayed. The financial statements of a department must be expressed by reference to the nearest dollar except where the total assets, or liabilities, or income, or expenses, of a department are greater than:

* $10 000 000 – the amounts shown in the financial statements may be expressed by reference to the nearest $1 000; or
* $1 000 000 000 – the amounts shown in the financial statements may be expressed by reference to the nearest $100 000.

New Accounting Standards and interpretations

AAS issued but not yet effective

AASB 108.30

When an entity has not applied a new AAS that has been issued but is not yet effective, the entity shall disclose:

(a) this fact; and

(b) 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.

AASB 108.31

In complying with requirement above, an entity considers disclosing:

(a) the title of the new AAS;

(b) the nature of the impending change or changes in accounting policy;

(c) the date by which application of the standard is required;

(d) the date as at which it plans to apply the standard initially; and

(e) either:

(i) a discussion of the impact that initial application of the standard is expected to have on the entity’s financial statements; or

(ii) 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.

Note 2. Departmental (controlled) outputs

A description of departmental outputs performed during the year ended 30 June 2016, and the objectives of these outputs, are summarised below.

AASB 1052.15(a), (b)

## 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 *[Sustainable Thriving Victoria]* Government outcomes:

* more quality jobs and thriving innovative industries across Victoria; and
* growing and linking all of Victoria.

## Information technology and telecommunication services

#### Description of output

Provision of payroll, accounting and database management bureau service to a range of agencies in the Victorian public sector. Services also include information technology training and auditing of telephone usage. The Information Technology and Telecommunications (IT&T) division of the Department provides services on the application and use of IT&T to other governments in Australia and around the world 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 information technology and has the potential to contribute to the economic growth of the State.

Contribution to *[Sustainable Thriving Victoria]* Government outcomes:

* more quality jobs and thriving innovative industries across Victoria; and
* sound financial management.

AASB 1052.15(a), (b)

## Research and development of biological technology

#### Description of output

A number of units within the Department conduct research and development of new biological technology for application in industry, particularly in the agricultural and health sectors. Commercial development of this new technology is primarily undertaken by Gene Sciences Victoria, a business unit of the Department.

#### Objectives

Improvements to the quality of life of Victorians through eradicating certain diseases and enhancing nutrition as a result of better quality agricultural products.

Improved agricultural products are also considered to contribute to the economic growth of the State.

Note 2. Departmental (controlled) outputs *(continued)*

Contribution to *[Sustainable Thriving Victoria]* Government outcomes:

* protecting the environment for future generations; and
* more quality jobs and thriving innovative industries across Victoria.

AASB 1004.57

## 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 2015. However, accounts and reports for this output for the purposes of the *Financial Management Act 1994* (FMA)were kept and provided from 1 September 2015 as per the *Administrative Arrangements Order [No. xxx] 2015*. Expenses and income attributable to the transferred outputs for the reporting period are disclosed in Note 9 *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 FMAwere kept and provided until 31 August 2015 as per the *Administrative Arrangements Order [No. xxx] 2015*.

Commentary – Departmental (controlled) outputs

**Information to be disclosed for Departmental (controlled) outputs**

AASB 1052.15

AASB 1052 *Disaggregated Disclosures* requires:

(a) a summary of the identity and purpose of each of the department’s major activities (outputs) undertaken during the reporting period;

(b) the objectives of the department, if not disclosed elsewhere in the annual report; and

(c) income and expenses attributable to outputs identified in (a) above, showing separately each major class.

AASB 1052.19

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.

AASB 1052.20

New

In identifying major activities, judgement is required to identify those activities of a government department that warrant separate disclosure in the general purpose financial statements. Exercising this judgement involves a consideration of the following:

(a) the objectives of the government department;

(b) the likely users of the general purpose financial statements;

(c) the activity level that may be relevant to users’ assessments of the performance of the government department; and

(d) 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 as controlled or administered**

Government departments are required to classify revenues, expenses, assets and liabilities as either ‘controlled’ or ‘administered’. Note 2 and Note 3 disclose controlled and administered information respectively.

Commentary – Departmental (controlled) outputs *(continued)*

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 Budget.

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.

Note 2. Departmental (controlled) outputs *(continued)*

AASB 1052.15(c)  
AASB 1052.15(d)

Schedule A – Controlled income and expenses for the year ended 30 June 2016

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | Strategic policy  advice (i) | |
|  | 2016 | 2015 |
| **Continuing operations** |  |  |
| **Income from transactions** |  |  |
| Output appropriations | 36 042 | 30 000 |
| Special appropriations | 1 980 | 3 587 |
| Interest | 1 154 | 1 120 |
| Sale of goods and services | 702 | 555 |
| Grants | 48 | 50 |
| Fair value of assets and services received free of charge or for nominal consideration | 849 | 696 |
| Other income | 4 333 | 4 159 |
| **Total income from transactions** | **45 108** | **40 167** |
| **Expenses from transactions** |  |  |
| Employee expenses | (3 883) | (5 258) |
| Depreciation | (4 725) | (4 615) |
| Interest expense | ( 259) | (275) |
| Grants and other transfers | (19 525) | (25 217) |
| Capital asset charge | (403) | (350) |
| Other operating expenses | (3 990) | (3 887) |
| **Total expenses from transactions** | **(32 786)** | **(39 602)** |
| **Net result from transactions (net operating balance)** | **12 322** | **565** |
| Other economic flows included in net result |  |  |
| Net gain/(loss) on non‑financial assets | (5 898) | 1 547 |
| Net gain/(loss) on financial instruments | (2 099) | (140) |
| Share of net profits/(losses) of associates and joint entities, excluding dividends | 1 055 | 652 |
| Other gains/(losses) from other economic flows | (681) | (956) |
| **Total other economic flows included in net result** | **(7 622)** | **1 103** |
| **Net result from continuing operations** | **4 700** | **1 668** |
| Net result from discontinued operations | (317) | 1 326 |
| **Net result** | **4 383** | **2 994** |
| **Other economic flows – other comprehensive income** |  |  |
| **Items that will not be reclassified to net result** |  |  |
| Changes in physical asset revaluation surplus | 1 238 | (484) |
| Transfer from physical asset revaluation surplus to accumulated surplus | 156 | 614 |
| **Items that may be reclassified subsequently to net result** |  |  |
| Changes to financial assets available‑for‑sale revaluation surplus | (1 250) | 996 |
| **Total other economic flows – other comprehensive income** | **1 189** | **1 126** |
| **Comprehensive result** | **5 572** | **4 120** |

Notes:

(i) Information about the objectives of these departmental outputs can be located in the Report of Operations under the ‘Operational and budgetary objectives and performance against objectives’ section.

(ii) Based on the Administrative Arrangements Order [No. xxx] 2015, figures for the current financial year for the new technology administration output reflect the period from 1 July 2015 to 31 August 2015, figures for the comparative year are not adjusted. Figures for the period from 1 September 2015 to 30 June 2016 are reported by the Department of Cabinet Administration.

(iii) Based on the Administrative Arrangements Order [No. xxx] 2015, figures for the current financial year for the R&D biological technology output reflect the period from 1 September 2015 to 30 June 2016. Figures for the period from 1 July 2015 to 31 August 2015, and figures for the comparative year, are reported by the Department of Natural Resources.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| IT&T services (i) | | New technology administration (i)(ii) | | R&D biological technology (i)(iii) | | Departmental total | |
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 9 500 | 7 000 | 13 167 | 26 682 | 26 826 | .. | 85 535 | 63 682 |
| 5 384 | 3 020 | 760 | 4 789 | 4 | .. | 8 128 | 11 396 |
| 1 071 | 816 | 970 | 961 | 669 | .. | 3 864 | 2 897 |
| 756 | 703 | 204 | 88 | 177 | .. | 1 839 | 1 346 |
| .. | .. | 85 | 90 | 173 | .. | 306 | 140 |
| 34 | 109 | 180 | 903 | 526 | .. | 1 589 | 1 708 |
| 950 | 775 | 255 | 157 | 675 | .. | 6 213 | 5 091 |
| **17 695** | **12 423** | **15 621** | **33 670** | **29 050** | **..** | **107 474** | **86 260** |
|  |  |  |  |  |  |  |  |
| (2 586) | (3 388) | (2 729) | (2 324) | (4 569) | .. | (13 767) | (10 970) |
| (1 807) | (3 530) | (4 276) | (4 013) | (4 290) | .. | (15 099) | (12 157) |
| (179) | (232) | (1 860) | (1 829) | (68) | .. | (2 366) | (2 336) |
| .. | .. | (822) | (17 823) | (12 536) | .. | (32 883) | (43 040) |
| (403) | (237) | (219) | (133) | (284) | .. | (1 309) | (720) |
| (1 328) | (1 112) | (3 525) | (3 198) | (6 985) | .. | (15 828) | (8 197) |
| **(6 303)** | **(8 499)** | **(13 431)** | **(29 320)** | **(28 732)** | **..** | **(81 252)** | **(77 421)** |
| **11 392** | **3 924** | **2 190** | **4 350** | **318** | **..** | **26 223** | **8 839** |
|  |  |  |  |  |  |  |  |
| 80 | 297 | (334) | (39) | 991 | .. | (5 161) | 1 805 |
| (162) | (241) | (2 830) | (3 590) | (800) | .. | (5 891) | (3 971) |
| .. | .. | 231 | 745 | .. | .. | 1 286 | 1 397 |
| (459) | (696) | (516) | (395) | (1 240) | .. | (2 895) | (2 047) |
| **(541)** | **( 639)** | **(3 449)** | **(3 280)** | **(1 049)** | **..** | **(12 661)** | **(2 816)** |
| **10 851** | **3 285** | **(1 259)** | **1 070** | **(731)** | **..** | **13 562** | **6 023** |
| 1 545 | 2 530 | .. | .. | .. | .. | 1 229 | 3 856 |
| **12 396** | **5 815** | **(1 259)** | **1 070** | **(731)** | **..** | **14 790** | **9 879** |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 773 | 1 588 | (385) | 28 | 1 954 | .. | 3 580 | 1 133 |
| 113 | 386 | 34 | 822 | 333 | .. | 637 | 1 822 |
|  |  |  |  |  |  |  |  |
| .. | .. | (273) | 150 | .. | .. | (1 523) | 1 146 |
| **886** | **1 975** | **2 051** | **1 000** | **2 287** | **..** | **6 413** | **4 101** |
| **13 282** | **7 790** | **792** | **2 070** | **1 556** | **..** | **21 203** | **13 980** |

AASB 1052.16

Note 2. Departmental (controlled) outputs *(continued)*

Schedule B – Controlled assets and liabilities as at 30 June 2016

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Strategic policy  advice (i) | | IT&T services (i) | |
|  | 2016 | 2015 | 2016 | 2015 |
| **Assets** |  |  |  |  |
| Financial assets | 77 617 | 58 442 | 31 365 | 17 505 |
| Non‑financial assets | 40 363 | 60 342 | 19 739 | 19 989 |
| **Total assets** | **117 980** | **118 784** | **51 104** | **37 493** |
|  |  |  |  |  |
| **Liabilities** | 37 035 | 43 409 | 17 540 | 17 211 |
| **Total liabilities** | **37 035** | **43 409** | **17 540** | **17 211** |
|  |  |  |  |  |
| **Net assets** | **80 946** | **75 375** | **33 564** | **20 283** |

Notes:

(i) Information about the objectives of these departmental outputs can be located in the Report of Operations under the ‘operational and budgetary objectives and performance against objectives’ section.

(ii) Based on the Administrative Arrangements Order [No. xxx] 2015, 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.

(iii) Based on the Administrative Arrangements Order [No. xxx] 2015, figures for the assets and liabilities for the R&D biological technology output for the current financial year are as at 30 June 2016. Figures for the assets and liabilities of the output for the comparative year are reported by the Department of Natural Resources.

*[Entities are encouraged to disclose a more detailed disaggregation of material assets and liabilities where possible to enhance transparency of the current disclosure in Schedule B as part of better practice.]*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| New technology  administration (i)(ii) | | R&D biological technology (i)(iii) | | Departmental total | |
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|  |  |  |  |  |  |
| .. | 27 845 | 14 326 | .. | 123 308 | 103 792 |
| .. | 43 664 | 55 623 | .. | 115 726 | 123 995 |
| **..** | **71 509** | **69 950** | **..** | **239 034** | **227 787** |
|  |  |  |  |  |  |
| .. | 52 206 | 43 027 | .. | 97 601 | 112 826 |
| **..** | **52 206** | **43 027** | **..** | **97 601** | **112 826** |
|  |  |  |  |  |  |
| **..** | **19 303** | **26 923** | **..** | **141 432** | **114 961** |

Note 3. Administered (non‑controlled) items

FRD 9A  
AASB 1050.7

In addition to the specific departmental operations which are included in the financial statements (comprehensive operating statement, balance sheet, statement of changes on equity and cash flow statement), the Department administers or manages other activities and resources on behalf of the State such as *[entity to describe]*. The transactions relating to these activities are reported as administered items (refer to Note 1(D) and (J)) in this note.

FRD 9A AASB 1050.7(a)

FRD 9A   
AASB 1050.7(b)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | Strategic policy  advice | |
|  | 2016 | 2015 |
| **Administered income from transactions** |  |  |
| Appropriations – payments made on behalf of the State | 6 786 | 6 245 |
| Sales of goods and services [include fees] | 5 887 | 5 634 |
| Grants | 871 | 1 790 |
| Taxation income | .. | .. |
| Fines | .. | .. |
| Refunds and other miscellaneous income | .. | .. |
| **Total administered income from transactions** | **13 544** | **13 669** |
| **Administered expenses from transactions** |  |  |
| Payments made on behalf of the State | (6 786) | (6 245) |
| Payments into the consolidated fund | (6 758) | (7 424) |
| **Total administered expenses from transactions** | **(13 544)** | **(13 669)** |
| **Total administered net result from transactions (net operating balance)** | **..** | **..** |
| Administered other economic flows included in administered net result |  |  |
| Net gain/(loss) on non‑financial assets | .. | .. |
| Net gain/(loss) on financial instruments | 253 | (156) |
| Share of net profits/(losses) of associates and joint entities, excluding dividends | .. | .. |
| Other gains/(losses) from other economic flows | .. | .. |
| **Total administered other economic flows** | **253** | **(156)** |
| **Administered net result** | **253** | **(156)** |
| **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 |
| Changes in physical asset revaluation surplus | .. | .. |
| **Total administered other economic flows – other comprehensive income** | **..** | **153** |
| **Total administered comprehensive result** | **253** | **(3)** |

Notes:

(i) Based on the Administrative Arrangements Order [No. xxx] 2015, 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.

(ii) Based on the Administrative Arrangements Order [No. xxx] 2015, figures for the income and expenses for the R&D biological technology output for the current financial year are as at 30 June 2016. Figures for the income and expenses of the output for the comparative year are reported by the Department of Natural Resources.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| IT&T services | | New technology administration (i) | | R&D biological technology (ii) | | Departmental total | |
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|  |  |  |  |  |  |  |  |
| 3 550 | 3 487 | 546 | 1 137 | 1 137 | .. | 12 019 | 10 869 |
| 3 003 | 2 318 | .. | 3 517 | 2 725 | .. | 11 615 | 11 469 |
| 222 | 301 | 2 330 | 2 996 | 162 | .. | 3 585 | 5 087 |
| .. | .. | 5 176 | 4 982 | .. | .. | 5 176 | 4 982 |
| .. | .. | 6 213 | 5 988 | .. | .. | 6 213 | 5 988 |
| .. | .. | .. | .. | .. | .. | .. | .. |
| **6 775** | **6 106** | **14 265** | **18 620** | **4 024** | **..** | **38 608** | **38 395** |
|  |  |  |  |  |  |  |  |
| (3 550) | (2 987) | (546) | (1 637) | (1 137) | .. | (12 019) | (10 869) |
| (3 225) | (2 619) | (13 719) | (17 483) | (2 887) | .. | (26 589) | (27 526) |
| **(6 775)** | **(5 606)** | **(14 265)** | **(19 120)** | **(4 024)** | **..** | **(38 608)** | **(38 395)** |
| **..** | **500** | **..** | **(500)** | **..** | **..** | **..** | **..** |
|  |  |  |  |  |  |  |  |
| .. | .. | .. | .. | .. | .. | .. | .. |
| .. | .. | .. | .. | .. | .. | 253 | (156) |
| .. | .. | .. | .. | .. | .. | .. | .. |
| .. | .. | .. | .. | 225 | 88 | 225 | 88 |
| **..** | **..** | **..** | **..** | **225** | **88** | **478** | **(68)** |
| **..** | **500** | **..** | **(500)** | **225** | **88** | **478** | **(68)** |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| .. | 201 | .. | 243 | .. | .. | .. | 597 |
| .. | .. | .. | .. | .. | .. | .. | .. |
| **..** | **201** | **..** | **243** | **..** | **..** | **..** | **597** |
| **..** | **701** | **..** | **(257)** | **225** | **88** | **478** | **529** |

Note 3. Administered (non‑controlled) items *(continued)*

FRD 9A  
AASB 1050.7(c)

FRD 9A  
AASB 1050.7(d)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | Strategic policy  advice | |
|  | 2016 | 2015 |
| **Administered financial assets** |  |  |
| Receivables | 443 | 746 |
| Investments | 5 897 | 4 378 |
| **Total administered financial assets** | **6 340** | **5 124** |
| **Administered non‑financial assets (iii)** |  |  |
| Inventories | .. | .. |
| Prepayments | 578 | 872 |
| **Total administered non‑financial assets** | **578** | **872** |
| **Total administered assets** | **6 918** | **5 996** |
| **Administered liabilities (iv)** |  |  |
| Creditors and accruals | 1 364 | 1 093 |
| Amounts owing to other departments | .. | .. |
| Interest bearing liabilities | 2 015 | 2 227 |
| **Total administered liabilities** | **3 379** | **3 320** |
| **Total administered net assets** | **3 539** | **2 676** |

Notes:

(i) 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 Department’s period of responsibility, which was 1 July 2015 to 31 August 2015.

(ii) 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 2015. Administered items for the prior year and the current year to 31 August 2015 are reported by Department of Natural Resources.

(iii) The state’s investment in all its controlled entities is disclosed in the administered note of the Department of Treasury and Finance’s financial statements. This includes the investment in the Department of [Technology’s] portfolio entities.

(iv) DTF in its Annual Financial Statements, disclose 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.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| IT&T services | | New technology administration (i) | | R&D Technology (ii) | | Departmental total | |
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|  |  |  |  |  |  |  |  |
| 3 242 | 1 491 | .. | 4 167 | 5 407 | .. | 9 092 | 6 404 |
| 4 090 | 3 051 | .. | 4 573 | 2 245 | .. | 12 232 | 12 002 |
| **7 332** | **4 542** | .. | **8 740** | **7 652** | .. | **21 324** | **18 406** |
|  |  |  |  |  |  |  |  |
| 243 | .. | .. | 1 894 | 1 109 | .. | 1 352 | 1 894 |
| 326 | 537 | .. | 901 | 783 | .. | 1 687 | 2 310 |
| **569** | **537** | .. | **2 795** | **1 892** | .. | **3 039** | **4 204** |
| **7 901** | **5 079** | .. | **11 535** | **9 544** | .. | **24 363** | **22 610** |
|  |  |  |  |  |  |  |  |
| 921 | 849 | .. | 2 277 | 2 107 | .. | 4 392 | 4 219 |
| .. | .. | .. | .. | .. | .. | .. | .. |
| 543 | 764 | .. | 272 | 221 | .. | 2 779 | 3 263 |
| **1 464** | **1 613** | .. | **2 549** | **2 328** | .. | **7 171** | **7 482** |
| **6 437** | **3 466** | .. | **8 986** | **7 216** | .. | **17 192** | **15 128** |

Commentary – Administered (non‑controlled) items as presented in this Model

AASB 1050. 9 and 11

Administered income and expenses

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 that are administered by a department are not recognised in its comprehensive operating statement but are disclosed in the notes.

FRD 9A   
AASB 1050.7

AASB 1050 *Administered Items* and FRD 9A *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

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, the 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.

FRD 9A   
AASB 1050.7

AASB 1050 encourages, but does not require, the allocation of administered assets and liabilities to outputs. However, FRD 9A 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

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. Refer to the commentary on departmental outputs (Note 2) for comments on identification of major activities.

FRD 9A

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.

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 under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

AASB 101.97

Note 4. Income from transactions

AASB 118.35(b)(iii)

AASB 7.20(b)

AASB 118.35(b)(i)

AASB 118.35(b)(ii)

AASB 1004. 62

AASB 101.97

AASB 140.75(f)(i)

AASB 118.35(b)(v)

AASB 1004.18(b)

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2016 | 2015 |
| **(a)** | **Interest** |  |  |
|  | Interest from financial assets not at fair value through P/L |  |  |
|  | Interest on bank deposits | 888 | 839 |
|  | Interest from loans | 242 | 235 |
|  | Other miscellaneous interest income | 1 045 | 561 |
|  | Total interest from financial assets not at fair value through P/L | 2 175 | 1 635 |
|  | Interest from financial assets at fair value through P/L |  |  |
|  | Interest from debt securities | 1 689 | 1 262 |
|  | Total interest from financial assets at fair value through P/L | 1 689 | 1 262 |
|  | **Total interest** | **3 864** | **2 897** |
| **(b)** | **Sale of goods and services** |  |  |
|  | Sales of goods | 1 114 | 945 |
|  | Sale of biological assets | 215 | .. |
|  | Rendering of services | 510 | 401 |
|  | **Total sale of goods and services** | **1 839** | **1 346** |
| **(c)** | **Grants** |  |  |
|  | General purpose | 125 | 121 |
|  | Specific purpose grants for on‑passing | 128 | .. |
|  | Other specific purpose | 53 | 19 |
|  | **Total grants** | **306** | **140** |
| **(d)** | **Fair value of assets and services received free of charge or for nominal consideration** |  |  |
|  | 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 | .. | .. |
|  | **Total fair value of assets and services received free of charge or for nominal consideration** | **1 589** | **1 708** |
| **(e)** | **Other income** |  |  |
|  | Rental income – Investment properties | 2 215 | 1 440 |
|  | **Total rental income** | **2 215** | **1 440** |
|  | Dividends received from investments | 1 698 | 1 611 |
|  | **Total dividends** | **1 698** | **1 611** |
|  | Bad debts reversal | 30 | 15 |
|  | **Total bad debts reversal** | **30** | **15** |
|  | **Forgiveness of liabilities** | **2 270** | **2 025** |
|  | **Total other income** | **6 213** | **5 091** |

Commentary – Income from transactions

Accounting for income

Accounting for income generally has to comply with AASB 118 *Revenue* and AASB 1004 *Contributions,* except for income that arises from sources that are covered by other standards. For example income arising from lease agreements (AASB 117 *Leases*), dividends from investment accounted for using the equity method (AASB 128 *Investments in Associates and Joint Ventures*) etc.

Disclosure requirements

To align with whole of government reporting, which is in compliance with AASB 1049 requirements, **departments are required** to classify items of income between transactions and other economic flows as appropriate. Departments should refer to Note 44 *Glossary of terms and style conventions* in the Model for definitions on ‘transactions’ and ‘other economic flows’, and refer to Appendix 2 for the *Practical classification guide between transactions and other economic flows* for further examples.

In relation to income from transactions, common material items (some are illustrated in Note 4 of the Model*)* may include the following:

AASB 118.35

(a) the amount of each significant category of income recognised during the period including income arising from:

(i) the sale of goods;

(ii) the rendering of services;

(iii) interest;

(iv) royalties;

(v) dividends;

(b) the amount of income arising from exchanges of goods or services included in each significant category of income;

AASB 7.20(b)

(c) total interest income for financial assets that are not at fair value through profit or loss;

AASB 7.20(c)

(d) fee income arising from:

(i) financial assets that are not at fair value through profit or loss;

(ii) trust and other fiduciary activities that result in the holding of assets on behalf of individuals, trusts retirement benefit plans, and other institutions; and

AASB 7.20(d)

(e) interest income on impaired financial assets accrued in accordance with paragraph AG 93 of AASB 139 *Financial Instruments: Recognition and Measurement*.

Additional disclosures for income from contributions

A department must also disclose the following in respect of contributions recognised during the period:

AASB 1004.60(b), (d)

(a) the nature and amount of contributions recognised as income during the period that were provided specifically for the provision of goods or services over a future period;

AASB 1004.60(c), (d)

(b) the nature and amount of contributions recognised as income during the period that were obtained in respect of a future rating or taxing period identified by the general government sector or whole of government for the purpose of establishing a rate or tax; and

AASB 1004.60(e), (d)

(c) contributions received as income in previous reporting periods that were obtained in respect of the current reporting period.

Commentary – Income from transactions *(continued)*

Income from contributions with conditions attached

AASB 1004.60(a)

Where a department has recognised income contributions for which the contributor has specified the manner in which they are to be expended, and those conditions are undischarged at the end of the reporting period, the department must disclose details of those contributions and the conditions attached to them.

AASB 118.35(b)

User charges, fees and fines

Where user charges, fees and fines exist as controlled items, the department is required to disclose these items separately in the income note.

Transfer of assets from customers to be used for ongoing access to a supply of goods or services

AASB Interpretation 18.5 and 6

AASB Interpretation 18 *Transfer of Assets from Customers* provides guidance on the recognition and measurement of:

(i) property, plant and equipment received from a customer which must be used by the entity to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both; and

(ii) cash received from a customer that must only be used by the entity to construct or acquire an item of property, plant and equipment, and the entity must then use this property, plant and equipment to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

AASB 101.97

Note 5. Expenses from transactions

AASB 119.46  
FRD 112D

AASB 119.142

AASB 101.104

AASB 7.20(b)

AASB 101.97

AASB 140.75(f)(ii) and (iii)

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2016 | 2015 |
| **(a)** | **Employee expenses** |  |  |
|  | Post employment benefits |  |  |
|  | Defined contribution superannuation expense | 451 | 325 |
|  | Defined benefit superannuation expense | 235 | 155 |
|  | 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** |
| **(b)** | **Depreciation** |  |  |
|  | Buildings(i) | 578 | 607 |
|  | Plant, equipment and vehicles | 12 118 | 9 550 |
|  | Infrastructure(ii) | 419 | 240 |
|  | Road, infrastructure and earthworks | 514 | 207 |
|  | Intangible produced assets | 1 471 | 1 554 |
|  | **Total depreciation** | **15 099** | **12 157** |
| **(c)** | **Interest expense** |  |  |
|  | Interest on government loans | 172 | 390 |
|  | Interest on finance leases (iii) | 1 139 | 1 195 |
|  | Other interest expense | 1 055 | 750 |
|  | **Total interest expense** | **2 366** | **2 336** |
| **(d)** | **Grants and other transfers** |  |  |
|  | General purpose grants | 19 052 | 41 445 |
|  | Specific purpose grants for on‑passing | 11 688 | .. |
|  | Payments for specific purposes | 2 144 | 1 595 |
|  | **Total grants and other transfers** | **32 883** | **43 040** |
| **(e)** | **Other operating expenses (iv)** |  |  |
|  | Supplies and services (v) |  |  |
|  | Purchase of inventories | 2 005 | 1 334 |
|  | Purchase of services | 3 635 | 2 151 |
|  | Maintenance (vi) | 223 | 94 |
|  | Other borrowing cost (other than interest) | 307 | 144 |
|  | Total supplies and services | 6 170 | 3 723 |
|  | 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 |
|  | Total fair value of assets and services provided free of charge or for nominal consideration | 766 | 546 |
|  | Direct operating expenses of investment properties |  |  |
|  | Properties generating rental income | 421 | 409 |
|  | Total direct operating expenses of investment properties | 421 | 409 |

Note 5. Expenses from transactions *(continued)*

AASB 117.35(c)

AASB 102.36(d)

AASB 101.98(f)

AASB 138.54 and 126

FRD 11A.3

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2016 | 2015 |
|  | Operating lease rental expenses |  |  |
|  | Lease payments | 3 295 | 1 098 |
|  | Subleases | 422 | .. |
|  | Total operating lease rental expenses | 3 717 | 1 098 |
|  | **Subtotal** | **11 074** | **5 776** |
|  | Bad debts from transactions | 75 | 50 |
|  | Cost of goods sold/distributed | 1 463 | 1 077 |
|  | Cost of biological assets sold – commercial | 1 290 | .. |
|  | Cost of biological assets sold – livestock | 250 | .. |
|  | Settlement of litigation | 869 | 783 |
|  | Research and development costs immediately expensed | 651 | 495 |
|  | Ex gratia expense | 156 | 16 |
|  | **Total other operating expenses** | **15 828** | **8 197** |

Recommendation 13, PAEC Report 115*Notes:* *[insert if applicable]*

(i) Of the balance in ‘depreciation‑buildings’, $XXX [$xxx in 2015] related to assets contracted under the public private partnership (PPP) arrangements.

(ii) Of the balance in ‘depreciation‑infrastructure’, $XXX [$xxx in 2015] related to assets contracted under the PPP arrangements.

(iii) Of the balance in ‘interest on finance leases’, $XXX [$xxx in 2015] related to assets contracted under the PPP arrangements.

(iv) [Entities should consider whether ‘supplies and services’ is a material item and therefore should be presented as a separate line item on the face of the comprehensive operating statement, instead of being aggregated under ‘other operating expenses’.]

(v) Of the balance in ‘other operating expenses – maintenance’, $XXX [$xxx in 2015] related to operating and maintenance expenses of assets contracted under the PPP arrangements [insert if relevant].

Commentary – Expenses from transactions

Disclosure requirements

AASB 101.97  
AASB 101.99

Revised

When items of expense are material, an entity shall disclose their nature and amount separately. An entity shall present, either in the comprehensive operating statement or in the notes to the financial statements, an analysis of expenses using a classification based on either their nature or their function in the entity, whichever provides information that is reliable and more relevant.

To align with whole of government reporting, which is in compliance with AASB 1049 requirements, **departments are required** to classify items of expense between transactions and other economic flows as appropriate. Departments should refer to Note 44 *Glossary of terms and style conventions* in the Modelfor definitions on ‘transactions’ and ‘other economic flows’, and refer to Appendix 2 for the *Practical classification guide between transactions and other economic flows* for further examples.

Some common material items of expenses from transactions required to be disclosed by a few different AASs are illustrated in Note 5 *Expenses from transactions* of the Model*.*

PAEC Report 102, recommendation 70 requested more detailed disclosure of other operating expenses. This is currently being reviewed by DTF with indicative implementation in departmental annual reports from 2016‑17 onwards.

Commentary – Expenses from transactions *(continued)*

Cost of sales

AASB 102.34

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.Aus34.1

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 an 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.

Borrowing costs

AASB 123.5 and 6

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds and may include:

(a) interest expense calculated using the effective interest method as described in AASB 139 *Financial Instruments: Recognition and Measurement*;

(b) finance charges in respect of finance leases recognised in accordance with AASB 117 *Leases*; and

(c) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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.

AASB 116.76

Change in accounting estimates

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:

(a) residual values;

(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;

(c) useful lives; and

(d) depreciation methods.

AASB 101.104

Employee benefits

Entities classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

Note 6. Other economic flows included in net result

AASB 101.97

AASB 136.126(a)

AASB 101.104

AASB 101.98(a)

AASB 141.40

AASB 101.98(c)

AASB 101.98(d)

AASB 7.20(e)

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2016 | 2015 |
| **(a)** | **Net gain/(loss) on non‑financial assets** |  |  |
|  | Impairment of property plant and equipment (including intangible assets) | (3 025) | 115 |
|  | Impairment of biological assets | .. | .. |
|  | Amortisation of non‑produced intangible assets (i) | .. | .. |
|  | Write down of inventory | (178) | (19) |
|  | Revaluation of investment property | (3 485) | 450 |
|  | Net gain arising from changes in fair value less estimated point‑of‑sale costs of biological assets | 1 476 | .. |
|  | Net gain on disposal of property plant and equipment | 171 | 1 019 |
|  | Net gain on disposal of investment properties | (120) | 240 |
|  | **Total net gain/(loss) on non‑financial assets** | **(5 161)** | **1 805** |
| **(b)** | **Net gain/(loss) on financial instruments** |  |  |
|  | Impairment of: (ii) |  |  |
|  | Loans and receivables | (485) | (341) |
|  | Available‑for‑sale financial assets transferred from revaluation surplus | (920) | .. |
|  | 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 by mutual agreement | 75 | 50 |
|  | Net gain/(loss) on disposal of financial instruments | .. | .. |
|  | Net gain/(loss) arising from revaluation of financial assets at fair value – market risk | 30 | 321 |
|  | Net gain/(loss) arising from revaluation of financial assets at fair value – credit risk | 35 | 79 |
|  | Interest on government advances | (4 155) | (4 240) |
|  | **Total net gain/(loss) on financial instruments** | **(5 891)** | **(3 971)** |
| **(c)** | **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** |
| **(d)** | **Other gains/(losses) from other economic flows** |  |  |
|  | Net gain/(loss) arising from revaluation of long service liability (iii) | (2 846) | (2 009) |
|  | Unwinding of other provision | (49) | (39) |
|  | **Total other gains/(losses) from other economic flows** | **(2 895)** | **(2 047)** |

Notes:

(i) This is amortisation of non‑produced intangible assets with finite useful lives.

AASB 137.60

(ii) Including increase/(decrease) in provision for doubtful debts and bad debts from other economic flows – refer to Note 1.

(iii) Revaluation gain/(loss) due to changes in bond rates

[Please note that revaluation gain/(loss) on the LSL liability due to the changes in the discount bond rates is included in other economic flows.]

Commentary – Other economic flows included in net result

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 44) in the Modelfor definitions on ‘transactions’ and ‘other economic flows’, and refer to Appendix 2 for the *Practical classification guide between transactions and other economic flows* for further examples.

Some common material items of gains or losses from other economic flows required to be disclosed by a few AASs are illustrated in Note 6 of the Model*.*

Note 7. Revision of accounting estimates

Commentary – Revision of accounting estimates

Changes in accounting estimates

Recognition

AASB 108.36

The effect of a change in an accounting estimate, shall be recognised prospectively by including it in the net result in:

(a) the period of the change, if the change affects that period only; or

(b) the period of the change and future periods, if the change affects both.

AASB 108.37

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

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.

AASB 108.40

If the amount of the effect in future periods is not disclosed because estimating it is impracticable, this fact shall be disclosed.

AASB 116.76

For property, plant and equipment, disclosure of a change in an accounting estimate may arise from changes in estimates with respect to:

(a) residual values;

(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;

(c) useful lives; and

(d) depreciation methods.

AASB 134.26

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 may be omitted if not relevant. Below is an example of how you may disclose a revision of accounting estimates:

AASB 116.76

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

2016

2017

2018

2019

Note 8. Correction of a prior period error

#### Prior period errors correction

*[Entities should include this note only if there is a* ***material*** *error. Refer to the commentary below for an illustrative example, including a third balance sheet and the flow through impact on Note 19.]*

Commentary – Correction of a prior period error

Recognition

AASB 108.42, 43

An entity shall correct **material** prior period errors retrospectively in the first financial statements authorised for issue after their discovery by:

(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or

(b) 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.

Except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the error.

Retrospective restatement is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

AASB 108.44

When 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 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 108.45

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

Disclosure requirements

AASB 108.49

In applying the paragraph above, an entity shall disclose the following:

(a) the nature of the prior period error;

(b) for each prior period presented, to the extent practicable, the amount of the correction:

(i) for each financial statement line item affected; and

(ii) if AASB 133 *Earnings per Share* applies to the entity, for basic and diluted earnings per share;

AASB 101.39

(c) the amount of the correction at the beginning of the earliest prior period presented (an additional balance sheet is required to be disclosed). This requirement is consistent with the requirement of AASB 101 paragraph 39, which states that where an error has occurred during the period and has a material effect on the opening comparative balance sheet, a third balance sheet as at the beginning of the comparative period shall be disclosed; and

(d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Financial statements of subsequent periods need not repeat these disclosures.

Note 8. Correction of error *(continued)*

Commentary – Correction of prior period error *(continued)*

Revised

AASB 108.49(a)‑(c)

AASB 108.49(a)

AASB 108.49(b)(i)

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 may be omitted if not relevant.

Please note that if a **material** error occurred before the beginning of the previous financial reporting period, it will impact the opening balances of the comparative balance sheet. If the error has a material impact on the opening comparative balance sheet, an entity is required to restate the opening balances of assets, liabilities and equity for the earliest comparative period by disclosing a third balance sheet and related balance sheet notes.

Below is an example of a correction of error disclosure:

During the 2014‑15 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 20154 by $2 500 000. The error also had the effect of understating investment properties and accumulated surplus as at 30 June 2016 by $2 500 000.

The error has been corrected by restating each of the affected financial statement line items for the year in which the error occurred, as described above.

Note 19. Investment properties

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 20156 | 20154 Restated (i) |
| Balance at beginning of financial year | 5 029 | 5 233 |
| Additions from subsequent expenditure | 750 | 1 490 |
| Acquisitions/transfers in of businesses | 1 287 | .. |
| Disposals and property held for sale | (2 290) | (650) |
| Net gain/(loss) from fair value adjustments | (3 485) | 450 |
| Transfers to owner occupied | .. | (1 494) |
| Transfers to investment property | 1 063 | .. |
| **Balance at end of financial year** | **2 354** | **5 029** |

Note:

(i) The Department has had a correction of an error that required a restatement of investment properties as at 30 June 2015.

The fair values of the Department’s investment property at 1 July 20143 and 30 June 20154 have been arrived on the basis of an independent valuation carried out by Norton and Prime Pty Ltd. The valuation, which conforms to Australian Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties as at 30 June 20165 and adjusted using indices to arrive at the fair value for that property as at the respective dates.

Norton and Prime has in excess of 20 years’ experience valuing similar commercial properties in the Melbourne CBD.

New

AASB 108.49(a)

AASB 108.42(a), 49(a)‑(c)

Note 8. Correction of error *(continued)*

Commentary – Correction of prior period error

#### Error in not consolidating a controlled entity

*This section only applies if a department has made a* ***material*** *error in the control assessment for an entity during a previous financial year and needs to consolidate the entity.*

Innovation Victoria was established on 1 July 2015 as a new entity of the Department of Technology under the *Innovation Victoria Act 2015*. 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 the consolidation of its group financial statements for the 2014‑15 reporting period.

The Department has since adjusted for the error and restated each of the affected financial statements for the 2015 financial year, as shown in the following tables*.*

Impact of change in accounting policies on the consolidated operating statement

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | *Notes* | *For the  period ended  30 June 2016* | *For the period ended 30 June 2015 (restated)* | *Consolidation of Innovation Victoria (100% owned)* | *For the period ended 30 June 2015 as previously presented* |
| Interest | 4(a) | 3 864 | 2 897 | (50) | 2 947 |
| Sale of goods and services | 4(b) | 1 839 | 1 346 | 50 | 1 296 |
| Other income |  | 101 771 | 82 017 | 0 | 82 017 |
| **Total income from transactions** |  | **107 474** | **86 260** | **0** | **86 260** |
| Employee expenses | 5(a) | (13 767) | (10 970) | 1 950 | (12 920) |
| Depreciation | 5(b) | (15 099) | (12 157) | 900 | (13 057) |
| Interest expense | 5(c) | (2 366) | (2 336) | 1 050 | (3 386) |
| Other operating expenses |  | (50 020) | (51 958) | 0 | (51 958) |
| **Total expenses from transactions** |  | **(81 252)** | **(77 421)** | **3 900** | **(81 321)** |
| **Net result from transactions (net operating balance)** |  | **26 223** | **8 839** | **0** | **4 939** |
| Share of net profits/(losses) of associates and joint entities, excluding dividends | 6(c) | 1 286 | 1 397 | (3 900) | 5 297 |
| Other gains/(losses) from other economic flows | 6(d) | (13 947) | (4 213) | 0 | (4 213) |
| **Total other economic flows included in net result** |  | **(12 661)** | **(2 816)** | **(3 900)** | **1 084** |
| **Net result from continuing operations** |  | **13 562** | **6 023** | **0** | **6 023** |
| Net result from discontinued operations | 10(c) | **1 229** | **3 856** | **0** | **3 856** |
| **Net result** |  | **14 790** | **9 879** | **0** | **9 879** |
| **Total other economic flows – other comprehensive income** |  | **6 413** | **4 101** | **0** | **4 101** |
| **Comprehensive result** |  | **21 203** | **13 980** | **0** | **13 980** |

Impact of change in accounting policies on the consolidated balance sheet

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| FOR ILLUSTRATIVE PURPOSES ONLY | Notes | As at  30 June 2016 | As at 30 June 2015 (restated) | Consolidation of Innovation Victoria (100% owned) | As at 30 June 2015 (as previously reported) |
| **Assets** |  |  |  |  |  |
| *Financial assets* |  |  |  |  |  |
| Cash and deposits | 34(a) | 59 528 | 48 648 | (800) | 47 848 |
| Receivables | 11 | 36 045 | 20 544 | (2 000) | 22 544 |
| Investments accounted for using equity method | 13 | 5 187 | 6 112 | 6 000 | 112 |
| Other financial assets |  | 22 548 | 28 488 | 0 | 28 488 |
| **Total financial assets** |  | 123 308 | **103 792** | **4 800** | **98 992** |
| *Non‑financial assets* |  |  |  |  |  |
| Inventories | 16 | 12 056 | 19 733 | 0 | 19 733 |
| Property, plant and equipment | 17 | 83 044 | 76 807 | 5 200 | 71 607 |
| Other non‑financial assets |  | 22 826 | 27 455 | 0 | 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 | 22 | 17 591 | 16 704 | 10 000 | 6 704 |
| Other liabilities |  | 80 010 | 96 122 | 0 | 96 122 |
| **Total liabilities** |  | 97 601 | **112 826** | **10 000** | **102 826** |
| **Equity** |  |  |  |  |  |
| Accumulated surplus/(deficit) |  | 78 633 | 71 133 | 0 | 71 133 |
| Physical asset revaluation surplus | 35 | 7 338 | 3 759 | 0 | 3 759 |
| Financial assets available‑for‑sale | 35 | 200 | 1 723 | 0 | 1 723 |
| Contributed capital |  | 57 460 | 38 345 | 0 | 38 345 |
| **Net worth** |  | 143 632 | **114 960** | **0** | **114 960** |

Impact of change in accounting policies on the consolidated cash flow statement

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Receipts | Notes | 30 June 2016 | 30 June 2015 (restated) | 30 June 2015 (as previously reported) | Consolidation of Innovation Victoria (100% owned) |
| Receipts from government |  | 78 344 | 87 135 | 87 635 | (500) |
| Receipts from other entities |  | 5 536 | 4 373 | 5 773 | (1 400) |
| Interest received |  | 1 749 | 1 606 | 1 606 | 0 |
| Dividends received |  | 1 698 | 1 611 | 1 611 | 0 |
| Other receipts |  | 516 | 262 | 262 | 0 |
| **Total receipts** |  | **87 843** | **94 987** | **96 887** | **(1 900)** |
| **Payments** |  |  |  |  |  |
| Payments of grants and other transfers |  | (36 227) | (47 011) | (47 011) | 0 |
| Payments to suppliers and employees |  | (22 979) | (19 167) | (20 667) | (1 500) |
| Goods and Services Tax paid to the ATO |  | (3 055) | (3 497) | (3 497) | 0 |
| Capital asset charge payments |  | (1 567) | (952) | (952) | 0 |
| Interest and other costs of finance paid |  | (2 427) | (2 507) | (2 507) | 0 |
| Other payments |  | (6 382) | (3 200) | (3 200) | 0 |
| **Total payments** |  | (72 637) | (76 334) | (77 834) | 14 500 |
| **Net cash flows from operating activities** | **34(g)** | **15 207** | **18 654** | **22 054** | **(3 400)** |
| **Net cash flows from/(used in) investing activities** |  | **(25 403)** | **(23 124)** | (23 124) | **0** |
| **Net cash flows from/(used in) financing activities** |  | **30 607** | **13 711** | 13 711 | **0** |
| **Net increase/(decrease) in cash and cash equivalents** |  | **20 411** | **9 241** | **12 641** | **(3 400)** |
| Cash and cash equivalents at beginning of financial year |  | 44 494 | 35 094 | 22 094 | 13 000 |
| Effect of exchange rate fluctuations on cash held in foreign currency |  | (471) | 160 | 8 960 | (8 800) |
| **Cash and cash equivalents at end of financial year** | **34(a)** | **64 434** | **44 494** | **43 694** | **800** |

##### Impact of changes in accounting policies on the statement of changes in equity

As the Department’s equity has not been affected by the consolidation of Innovation Victoria, no adjustments to the Department’s statement of changes in equity are made.

Note 9. Restructuring of administrative arrangements

AASB 1052.15(a)

In August 2015, the Government issued an administrative order restructuring some of its activities via machinery of government changes, taking effect from 1 September 2015. 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:

AASB 1004.57

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| Research and development of biological technology output | Department of  Natural Resources  (Jul‑Aug 2015) | Department of Technology (Sept 2015‑Jun 2016) | Total |
| **Controlled income and expenses** |  |  |  |
| Income | 4 556 | 19 494 | 24 050 |
| Expenses | (4 375) | (18 722) | (23 098) |
| **Administered income and expenses** |  |  |  |
| Income | 541 | 2 314 | 2 855 |
| Expenses | (519) | (2 222) | (2 742) |

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.

Note 9. Restructuring of administrative arrangements *(continued)*

AASB 1004.54‑55  
AASB 1004.57  
AASB 1004.56

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.

AASB 1004.58

AASB 1004.58

($ thousand)

|  |  |
| --- | --- |
|  | 2016 |
| **In respect of the activities assumed, the following assets and liabilities were recognised at the date of the transfer:** |  |
| **Output – R&D biological technology – transfer in** |  |
| Assets |  |
| Cash and deposits | 5 |
| Receivables | 2 767 |
| Investments and other financial assets | 2 401 |
| Investments accounted for using the equity method | .. |
| Inventories | 2 972 |
| Property, plant and equipment | 15 512 |
| Biological assets | 3 080 |
| Investment properties | 1 287 |
| Intangible assets | .. |
| Other non‑financial assets | 34 |
| Liabilities |  |
| Borrowings | (4 104) |
| Payables | (2 094) |
| Provisions | (2 075) |
| Other liabilities | (168) |
| **Net assets recognised at the date of transfer** | **19 616** |
| **In respect of the activities relinquished, the following assets and liabilities were recognised at the date of the transfer:** |  |
| **Output – new technology administration – transfer out** |  |
| Assets |  |
| Cash and deposits | 3 072 |
| Receivables | 11 926 |
| Investments and other financial assets | 5 266 |
| Investments accounted for using the equity method | 2 471 |
| Inventories | 11 317 |
| Property, plant and equipment | 31 012 |
| Biological assets | .. |
| Investment properties | .. |
| Intangible assets | 3 630 |
| Other non‑financial assets | .. |
| Liabilities |  |
| Borrowings | (31 374) |
| Payables | (5 675) |
| Provisions | (11 149) |
| Other liabilities | (400) |
| **Net assets transferred** | **20 097** |
| **Net capital contribution from the Crown** | **(480)** |

Commentary – 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 119A *Transfers through contributed capital* as outlined below.

FRD 119A, App A

Evidence and timing of government decisions

Parliamentary appropriations

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 119A as contributions by owners.

In such cases, the evidence of government decision is in the forms of Appropriation Act, or specific sections in other Acts. The timing of 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 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 effect the administrative restructure, the transfer is deemed to occur on the date of gazettal or publication unless the order or a subsequent order specificies a separate effective date.

Administrative orders may be issued with different dates specified for:

* departmental name changes;
* ministerial appointments; and
* commencement of keeping accounts and provision of reports for output changes.

For example, in the case of the fictitious DoT, the transfer was announced and approved on 2 August 2015, however there is a requirement in the *Administrative* *Arrangements Order (No. xxx) 2015* 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 2015 (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:

http://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](mailto: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 119A for the minimum details to be included to meet the designation requirements.

Commentary – Restructuring of administrative arrangements *(continued)*

Insufficient contributed capital for distributions to owners (reclassification of equity*)*

Under FRD 119A, CFAOs can reclassify equity without further ministerial approval to the extent required to effect the following distributions to owners:

(a) where the transferor has insufficient contributed capital to transfer an asset or net assets; or

(b) 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 103F *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 effect 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

AASB 1004.58

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

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) a brief description of the nature of the output transferred;

(b) the date of transfer of the output;

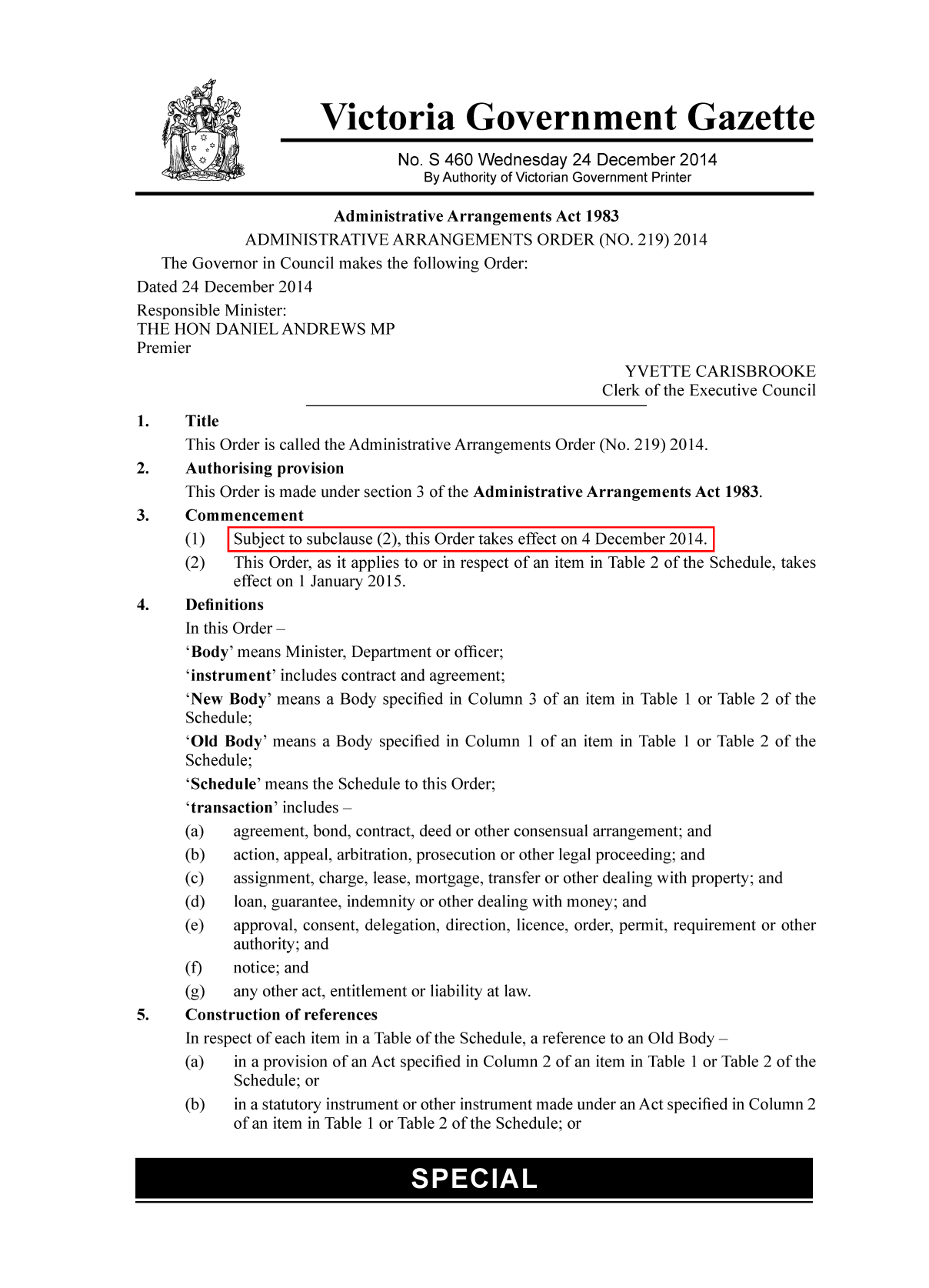
(c) the identity of the department(s) to whom the output has been transferred/received; and

(d) the details about any related legislation that was enacted to effect the transfer.

Commentary – Restructuring of administrative arrangements *(continued)*

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 machinery of government restructure. The administrative order took effect as noted in the Gazette.



Note 10. Discontinued operations

## Description

##### 

AASB 5.41, 101.98(e)

#### (a) Disposal of activities of the Commissioner for Technology

On 28 March 2016, 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 on 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 2016, being the date control of the officer passed to the acquirer.

#### (b) Plan to dispose of Gene Services business to third parties external to Victorian Government

On 30 November 2015, the Minister for the Department, the Hon. John Bristol, MP announced a plan to dispose of the Department’s Gene Services business, 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 2016.

##### Reclassification of these operations as held for sale

On initial reclassification of these operations as held for sale, the Department has not recognised any impairment losses.

AASB 5.33(b) and 34

The results of the discontinued operations which have been included in the comprehensive operating statement are as set out in Note 10(c) below. The comparative net result and cash flows from discontinued operations have been re‑presented to include those operations classified as discontinued in the current period.

AASB 5.38

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.

Note 10. Discontinued operations *(continued)*

AASB 5.33(b) and 34

##### (c) Net result from discontinued operations

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **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) | (941) |
| **Total other economic flows included in net result** | **(1 444)** | **(1 475)** |
| **Net result from discontinued operations** | **1 229** | **3 856** |

##### 

AASB 5.33(c)

##### (d) Net cash flows from discontinued operations

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| 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 | (325) | (116) |
| **Net cash flows from discontinued operations** | **(376)** | **4 055** |

Note 10. Discontinued operations *(continued)*

AASB 5.38

##### (e) Carrying amounts of assets and liabilities (major classes) comprising the operations classified as held for sale

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| Cash and deposits | 5 254 | 1 283 |
| Receivables | 2 797 | 4 736 |
| Investments and other financial assets | 521 | 5 737 |
| Investments accounted for using the equity method | .. | .. |
| Inventories | 1 324 | 2 568 |
| Property, plant and equipment | 4 991 | 11 874 |
| Biological assets | .. | .. |
| Investment properties | .. | .. |
| Intangible assets | .. | .. |
| Other non‑financial assets | .. | .. |
| **Total assets classified as held for sale** | **14 886** | **26 199** |
| 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** | **10 449** | **17 218** |

Commentary – Discontinued operations

s

Scope

Accounting standards for held for sale (or disposal groups) and discontinued operations are contained in AASB 5 *Non‑current Assets Held for Sale and Discontinued Operations*. The illustrated disclosures are for a discontinued operation which 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.

AASB 5.5B

Disclosure requirements of other standards do not apply to held for sale (or disposal groups) or discontinued operations unless those standards require:

* specific disclosures for non‑current assets (or disposal groups) classified as held for sale or discontinued operations; or
* 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.

AASB 5.Aus2.1

**Note that machinery of government changes are not discontinued operations, and should be reported separately. Therefore, AASB 5 requirements do not apply to such administrative changes.**

Commentary – Discontinued operations *(continued)*

s

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

AASB 5.32

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

AASB 5 (Appendix A)

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.

Disclosure requirements

AASB 5.35

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 5.36

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 re‑presented.

AASB 5.36A

Where a commitment to a sale plan involves the loss of control of a subsidiary, disclosure shall be provided for the information required in AASB 5.33‑36 when the subsidiary is a disposal group that meets the definition of a discontinued operation.

AASB 5.40

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 re‑presented to reflect the classification in the statement of financial position for the latest period presented.

AASB 5.42

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 112.81(h)

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; and
* 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 101.78(b)

Note 11. Receivables

AASB 101.61

AASB 139.63

AASB 101.61

AASB 139.63

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Current receivables** |  |  |
| **Contractual** |  |  |
| Finance lease receivables | 223 | 38 |
| Sale of goods and services (i) | 1 375 | 985 |
| Loans to third parties (ii) | 229 | 171 |
| Provision for doubtful contractual receivables (i) (see also Note 11(a) below) | (122) | (83) |
| Accrued investment income | 1 864 | 1 058 |
| Other receivables (i) | 90 | 113 |
|  | 3 658 | 2 281 |
| **Statutory** |  |  |
| Amount owing from Victorian Government (iii) | 24 760 | 15 640 |
| GST input tax credit recoverable | 34 | 50 |
| Fines and regulatory fees | 100 | 75 |
| Other receivables | 113 | 100 |
|  | **25 007** | **15 865** |
| **Total current receivables** | **28 665** | **18 146** |
|  |  |  |
| **Non‑current receivables** |  |  |
| **Contractual** |  |  |
| Finance lease receivables | 358 | 1 193 |
| Loans to third parties (ii) | 315 | 314 |
| Provision for doubtful contractual receivables (i) (see also Note 11(a)) | (398) | (244) |
| Other receivables (i) | 244 | 325 |
|  | 519 | 1 589 |
| **Statutory** |  |  |
| Amount owing from Victorian Government (iii) | 6 740 | 511 |
| Other receivables | 121 | 299 |
|  | 6 861 | 810 |
| **Total non‑current receivables** | **7 380** | **2 398** |
| **Total receivables** | **36 045** | **20 544** |

Notes:

AASB 7.31

(i) The average credit period for sales of goods and services and for other receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter, interest is charged at 2 per cent on the outstanding balance. A provision has been made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase was recognised in the net result for the current financial year.

(ii) A provision has been made for estimated irrecoverable amounts from the collection of loans from third parties when there is objective evidence that an individual loan is impaired. Loans to third parties are repayable on demand. However, payment is not expected within 12 months after the reporting period.

AASB 7.7, 7.31

(iii) The amounts recognised from the Victorian Government represent funding for all commitments incurred through the appropriations and are drawn from the Consolidated Fund as the commitments fall due. [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.]

Note 11. Receivables *(continued)*

AASB 7.16

##### (a) Movement in the provision for doubtful contractual receivables

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Balance at beginning of the year** | **(327)** | **(53)** |
| Reversal of unused provision recognised in the net result | 30 | 15 |
| Increase in provision due to transfers in/acquired outputs | (25) | .. |
| Decrease in provision due to transfers out/disposed outputs | 137 | .. |
| Increase in provision recognised in the net result | (485) | (341) |
| Reversal of provision of receivables written off during the year as uncollectible | 150 | 52 |
| **Balance at end of the year** | **(520)** | **(327)** |

AASB 7.37(a)

##### (b) Ageing analysis of contractual receivables

Please refer to Table 33.4 in Note 33 for the ageing analysis of contractual receivables.

AASB 7.31

##### (c) Nature and extent of risk arising from contractual receivables

Please refer to Note 33 for the nature and extent of risks arising from contractual receivables.

Commentary – Receivables

Statutory receivables

AASB 132.AG12

Assets that are not contractual (such as assets that arise as a result of statutory requirements), are not financial instruments as defined. Therefore, 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.

AASB 136.18‑23

**Note: impairment of statutory receivables is determined under AASB 136 *Impairment* *of Assets*, and not AASB 139 *Financial Instruments: Recognition and Measurement*.**

Derecognition of financial assets

Please refer to guidance provided in the Note 27 *Commentary* – *Derecognition of financial assets*.

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.

Commentary – Receivables *(continued)*

Components of the SAU that relate to employee benefits must be allocated between current and non‑current. Given that 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.

Reversal of amount in provision for receivables written off as uncollectible

Initially, if there is objective evidence for impairment of a receivable, the provision 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 (not by mutual agreement between debtor and creditor), 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 initially recognised as an other economic flow will need to be reversed.

Note 12. Investments and other financial assets

AASB 101.61

AASB 101.61

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Current investments and other financial assets** |  |  |
| Term deposits: (i) |  |  |
| Foreign currency term deposits > three months | 1 000 | 750 |
| Australian dollar term deposits > three months | 941 | 2 443 |
|  | 1 941 | 3 193 |
| Debt securities: (ii) |  |  |
| Five year government bonds | 778 | 406 |
| Ten year government bonds | 220 | 340 |
| Debentures | 565 | .. |
|  | 1 563 | 746 |
| **Total current investments and other financial assets** | **3 504** | **3 939** |
|  |  |  |
| **Non‑current investments and other financial assets** |  |  |
| Equities and managed investment schemes: |  |  |
| Listed securities (iii) | 1 614 | 1 492 |
| Unlisted securities (iv) | 222 | 538 |
| Managed investment schemes (iii) | 229 | 2 149 |
|  | 2 065 | 4 179 |
| 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 |
|  | 7 458 | 6 676 |
| Term deposits: (i) |  |  |
| Australian dollar term deposits > 12 months | 949 | 1 937 |
|  | 949 | 1 937 |
| **Total non‑current investments and other financial assets** | **10 472** | **12 792** |
| **Total investments and other financial assets** | **13 976** | **16 731** |

Notes:

(i) Term deposits under ‘investments and other financial assets’ class include only term deposits with maturity greater than 90 days.

(ii) These are debt securities that are maturing within the next 12 months.

(iii) The Department designated all its equities and managed investment schemes at fair value through profit or loss. Unless such assets are part of a disposal group held for sale, all equities and managed investment schemes are classified as non‑current.

(iv) Unlisted securities include shares in Entity ABC which were gifted to the Department under the Davey Bequest that can only be sold to fund projects for the development of new technology.

AASB 7.37(a)

##### (a) Ageing analysis of investments and other financial assets

Please refer to Table 33.4 in Note 33 for the ageing analysis of investments and other financial assets.

AASB 7.31

##### (b) Nature and extent of risk arising from investments and other financial assets

Please refer to Note 33 for the nature and extent of risks arising from investments and other financial assets.

Commentary – Investments and other financial assets

Restricted assets

Where the use of an asset which is recognised in the balance sheet of a government 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 government department, the following must be disclosed:

(a) the identity and carrying amount of those assets, the use of which is restricted; and

(b) the nature of those restrictions.

Derecognition of financial assets

Please refer to guidance provided in Note 27 commentary for derecognition of financial assets.

Note 13. Investments accounted for using the equity method

AASB 12.21(a)

The Department has an investment in an associate entity, New Technology Ltd as at 30 June 2016, which is one of the Department’s strategic partners who specialises in developing new biological equipment in Melbourne, Victoria. The main business activities include: *[Insert as appropriate].* New Technology Ltd is an ASX publicly listed company. Please see Table 13.1 below for detailed information relating to New Technology Ltd.

Up until 30 June 2015, 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: *[Insert as appropriate.]*

The joint venture ceased to operate effective from 1 July 2015. *[Please note that all disclosures requirements in relation to joint ventures are applicable for both the current and the comparative periods irrespective of the fictitious discontinuation of joint venture here for 2016.]*

AASB 12.21(b)(i)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Name of entity | Country of incorporation | Measurement method | | Ownership interest | | | Published fair value | | |
|  |  | |  | | 2016 (%) | 2015 (%) | | 2016 | 2015 |
| **Associate** |  | |  | |  |  | |  |  |
| New Technology Pty Ltd (i)(ii) | Australia | | Equity method | | 35 | 35 | | 6 566 | 5 351 |
| **Joint venture** |  | |  | |  |  | |  |  |
| Technology Supply Pty Ltd | Australia | | Equity method | | .. | 25 | | n/a | n/a |

Table 13.1: Details of material associate and joint venture

($ thousand)

AASB 12.21 (b)(iii)

AASB 13.97*Notes:*

(i) As at 30 June 2016, the fair value of the Department’s interest in New Technology Ltd was $6.6 million (30 June 2015: $5.4 million) 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 [An entity is required to disclose the fair value of the investment in associates and joint ventures accounted for using equity method, if there is a quoted market price for the investment].

AASB12.22(b)

(ii) The financial year‑end date of New Technology Ltd is 30 April. This was the reporting date established when that company was incorporated. 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 2016. [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.]

Note 13. Investments accounted for using the equity method *(continued)*

AASB 12. B12(b)(i)

AASB 12. B12(b)(ii)

AASB 12. B12(b)(iii)

AASB 12. B12(b)(iv)

AASB 12. B12(b)(v)

AASB 12. B12(b)(vi)

AASB 12. B12(b)(vii)

AASB 12. B12(b)(viii)

AASB 12. B12(b)(ix)Summarised financial information in respect of the Department’s material associate and joint venture is set out below. The summarised financial information below represents amounts shown in the associate’s financial statements prepared in accordance with AASBs, adjusted by the Department for equity accounting purposes.

Table 13.2: Summarised financial information for the associate

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Summarised balance sheet** | 2016 | | 2015 | |
| Current assets | 6 224 | | 4 706 | |
| Non‑current assets | 14 524 | | 13 043 | |
| **Total assets** | **20 748** | | **17 749** | |
| Current liabilities | (1 778) | | (1 345) | |
| Non‑current liabilities | (4 150) | | (3 138) | |
| **Total liabilities** | **(5 928)** | | **(4 483)** | |
| **Net assets** | **14 820** | | **13 266** | |
|  |  | |  | |
| ($ thousand) | | | | |
| **Summarised operating statement** | *2016* | *2015* | |
| Total income from transaction | 6 154 | 3 803 | |
| Net result from continuing operation | 2 620 | 1 150 | |
| Net result from discounting operation | 394 | 713 | |
| **Net result** | **3 014** | **1 863** | |
| Other economic flows – other comprehensive income | **743** | 800 | |
| **Total comprehensive income** | **3 757** | **2 663** | |
|  | | | | |
| **Department’s share of interests in the associate’s operating statement** | *2016* | *2015* | |
| Share of associate’s net result after tax (35%) | 739 | 456 | |
| Share of associate’s other comprehensive income (35%) | 260 | 280 | |

AASB 12. B14(b)

|  |  |  |
| --- | --- | --- |
| ($ thousand) | | |
| **Movements in carrying amount of interests in the associate** | *2016* | 2015 |
| Carrying amount at the beginning of the year | 4 643 | 4 262 |
| 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** |

AASB 12. B12(b)(i)

AASB 12. B13(a)

AASB 12. B12(b)(ii)

AASB 12. B12(b)(iii)

AASB 12. B13(b)

AASB 12. B12(b)(iv)

AASB 12. B13(c)

AASB 12. B12(b)(v)

AASB 12. B13(e)

AASB 12. B13(d)

AASB 12. B13(f)

AASB 12. B12(b)(vi)

AASB 12. B12(b)(vii)

AASB 12. B12(b)(viii)

AASB 12. B12(b)(ix)

AASB 12. B14(b)

Note 13. Investments accounted for using the equity method *(continued)*

Table 13.3: Summarised financial information for the joint venture

($ thousand)

|  |  |  |
| --- | --- | --- |
| **Summarised balance sheet** | 2016 | 2015 |
| Current assets |  |  |
| Cash and cash equivalent | .. | 1 212 |
| Other current assets (excluding cash) | .. | 2 467 |
| Total current assets | .. | 3 679 |
| Total non‑current assets | .. | 5 701 |
| **Total assets** | **..** | **9 380** |
| Current liabilities |  |  |
| Financial liabilities (excluding payables, provisions) | .. | (300) |
| Other non‑financial liabilities (including payables, provisions) | .. | (751) |
| Total current liabilities | .. | (1 051) |
| Non‑current liabilities | .. |  |
| Financial liabilities (excluding payables, provisions) | .. | (1 150) |
| Other non‑financial liabilities (including payables, provisions) | .. | (1 303) |
| Total non‑current liabilities | .. | (2 453) |
| **Total liabilities** | **..** | **(3 504)** |
| **Net assets** | **..** | **5 876** |
|  |  |  |
| ($ thousand) | | |
| **Summarised operating statement** | *2016* | *2015* |
| Revenue | .. | 9 055 |
| Interest income | .. | 350 |
| Depreciation | .. | (265) |
| Interest expense | .. | (1 250) |
| Total income from transaction |  | 7 890 |
| Net result from continuing operation | .. | 2 536 |
| Net result from discounting operation | .. | 447 |
| **Net result** | .. | **2 983** |
| Other economic flows – other comprehensive income | **..** | **..** |
| **Total comprehensive income** | **..** | **2 983** |
|  |  |  |
| **Department’s share of interests in the joint venture’s operating statement** | *2016* | *2015* |
| Share of JV’s net result after tax (0% in 2015; 25% in 2014) | **..** | 522 |
| Share of JV’s other comprehensive income (0% in 2015; 25% in 2014) | **..** | **..** |
|  |  |  |
| ($ thousand) | | |
| **Movements in carrying amount of interest in joint venture** | *2016* | *2015* |
| Carrying amount at the beginning of the year | .. | 1 104 |
| 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** |

Note 13. Investments accounted for using the equity method *(continued)*

#### Contingent liabilities and capital commitments

AASB 12. 23(a)(b)

AASB 12.B18, B19

The Department’s share of the contingent liabilities, and commitments of its associates and joint ventures are disclosed in Note 32 and Note 31, respectively.

Commentary – Investments accounted for 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

AASB 11.16

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. 24

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.

Application of equity method

AASB 128.10

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 12.21

Disclosure requirements

Significant judgements and assumptions

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 joint control of an arrangement or significant influence over another entity; and
* 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 does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity; or
* it has significant influence even though it holds less than 20 per cent of the voting rights of another entity.

Commentary – Investments accounted for using the equity method *(continued)*

AASB 12. 23

Nature, extent and financial effects of an entity’s interests in joint arrangements and associates

An entity shall disclose:

(a) for each joint arrangement and associate that is material to the reporting entity:

(i) the name of the joint arrangement or associate;

(ii) 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);

(iii) 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; and

(iv) the proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held (if applicable);

(b) for each joint venture and associate that is material to the reporting entity;

(i) whether the investment in the joint venture or associate is measured using the equity method or at fair value;

(ii) summarised financial information about the joint venture or associate as specified in paragraphs B12 and B13 of AASB 12; and

(iii) 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;

(c) financial information as specified in paragraph B16 about the entity’s investments in joint ventures and associates that are not individually material:

(i) in aggregate for all individually immaterial joint ventures; and, separately,

(ii) in aggregate for all individually immaterial associates.

Risks associated with an entity’s interests in joint ventures and associates

An entity shall disclose:

(a) commitments that it has relating to its joint ventures separately from the amount of other commitments as specified in paragraphs B18–B20; and

(b) in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, 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.

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’:

(a) profit or loss from continuing operations;

(b) post‑tax profit or loss from discontinued operations;

(c) other comprehensive income; and

(d) total comprehensive income.

An entity provides the disclosures separately for joint ventures and associates.

AASB 12.21(c), B16

Commentary – Investments accounted for using the equity method *(continued)*

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:

(i) the date of the end of the reporting period of the financial statements of that joint venture or associate; and

(ii) the reason for using a different date or period.

Equity accounted investment reduced to zero

AASB 128.38

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).

AASB 128.39

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

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:

(a) 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*.

(b) 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:

Commentary – Investments accounted for using the equity method *(continued)*

(i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and

(ii) the carrying amount of the investment at the date the equity method was discontinued.

(c) 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.

AASB 128.23

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.

Note 14. Interests in subsidiary and unconsolidated structured entities

**[This disclosure note 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 Appendix 7 on the control checklist 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, please note that 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 and AASB 101.Aus 7.2]**

AASB 12.10

Commentary – Interests in subsidiary and unconsolidated structured entities

Disclosure for interests in subsidiaries

An entity shall disclose information that enables users of its consolidated financial statements:

(a) to understand:

– the composition of the group; and

– the interest that non‑controlling interests have in the group’s activities and cash flows;

(b) to evaluate:

– the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group;

– the nature of, and changes in, the risks associated with its interests in consolidated structured entities;

– the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control; and

– the consequences of losing control of a subsidiary during the reporting period.

Commentary – Interests in subsidiary and unconsolidated structured entities *(continued)*

The interest that non‑controlling interests have in the group’s activities and cash flows

An entity shall disclose for each of its subsidiaries that have non‑controlling interests that are material to the reporting entity:

(a) the name of the subsidiary;

(b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary;

(c) the proportion of ownership interests held by non‑controlling interests;

(d) the proportion of voting rights held by non‑controlling interests, if different from the proportion of ownership interests held;

(e) the profit or loss allocated to non‑controlling interests of the subsidiary during the reporting period;

(f) accumulated non‑controlling interests of the subsidiary at the end of the reporting period; and

AASB 12.13

(g) summarised financial information about the subsidiary.

The nature and extent of significant restrictions

An entity shall disclose:

(a) significant restrictions (eg statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the group, such as:

– those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group;

– guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group;

(b) the nature and extent to which protective rights of noncontrolling interests can significantly restrict the entity’s ability to access or use the assets and settle the liabilities of the group (such as when a parent is obliged to settle liabilities of a subsidiary before settling its own liabilities, or approval of non‑controlling interests is required either to access the assets or to settle the liabilities of a subsidiary); and

(c) the carrying amounts in the consolidated financial statements of the assets and liabilities to which those restrictions apply.

AASB 12.14

AASB 12. 15

Nature of the risks associated with an entity’s interests in consolidated structured entities

An entity shall disclose the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss (e.g. liquidity arrangements or credit rating triggers associated with obligations to purchase assets of the structured entity or provide financial support).

If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a consolidated structured entity (eg purchasing assets of or instruments issued by the structured entity), the entity shall disclose:

(a) the type and amount of support provided, including situations in which the parent or its subsidiaries assisted the structured entity in obtaining financial support; and

(b) the reasons for providing the support.

AASB 12. 16

Commentary – Interests in subsidiary and unconsolidated structured entities *(continued)*

If during the reporting period a parent or any of its subsidiaries has, without having a contractual obligation to do so, provided financial or other support to a previously unconsolidated structured entity and that provision of support resulted in the entity controlling the structured entity, the entity shall disclose an explanation of the relevant factors in reaching that decision.

AASB 12. 17

An entity shall disclose any current intentions to provide financial or other support to a consolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

Consequences of changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control

AASB 12.18

AASB 12. 19

AASB 12. B21

AASB 12. IG7

AASB 12. IG9

An entity shall present a schedule that shows the effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control.

Consequences of losing control of a subsidiary during the reporting period

An entity shall disclose the gain or loss, if any, calculated in accordance with paragraph 25 of AASB 10, and:

(a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and

(b) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Disclosure for interests in unconsolidated structured entities

Definition of structured entity

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Applying the principle underlying the definition of a structured entity means that structured entities have been designed so that less conventional means – in the context of not‑for‑profit entities – are the dominant factor in determining who controls the entity. This approach limits, for not‑for‑profit entities, the scope of structured entities to entities that have been designed so that voting or similar rights, including administrative arrangements or statutory provisions, are not the dominant factor in determining control of the entity.

Not‑for‑profit private sector entities will also need to identify any structured entities with which they are associated. For example, a not‑for‑profit private sector entity may have established or sponsored a community service organisation whose relevant activities are directed by means of contractual arrangements. Those arrangements might require the not‑for‑profit private sector entity to provide financial support in specified circumstances to the community service organisation, or alternatively the entity might choose to provide financial or other support to the organisation without the contractual obligation to do so (e.g. due to the economic dependency of the organisation upon the entity). The AASB 12 disclosure requirements would be relevant in both circumstances as the community service organisation is a structured entity.

AASB 12. B22

AASB 12. B23

Commentary – Interests in subsidiary and unconsolidated structured entities *(continued)*

**Features of structured entities**

A structured entity often has some or all of the following features or attributes:

(a) restricted activities;

(b) a narrow and well‑defined objective, such as to effect a tax efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;

(c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and

(d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

Examples of entities that are regarded as structured entities include, but are not limited to:

(a) securitisation vehicles;

(b) asset‑backed financings; and

(c) some investment funds.

Nature of interests

An entity shall disclose qualitative and quantitative information about its interests in unconsolidated structured entities, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed

If an entity has sponsored an unconsolidated structured entity but does not have an interest in the entity at the reporting date, the entity shall disclose:

(a) how it has determined which structured entities it has sponsored;

(b) income from those structured entities during the reporting period, including a description of the types of income presented; and

(c) the carrying amount (at the time of transfer) of all assets transferred to those structured entities during the reporting period.

Nature of risks

AASB 12. 26

AASB 12. 27

AASB 12. 29

An entity shall disclose in tabular format, unless another format is more appropriate, a summary of:

(a) the carrying amounts of the assets and liabilities recognised in its financial statements relating to its interests in unconsolidated structured entities;

(b) the line items in the statement of financial position in which those assets and liabilities are recognised;

(c) the amount that best represents the entity’s maximum exposure to loss from its interests in unconsolidated structured entities, including how the maximum exposure to loss is determined. If an entity cannot quantify its maximum exposure to loss from its interests in unconsolidated structured entities it shall disclose that fact and the reasons; and

(d) a comparison of the carrying amounts of the assets and liabilities of the entity that relate to its interests in unconsolidated structured entities and the entity’s maximum exposure to loss from those entities.

Note 15. Non‑financial physical assets classified as held for sale including disposal group and directly associated liabilities

AASB 5.38

##### (a) Non‑financial physical assets including disposal group assets classified as held for sale(i)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Non‑current assets:** |  |  |
| Freehold land held for sale (ii) | 467 | 157 |
| **Disposal group assets:** |  |  |
| Assets of discontinued operations (Note 10) | 14 886 | 26 199 |
| **Total non‑financial physical assets and disposal group assets classified as held for sale** | **15 353** | **26 356** |

Notes:

(i) [If non‑financial physical assets of disposal group are material, consider separate disclosure in the balance sheet.]

AASB 5.41

(ii) 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.

AASB 5.38

AASB 13.93

##### (b) Liabilities directly associated with assets classified as held for sale including disposal groups

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| Liabilities of discontinued operations (Note 10) | 4 438 | 8 980 |
| **Total liabilities directly associated with assets classified as held for sale including disposal groups** | **4 438** | **8 980** |

##### (c) Fair value measurement of non‑financial physical assets held for sale

[Note: The fair value information below should also be disclosed for the comparative period of 2014‑15.]

The following table provides the fair value measurement hierarchy of the Department’s non‑financial physical assets held for sale.

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *2016* | Carrying amount as at 30 June 2016 | Fair value measurement at end of reporting period using: | | |
| Level 1 (i) | Level 2 (i) | Level 3 |
| Freehold land held for sale | 467 | N/A | 467 | .. |
| Investments and other financial assets (Note 10) | 521 | N/A | 521 | .. |
| **Total** | **988** | **N/A** | **988** |  |

Note:

(i) Classified in accordance with the fair value hierarchy, see Note 1(B).

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *2015* | Carrying amount as at 30 June 2015 | Fair value measurement at end of reporting period using: | | |
| Level 1 (i) | Level 2 (i) | Level 3 |
| Freehold land held for sale | 157 | N/A | 157 | .. |
| Investments and other financial assets (Note 10) | 5 737 | N/A | 5 737 | .. |
| **Total** | **5 894** | **N/A** | **5 894** |  |

Note:

(i) Classified in accordance with the fair value hierarchy, see Note 1(B).

Freehold land held for sale is carried at fair value less costs to disposal. Refer to Note 17 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 2016. 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 33(e).

Refer to Note 33(b)‑(d) for details on the nature and extent of risks arising from financial instruments.

Commentary – Non‑financial physical assets and disposal group assets classified as held for sale

Administered activity classified as held for sale

AASB 5.3

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.

AASB 5.Aus.2.1

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.

AASB 5.Aus2.3

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.

Discontinued operations and restructures

This note covers non‑current assets held for sale other than those relating to discontinued operations. Disclosures relating to discontinued operations are illustrated in Note 10.

Classification of non‑financial physical asset as held for sale

AASB 5.6 and 7

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.

**Fair value measurement for non‑financial physical assets classified as held for sale**

AASB 5.5B

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.

AASB 13.93

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

Ss

Commentary – Non‑financial physical assets and disposal group assets classified as held for sale *(continued)*

the illustrative example in Note 15(c) 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 17 and Note 33 for illustration on reconciliation of recurring Level 3 assets.

**Tabular format for disclosures**

An entity is required to present the quantitative disclosures of AASB 13 in a tabular format, unless another format is more appropriate.

Note 16. Inventories

AASB 102.36(b)

AASB 102.36(b)

AASB 102.36(b)

AASB 102.Aus 36.1(b)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Current inventories** |  |  |
| Supplies and consumables: |  |  |
| At cost | 7 299 | 9 404 |
| Work in progress: |  |  |
| At cost | 1 931 | 1 515 |
| Inventories held for sale: |  |  |
| At cost | 2 523 | 8 594 |
| At net realisable value | 91 | 99 |
|  | 11 845 | 19 612 |
| Inventories held for distribution: |  |  |
| At cost | 308 | 144 |
| Loss of service potential | (97) | (24) |
|  | 211 | 121 |
| **Total inventories** | **12 056** | **19 733** |

Commentary – Inventories

The financial statements shall disclose:

AASB 102.36

(a) the accounting policies adopted in measuring inventories, including the cost formula used;

(b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;

(c) the carrying amount of inventories carried at fair value less costs to sell;

(d) the amount of inventories recognised as an expense during the period;

(e) the amount of any write‑down of inventories recognised as an expense in the period in accordance with paragraph 34 of AASB 102 *Inventories*;

(f) 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 in accordance with AASB 102.34;

(g) the circumstances or events that led to the reversal of a write‑down of inventories held in accordance with AASB 102.34; and

(h) the carrying amount of inventories pledged as security for liabilities.

AASB 102.Aus36.1

Commentary – Inventories *(continued)*

Not‑for‑profit entities shall disclose:

(a) the accounting policies adopted in measuring inventories held for distribution, including the cost formula used;

(b) the total carrying amount of inventories held for distribution and the carrying amount in classifications appropriate to the entity;

(c) the amount of inventories held for distribution recognised as an expense during the period in accordance with AASB 102.Aus34.1;

(d) the amount of any write‑down of inventories held for distribution recognised as an expense during the period in accordance with AASB 102.Aus34.1;

(e) 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 in accordance with AASB 102.Aus34.1;

(f) the circumstances or event that led to the reversal of a write‑down of inventories held for distribution in accordance with AASB 102.Aus34.1;

(g) the carrying amount of inventories held for distribution pledged as security for liabilities; and

(h) 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.

Note 17. Property, plant and equipment

Table 17.1: Classification by ‘purpose groups’ – carrying amounts(i)

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($ thousand)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Public Administration | | Public safety and environment | | Total | |
| Table disclosure reference | Table 17.3 | | Table 17.4 | |  |  |
|  | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Nature based classification |  |  |  |  |  |  |
| Land at fair value (ii) | 2 014 | 1 830 | 2 548 | 1 691 | 4 562 | 3 521 |
| Buildings at fair value | 19 124 | 14 841 | 4 064 | 4 389 | 23 188 | 19 230 |
| Plant, equipment and vehicles at fair value | 26 793 | 24 678 | 21 082 | 18 431 | 47 876 | 43 109 |
| Assets under construction at cost | 667 | 627 | 46 | 397 | 713 | 1 023 |
| Infrastructure at fair value (iii) | 170 | 2 223 | 1 514 | 2 708 | 1 685 | 4 931 |
| Road, infrastructure and earthworks at fair value | 608 | 2 454 | 1 649 | 2 539 | 2 257 | 4 993 |
| Cultural assets at fair value | 2 764 | .. | .. | .. | 2 764 | .. |
| **Net carrying amount of property, plant and equipment (PPE)** | **52 141** | **46 652** | **30 903** | **30 155** | **83 044** | **76 807** |

Notes:

(i) Property, plant and equipment are classified primarily by the ‘purpose’ for which the assets are used, according to one of six purpose groups based upon government purpose classifications. All assets in a purpose group are further sub categorised according to the asset’s ‘nature’ (i.e. buildings, plant etc.), with each sub category being classified as a separate class of asset for financial reporting purposes.

(ii) [If any entity has significant Crown land holdings, these holdings are to be disclosed separately in the Property, plant and equipment table ‘Land at fair value’ as ‘Crown land – National and State parks at fair value’, ‘Crown land – other at fair value’, and ‘Freehold land at fair value’. In addition, if any entity has significant land under roads, i.e. significant in value and/or difference of methodology applied, it should be disclosed separately from land].

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(iii) Of the balance in ‘infrastructure at fair value’, $XXX [$xxx in 2015] is attributable to assets contracted under PPP arrangements.

AASB 116.73(d)

Note 17. Property, plant and equipment *(continued)*

Table 17.2: Gross carrying amount and accumulated depreciation

($ thousand)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Gross carrying  amount | | Accumulated depreciation | | Net carrying amount | |
|  | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land at fair value (i) | 4 562 | 3 521 | .. | .. | 4 562 | 3 521 |
| Buildings at fair value | 23 188 | 19 446 | .. | ( 217) | 23 188 | 19 230 |
| Plant, equipment and vehicles at fair value | 47 876 | 59 793 | .. | (16 684) | 47 876 | 43 109 |
| Assets under construction at cost | 713 | 1 023 | .. | .. | 713 | 1 023 |
| Infrastructure at fair value | 6 564 | 5 099 | (4 879) | (168) | 1 685 | 4 931 |
| Road, infrastructure and earthworks at fair value | 2 897 | 5 005 | (640) | (12) | 2 257 | 4 993 |
| Cultural assets at fair value | 2 764 | .. | .. | .. | 2 764 | .. |
|  | **88 563** | **93 888** | **(5 519)** | **(17 081)** | **83 044** | **76 807** |

Note:

(i) [If any entity has significant land under roads, i.e. significant in value and/or difference of methodology applied, it should be disclosed separately from land].

Note 17. Property, plant and equipment *(continued)*

Table 17.3: Classification by ‘public administration’ purpose group – movements in carrying amounts(i)

FRD 103F

AASB 116.73(d)

AASB 116.73(e)(ix)

AASB 116.73(e)(ix)

AASB 116.73(e)(i)

AASB 116.73(e)(ii)

AASB 116.74(b)

AASB 116.73(e)(iv)

AASB 116.73(e)(v)

AASB 116.73(e)(ix)

AASB 116.73(e)(ix)

AASB 116.73(e)(iii)

AASB 116.73(e)(iii)

AASB 116.73(e)(ii)

AASB 116.73(e)(vii)

AASB 116.73(e)(ii)

AASB 116.73(d)

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Land at fair  value (ii) | | Buildings at fair value | |
|  | 2016 | 2015 | 2016 | 2015 |
| **Opening balance** | **1 830** | **1 695** | **14 841** | **15 535** |
| Fair value of assets received free of charge or for nominal considerations | 233 | 400 | .. | 200 |
| Fair value of assets provided free of charge or for nominal considerations | .. | .. | .. | .. |
| Additions | 670 | 237 | 755 | 2 345 |
| Disposals | .. | (440) | .. | (1 125) |
| Transfer in/out of assets under construction | .. | .. | .. | 900 |
| Revaluation of PPE | 561 | 505 | 6 077 | 509 |
| Impairment of assets | .. | .. | .. | .. |
| Transfer from investment property | .. | .. | .. | 405 |
| Transfer to investment property | .. | .. | (1 063) | .. |
| Purchased – business combination | 125 | .. | 4 079 | .. |
| Machinery of government transfer in | 350 | .. | 3 243 | .. |
| Machinery of government transfer out | (1 440) | .. | (6 536) | .. |
| Depreciation | .. | .. | ( 516) | (395) |
| Transfer to disposal group held for sale | (315) | (567) | (1 755) | (3 533) |
| **Closing balance** | **2 014** | **1 830** | **19 124** | **14 841** |

Notes:

(i) 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 2016.

(ii) [If any entity has significant land under roads, i.e. significant in value and/or difference of methodology applied, it should be disclosed separately from land.]

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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 | |
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **24 678** | **31 980** | **627** | **190** | **2 223** | **1 365** | **2 454** | **462** | **..** | **..** | **46 652** | **51 226** |
| .. | 16 | .. | .. | .. | .. | 109 | .. | .. | .. | 342 | 616 |
| .. | ( 15) | .. | .. | .. | .. | .. | .. | ( 154) | .. | ( 154) | ( 15) |
| 5 562 | 3 930 | 99 | 1 455 | 782 | 953 | 1 343 | 2 055 | 675 | 540 | 9 886 | 11 515 |
| ( 409) | ( 770) | .. | .. | .. | ( 158) | .. | .. | .. | .. | ( 409) | (2 492) |
| .. | .. | ( 69) | (1 019) | 69 | 119 | .. | .. | .. | .. | .. | 1 |
| ( 39) | .. | .. | .. | (2 888) | .. | ( 374) | .. | 293 | .. | 3 631 | 1 014 |
| (1 225) | ( 469) | .. | .. | .. | .. | .. | .. | .. | .. | (1 225) | ( 469) |
| .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 405 |
| .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | (1 063) | .. |
| 8 327 | .. | .. | .. | 62 | .. | .. | .. | .. | .. | 12 593 | .. |
| 2 247 | .. | 10 | .. | 520 | .. | 568 | .. | 1 950 | .. | 8 888 | .. |
| (7 361) | .. | .. | .. | ( 137) | .. | (3 154) | .. | .. | .. | (18 627) | .. |
| (7 126) | (7 572) | .. | .. | ( 104) | ( 56) | ( 306) | ( 63) | .. | .. | (8 053) | (8 086) |
| 2 140 | (2 423) | .. | .. | ( 356) | .. | ( 32) | .. | .. | ( 540) | ( 320) | (7 062) |
| **26 793** | **24 678** | **667** | **627** | **170** | **2 223** | **608** | **2 454** | **2 764** | **..** | **52 141** | **46 652** |

Note 17. Property, plant and equipment *(continued)*

Table 17.4: Classification by ‘public safety and environment’ purpose group – movements in carrying amounts(i)

FRD 103F

AASB 116.73(d)

AASB 116.73(e)(ix)

AASB 116.73(e)(ix)

AASB 116.73(e)(i)

AASB 116.73(e)(ii)

AASB 116.73(e)(ix)

AASB 116.73(e)(iv)

AASB 116.73(e)(v)

AASB 116.73(e)(ix)

AASB 116.73(e)(ix)

AASB 116.73(e)(iii)

AASB 116.73(e)(iii)

AASB 116.73(e)(ii)

AASB 116.73(e)(vii)

AASB 116.73(e)(ii)

AASB 116.73(d)

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Land at fair  value (ii) | | Buildings at fair  value | |
|  | 2016 | 2015 | 2016 | 2015 |
| **Opening balance** | **1 691** | **1 425** | **4 389** | **2 247** |
| Fair value of assets received free of charge or for nominal considerations | 115 | 125 | .. | 125 |
| Fair value of assets provided free of charge or for nominal considerations | (142) | (123) | .. | .. |
| Additions | 1 185 | 531 | 1 129 | 2 165 |
| Disposals | .. | (423) | .. | (1 741) |
| Transfer in/out of assets under construction | .. | .. | .. | .. |
| Revaluation of PPE | 281 | 1 059 | 1 310 | 916 |
| Impairment of assets | .. | .. | .. | .. |
| Transfer from investment property | .. | .. | .. | 1 089 |
| Transfer to investment property | .. | .. | .. | .. |
| Purchased – business combination | .. | .. | 118 | .. |
| Machinery of government transfer in | 439 | .. | 614 | .. |
| Machinery of government transfer out | (584) | .. | (2 863) | .. |
| Depreciation | .. | .. | (70) | (343) |
| Transfer to disposal group held for sale | (438) | (902) | (562) | (69) |
| **Closing balance** | **2 548** | **1 691** | **4 064** | **4 389** |

Notes:

(i) Fair value assessments have been performed for all classes of assets in this purpose group and the decision was made that changes 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 2016.

(ii) [If any entity has significant land under roads, i.e. significant in value and/or difference of methodology applied, it should be disclosed separately from land.]

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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 | |
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **18 431** | **25 781** | **397** | **299** | **2 708** | **1 999** | **2 539** | **2 037** | **..** | **..** | **30 155** | **33 788** |
| 33 | .. | .. | .. | .. | .. | .. | .. | .. | .. | 148 | 250 |
| (110) | (120) | .. | .. | .. | .. | .. | .. | .. | .. | (252) | (243) |
| 2 121 | 794 | 54 | 325 | 1 325 | 905 | 764 | 1 174 | .. | .. | 6 578 | 5 894 |
| ( 33) | (179) | .. | .. | .. | (220) | .. | (95) | .. | .. | (33) | (2 658) |
| .. | .. | (38) | (228) | 38 | 228 | .. | .. | .. | .. | .. | .. |
| 3 214 | .. | .. | .. | (1 688) | .. | 262 | .. | .. | .. | 3 378 | 1 975 |
| (290) | (165) | .. | .. | .. | .. | .. | .. | .. | .. | (290) | (165) |
| .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 1 089 |
| .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| 7 619 | .. | .. | .. | 62 | .. | .. | .. | .. | .. | 7 799 | .. |
| 5 052 | .. | .. | .. | 520 | .. | .. | .. | .. | .. | 6 624 | .. |
| (6 341) | .. | (343) | .. | (963) | .. | (1 291) | .. | .. | .. | (12 385) | .. |
| (5 221) | (4 050) | .. | .. | (323) | (203) | (224) | (209) | .. | .. | (5 838) | (4 805) |
| (3 392) | (3 630) | (24) | .. | (164) | .. | (401) | (368) | .. | .. | (4 981) | (4 968) |
| **21 082** | **18 431** | **46** | **397** | **1 514** | **2 708** | **1 649** | **2 539** | **..** | **..** | **30 903** | **30 155** |

Note 17. Property, plant and equipment *(continued)*

Table 17.5: Movements in carrying amounts for all purpose groups

FRD 103F

AASB 116.73(d)

AASB 116.73(e)(ix)

AASB 116.73(e)(ix)

AASB 116.73(e)(i)

AASB 116.73(e)(ii)

AASB 116.74(b)

AASB 116.73(e)(iv)

AASB 116.73(e)(v)

AASB 116.73(e)(ix)

AASB 116.73(e)(ix)

AASB 116.73(e)(iii)

AASB 116.73(e)(iii)

AASB 116.73(e)(ii)

AASB 116.73(e)(vii)

AASB 116.73(e)(ii)

AASB 116.73(d)

($ thousand)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Public Administration | | Public safety and environment | | Total | |
|  | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Opening balance** | **46 652** | **51 226** | **30 155** | **33 788** | **76 807** | **85 014** |
| Fair value of assets received free of charge or for nominal considerations | 342 | 616 | 148 | 250 | 490 | 866 |
| Fair value of assets provided free of charge or for nominal considerations | (154) | (15) | (252) | (243) | (406) | (258) |
| Additions | 9 886 | 11 515 | 6 578 | 5 894 | 16 464 | 17 408 |
| Disposals | (409) | (2 492) | (33) | (2 658) | (442) | (5 150) |
| Transfer in/out of assets under construction | .. | 1 | .. | .. | .. | 1 |
| Revaluation of PPE | 3 631 | 1 014 | 3 378 | 1 975 | 7 009 | 2 989 |
| Impairment of assets | (1 225) | (469) | (290) | (165) | (1 515) | (634) |
| Transfer from investment property | .. | 405 | .. | 1 089 | .. | 1 494 |
| Transfer to investment property | (1 063) | .. | .. | .. | (1 063) | .. |
| Purchased – business combination | 12 593 | .. | 7 799 | .. | 20 392 | .. |
| Machinery of government transfer in | 8 888 | .. | 6 624 | .. | 15 512 | .. |
| Machinery of government transfer out | (18 627) | .. | (12 385) | .. | (31 012) | .. |
| Depreciation | (8 053) | (8 086) | (5 838) | (4 805) | (13 891) | (12 892) |
| Transfer to disposal group held for sale | (320) | (7 062) | (4 981) | (4 968) | (5 301) | (12 031) |
| **Closing balance** | **52 141** | **46 652** | **30 903** | **30 155** | **83 044** | **76 807** |

AASB 116.75(a)

Table 17.6: Aggregate depreciation recognised as an expense during the year(i)(ii)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| Buildings at fair value | 587 | 738 |
| Plant, equipment and vehicles at fair value | 12 347 | 11 622 |
| Infrastructure at fair value | 427 | 260 |
| Road, infrastructure and earthworks at fair value | 530 | 272 |
| Cultural assets at fair value | .. | .. |
|  | **13 891** | **12 892** |

Notes:

AASB 116.73(c)

(i) The useful lives of assets as stated in Note 1 are used in the calculation of depreciation.

(ii) [Entities may choose to disclose these amounts for accumulated depreciation expenses either as part of their expenses note or the property, plant and equipment note as per the Model.]

Revised

Note 17. Property, plant and equipment *(continued)*

[Note: Fair value information should also be disclosed for the comparative period of 2014‑15 – please refer to Tables 17.8, 17.10 and 17.11.]

Table 17.7: Fair value measurement hierarchy for assets as at 30 June 2016

AASB 13. 93 (a)(b)

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | *Carrying amount as at 30 June 2016* | *Fair value measurement at end of reporting period using:* | | |
| *Level 1 (i)* | *Level 2 (i)* | *Level 3 (i)* |
| 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 | 5 715 | N/A | .. | 5 715 |
| Heritage assets (ii) | 10 596 | N/A | .. | 10 596 |
| **Total of buildings at fair value** | **23 188** | **N/A** | **6 877** | **16 311** |
| Plant, equipment and vehicles at fair value |  |  |  |  |
| Vehicles (iii) | 16 941 | N/A | .. | 16 941 |
| Plant and equipment | 30 935 | N/A | .. | 30 935 |
| **Total of plant, equipment and vehicles at fair value** | **47 876** | **N/A** | **..** | **47 876** |
| **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** | **..** |

Notes:

(i) Classified in accordance with the fair value hierarchy, see Note 1(B).

(ii) 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.

(iii) [Vehicles are categorised to Level 3 assets if the depreciated 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.]

New

Table 17.8: Fair value measurement hierarchy for assets as at 30 June 2015

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | *Carrying amount as at 30 June 2015* | *Fair value measurement at end of reporting period using:* | | |
| *Level 1 (i)* | *Level 2 (i)* | *Level 3 (i)* |
| 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 | 4 595 | N/A | .. | 4 595 |
| Heritage assets (ii) | 12 553 | N/A | .. | 12 553 |
| **Total of buildings at fair value** | **19 230** | **N/A** | **2 082** | **19 230** |
| Plant, equipment and vehicles at fair value |  |  |  |  |
| Vehicles (iii) | 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** | **..** | **43 109** |
| **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** | **..** | **..** |

Note 17. Property, plant and equipment *(continued)*

AAS0B 13. 93 (c)

There have been no transfers between levels during the period.

AASB 13.93(d)

#### Non‑specialised land, non‑specialised buildings and artworks

Non‑specialised land, non‑specialised buildings and artworks are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

AASB 116.77(a), (b)

For non‑specialised land and non‑specialised buildings, an independent valuation was performed by independent valuers Norton and Paine to determine the 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 the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2016.

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 prices paid for similar examples offered at auction or through art galleries in recent years. No revaluation was performed for artwork for the financial period ending at 30 June 2016 *[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.

#### 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 is a reflection of 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 depreciated 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.

AASB 116.77(a), (b)  
AASB 116 Aus77.1

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 2016.

#### Heritage assets, infrastructure and road infrastructure and earthworks

Heritage assets, infrastructure and road infrastructure and earthworks are valued using the depreciated 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.

AASB 116.77(a) (b), AASB 116 Aus77.1

Note 17. Property, plant and equipment *(continued)*

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 depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

#### Vehicles

Vehicles are valued using the depreciated 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.

#### Plant and equipment

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 depreciated replacement cost method.

AASB 13.66

There were no changes in valuation techniques throughout the period to 30 June 2016.

AASB 13.93(i)

For all assets measured at fair value, the current use is considered the highest and best use.

AASB 13.93 (e)(f)

Table 17.9: Reconciliation of Level 3 fair value for 2016

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2016 | Specialised land | Specialised buildings | Heritage assets | Vehicles | Plant and equipment | Infrastructure | Road,  infrastructure and earthworks |
| **Opening balance** | **2 534** | **4 595** | **12 553** | **15 321** | **27 788** | **4 931** | **4 993** |
| Purchases (sales) | 579 | 1 334 | 479 | 1 870 | 3 385 | (2 419) | (1 501) |
| Transfers in (out) of Level 3 | .. | .. | .. | .. | .. | .. | .. |
| Gains or losses recognised in net result | | | | | | | |
| Depreciation | .. | (70) | (950) | (125) | (238) | (200) | (550) |
| Impairment loss | .. | (55) | (450) | (125) | .. | (230) | (300) |
| **Subtotal** | **..** | **(125)** | **(1 400)** | **(250)** | **(238)** | **(430)** | **(850)** |
| Gains or losses recognised in other economic flows – other comprehensive income | | | | | | | |
| Revaluation | (329) | (89) | (1 086) | .. | .. | (397) | (385) |
| **Subtotal** | **(329)** | **(89)** | **(1 086)** | **..** | **..** | **(397)** | **(385)** |
| **Closing balance** | 2 784 | 5 715 | 10 546 | 16 941 | 30 935 | 1 685 | 2 257 |
| Unrealised gains/(losses) on non‑financial assets (i) | .. | .. | .. | .. | .. | .. | .. |

Revised

Note:

(i) [Please note that AASB 2015‑7 Fair Value Disclosures of Not‑for‑Profit Public Sector Entities, which is operative from 1 July 2016 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. Please note that the State early adopted AASB 2015‑7 in the 2014‑15 reporting period and gave not‑for‑profit entities the option to early adopt this amending standard last year. As a result, all not‑for‑profit entities must now comply this amending standard for the current financial year. This amending standard 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.]

New

AASB 13.93 (e)(f)

Table 17.10: Reconciliation of Level 3 fair value for 2015

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2015 | Specialised land | Specialised buildings | Heritage assets | Vehicles | Plant and equipment | Infrastructure | Road,  infrastructure and earthworks |
| **Opening balance** | **2 306** | **3 694** | **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** | **4 595** | **12 553** | **15 231** | **27 788** | **4 931** | **4 993** |
| Unrealised gains/(losses) on non‑financial assets (i) | .. | .. | .. | .. | .. | .. | .. |

Note:

(i) [Please note that AASB 2015‑7 Fair Value Disclosures of Not‑for‑Profit Public Sector Entities, which is operative from 1 July 2016 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. Please note that the State early adopted AASB 2015‑7 in the 2014‑15 reporting period and gave not‑for‑profit entities the option to early adopt this amending standard last year. As a result, all not‑for‑profit entities must now comply this amending standard for the current financial year. This amending standard 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.]

AASB 13.93(h)(i)

Revised

Note 17. Property, plant and equipment *(continued)*

Table 17.11: Description of significant unobservable inputs to Level 3 valuations for 2016 and 2015

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2016 and 2015 | Valuation technique (i) | Significant  unobservable inputs (i) | Range (weighted average) (i) | Sensitivity of fair value measurement to changes in significant unobservable inputs(i) |
| **Specialised land** | Market approach | Community service obligation (CSO) adjustment | 50–70% (60%) (ii) | A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value. |
| **Specialised buildings** | Depreciated replacement cost | Direct cost per square metre | $1 000–$1 500/m2 ($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** | Depreciated replacement cost(iii) | Direct cost per square metre | $600–$900/m2 ($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** | Depreciated 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** | Depreciated 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** | Depreciated 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** | Depreciated 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:

Revised

New

(i) [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 that AASB 2015‑7 Fair Value Disclosures of Not‑for‑Profit Public Sector Entities, which is operative from 1 July 2016 provides an exemption for not‑for‑profit public sector entities from disclosing the shaded columns relating to the quantitative information of ‘significant unobservable inputs’ and the ‘sensitivity analysis’ if the assets are held primarily for their current service potential rather than to generate net cash inflows. Please note that the State early adopted AASB 2015‑7 in the 2014‑15 reporting period and gave not‑for‑profit entities the option to early adopt this amending standard last year. As a result, all not‑for‑profit entities must now comply with this amending standard for the current financial year. This amending standard 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.]

(ii) 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.

(iii) 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.

The significant unobservable inputs have remain unchanged from 2015.

Commentary – Property, plant and equipment

Classes of assets

FRD 103F.App.A

FRD 103F requires that property, plant and equipment are classified primarily by the ‘purpose’ for which the assets are used, according to one of six purpose groups based on government purpose classifications. All assets in a purpose group are further sub categorised according to the asset’s ‘nature’, with each sub category being classified as a separate class of asset for financial reporting purposes.

The following **purpose groups** have been adopted:

* public administration;
* education;
* community housing;
* health, welfare and community;
* transportation and communications; and
* public safety and environment.

FRD 103F.App.A

The following **‘nature’** based sub‑classes fall in each of the above purpose groups:

* land – (freehold land/Crown land – national and state parks/Crown land other);
* buildings;
* plant, equipment, vehicles and infrastructure systems;
* road, road infrastructures and earthworks; and
* cultural assets.

For the purpose of this Model, illustrative disclosure is provided only for ‘public administration’ and ‘public safety and environment’ purpose groups. Departments may refer to FRD 103F for indications on which purpose groups are relevant to them. Other entities are expected to use their own judgement to determine which purpose groups are appropriate for their property, plant and equipment.

FRD 103F.4.3

Measurement of non‑financial physical assets

FRD 103F 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 Minister for Finance to be measured using historical cost. These assets are phasing out or in transition towards the revaluation model.

FRD 103F App A

AASB 136.Aus32.1

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 depreciated replacement cost.

FRD 103F.4.7(A)

Revaluations of non‑financial physical assets

Full revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from its fair value. FRD 103F determines the revaluation cycle to occur every five years, and 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 103F’ available from:

[http://www.dtf.vic.gov.au/Publications/Government‑Financial‑Management‑publications/Financial‑reporting‑policy/Financial‑reporting‑directions‑and‑guidance](http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-reporting-policy/Financial-reporting-directions-and-guidance)

Commentary – Property, plant and equipment *(continued)*

FRD 103F.4.7(b)

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 103F.

FRD 103F.4.6

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.

FRD 103F Guidance

Treatment of accumulated depreciation on revaluation

To ensure consistency on a whole of state reporting basis, FRD 103F requires that:

* if an asset (such as plant, equipment or vehicles) is measured based on their depreciated replacement cost, an entity is to account for the accumulated depreciation at the date of revaluation by increasing proportionately the accumulated depreciation balance with the increase in the gross carrying amount of the asset, so that the net carrying amount of the asset after revaluation is equal to its revalued amount (gross approach); and
* if an asset is revalued using other market‑based revaluation model, 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).

AASB 13.91‑99

Fair value disclosures

Refer Note 15 Commentary on fair value disclosures.

AASB 13.83

Additional guidance on levelling inputs

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, at Table 17.7 and Table 17.8, 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.

AASB 13.6

***Leasing transactions within the scope of AASB 117***

The measurement and disclosure requirements of AASB 13 do not apply to leased property plant and equipment. The statement above with reference to the fair value of leases has been included in order to allow the user of the financial statements to reconcile the total value of ‘land at fair value’ as per Table 17.1 in the Model accounts to the detailed table as per Table 17.7 and Table 17.8 above.

Commentary – Property, plant and equipment *(continued)*

AASB 13. Aus93.1

Revised

Exemption from disclosing quantitative information of Level 3 inputs

In July 2015, the Australian Accounting Standards Board released AASB 2015‑7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not‑for‑Profit Public Sector Entities*, which applies from 1 July 2016. Early adoption was permitted.

The Department of Treasury and Finance sought ministerial approval to allow not‑for‑profit public sector entities to early adopt this amending standard and gain certain reporting relief of fair value disclosures. The State early adopted AASB 2015‑7 in the 2014‑15 reporting period and as a result all not‑for‑profit entities must now comply this amending standard for the current financial year. This amending standard is not applicable for assets that are held for cash generating purposes.

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 that entities will still be required to provide a description of the valuation techniques and the input used in the fair value measurement.

AASB 13.66

*Changes in valuation techniques*

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](http://localhost:49158/NXT/gateway.dll?f=id$id=TPS.AAAS_AASB_108.20110701$cid=accounting_standards$fn=document-frameset.htm$t=document-frameset.htm$an=TPS.AAAS_AASB_108#TPS.AAAS_AASB_108). However, entities are exempted from the disclosure requirements in paragraphs 39 and 40 of AASB [108](http://localhost:49158/NXT/gateway.dll?f=id$id=TPS.AAAS_AASB_108.20110701$cid=accounting_standards$fn=document-frameset.htm$t=document-frameset.htm$an=TPS.AAAS_AASB_108#TPS.AAAS_AASB_108) for changes in valuation techniques.

*Highest and best use*

Refer to Note 1 commentary – summary of significant accounting policies for guidance on highest and best use.

AASB 13.93(e)

*Reconciliation of Level 3 fair value*

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:

(i) 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.

(ii) 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.

(iii) purchases, sales, issues and settlements (each of those types of changes disclosed separately).

(iv) 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.

Commentary – Property, plant and equipment *(continued)*

*Exemption from disclosing sensitivity analysis for Level 3 fair value measurement*

For all recurring non‑financial assets that are measured at Level 3 fair value measurement and are 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; and
* 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.

Disclosure requirements for assets stated at revalued amounts

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;

(b) whether an independent valuer was involved;

(c) [requirement deleted by IASB];

(d) [deleted by the IASB];

(e) 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; and

(f) 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.

AASB 136.5

Impairment of revalued property, plant and equipment

Property, plant and equipment measured on the fair value basis shall also be tested for impairment. Identifying whether a revalued asset may be impaired depends on the basis used to determine fair value:

(a) if the asset’s fair value is its market value, the only difference between the asset’s fair value and its fair value less costs to sell is the direct incremental costs to dispose of the asset:

(i) if the disposal costs are negligible, the recoverable amount of the revalued asset is necessarily close to, or greater than, its revalued amount (i.e. fair value). In this case, after the revaluation requirements have been applied, it is unlikely that the revalued asset is impaired and recoverable amount need not be estimated; and

(ii) if the disposal costs are not negligible, the fair value less costs to sell of the revalued asset is necessarily less than its fair value. Therefore, the revalued asset will be impaired if its value in use is less than its revalued amount (i.e. fair value). In this case, after the revaluation requirements have been applied, the department applies this standard to determine whether the asset may be impaired; and

(b) if the asset’s fair value is determined on a basis other than its market value, its revalued amount (i.e. fair value) may be greater or lower than its recoverable amount. Hence, after the revaluation requirements have been applied, a department applies AASB 136 to determine whether the asset may be impaired.

Commentary – Property, plant and equipment *(continued)*

AASB 136.130

Disclosure of impairment of property, plant and equipment

An entity shall disclose the following for an individual asset (including goodwill) or a cash‑generating unit, for which an impairment loss has been recognised or reversed during the period:

(a) the events and circumstances that led to the recognition or reversal of the impairment loss;

(b) the amount of the impairment loss recognised or reversed;

(c) for an individual asset:

(i) the nature of the asset; and

(ii) if the entity reports segment information, the reportable segment to which the asset belongs, based on the entity’s primary reporting format;

(d) for a cash‑generating unit:

(i) a description of the cash‑generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment);

(ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information, by reportable segment based on the entity’s primary reporting format; and

(iii) if the aggregation of assets for identifying the cash‑generating unit has changed since the previous estimate of the cash‑generating unit’s recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash‑generating unit is identified;

(e) the recoverable amount of the asset (cash‑generating unit) and whether the recoverable amount of the asset (cash‑generating unit) is its fair value less costs of disposal or its value in use;

(f) if the recoverable amount is fair value less costs of disposal, the entity shall disclose the following information:

(i) the level of the fair value hierarchy (see AASB 13) within which the fair value measurement of the asset (cash‑generating unit) is categorised in its entirety (without taking into account whether the ‘costs of disposal’ are observable);

(ii) for fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) used to measure fair value less costs of disposal. If there has been a change in valuation technique, the entity shall disclose that change and the reason(s) for making it; and

(iii) for fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, each key assumption on which management has based its determination of fair value less costs of disposal. Key assumptions are those to which the asset’s (cash‑generating unit’s) recoverable amount is most sensitive. The entity shall also disclose the discount rate(s) used in the current measurement and previous measurement if fair value less costs of disposal is measured using a present value technique;

(g) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.

AASB 136.131

FRD 103F

AASB 116.79

AASB 116.74(d)

FRD 103F.4.19

Commentary – Property, plant and equipment *(continued)*

An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with AASB 136.130:

(a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses; and

(b) the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.

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 the 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:

(a) the carrying amount of temporarily idle property, plant and equipment;

(b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;

(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with AASB 5; and

(d) 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.

Residual values

Unless there is evidence to the contrary, FRD 103F deems all non‑financial physical assets, other than vehicles, to have a residual value of zero.

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.

AASB 141.41 and 42

Note 18. Biological assets

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| eTimber volume (cubic metres) | 5 000 | .. |
| Breeding livestock (by headcount) | 236 | .. |

Table 18.1: Reconciliation of carrying amount

AASB 141.50

AASB 141.50(b)

AASB 141.50(a)

AASB 141.50(c)

AASB 141.50(d)

AASB 141.50(g)

AASB 141.50

AASB 141.50(b)

AASB 141.50(a)

AASB 141.50(c)

AASB 141.50(d)

AASB 141.50(g)

AASB 141.50

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Movement in carrying amounts of commercial nature forests:** |  |  |
| ***Carrying amount at beginning of period*** |  |  |
| Increases due to acquisition/transfers in | 2 545 | .. |
| Increases due to purchases | .. | .. |
| Increase/decrease due to fair value adjustment | 1 454 | .. |
| Decreases attributable to disposal/transfers out | .. | .. |
| Decreases due to harvest | (1 250) | .. |
| Other changes | .. | .. |
| ***Carrying amount at end of period*** | ***2 749*** | ***..*** |
| **Movement in carrying amounts of livestock:** |  |  |
| ***Carrying amount at beginning of period*** |  |  |
| Increases due to acquisition/transfers in | 657 | .. |
| Increases due to purchases | 856 | .. |
| Increase/decrease due to fair value adjustment | 22 | .. |
| Decreases attributable to disposal/transfers out | (250) | .. |
| Decreases attributable to harvest | .. | .. |
| Other changes | .. | .. |
| ***Carrying amount at end of period*** | ***1 285*** | ***..*** |
| ***Total*** | ***4 034*** | ***..*** |

AASB 141.46(a)

The Department recognises productive trees in commercial native forests and breeding livestock as biological assets.

AASB 141.48

The fair value less costs to sell of timber harvested during the period was $1.56 million.

AASB 141. 4149(b)

As at 30 June 2016, the Department had commitments for the acquisition of breeding livestock amounting to $150 000 (2014: $nil).

AASB 141.49(c)

The Department is exposed to financial risks in respect of its biological activities, in particular, the commercial native forests. 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.

New

AASB 13.93 (a)(b)

Note 18. Biological assets *(continued)*

[Note: Fair value hierarchy contained in Table 18.2 below should also be disclosed for the comparative period of 2014‑15 (not illustrated in the Model).]

Table 18.2: Fair value measurement for 2016

Disclosure of biological assets measured at fair value and their categorisation in the fair value hierarchy can be seen below.

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Carrying amount as at 30 June 2016 | Fair value measurement at end of reporting period using: | | |
| Level 1 (i) | Level 2 (i) | Level 3 (i) |
| Nature forests | 2 749 | N/A | 2 749 | .. |
| Livestock | 1 285 | N/A | 1 285 | .. |

Note:

(i) Classified in accordance with the fair value hierarchy, see Note 1(B).

AASB 13.93 (c)

AASB 13.66

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2016. There are no comparative disclosures because the Department did not hold any biological assets at 30 June 2015.

AASB 13.93(d)

#### Nature forests and livestock

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 then 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 cashflows 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.

#### 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 market place and vary depending on the weight and condition of the animal.

Commentary – Biological assets

General disclosure requirements

An entity shall disclose:

AASB 141.41

(a) a description of each group of biological assets;

AASB 141.47

(b) 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;

AASB 141.48

(c) the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest;

AASB 141.49(a)

(d) 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(b)

(e) the amount of commitments for the development or acquisition of biological assets;

AASB 141.49(c)

(f) financial risk management strategies related to agricultural activity; and

AASB 141.46

(g) if not disclosed elsewhere in the financial statements, an entity shall provide a description of:

(i) the nature of its activities involving each group of biological assets; and

(ii) 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 141.51

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 141.54

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) a description of the biological assets;

(b) an explanation of why fair value cannot be measured reliably;

(c) if possible, the range of estimates in which fair value is highly likely to lie;

(d) the depreciation method used;

(e) the useful lives or the depreciation rates used; and

(f) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

AASB 141.55

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; and
* the related reconciliation (paragraph 50 of AASB 141 *Agriculture*).

Commentary – Biological assets *(continued)*

In addition, the reconciliation shall include the following amounts recognised in the net result related to those biological assets:

(a) impairment losses;

(b) reversals of impairment losses; and

(c) depreciation.

AASB 141.56

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;

(b) an explanation of why fair value has become reliably measurable; and

(c) the effect of the change.

Government grants

AASB 141.57

An entity shall disclose the following related to agricultural activity covered by this standard:

(a) the nature and extent of government grants recognised in the financial statements;

(b) unfulfilled conditions and other contingencies attaching to government grants; and

(c) significant decreases expected in the level of government grants.

Note 19. Investment properties

AASB 140.76

AASB 140.76(a)

AASB 140.76(b)

AASB 140.76(c)

AASB 140.76(d)

AASB 140.76(f)

AASB 140.76(f)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Balance at beginning of financial year** | **5 029** | **5 233** |
| Additions from subsequent expenditure | 750 | 1 490 |
| Acquisitions/transfers in of businesses | 1 287 | .. |
| Disposals and property held for sale | (2 290) | (650) |
| Net gain/(loss) from fair value adjustments | (3 485) | 450 |
| Transfers to owner occupied | .. | (1 494) |
| Transfers to investment property | 1 063 | .. |
| **Balance at end of financial year** | **2 354** | **5 029** |

Note 19. Investment properties *(continued)*

New

AASB 13.93(a)(b)

AASB 13.93(a)(b)

[Note: The fair value hierarchy should also be disclosed for the comparative period of 2014‑15 – please refer to Table 19.3.]

Table 19.2: Fair value hierarchy for 2016

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Carrying amount as at 30 June 2016 | Fair value measurement at end of reporting period using: | | |
|  | Level 1 (i) | Level 2 (i) | Level 3 (i) |
| Investment properties | 2 354 | N/A | 2 354 | .. |

Note:

(i) Classified in accordance with the fair value hierarchy, see Note 1(B).

Table 19.3: Fair value hierarchy for 2015

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Carrying amount as at 30 June 2015 | Fair value measurement at end of reporting period using: | | |
|  | Level 1 (i) | Level 2 (i) | Level 3 (i) |
| Investment properties | 5 029 | N/A | 5 029 | .. |

Note:

(i) Classified in accordance with the fair value hierarchy, see Note 1(B).

AASB 13.93 (c)

AASB 13.66

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2016.

AASB 13.93(i)

For investment properties measured at fair value, the current use of the asset is considered the highest and best use.

AASB 13.93(d)

The fair value of the Department’s investment properties at 30 June 2016 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.

Norton and Prime Pty Ltd has more than 20 years of experience valuing similar commercial properties in the Melbourne CBD.

Commentary – Investment properties

Property held to meet service delivery objectives

AASB 140.Aus9.1

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:

(a) property held for strategic purposes; and

(b) 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.

FRD 107A

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.

SD 1.1

**Responsible body** means:

(a) a government department, the Accountable Officer; and

(b) all other public sector agencies, the board or other governing body.

AASB 140.75(c)

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.

Inability to determine fair value reliably

FRD 107A

An entity must measure its investment property (after recognition) using the fair value model unless the entity has received prior written approval from the Minister for Finance to use the cost model.

AASB 140.78

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) a description of the investment property;

(b) an explanation of why fair value cannot be determined reliably;

(c) if possible, the range of estimates in which fair value is highly likely to lie; and

(d) on disposal of investment property not carried at fair value:

(i) the fact that the entity has disposed of investment property not carried at fair value;

(ii) the carrying amount of that investment property at the time of sale; and

(iii) the amount of gain or loss recognised.

Adjustment for recognised assets and liabilities

AASB 140.77

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 *Investment Property*, 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.

Commentary – Investment properties *(continued)*

Disclosure requirements

Entities are required to disclose:

AASB 140.75(b)

(a) whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property;

AASB 140.75(f)

(b) the amounts recognised in the net result for:

(i) rental income from investment property;

(ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and

(iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period;

AASB 140.75(g)

(c) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and

AASB 140.75(h)

(d) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

AASB 140.76

Entities shall disclose reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing the following:

(a) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset;

(b) additions resulting from acquisitions through business combinations;

(c) assets classified as held for sale or included in a disposal group in accordance with AASB 5 and other disposals;

(d) net gains or losses from fair value adjustments;

(e) 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;

(f) transfers to and from inventories and owner‑occupied property; and

(g) other changes.

Third balance sheet

AASB 101.39

The investment properties note has been used in the supplementary information section of 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. This was corrected by presenting a third balance sheet and restating the Note 19 *Investment properties*. Refer to Note 8 for sample disclosure.

Note 20. Intangible assets

AASB 138.118(c)

AASB 138.118(e)(i)

AASB 138.118(e)(i)

AASB 138.118(e)(i)

AASB 138.118(e)(ii)

AASB 138.118(c)

FRD 109

AASB 138.118(c)

AASB 138.118(e)(vi)

AASB 138.118(e)(i)

AASB 138.118(e)(ii)

AASB 138.118(e)(iv), 136.130(b)

AASB 138.118(e)(v)  
136.130(b)

AASB 138.118(c)

($ thousand)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Computer software | | Other | | Total | |
|  | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Gross carrying amount** |  |  |  |  |  |  |
| **Opening balance** | **10 295** | **10 875** | **..** | **..** | **10 295** | **10 875** |
| Additions | 2 655 | 540 | .. | .. | 2 655 | 540 |
| Additions from internal development | 631 | 150 | .. | .. | 631 | 150 |
| Acquisitions from business combinations | 3 650 | .. | .. | .. | 3 650 | .. |
| Disposals or classified as held for sale | (7 015) | (1 270) | .. | .. | (7 015) | (1 270) |
| **Closing balance** | **10 216** | **10 295** | **..** | **..** | **10 216** | **10 295** |
|  |  |  |  |  |  |  |
| **Accumulated depreciation, amortisation and impairment** |  |  |  |  |  |  |
| **Opening balance** | **(2 848)** | **(3 129)** | **..** | **..** | **(2 848)** | **(3 129)** |
| Depreciation of intangible produced assets (i) | (1 471) | (1 554) | .. | .. | (1 471) | (1 554) |
| Amortisation of intangible non‑produced assets (i) | .. | .. | .. | .. | .. | .. |
| Acquisitions from business combinations | (1 288) | .. | .. | .. | (1 288) | .. |
| Disposals or classified as held for sale | 3 375 | 1 250 | .. | .. | 3 375 | 1 250 |
| Impairment losses charged to net  result (ii) | (2 010) | .. | .. | .. | (2 010) | .. |
| Reversals of impairment losses charged to net result | .. | 585 | .. | .. | .. | 585 |
| **Closing balance** | **(4 242)** | **(2 848)** | **..** | **..** | **(4 242)** | **(2 848)** |
| **Net book value at end of financial year** | **5 974** | **7 447** | **..** | **..** | **5 974** | **7 447** |

Notes:

AASB 138.118(d)

(i) 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.

AASB 136.126(a), 130(a), 130(e)‑(f)

(ii) 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.

#### Significant intangible assets

AASB 138.118(a), 122(b)

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 $5.97 million (2015: $7.45 million). Its useful life is five years and will be fully amortised in 2016.

Commentary – Intangible assets

Disclosure of amortisation

AASB 138.118(d)

An entity shall disclose the line item(s) of the comprehensive operating statement in which any amortisation of intangible assets is included.

AASB 138.122(b)

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.

Additional disclosures for indefinite life intangible assets

AASB 138.122(a)

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 138.120

Additional disclosures for intangible assets acquired by way of a government grant and initially recognised at fair value

AASB 138.122(c)

For intangible assets acquired by way of a government grant and initially recognised at fair value, an entity shall disclose:

(a) the fair value initially recognised for these assets;

(b) their carrying amount; and

(c) whether they are measured after recognition under the cost model or the revaluation model.

AASB 138.122(d)

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.

Additional disclosures for commitments to acquire intangibles

AASB 138.122(e)

The entity shall disclose the amount of contractual commitments for the acquisition of intangible assets.

Other information

AASB 138.128

An entity is encouraged, but not required, to disclose the following information:

(a) a description of any fully amortised intangible asset that is still in use; and

(b) 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.

Intangible assets revalued using the revaluation model

AASB 138.124

If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:

(a) by class of intangible assets:

(i) the effective date of the revaluation;

(ii) the carrying amount of revalued intangible assets; and

(iii) the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model;

Commentary – Intangible assets *(continued)*

(b) 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; and

(c) the methods and significant assumptions applied in estimating the assets’ fair values.

AASB 138.Aus124.1

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.

Impairment of intangible assets

AASB 138.120

An entity discloses information on impaired intangible assets in accordance with Accounting Standard AASB 136 *Impairment of Assets* in addition to the information required by Accounting Standard AASB 138 *Intangible Assets*.

AASB 138.90

**Factors that are considered in determining the useful life of an intangible asset include:**

(a) the expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;

(b) 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;

(c) technical, technological, commercial or other types of obsolescence;

(d) 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;

(e) expected actions by competitors or potential competitors;

(f) 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;

(g) 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; and

(h) whether the useful life of the asset is dependent on the useful life of other assets of the entity.

Internal use software

Capitalisation threshold

FRD 109

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:

(a) 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); and

(b) the administrative burden of conducting annual impairment tests of intangible assets.

Research activities (or research phase of internal projects)

AASB 138.54

AASB 138 specifically prohibits the recognition of research activities as an asset.

Commentary – Intangible assets *(continued)*

Internal use software

FRD 109 Appendix 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):

(a) preliminary project stage – costs to be expensed;

(b) application development stage – costs to be capitalised or expensed; and

(c) 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.

Note 21. Other non‑financial assets

AASB 101.61

AASB 101.61

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Current other assets** |  |  |
| Prepayments | 1 483 | 380 |
| **Total current other assets** | **1 483** | **380** |
|  |  |  |
| **Non‑current other assets** |  |  |
| Other | .. | .. |
| **Total non‑current other assets** | **..** | **..** |
| **Total other assets** | **1 483** | **380** |

Commentary – Other non‑financial assets

The assets above should only include assets that are non‑financial in nature.

Note 22. Payables

AASB 101.61

AASB 101.61

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2016 | 2015 |
|  | **Current payables** |  |  |
|  | ***Contractual*** |  |  |
|  | Supplies and services (i) | 4 466 | 5 330 |
|  | Amounts payable to government and agencies (ii) | 8 048 | 6 360 |
|  | Other payables (i) | 1 900 | 2 394 |
|  |  | **14 413** | **14 085** |
|  | ***Statutory*** (iii) |  |  |
|  | FBT payable | 82 | 169 |
|  | GST payable | 109 | 225 |
|  | Other taxes payable | 82 | 169 |
|  |  | 273 | 562 |
|  | **Total current payables** | **14 686** | **14 647** |
|  |  |  |  |
|  | **Non‑current payables** |  |  |
|  | ***Contractual*** |  |  |
|  | Amounts payable to government and agencies (ii) | 2 843 | 1 514 |
|  | Other payables (i) | 62 | 543 |
|  |  | **2 905** | **2 057** |
|  | **Total non‑current payables** | **2 905** | **2 057** |
|  | **Total payables** | **17 591** | **16 704** |

AASB 7.7, 7.31

Notes:

(i) The average credit period is 30 days. No interest is charged on the other payables for the first 30 days from the date of the invoice. Thereafter, interest is charged at 2 per cent per year on the outstanding balance.

AASB 7.7, 7.31

(ii) Terms and conditions of amounts payable to other government agencies vary according to a particular agreement with that agency.

[The agreement in place in this case is not legislative, but contractual and therefore this payable is a financial instrument.]

(iii) [Where amount of taxes payable is material, entities should present statutory ‘taxes payable’ in the note broken down by classes of taxes, i.e. GST payable, FBT payable, income tax payable, and other taxes payable, as appropriate.]

AASB 7.39(a)

##### (a) Maturity analysis of contractual payables

Please refer to Table 33.5 in Note 33 for the maturity analysis of contractual payables.

AASB 7.31

##### (b) Nature and extent of risk arising from contractual payables

Please refer to Note 33 for the nature and extent of risks arising from contractual payables.

Commentary – Payables

Statutory payables

AASB 132.AG12

Liabilities that are not contractual (such as liabilities that arise as a result of statutory requirements), are not financial liabilities as defined. 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 136.17‑23

**Note: impairment of statutory payables is determined under AASB 136, and not AASB 139.**

AASB 139.9

Financial guarantees

An entity shall disclose the fair value of any financial guarantee that it provides to third parties, should the fair value of the liability become greater than zero, either as part of this note for payables or in the note for other payables. See Note 1(N) for policy on how to recognise and measure financial guarantees.

Financial instruments disclosures

Significance of financial instruments

AASB 7.7

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.

Nature and extent of risks arising from financial instruments

AASB 7.31

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.

Note 23. Borrowings

AASB 101.61

Recommendation 12, PAEC Report 115

AASB 101.61

*($ thousand)*

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Current borrowings** |  |  |
| Bank overdrafts | .. | 5 437 |
| Finance lease liabilities (i) |  |  |
| – PPP related finance lease liabilities | 2 643 | 6 670 |
| – Non‑PPP related finance lease liabilities | 1 422 | 3 576 |
| Advances from government (ii) | 5 118 | 10 287 |
| **Total current borrowings** | **9 184** | **25 969** |
|  |  |  |
| **Non‑current borrowings** |  |  |
| Finance lease liabilities |  |  |
| – PPP related finance lease liabilities | 2 551 | 6 391 |
| – Non‑PPP related finance lease liabilities | 1 448 | 3 425 |
| Advances from government | 195 | 2 057 |
| Loans from TCV (iii) | 48 696 | 27 705 |
| **Total non‑current borrowings** | **52 890** | **39 578** |
| **Total borrowings** | **62 074** | **65 548** |

Revised

Notes:

AASB 7.14, 116.74(a)

(i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Refer to Note 30 Leases for further information on finance lease liabilities.

AASB 7.31

(ii) 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.

(iii) These are unsecured loans with a weighted average interest rate of 3.55 per cent (2015: 5 per cent).

AASB 7.39(a)

##### (a) Maturity analysis of borrowings

Please refer to Table 33.5 in Note 33 for the maturity analysis of borrowings.

AASB 7.31

##### (b) Nature and extent of risk arising from borrowings

Please refer to Note 33 for the nature and extent of risks arising from borrowings.

AASB 7.18

##### (c) Defaults and breaches

During the current and prior year, there were no defaults and breaches of any of the loans.

Commentary – Borrowings

Defaults and breaches

AASB 7.18

For loans payable recognised at the end of the reporting period, an entity shall disclose:

(i) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;

(ii) the carrying amount of the loans payable in default at the end of the reporting period; and

(iii) whether the default was remedied, or the terms of the loans payable was renegotiated, before the financial statements was authorised for issue.

AASB 7.19

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).

Statutory borrowings

AASB 132.AG12

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.

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.

Note 24. Provisions

AASB 101.61  
AASB 119.8

AASB 101.78(d)

AASB 101.61

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Current provisions** |  |  |
| Employee benefits (Note 24(a)) (i) |  |  |
| Annual leave (Note 24(a)): |  |  |
| Unconditional and expected to settle within 12 months (ii) | 1 716 | 1 438 |
| Unconditional and expected to settle after 12 months (ii) | 636 | 795 |
| Long service leave (Note 24(a)): |  |  |
| Unconditional and expected to settle within 12 months (ii) | 1 231 | 3 002 |
| Unconditional and expected to settle after 12 months (ii) | 1 908 | 6 318 |
|  | 5 490 | 11 554 |
|  |  |  |
| Provisions for on‑costs (Note 24(a) and Note 24(b)): |  |  |
| Unconditional and expected to settle within 12 months (ii) | 272 | 555 |
| Unconditional and expected to settle after 12 months (ii) | 377 | 599 |
|  | 650 | 1 154 |
| Onerous lease contracts (Note 24(b) & Note 30) (iii) | 993 | 2 290 |
| **Total current provisions** | **7 133** | **14 998** |
|  |  |  |
| **Non‑current provisions** |  |  |
| Employee Benefits (Note 24(a)) (i) | 3 743 | 3 528 |
| On‑costs (Note 24(a) and Note 24(b)) | 871 | 837 |
| Onerous lease contracts (Note 24(b) and Note 30) (iii) | 710 | 1 273 |
| Make‑good provision (Note 24(b)) (iv) | 450 | 375 |
| **Total non‑current provisions** | **5 773** | **6 013** |
| **Total provisions** | **12 906** | **21 011** |

Notes:

AASB 101.57,77,78

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On‑costs such as payroll tax and workers’ compensation insurance are not employee benefits and are reflected as a separate provision.

AASB 119.8

(ii) Amounts are measured at present values.

AASB 137.85(a), (b)

(iii) The provision for onerous lease contracts represents the present value of the future lease payments that the Department is presently obligated to make in respect of onerous lease contracts under non‑cancellable operating lease agreements, less income expected to be earned on the lease including estimated future sublease income, where applicable. 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.

AASB 137.85(a), (b)

(iv) 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. An additional provision of $50 000 (2015: $32 000) was provided for during the year for this purpose.

AASB 101. 78(d)

Note 24. Provisions *(continued)*

##### (a) Employee benefits and on‑costs(i)

AASB 101.61

AASB 101.61

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Current employee benefits** |  |  |
| Annual leave | 2 351 | 2 233 |
| Long service leave | 3 139 | 9 321 |
| **Non‑current employee benefits** |  |  |
| Long service leave | 3 743 | 3 528 |
| **Total employee benefits** | **9 233** | **15 082** |
| Current on‑costs | 650 | 1 154 |
| Non‑current on‑costs | 871 | 837 |
| **Total on‑costs** | **1 520** | **1 991** |
| **Total employee benefits and on‑costs** | **10 753** | **17 073** |

Note:

(i) Employee benefits consist of annual leave and long service leave accrued by employees. On‑costs such as payroll tax and workers’ compensation insurance are not employee benefits and are recognised as a separate provision.

##### (b) Movement in provisions

AASB 137.84(a)

AASB 137.84(b)

AASB 137.84(b)

AASB 137.84(b)

AASB 137.84(c)

AASB 137.84(d)

AASB 137.60, 84(e)

AASB 137.84(c)

AASB 137.84(c)

AASB 137.84(a)

AASB 101.61

AASB 101.61

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Make‑good | On‑costs | Onerous lease contracts | Total |
|  | 2016 | 2016 | 2016 | 2016 |
| **Opening balance** | **375** | **1 991** | **3 563** | **5 929** |
| Additional provisions recognised | 50 | 451 | 426 | 927 |
| Additions due to transfer in | .. | 141 | .. | 141 |
| Additions due to acquisitions | .. | 118 | .. | 118 |
| Reductions arising from payments/other sacrifices of future economic benefits | .. | (22) | (105) | (127) |
| Reductions resulting from re‑measurement or settlement without cost | .. | ( 20) | .. | ( 20) |
| Unwind of discount and effect of changes in the discount rate | 25 | 15 | .. | 40 |
| Reduction due to held for sale | .. | (304) | (1 042) | (1 346) |
| Reduction due to transfer out | .. | (847) | (1 139) | (1 987) |
| **Closing balance** | **450** | **1 522** | **1 703** | **3 675** |
|  |  |  |  |  |
| Current | .. | 650 | 993 | 1 643 |
| Non‑current | 450 | 871 | 710 | 2 030 |
|  | **450** | **1 520** | **1 703** | **3 673** |

Commentary – Provisions

The Australian Accounting Standard Board (AASB) issued the AASB 119 *Employee Benefits* (September, 2012),which became effective since 1 January 2014.

Distinction between short‑term and long‑term employee benefits for measurement purposes

AASB119.8

The AASB 119 (September 2012) applies a stricter definition for short‑term employee benefits. Under this definition, 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.

As a result, departments should review their current short‑term employee benefits to ensure they still qualify under the definition. If not, they would need to reclassify these employee benefits as ‘long‑term employee benefits’. For example, if 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).

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 employee benefits, the obligations are measured at present value on a discounted basis. The decision tree below highlights the process considering the ‘short‑term/long‑term’ classification and measurement.

Yes

No

More likely to be classified as long‑term employee benefits

Discounting to present value

No

Are the employee benefits expected to be **wholly settled** within 12 month?

Is it a temporary expectation of the timing of settlement?

Nominal value with no discounting

Classified as short term employee benefits

Yes

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 entity level, not at the individual level. Therefore, it is unneccesary for departments to obtain detailed information of each employee’s anticipated timing for their leave settlement.

For illustration purposes, this Model Report assumes that the annual leave accrued by the Department of Technology as at 30 June 2016 are not expected to be settled wholly within 12 months thereafter. Accordingly, the provision for annual leave in Note 24 is classified as long‑term employee benefits for measurement purposes, and is discounted to its present value.

Commentary – Provisions *(continued)*

Entities should form their own expectations of the timing of annual leave so long as it is reasonable and 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.

Note that 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. Refer to Appendix 4 for further guidance on estimating annual leave provisions under AASB 119.

Provision for on‑cost

AASB 101.78(d)

On‑costs, such as payroll tax and workers’ compensation insurance, are recognised as liabilities when the employment to which they relate has occurred. They are a consequence of employing employees, but are not employee benefits. As such, provisions for on‑costs are to be disclosed seperately from provisions for employee benefits.

Current/non‑current classification of employee benefits

AASB 101.69 (d)

All annual leave and unconditional vested long service leave representing seven or more years of continuous service is disclosed as a current liability. This includes where the agency does not expect to settle the liability wholly within 12 months as it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

Long service leave representing less than seven years of continuous service is:

(a) disclosed in accordance with AASB 101 as a non‑current liability; and

(b) measured at present value under AASB 119 as the entity does not expect to settle this non‑current liability wholly within 12 months.

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 payments.

Recognition of provisions

AASB 137.14

A provision shall be recognised when:

(a) an entity has a present obligation (legal or constructive) as a result of a past event;

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

AASB 137.15

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.

AASB 137.23

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 *Provisions, Contingent Liabilities and Contingent Assets*, 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.

Commentary – Provisions *(continued)*

Disclosure

AASB 137.84

For each class of provision, an entity shall disclose:

(a) the carrying amount at the beginning and end of the period;

(b) additional provisions made in the period, including increases to existing provisions;

(c) amounts used (that is, incurred and charged against the provision) during the period;

(d) unused amounts reversed during the period; and

(e) 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.

AASB 137.85

An entity shall disclose the following for each class of provision:

(a) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits; and

(b) 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

AASB 137.85(c)

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.

Exemptions

AASB 137.92

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.

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.

Note 25. Assets received as collateral

Commentary – Assets received as collateral

AASB 7.15

AASB 139.37

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:

(a) the fair value of the collateral held;

(b) the fair value of any such collateral sold or repledged and whether the entity has an obligation to return it; and

(c) the terms and conditions associated with its use of the collateral.

If the owner of the collateral (i.e. 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 7.14, 116.74(a)

Note 26. Assets pledged as security

The Department has secured the leased assets against the non‑PPP related finance lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor (refer also to Note 23 Borrowings).

Commentary – Assets pledged as security

The financial statements shall disclose the following for assets pledged as security:

AASB 102.36(h)

(a) the carrying amount of inventories pledged as security for liabilities;

AASB 138.122(d)

(b) 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 116.74(a)

(c) the carrying amount of the property, plant and equipment pledged and the related existence and amounts of restrictions on title;

AASB 140.75(g)

(d) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and

AASB 7.14

(e) 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.

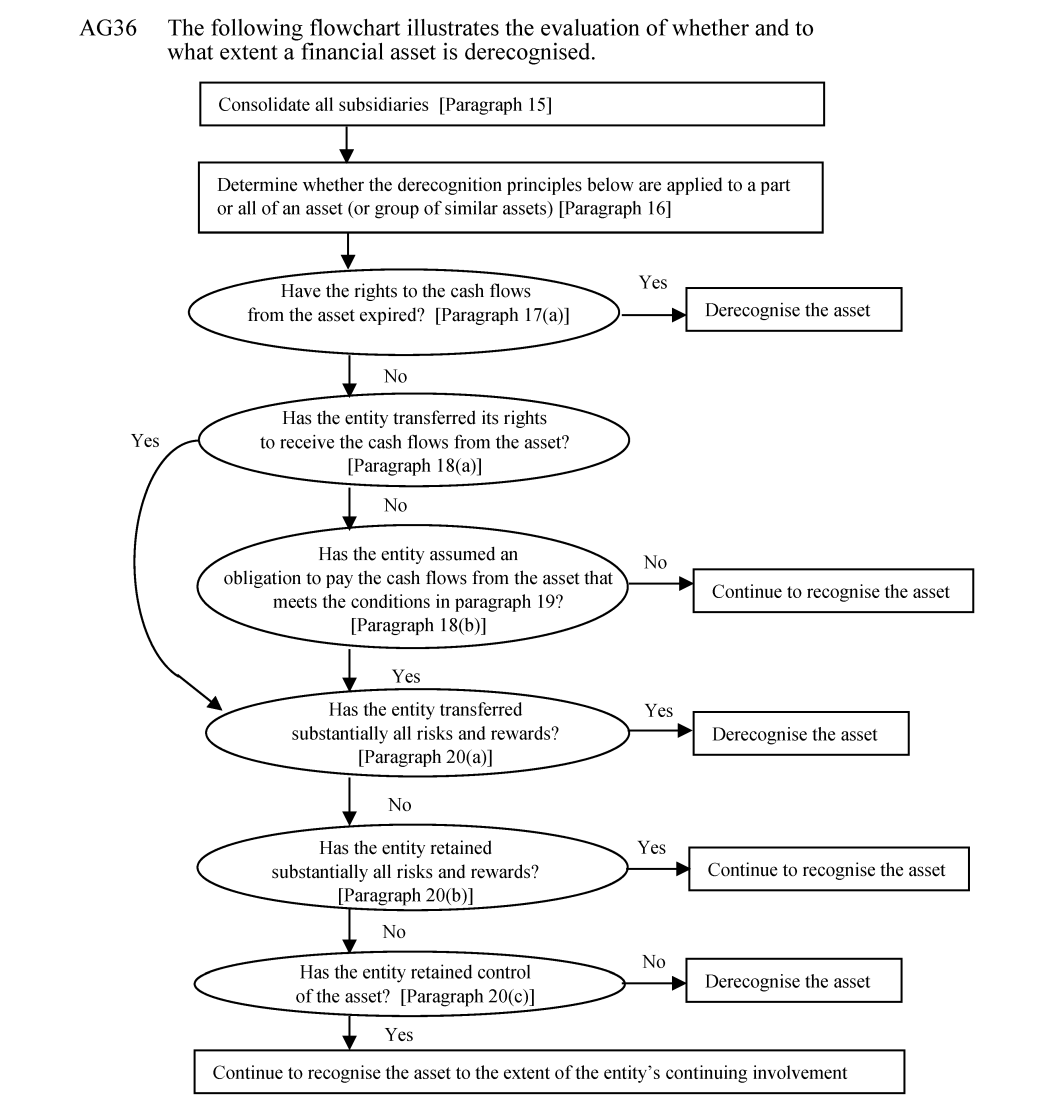
Note 27. Derecognition of financial assets

Commentary – Derecognition of financial assets

AASB 7.42A

**Decision‑tree for derecognition of a financial asset**

The following flowchart (extract of AASB 139) illustrates the evaluation of whether and to what extent a financial asset is derecognised.



Source: AASB 139 Financial Instruments: Recognition and Measurement (August 2014)

**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 for each class of transferred financial assets that are not derecognised in their entirety:

(a) the nature of the assets;

(b) the nature of the risks and rewards of ownership to which the entity is exposed;

(c) 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;

(d) when the entity continues to recognise all of the asset, the carrying amounts of the asset and of the associated liability; and

(e) when the entity continues to recognise the asset to the extent of its continuing involvement, the total amount of the asset, the amount of the asset that the entity continues to recognise and the carrying amount of the associated liability.

Note 28. Superannuation

FRD 112D

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.

The Department does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State’s defined benefit liabilities in its disclosure for administered items.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Department.

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the Department are as follows:

AASB 119.53

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fund | Paid contribution  for the year | | Contribution outstanding  at year end | |
|  | 2016 | 2015 | 2016 | 2015 |
| **Defined benefit plans:** (i) |  |  |  |  |
| State Superannuation Fund – and new | 271 | 195 | 45 | 33 |
| Other | 113 | 81 | 23 | 16 |
| **Defined contribution plans:** |  |  |  |  |
| VicSuper | 141 | 93 | 24 | 16 |
| Other | 59 | 39 | 12 | 8 |
| **Total** | **583** | **408** | **103** | **72** |

Note:

(i) The bases for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

Commentary – Superannuation

Defined benefits plan

FRD 112D

Employee expenses include superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans. In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expenses are simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period.

Employer superannuation expenses in relation to employees who are members of defined benefit superannuation plans where a department **is not required** to recognise defined benefit superannuation liabilities or surpluses is included in the illustration in Note 28.

FRD 112D requires certain entities, such as the Director of Housing and Victorian Universities, to recognise defined benefit liabilities or surpluses of defined benefit plans 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 listed in Appendix A. Instead, the entities are to account for contributions to these plans as if they were defined contribution plans under AASB 119.

However, where an entity has employees who are members of defined benefit plans not listed in Appendix A of FRD 112D, it must recognise any associated defined benefit liability or surplus in accordance with the requirements for defined benefit plans under AASB 119.

AASB 119.7, 31, 33‑34

Commentary – Superannuation *(continued)*

Multi employer plans

Multi employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:

(a) pool the assets contributed by various entities that are not under common control; and

(b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi employer plans are distinct from group administration plans. Also, defined benefit plans that share risks between various entities under common control, for example, a parent and its subsidiaries, are not multi employer plans.

An example of a defined benefit multi employer plan is one where:

(a) the plan is financed on a pay‑as‑you‑go basis such that contributions are set at a level that is expected to be sufficient to pay the benefits falling due in the same period and future benefits earned during the current period will be paid out of future contributions; and

(b) employees’ benefits are determined by the length of their service and the participating entities have no realistic means of withdrawing from the plan without paying a contribution for the benefits earned by employees up to the date of withdrawal.

AASB 119.30

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 disclose in addition to the disclosures illustrated in the Model’s financial statements:

(a) the fact that the plan is a defined benefit plan;

(b) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and

(c) to the extent that a surplus or deficit in the plan may affect the amount of future contributions:

(i) any available information about that surplus or deficit;

(ii) the basis used to determine that surplus or deficit; and

(iii) the implications, if any, for the entity.

Note 29. Other asset and liability disclosures

Commentary – Other asset and liability disclosures

AASB 101.61

For each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than 12 months after the reporting period, and (b) more than 12 months after the reporting period, an entity shall disclose the amount expected to be recovered or settled after more than 12 months.

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. If not used, departments should omit this Note and renumber succeeding notes.

Note 30. Leases

*[Please note the narrative illustrations of Note 30(a)–(d) below are based on a fictitious department. Therefore entities should exercise judgement in determining their own disclosure on leases.]*

#### (a) [Disclosures for lessees – finance leases liabilities]

##### Leasing arrangements – commissioned public private partnerships

AASB Interpretation 129.6 and 129.7

The Department entered into a 20 year public private partnership (PPP) arrangement with Project Co Pty Ltd on 21 December 2006. The project was initiated to develop a new Information Technology and Telecommunication (IT&T) system that increases the speed of internet connections in the State of Victoria. Upon completion of the construction, the system commenced operation on 1 July 2010. Under the arrangement, the portion of the total payments to Project Co Pty Ltd that relates to Department’s right to use the assets are accounted for as finance leases liabilities, which are disclosed in the table on the next page. In addition, until the end of this PPP arrangement, the Department pays Project Co Pty Ltd for the ongoing operation and maintenance of the system (refer to ‘public private partnerships’ of Note 31 *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 Department’s right to use the assets are accounted for as finance 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 (refer to ‘public private partnerships’ of Note 31).

Note 30. Leases *(continued)*

AASB 117.31(e)(i)‑(iii)  
AASB Interpretation 4.6

The other finance leases entered into by the Department relate to equipment with lease terms of six years. The Department has options to purchase the equipment at the conclusion of the lease agreements. Some leases provide for additional rent payments that are based on changes in a local price index.

*[Insert further details on the leased assets to increase transparency where appropriate.]*

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Minimum future lease payments (i) | | Present value of minimum future lease payments | |
|  | 2016 | 2015 | 2016 | 2015 |
| **Commissioned PPP related finance lease liabilities payable** |  |  |  |  |
| Not longer than one year | 3 415 | 8 606 | 2 845 | 7 172 |
| Longer than one year but not longer than five years | 960 | 2 356 | 800 | 1 963 |
| Longer than five years | 1 919 | 4 712 | 1 599 | 3 926 |
| **Other finance lease liabilities payable (ii)** |  |  |  |  |
| Not longer than one year | 1 463 | 3 688 | 1 220 | 3 074 |
| Longer than one year but not longer than five years | 1 440 | 3 534 | 1 200 | 2 945 |
| Longer than five 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 23) | .. | .. | 4 065 | 10 246 |
| Non‑current borrowings lease liabilities (Note 23) | .. | .. | 3 999 | 9 816 |
|  | **..** | **..** | **8 064** | **20 062** |

Notes:

1. Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.
2. Other finance lease liabilities include obligations that are recognised on the balance sheet; the future payments related to operating and lease commitments are disclosed in Note 31.

#### (b) [Disclosures for lessees – operating leases]

Refer to Note 31(c).

Note 30. Leases *(continued)*

#### (c) [Disclosures for lessors – finance leases]

##### Leasing arrangements

AASB 117.47(f)

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 117.47(a)

AASB 117.47(b)

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Minimum lease receivables (i) | | Present value of minimum lease receivables | |
|  | 2016 | 2015 | 2016 | 2015 |
| **Finance lease receivables** |  |  |  |  |
| Not longer than one year | 270 | 46 | 225 | 38 |
| Longer than one year but not longer than five years | 305 | 1 016 | 254 | 847 |
| Longer than five years | 124 | 420 | 102 | 346 |
| **Minimum future lease receivables** | **699** | **1 482** | **581** | **1 231** |
| Less unearned finance income | (118) | (251) | .. | .. |
| **Present value of minimum lease receivables** | **581** | **1 231** | **581** | **1 231** |
| **Included in the financial statements as:** |  |  |  |  |
| Current finance lease receivables (Note 11) |  |  | 225 | 38 |
| Non‑current finance lease receivables (Note 11) |  |  | 356 | 1 193 |
|  |  |  | **581** | **1 231** |

Note:

(i) Minimum future lease payments receivable includes the aggregate of all lease payments receivable and any guaranteed residual.

AASB 117.47(c)

In relation to the leasing arrangements above, there are unguaranteed residual values of $9 000 in 2015‑16 ($24 000 in 2014‑15) that were accrued for the benefit of the Department.

#### (d) [Disclosures for lessors – operating leases]

##### Leasing arrangements

AASB 117.56(c)

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.

AASB 117.56(a)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| 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 |
|  | **72** | **90** |

AASB 7.31, 39(a)

Maturity analysis of finance lease liabilities and the nature and extent of risk arising from finance lease liabilities are disclosed in Note 33.

Commentary – Leases

AASB Interpretation 4.6

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

(a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and

(b) the arrangement conveys a right to use the asset.

Contingent rentals

If there are future contingent rentals or future rentals relating to executory costs to be met by the lessees which are payable over the remainder of the lease term, they shall not be included as part of the minimum lease payments.

Classification of land and buildings leases

AASB 117.15A

The amendment of AASB 117 by AASB 2009‑5 removes the specific guidance on classifying land as an operating lease so that only the general guidance remains. The previous inclusion of the specific guidance resulted in a number of land and building leases being classified as operating and finance leases respectively. The removal of the specific guidance and assessment of land leases based on the general criteria may result in more land leases being classified as finance leases.

Sub leases

AASB 117.31(d)

For non‑cancellable sub leases, the total of future minimum leases payments expected to be received shall be disclosed.

Disclosure requirements

AASB 117.31(e)

A general description about the lessee’s material leasing arrangements shall be disclosed, including:

(a) the basis on which contingent rent payable is determined;

(b) the existence and terms of renewal or purchase options and escalation clauses; and

(c) restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

Other disclosures

AASB 117.57

The disclosure requirements specified by the relevant standards in relation to property, plant and equipment, intangible assets, impairment of assets, investment property and agriculture apply to the lessor for assets provided under operating leases.

AASB Interpretation 4 *Determining whether an Arrangement Contains a Lease* requires the lessee to treat all payments under operating lease arrangement as lease payments for the purposes of complying with the disclosure requirements of AASB 117, but:

(i) disclose those payments separately from minimum lease payments of other arrangements that do not include payments for non‑lease elements; and

(ii) state that the disclosed payments also include payments for non‑lease elements in the arrangement.

An illustrative example of these disclosure items has not been given in the Model on the basis that such items would normally be incorporated into other existing notes, for example, Note 4 *Income from transactions*, Note 5 *Expenses from transactions* and Note 17 *Property, plant and equipment*.

Note 31. Commitments for expenditure

To align the table presentation format with the State’s Annual Financial Report

##### (a) Commitments other than public private partnerships(i)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | *2016* | *2015* |
|  | Nominal value | Nominal value |
| **Capital expenditure commitments** |  |  |
| Plant, equipment and vehicles | 4 856 | 6 010 |
| **Total capital expenditure commitments** | **4 856** | **6 010** |
| **Intangible asset commitments** |  |  |
| Patent | 43 | 20 |
| **Total intangible asset commitments** | **43** | **20** |
| **Department’s share of joint ventures’ capital‑intensive projects commitments** |  |  |
| Plant, equipment and vehicles | 21 | 21 |
| **Total department’s share of joint ventures’ capital‑intensive projects commitments** | **21** | **21** |
| **Operating and lease commitments** |  |  |
| Warehouse facilities | 31 | 28 |
| **Total operating and lease commitments** | **31** | **28** |
| **Other commitments** |  |  |
| Outsourcing | 168 | .. |
| **Total other commitments** | **168** | **..** |
| **Total commitments other than public private partnerships** | **5 119** | **6 079** |

Note:

(i) The figures presented are inclusive of GST.

Note 31. Commitments for expenditure *(continued)*

##### (b) Public private partnerships(i)(ii)

To align the table presentation format with the State’s Annual Financial Report

New

New

($ thousand)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2016 | | | 2015 | | |
|  |  | Other commitments | |  | Other commitments | |
|  |  | Present value | Nominal value |  | Present value | Nominal value |
| **Commissioned public private partnerships – other commitments** (iii)(iv) | | | | | | |
| IT&T system development (v) |  | 4 605 | 5 334 |  | 11 449 | 13 737 |
| Biotech Research  Centre (v) |  | 3 069 | 3 556 |  | 7 632 | 9 159 |
| **Sub‑total** |  | **7 674** | **8 890** |  | **19 081** | **22 896** |
|  | | | | | | |
|  | Minimum lease payments  Discounted value | Other commitments  Present value | Total  commitments  Nominal value | Minimum lease payments  Discounted value | Other commitments  Present value | Total commitments  Nominal value |
| **Uncommissioned public private partnerships – total commitments** (vi)(vii)(viii)(ix) | | | | | | |
| IT training schools (ix) | 3 329 | 1 569 | 11 901 | 3 329 | 1 458 | 11 901 |
| Climate Change Research Centre (x) | 1 685 | 579 | 8 035 | 1 685 | 534 | 8 035 |
| **Sub‑total** | ***..*** | **2 148** | **19 936** | **..** | **1 992** | **19 936** |
| **Total commitments for public private partnerships** |  | **9 822** | **28 826** |  | **21 073** | **42 832** |

Notes:

(i) The present values of the minimum lease payments for commissioned public private partnerships (PPPs) are recognised on the balance sheet and are not disclosed as commitments.

(ii) The discounted values of the minimum lease payments for uncommissioned PPPs have been discounted to the projects’ 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 minimum lease payments reflect the expected impact on the balance sheet when the PPPs are commissioned.

(iii) The year on year reduction in the nominal amounts of the other commitments reflects the payments made.

(iv) The year on year reduction in the present values of the other commitments mainly reflects the payments made, offset by the impact of the discounting period being one year shorter.

(v) Refer to Note 30 for further details on the Information Technology and Telecommunication (IT&T) system development project and the Biotech Research Centre project. This Note discloses only other operating and maintenance commitments of these projects.

(vi) The discounted values of the minimum lease payments have not been totalled for the uncommissioned PPPs due to individual PPPs having different expected dates of commissioning.

(vii) The year on year increase in the present values of the other commitments for uncommissioned projects is due to discounting period being one year shorter.

(viii) Please note that the total commitments will not equal the sum of the minimum lease payments and other commitments because they are discounted, whereas total commitments are at nominal value.

(ix) On 16 September 2015, the Department entered into a contract with IT Solutions Ltd to construct and maintain new IT training schools. The contract term is 30 years.

(x) On 1 March 2016, 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.

[Note: The minimum lease payments of uncommissioned PPPs includes the government capital contributions. If the government capital contributions are made upfront, the amount represents the nominal value of the payments that will be made when the project is commissioned.]

To align the table presentation format with the State’s Annual Financial Report

AASB 116.74(c)

AASB 117.35(a)

AASB 138.122(e)

AASB 12.23(b), B19(a)(ii)

Note 31. Commitments for expenditure *(continued)*

##### (c) Commitments payable(i)

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| Nominal values | 2016 | 2015 | |
| **Capital expenditure commitments payable** |  |  | |
| Less than 1 year | 4 782 | 5 812 | |
| Longer than 1 year but not longer than 5 years | 74 | 198 | |
| 5 years or more | .. | .. | |
| **Total capital expenditure commitments** | **4 856** | **6 010** |
| **Operating and lease commitments payable (ii)** |  |  | |
| Less than 1 year | .. | 28 | |
| Longer than 1 year but not longer than 5 years | 31 | .. | |
| 5 years or more | .. | .. | |
| **Total operating and lease commitments** | **31** | **28** | |
| **Public private partnership commitments** |  |  |
| Less than 1 year | 5 600 | 17 230 |
| Longer than 1 year but not longer than 5 years | 5 190 | 14 440 |
| 5 years or more | 18 036 | 1 162 |
| **Total public private partnership commitments** | **28 826** | **42 832** |
| **Intangible assets commitments payable** |  |  |
| Less than 1 year | 23 | 15 |
| Longer than 1 year but not longer than 5 years | .. | 5 |
| 5 years or more | 20 | .. |
| **Total intangible assets commitments** | **43** | **20** |
| **Department’s share of joint ventures’ capital‑intensive projects commitments payable** |  |  |
| Less than 1 year | .. | .. |
| Longer than 1 year but not longer than 5 years | 8 | 8 |
| 5 years or more | 13 | 13 |
| **Total department’s share of joint ventures’ capital‑intensive projects commitments** | **21** | **21** |
| **Other commitments payable** |  |  |
| Less than 1 year | 56 | .. |
| Longer than 1 year but not longer than 5 years | 112 | .. |
| 5 years or more | .. | .. |
| **Total other commitments** | **168** | **..** |
| **Total commitments (inclusive of GST)** | **33 945** | **48 911** |
| Less GST recoverable from the Australian Tax Office | 2 586 | 3 284 |
| **Total commitments (exclusive of GST)** | **31 359** | **45 627** |

Notes:

(i) For future finance lease and non‑cancellable operating lease payments that are recognised on the balance sheet, refer to Note 30 Leases.

(ii) Operating lease commitments relate to warehouse facilities with lease terms between three and seven years. These contracts do not allow the Department to purchase the facilities after the lease ends, but the Department can renew the lease for a further three years.

[In the above table (c) commitments payable, commitments relating to ‘intangible assets’ and ‘Department’s share of joint ventures’ capital expenditure are immaterial in the Annual Financial Report of the State, and are therefore aggregated into ‘total other commitments payable’. If these groups are also immaterial for departments, then they could also be aggregated into ‘total other commitments payable’ and deleted from the above table format.]

Commentary – Commitments for expenditure

Contracted capital commitment

Capital commitments and other expenditure commitments contracted for as at the end of the reporting period do not require disclosure where the commitments are for the supply of inventories and have been recognised as liabilities in the balance sheet.

GST

The purpose of the commitment note disclosure is to inform users of the outstanding commitments for payments from a cash flow perspective. GST should be included for the **applicable** components of these commitments.

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.

Specific guidances for public private partnerships

Commissioned and uncommissioned PPPs

Commissioned PPPs are construction projects that are completed as per government’s requirements and are ready for operation. Commissioning generally occurs from the date of commercial acceptance. The public sector entity pays the private sector operators over the period of the PPP arrangement in the form of quarterly service payments. Uncommissioned PPPs are construction projects that are yet to commence or are still in progress.

Commissioned and uncommissioned PPPs need to be disclosed separately. For commissioned PPPs, the expenditure component relating to capital/finance is recognised as a ‘finance lease liability’ 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 ‘minimum lease payment’) and the ‘other commitments’ component are disclosed in the commitments note.

Outstanding PPP contractual payments

Information on the accounting treatment of the State’s right to receive assets from service concession or PPP arrangements is provided in Note 1(S).

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. For commissioned PPP finance lease information, refer to Note 30 *Leases*. 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 finance leases, operating and maintenance contracts, asset upgrades and contingent rentals.

Projects are expected to be disclosed separately where appropriate and where QSP information is readily available. 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 DTF.

Commentary – Commitments for expenditure *(continued)*

Contingent rents

The estimated QSP cash flows attributable to the PPPs shall not be adjusted for contingent rents that are not fixed in amount, but based on the future amount of a factor other than with the passage of time (e.g. percentage of future sales, amount of future use, future price amount of future use, future price indicies or future market rates of interest). Rather, contingent rents shall be charged as expenses in the periods in which they are incurred.

Discount dates

In calculating the discounted value of the ‘minimum lease payments’ 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 ‘minimum lease payments’ are only disclosed as a commitment for uncommissioned PPPs, as the ‘minimum lease payments’ 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 ‘minimum lease payment’ 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 leased asset for the purpose of AASB 117 *Leases* and will equate to the discounted values of the ‘minimum lease payment’ commitments.

New

Government capital contributions

The government may make a capital contribution in a PPP arrangement. The government capital contribution should be included in the minimum lease payments of uncommissioned PPPs. The minimum lease payments are the sum of the government capital contribution and the present value of future cash flows relating to capital expenditures. 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, DTF will provide further guidance on the appropriate discount rate to be applied separately from the Model.

GST for PPPs

The purpose of the commitment note is to inform users of the outstanding contractual payments amounts from a cash flow perspective. GST should be included where applicable to the components of the QSPs.

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 indentify the financing component, the total QSP amounts for the commitment disclosure should be inclusive of GST.

Note 32. Contingent assets and contingent liabilities

AASB 137.89

AASB 137.86(a)

AASB 12.23(b)

AASB 12.23(b)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Contingent assets** |  |  |
| Guarantees (i) | 140 | .. |
| Early termination of contractual arrangement | .. | .. |
|  | 140 | .. |
| **Contingent liabilities** |  |  |
| Legal proceedings and disputes (ii) | 250 | 210 |
| Share of an associate’s contingent liabilities (iii) | .. | .. |
| Share of a joint ventures’ contingent liabilities | .. | .. |
| Guarantees for loans to other entities (iv) | 200 | 200 |
|  | **450** | **410** |
| The Department is severally liable for all/part of the liabilities of an associate, [name] (v) |  |  |

Notes:

AASB 137.86(b)

(i) The Department has a claim outstanding against a supplier for the supply of faulty products. Based on negotiations to date management believe that it may be possible to recover this amount.

(ii) 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.

(iii) 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.

(iv) 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 that there is no material liability to be recognised for financial guarantee contracts at 30 June 2016.

(v) 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 2016. 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.

Commentary – 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.

AASB 137.90

It is important that 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.

AASB 137.92

Exemptions

In extremely rare cases, disclosure of some or all of the information illustrated above would be expected to seriously prejudice the position of the entity in a dispute with other parties on the subject matter of the contingent liability or contingent asset. 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.

AASB 137.88

Provisions

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

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:

(a) an estimate of its financial effect;

(b) an indication of the uncertainties relating to the amount or timing of any outflow; and

(c) the possibility of any reimbursement.

AASB 137.91

Where any of the information above is not disclosed because it is not practicable to do so, that fact shall be stated.

AASB 137.87

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.

Note 33. Financial instruments

Commentary – Financial instruments

AASB 7.7

Introduction to financial instruments

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 the 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, which 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.

**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 33 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 132.AG12

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. Therefore, these financial assets or financial liabilities are not in the scope of AASB 7. However, entities who 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; and
* all appropriated funding.

Finance lease liabilities payable

* Finance lease liabilities payable include commissioned PPP finance lease liabilities and other non‑PPP related finance leases.

AASB 7.21

Note 33. Financial instruments *(continued)*

##### (a) Financial risk management objectives and policies

The Department’s principal financial instruments comprise:

* cash and deposits;
* term deposits;
* receivables (excluding statutory receivables);
* investments in equities and managed investment schemes;
* debt securities;
* payables (excluding statutory payables);
* borrowings; and
* finance lease liabilities payable.

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 1 to the financial statements.

AASB 7.33(a), (b)

The main purpose in holding financial instruments is to prudentially manage the Department’s financial risks in 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 financial risk management committee of the Department.

Investments in associates or joint ventures are disclosed separately in Note 13.

Commentary – Financial risk management objectives and policies

AASB 7.21

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:

(a) the measurement basis (bases) and the criteria used to determine classification for different types of financial instruments;

(b) the movements in fair value for financial instruments classified as fair value through profit or loss;

(c) an entity’s objectives, policies and processes for managing capital; and

(d) 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.

Note 33. Financial instruments *(continued)*

The carrying amounts of the Department’s contractual financial assets and financial liabilities by category are disclosed in Table 33.1 below.

Table 33.1: Categorisation of financial instruments

AASB 7.8

($ thousand)

|  |  |  |
| --- | --- | --- |
| 2016 | Contractual financial assets/liabilities designated at fair value through profit/loss | Contractual financial assets/liabilities held‑for‑trading at fair value through profit/loss |
| **Contractual financial assets** |  |  |
| Cash and deposits | .. | .. |
| **Receivables** (i) |  |  |
| Finance lease receivables | .. | .. |
| Sale of goods and services | .. | .. |
| Loans to third parties | .. | .. |
| Accrued investment income | .. | .. |
| Other receivables | .. | .. |
| **Investments and other contractual financial assets** | .. | .. |
| Equities and managed investment schemes | .. | .. |
| Term deposits | .. | .. |
| Debt securities | 3 823 | .. |
| **Total contractual financial assets** | **3 823** | **..** |
| **Contractual financial liabilities** |  |  |
| **Payables** (i) |  |  |
| Supplies and services | .. | .. |
| Amounts payable to government and agencies | .. | .. |
| Other payables | .. | .. |
| **Borrowings** |  |  |
| Bank overdrafts | .. | .. |
| Finance lease liabilities | .. | .. |
| Advances from government | .. | .. |
| Loans from TCV | .. | .. |
| **Total contractual financial liabilities** | **..** | **..** |

Note:

AASB 132.AG12

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable and taxes payable).

|  |  |  |  |
| --- | --- | --- | --- |
| Contractual financial assets – loans and receivables | Contractual  financial assets – available‑for‑sale | Contractual financial liabilities at  amortised cost | Total |
|  |  |  |  |
| 59 528 | .. | .. | 59 528 |
|  |  |  |  |
| 581 | .. | .. | 581 |
| 1 253 | .. | .. | 1 253 |
| 146 | .. | .. | 146 |
| 1 864 | .. | .. | 1 864 |
| 334 | .. | .. | 334 |
| .. | .. | .. | .. |
| .. | 2 065 | .. | 2 065 |
| 2 890 | .. | .. | 2 890 |
| 5 198 | .. | .. | 9 021 |
| **71 793** | **2 065** | **..** | **77 681** |
|  |  |  |  |
|  |  |  |  |
| .. | .. | 4 466 | 4 466 |
| .. | .. | 10 890 | 10 890 |
| .. | .. | 1 962 | 1 962 |
|  |  |  |  |
| .. | .. | .. | .. |
| .. | .. | 8 064 | 8 064 |
| .. | .. | 5 314 | 5 314 |
| .. | .. | 48 696 | 48 696 |
| **..** | **..** | **79 392** | **79 392** |

AASB 7.20(a)‑(e)

Note 33. Financial instruments *(continued)*

Table 33.2: Net holding gain/(loss) on financial instruments by category(i)

($ thousand)

|  |  |  |
| --- | --- | --- |
| 2016 | Net holding gain/(loss) | Total interest income/(expense) |
| **Contractual financial assets** |  |  |
| Financial assets designated at fair value through profit/loss | 65 | 1 689 |
| Financial assets – loans and receivables | (396) | 2 175 |
| Financial assets available‑for‑sale recognised in net result | .. | .. |
| Financial assets available‑for‑sale recognised in other comprehensive result | (1 523) | .. |
| **Total contractual financial assets** | **(1 854)** | **3 864** |
|  |  |  |
| **Contractual financial liabilities** |  |  |
| Financial liabilities at amortised cost | 2 270 | (1 789) |
| Financial liabilities designated at fair value through profit/loss | .. | .. |
| **Total contractual financial liabilities** | **2 270** | **(1 789)** |
|  |  |  |
| 2015 |  |  |
| **Contractual financial assets** |  |  |
| Financial assets designated at fair value through profit/loss | 400 | 1 262 |
| Financial assets – loans and receivables | 210 | 1 635 |
| Financial assets available‑for‑sale recognised in net result | .. | .. |
| Financial assets available‑for‑sale recognised in other comprehensive result | 1 146 | .. |
| **Total contractual financial assets** | **1 756** | **2 897** |
|  |  |  |
| **Contractual financial liabilities** |  |  |
| Financial liabilities at amortised cost | 2 025 | (1 904) |
| Financial liabilities designated at fair value through profit/loss | .. | .. |
| **Total contractual financial liabilities** | **2 025** | **(1 904)** |

Note:

(i) Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.

|  |  |  |
| --- | --- | --- |
| Fee income/(expense) | Impairment loss | Total |
|  |  |  |
| .. | .. | 1 754 |
| .. | (380) | 1 399 |
| .. | (920) | (920) |
| .. | .. | (1 523) |
| **..** | **(1 300)** | **710** |
|  |  |  |
|  |  |  |
| 307 | .. | 788 |
| .. | .. | .. |
| **307** | **..** | **788** |
|  |  |  |
|  |  |  |
| .. | .. | 1 662 |
| .. | (276) | 1 569 |
| .. | .. | .. |
| .. | .. | 1 146 |
| **..** | **(276)** | **4 377** |
|  |  |  |
|  |  |  |
| 144 | .. | 265 |
| .. | .. | .. |
| **144** | **..** | **265** |

Note 33. Financial instruments *(continued)*

The net holding gains or losses disclosed above are determined as follows:

* for cash and cash equivalents, loans or receivables and available‑for‑sale financial assets, 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; and
* for financial asset and liabilities that are held for trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

Commentary – Categorisation of financial instruments

AASB 7.8

Categories of financial instruments

An entity shall disclose the carrying amounts of the following categories either in the balance sheet or in the notes:

(a) financial instruments (contractual financial assets or financial liabilities) at fair value through profit or loss, showing separately: (i) those designated as such upon initial recognition; and (ii) those classified as held for trading in accordance with AASB 139;

AASB 139.52  
FRD 114A

(b) held‑to‑maturity investments;

(**due to the risk of tainting and for consistency with the Government’s requirement to comply with AASB 1049, this category is only used in rare and exceptional circumstances);**

(c) loans and receivables;

(d) available‑for‑sale financial assets; and

(e) financial liabilities measured at amortised cost.

Entities in the general government sector and public non‑financial corporations sector can refer to FRD 114A for further guidance on the categorisation of financial instruments (FRD 116 for entities in the public financial corporations sector).

In relation to the illustrative example in Table 33.1, for departments, all trust balances in the Public Account should be included in the category ‘cash and deposit’.

Capital management objectives

AASB 101.Aus1.7

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 entiy’s objectives, policies and processes for managing capital.

Note 33. Financial instruments *(continued)*

##### (b) Credit risk

AASB 7.7, 33

Credit risk arises from the contractual financial assets of the Department, which comprise cash and deposits, non‑statutory receivables, available‑for‑sale contractual financial assets and derivative instruments. 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 which are more than 60 days overdue, and changes in debtor credit ratings.

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.

Table 33.3: Credit quality of contractual financial assets that are neither past due nor impaired(i)(ii)

AASB 7.36(c)

($ thousand)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2016 | Financial institutions (triple‑A credit rating) | Government agencies (triple‑A credit rating) | Government agencies (triple‑B credit rating) | Other  (min triple‑B credit rating) | Total |
| Cash and deposits | 23 911 | 23 711 | 8 929 | 2 976 | 59 528 |
| Receivables (i) | 1 694 | 1 294 | 560 | 187 | 3 735 |
| Investments and other financial assets | 5 750 | 5 430 | 2 096 | 699 | 13 976 |
| **Total contractual financial assets** | **31 355** | **30 435** | **11 586** | **3 862** | **77 238** |
|  |  |  |  |  |  |
| 2015 |  |  |  |  |  |
| Cash and deposits | 20 694 | 18 224 | 7 297 | 2 432 | 48 648 |
| Receivables (i) | 1 531 | 1 215 | 515 | 172 | 3 432 |
| Investments and other financial assets | 6 457 | 6 927 | 2 510 | 837 | 16 731 |
| **Total contractual financial assets** | **28 682** | **26 366** | **10 322** | **3 441** | **68 811** |

Notes:

AASB 132.AG12

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

AASB 132.AG12

(ii) [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.]

Note 33. Financial instruments *(continued)*

Table 33.4: Ageing analysis of contractual financial assets

AASB 7.33(a), 34(a), and 37(a)‑(b)

($ thousand)

|  |  |  |
| --- | --- | --- |
| 2016 | Carrying amount | Not past due and not impaired |
| **Receivables** (i) |  |  |
| Finance lease receivables | 581 | 523 |
| Sale of goods and services | 1 253 | 908 |
| Loans to third parties | 146 | 106 |
| Accrued investment income | 1 864 | 1 864 |
| Other receivables | 334 | 334 |
| **Investments and other contractual financial assets** |  |  |
| Equities and managed investment schemes | 2 065 | 2 065 |
| Term deposits | 2 890 | 2 890 |
| Debt securities | 9 021 | 9 021 |
| **Total** | **18 153** | **17 710** |
| 2015 |  |  |
| **Receivables** (i) |  |  |
| Finance lease receivables | 1 231 | 1 108 |
| Sale of goods and services | 902 | 654 |
| Loans to third parties | 241 | 175 |
| 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 | 5 130 | 5 130 |
| Debt securities | 7 422 | 7 422 |
| **Total** | **20 601** | **20 163** |

Note:

AASB 132.AG12

(i) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

|  |  |  |  |
| --- | --- | --- | --- |
| Past due but not impaired | | | |
| Less than  1 month | 1‑3 months | 3 months – 1 year | 1‑ 5 years |
|  |  |  |  |
| 58 | .. | .. | .. |
| 125 | 94 | 63 | 63 |
| 15 | 11 | 7 | 7 |
| .. | .. | .. | .. |
| .. | .. | .. | .. |
|  |  |  |  |
| .. | .. | .. | .. |
| .. | .. | .. | .. |
| .. | .. | .. | .. |
| **198** | **105** | **70** | **70** |
|  |  |  |  |
|  |  |  |  |
| 123 | .. | .. | .. |
| 90 | 68 | 45 | 45 |
| 24 | 18 | 12 | 12 |
| .. | .. | .. | .. |
| .. | .. | .. | .. |
|  |  |  |  |
| .. | .. | .. | .. |
| .. | .. | .. | .. |
| .. | .. | .. | .. |
| **237** | **86** | **57** | **57** |

Note 33. Financial instruments *(continued)*

##### Contractual financial assets that are either past due or impaired

AASB 7.36(b)

There are no material financial assets which are individually determined to be impaired. Currently the Department does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

*[An entity with impaired financial assets may use the format of the table of ageing analysis above to disclose the analysis of its impaired financial assets in under a separate additional column, in accordance with the requirement of AASB 7.37(b).]*

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

Note 33. Financial instruments *(continued)*

AASB 7.33, 39

##### (c) Liquidity risk

Liquidity risk is the risk that the Department would be unable to meet its financial obligations as and when 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’s maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 32. 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; and
* a high credit rating for the State of Victoria (Moody’s Investor Services and Standard & Poor’s triple‑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.

AASB 7.4

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial statements, and $200 000 (2015: $200 000) in relation to financial guarantees granted for loans to other entities (refer to Note 32), represents the Department’s maximum exposure to liquidity risk.

The following table discloses the contractual maturity analysis for the Department’s contractual financial liabilities.

Note 33. Financial instruments *(continued)*

Table 33.5: Maturity analysis of contractual financial liabilities(i)

AASB 7.31, 34, 39(a)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  |  | Nominal |
| 2016 | Carrying amount | amount |
| **Payables** (ii) |  |  |
| Supplies and services | 4 466 | 4 466 |
| Amounts payable to government and agencies | 10 890 | 10 890 |
| Other payables | 1 962 | 1 962 |
| **Borrowings** |  |  |
| Bank overdrafts | .. | .. |
| Finance lease liabilities | 8 064 | 9 677 |
| Advances from government | 5 314 | 5 630 |
| Loans from TCV | 48 696 | 48 696 |
| **Total** | **79 392** | **81 321** |
| 2015 |  |  |
| **Payables** (ii) |  |  |
| Supplies and services | 5 330 | 5 330 |
| Amounts payable to government and agencies | 7 874 | 7 874 |
| Other payables | 2 938 | 2 938 |
| **Borrowings** |  |  |
| Bank overdrafts | 5 437 | 5 437 |
| Finance lease liabilities | 20 062 | 24 074 |
| Advances from government | 12 344 | 11 315 |
| Loans from TCV | 27 705 | 27 705 |
| **Total** | **81 689** | **84 673** |

Notes:

AASB 132.AG12

(i) Maturity analysis is presented using the contractual undiscounted cash flows.

(ii) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Maturity dates | | | |  |
| Less than 1 month | 1‑3 months | 3 months – 1 year | 1‑ 5 years | 5+ years |
|  |  |  |  |  |
| 1 786 | 2 680 | .. | .. | .. |
| 5 633 | 1 610 | 805 | 2 843 | .. |
| 1 330 | 380 | 190 | 62 | .. |
|  |  |  |  |  |
| .. | .. | .. | .. | .. |
| 3 252 | 1 220 | 407 | 2 399 | 2 399 |
| 512 | 768 | 4 351 | .. | .. |
| .. | .. | .. | 19 478 | 29 218 |
| **12 514** | **6 656** | **5 752** | **24 783** | **31 617** |
|  |  |  |  |  |
|  |  |  |  |  |
| 2 132 | 3 198 | .. | .. | .. |
| 4 452 | 1 272 | 636 | 1 514 | .. |
| 1 676 | 479 | 239 | 543 | .. |
|  |  |  |  |  |
| 5 437 | .. | .. | .. | .. |
| 8 197 | 3 074 | 1 025 | 5 890 | 5 890 |
| 1 029 | 1 543 | 8 744 | .. | .. |
| .. | .. | .. | 11 082 | 16 623 |
| **22 922** | **9 566** | **10 644** | **19 028** | **22 512** |

Note 33. Financial instruments *(continued)*

##### (d) Market risk

The Department’s exposures to market risk are primarily through foreign currency risk, interest rate risk and equity price risks. Objectives, policies and processes used to manage each of these risks are disclosed below.

Foreign currency risk

AASB 7.33, 40(b)

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. This is because of a limited amount of transactions denominated in foreign currencies and 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 in Table 33.7(a).

AASB 7.33

Interest rate risk

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 its 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 are set out in Table 33.6. In addition, the Department’s sensitivity to interest rate risk is set out in Table 33.7(b).

Note 33. Financial instruments *(continued)*

AASB 7.33

Equity price risk

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 in Table 33.7(c).

Note 33. Financial instruments *(continued)*

AASB 7.34(a)

**Table 33.6: Interest rate exposure of financial instruments**

($ thousand)

|  |  |  |
| --- | --- | --- |
| 2016 | Weighted average interest rate % | Carrying  amount |
| **Financial assets** |  |  |
| Cash and deposits | 2.50% | 59 528 |
| Receivables (i) |  |  |
| Finance lease receivables | 4.55% | 581 |
| Sale of goods and services |  | 1 253 |
| Loans to third parties |  | 146 |
| Accrued investment income |  | 1 864 |
| Other receivables |  | 334 |
| Investments and other contractual financial assets |  |  |
| Equities and managed investment schemes |  | 2 065 |
| Term deposits | 3.65% | 2 890 |
| Debt securities | 4.57% | 9 021 |
| **Total financial assets** |  | **77 681** |
| **Financial liabilities** |  |  |
| Payables (i) |  |  |
| Supplies and services |  | 4 466 |
| Amounts payable to government and agencies |  | 10 890 |
| Other payables |  | 1 962 |
| Borrowings |  |  |
| Finance lease liabilities | 4.52% | 8 064 |
| Advances from government |  | 5 314 |
| Loans from TCV | 3.55% | 48 696 |
| **Total financial liabilities** |  | **79 392** |
| 2015 |  |  |
| **Financial assets** |  |  |
| Cash and deposits | 3.55% | 48 648 |
| Receivables (i) |  |  |
| Finance lease receivables | 4.05% | 1 231 |
| Sale of goods and services |  | 902 |
| Loans to third parties |  | 241 |
| Accrued investment income |  | 1 058 |
| Other receivables |  | 438 |
| Investments and other contractual financial assets: |  |  |
| Equities and managed investment schemes |  | 4 179 |
| Term deposits | 4.05% | 5 130 |
| Debt securities | 4.57% | 7 422 |
| **Total financial assets** |  | **69 249** |
| **Financial liabilities** |  |  |
| Payables (i) |  |  |
| Supplies and services |  | 5 330 |
| Amounts payable to government and agencies |  | 7 874 |
| Other payables |  | 2 938 |
| Borrowings |  |  |
| Bank overdrafts | 10.25% | 5 437 |
| Finance lease liabilities | 4.52% | 20 062 |
| Advances from government |  | 12 344 |
| Loans from TCV | 5.00% | 27 705 |
| **Total financial liabilities** |  | **81 689** |

Note:

AASB 132.AG12

(i) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government, GST input tax credit recoverable, and GST payables).

|  |  |  |
| --- | --- | --- |
| Interest rate exposure | | |
| Fixed interest rate | Variable interest rate | Non‑interest bearing |
|  |  |  |
| .. | 59 528 | .. |
|  |  |  |
| 581 | .. | .. |
| .. | .. | 1 253 |
| .. | .. | 146 |
| .. | .. | 1 864 |
| .. | .. | 334 |
|  |  |  |
| .. | .. | 2 065 |
| .. | 2 890 | .. |
| 5 198 | 3 823 | .. |
| **5 779** | **66 241** | **5 662** |
|  |  |  |
|  |  |  |
| .. | .. | 4 466 |
| .. | .. | 10 890 |
| .. | .. | 1 962 |
|  |  |  |
| 8 064 | .. | .. |
| .. | .. | 5 314 |
| 48 696 | .. | .. |
| **56 760** | **..** | **22 632** |
|  |  |  |
|  |  |  |
| .. | 48 648 | .. |
|  |  |  |
| 1 231 | .. | .. |
| .. | .. | 902 |
| .. | .. | 241 |
| .. | .. | 1 058 |
| .. | .. | 438 |
|  |  |  |
| .. | .. | 4 179 |
| .. | 5 130 | .. |
| 5 013 | 2 409 | .. |
| **6 244** | **56 186** | **6 818** |
|  |  |  |
|  |  |  |
| .. | .. | 5 330 |
| .. | .. | 7 874 |
| .. | .. | 2 938 |
|  |  |  |
| .. | 5 437 | .. |
| 20 062 | .. | .. |
| .. | .. | 12 344 |
| 27 705 | .. | .. |
| **47 767** | **5 437** | **28 486** |

Note 33. Financial instruments *(continued)*

AASB 7.40(b), 41, B17‑B21

Sensitivity disclosure analysis and assumptions

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 (2015: 15 per cent, depreciation of AUD) and 15 per cent up (2015: 15 per cent, appreciation of AUD) against the USD, from the year‑end rate of 0.90 (2015: 0.90); and
* a movement of 15 per cent up and down (2015: 15 per cent) for the top ASX 200 index.

Table 33.7 over the following pages shows 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 as presented to key management personnel, if the above movements were to occur.

*[Entities should use basis points (interest rates) or percentages (foreign exchange and for equities/managed investment funds) that are relevant to their own situation at the end of the financial year to be used in their sensitivity analyses.]*

Note 33. Financial instruments *(continued)*

AASB 7.31, 34, 40(a)

Table 33.7(a): Foreign exchange risk sensitivity

($ thousand)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Foreign exchange | | | |
|  |  | ‑15% | | +15% | |
| 2016 | Carrying amount | Net result | Available‑ for‑sale revaluation surplus | Net result | Available‑ for‑sale revaluation surplus |
| **Contractual financial assets** |  |  |  |  |  |
| Cash and deposits (ii) | 59 528 | 1 714 | .. | (1 267) | .. |
| Receivables (i)(iii) | 4 178 | 90 | .. | (66) | .. |
| Investments and other contractual financial assets (iii) | 13 976 | 176 | .. | (130) | .. |
| **Total impact** |  | **1 980** | **..** | **(1 463)** | **..** |
| **Contractual financial liabilities** |  |  |  |  |  |
| Payables (i)(iii) | 17 318 | (129) | .. | 95 | .. |
| Borrowings | 62 074 | .. | .. | .. | .. |
| **Total impact** |  | **(129)** | **..** | **95** | **..** |
| 2015 |  | ‑15% | | +15% | |
| **Contractual financial assets** |  |  |  |  |  |
| Cash and deposits (ii) | 48 648 | 1 401 | .. | (1 035) | .. |
| Receivables (i)(iii) | 3 870 | 56 | .. | (42 | .. |
| Investments and other contractual financial assets (iii) | 16 731 | 132 | .. | (98) | .. |
| **Total impact** |  | **1 589** | **..** | **(1 175)** | **..** |
| **Contractual financial liabilities** |  |  |  |  |  |
| Payables (i)(iii) | 16 141 | (153) | .. | 113 | .. |
| **Total impact** |  | **(153)** | **..** | **113** | **..** |

Notes:

AASB 132.AG12

(i) 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 7.40(b)

(ii) Cash and deposits includes a deposit of $9 712 thousand (2015: $7 936 thousand) that is exposed to USD foreign currency movements. Sensitivities to these movements are calculated as follows:

* 2016: [$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
* 2015: [$7 936 thousand x 0.9/(0.9(1‑0.15))] – $7 936 thousand = $1401 thousand; and [$7 936 thousand x 0.9/(0.9(1+0.1))] – $7 936 thousand = – $1 035 thousand.

(iii) [Disclosures on amounts exposed to movements in foreign currencies and the method of calculations as per note (i) 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.]

Note 33. Financial instruments *(continued)*

AASB 7.31, 34, 40(a)

Table 33.7(b): Interest rate risk sensitivity

($ thousand)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Interest rate | | | |
|  |  | ‑100 basis points | | +100 basis points | |
| 2016 | Carrying amount | Net result | Available‑ for‑sale revaluation surplus | Net result | Available‑ for‑sale revaluation surplus |
| **Contractual financial assets** |  |  |  |  |  |
| Cash and deposits (i) | 59 528 | (595) | .. | 595 | .. |
| Investments and other contractual financial assets (ii) | 13 976 | (67) | .. | 67 | .. |
| **Total impact** |  | **(662)** | **..** | **662** | **..** |
| 2015 |  | ‑100 basis points | | +100 basis points | |
| **Contractual financial assets** |  |  |  |  |  |
| Cash and deposits (i) | 48 648 | (486) | .. | 486 | .. |
| Investments and other contractual financial assets (ii) | 16 731 | (75) | .. | 75 | .. |
| **Total impact** |  | **(562)** | **..** | **562** | **..** |
| **Contractual financial liabilities** |  |  |  |  |  |
| Borrowings (ii) | 65 548 | 54 | .. | (54) | .. |
| **Total impact** |  | **54** | **..** | **(54)** | **..** |

Notes:

AASB 7.40(b)

(i) Cash and deposits includes a deposit of $59 528 thousand (2014: $48 648 thousand) that is exposed to floating rates movements. Sensitivities to these movements are calculated as follows:

* 2016: $59 528 thousand x ‑0.01 = ‑$595 thousand; and $59 528 thousand x 0.01 = $595 thousand; and
* 2015: $48 648 thousand x ‑0.01 = ‑$486 thousand; and $48 648 thousand x 0.01 = $486 thousand.

(ii) [Disclosures on amounts exposed to movements in foreign currencies and the method of calculations as per note (i) 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.]

Note 33. Financial instruments *(continued)*

AASB 7.31, 34, 40(a)

Table 33.7(c): Other price risk sensitivity

($ thousand)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Other price | | | |
|  |  | ‑15% | | +15% | |
| 2016 | Carrying amount | Net result | Available‑ for‑sale revaluation surplus | Net result | Available‑ for‑sale revaluation surplus |
| **Contractual financial assets** |  |  |  |  |  |
| Investments and other contractual financial assets | 13 976 | .. | (310) | .. | 310 |
| **Total impact** |  | **..** | **(310)** | **..** | **310** |
|  |  | ‑15% | | +15% | |
| 2015 |  |  |  |  |  |
| **Contractual financial assets** |  |  |  |  |  |
| Investments and other contractual financial assets | 16 731 | .. | (627) | .. | 627 |
| **Total impact** | **..** | **..** | **(627)** | **..** | **627** |

Notes:

AASB 7.40(b)

(i) Investments and other contractual financial assets includes equities and managed investment schemes to the value of $2 065 thousand (2014: $4 179 thousand) that are exposed to movements in equity prices. Sensitivities to these movements are calculated as follows:

* 2016: $2 065 thousand x ‑0.15 = ‑$310 thousand; and $2065 thousand x 0.15 = $310 thousand; and
* 2015: $4 179 thousand x ‑0.15 = – $627 thousand; and $4 179 thousand x 0.15 = $627 thousand.

(ii) [Disclosures on amounts exposed to movements in foreign currencies and the method of calculations as per note (i) 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.]*

Note 33. Financial instruments *(continued)*

Commentary – Nature and extent of risk disclosures

AASB 7 requires that an entity provides 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.

AASB 7.33

Qualitative disclosure

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; and

(c) any changes in (a) or (b) from the previous reporting period.

AASB 7.34‑35

Quantitative disclosure

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*); and

(b) 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 type of risks that they may need to disclose, specific to their own circumstances.**

AASB 7.36

Credit risk

In addition to the required quantitative disclosure above, an entity shall disclose:

(a) 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), either in narrative or tabular format;

(b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements;

(c) information about the credit quality of contractual financial assets that are neither past due nor impaired; and

(d) the carrying amount of contractual financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

AASB 7.37

Contractual financial assets that are either past due or impaired

An entity shall disclose by class of contractual financial asset:

(a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired;

AASB 7.20(e)

(b) the amount of any impairment loss (please see Note 6 for sample disclosure of this AASB 7 requirement);

Commentary – Nature and extent of risk disclosures *(continued)*

AASB 7.37

(c) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired; and

(d) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

AASB 7.38

Collateral and other credit enhancements obtained

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:

(a) the nature and carrying amount of the assets obtained; and

(b) 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 profit or loss

AASB 7.9

If the entity has designated a loan or receivable as at fair value through profit or loss, it shall disclose:

(a) the maximum exposure to credit risk of the contractual financial asset at the end of the reporting period;

(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk;

(c) the amount of change, during the period and cumulatively, in the fair value of the financial asset that is attributable to changes in the credit risk of the contractual financial asset determined either:

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or

(ii) 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; and

(d) 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 7.10

If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of AASB 139, it shall disclose:

(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability determined either:

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or

(ii) 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 liability.

Commentary – Nature and extent of risk disclosures *(continued)*

Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity’s financial instrument, a commodity price, a foreign exchange rate or an index of prices or rates. For contracts that include a unit‑linking feature, changes in market conditions include changes in the performance of the related internal or external investment fund; and

(b) 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.

AASB 7.11(a)

In complying with AASB 7 paragraphs 9(c) and 10(a), the entity shall also disclose the method used to determine the amount of change in fair value.

If the entity has designated a financial instrument liability as at fair value through profit or loss in accordance with paragraph 9 of AASB 139, it shall provide disclosure as per (c) above for the financial instrument liability. In addition, it shall also disclose 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.

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; and

(c) a description of how it manages the liquidity risk inherent in (a) and (b).

AASB 7.B11

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:

(a) not later than one month;

(b) later than one month and not later than three months;

(c) later than three months and not later than one year;

(d) later than one year and not later than five years, and

(e) greater than five years.

AASB 7.B11C

An entity is required to disclose maturity analysis for financial liabilities that shows the remaining contractual maturities for some financial liabilities. In this disclosure:

(a) 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 that an entity can be required to repay on demand (e.g. demand deposits) are included in the earliest time band;

(b) 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; and

(c) for issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Commentary – Nature and extent of risk disclosures *(continued)*

AASB 7 .B11D

The contractual amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, for example:

(a) gross finance lease obligations (before deducting finance charges);

(b) prices specified in forward agreements to purchase financial assets for cash;

(c) net amounts for pay‑floating/receive‑fixed interest rate swaps for which net cash flows are exchanged;

(d) contractual amounts to be exchanged in a derivative financial instrument (e.g. a currency swap) for which gross cash flows are exchanged; and

(e) gross loan commitments.

AASB 7.40

Market risk

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) 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;

(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) 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 tables in the following page provide a summary of these impacts for both an increase and a decrease in interest rates with examples for cash deposits, term deposits and finance leases. Please note some PPPs have been classified as finance leases.

Commentary – Nature and extent of risk disclosures *(continued)*

AASB 7.42

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.



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.

AASB 7.42

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.

Commentary – Nature and extent of risk disclosures *(continued)*

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; and
* the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

AASB 7.42

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 7.41

Value‑at‑risk

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:

(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and

(b) 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.

Note 33. Financial instruments *(continued)*

##### (e) Fair value

AASB 13.93(a)(b)

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

* Level 1 – the fair value of financial instrument 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; and
* Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

AASB 7.29(a)

AASB 7.25

The Department currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short‑term nature or with the expectation that they will be paid in full by the end of the 2015‑16 reporting period. These financial instruments include:

|  |  |
| --- | --- |
| Financial assets | Financial liabilities |
| Cash and deposits  Receivables:   * Sale of goods and services * Accrued investment income * Other receivables   Investments and other contractual financial assets:   * Term deposits | Payables:   * For supplies and services * Amounts payable to government and agencies * Other payables   Borrowings:   * Bank overdraft |

Where the fair value of the financial instruments is different from the carrying amounts, the following information has been included to disclose the difference.

Table 33.8: Fair value of financial instruments measured at amortised cost

AASB 13.93(b)(d)

($ thousand)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Carrying amount | | Fair value | | Carrying amount | | Fair value | |
|  | 2016 | | 2016 | | 2015 | | 2015 | |
| **Financial assets** |  | |  | |  | |  | |
| **Receivables** (i) |  | |  | |  | |  | |
| Finance lease receivables | | 581 | | 590 | | 1 231 | | 1 450 | |
| Loans to third parties | | 146 | | 159 | | 241 | | 250 | |
| Debt securities (i) | | 5 198 | | 5 222 | | 5 013 | | 5 155 | |
| **Financial liabilities** |  | |  | |  | |  | |
| Finance lease liabilities | | 8 064 | | 8 110 | | 20 062 | | 21 500 | |
| Advances from government (ii) | | 5 314 | | 5 579 | | 12 344 | | 12 961 | |
| Loans from TCV | | 48 696 | | 47500 | | 27 705 | | 23 000 | |

Notes:

(i) 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.

(ii) 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 (2015: 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.

Note 33. Financial instruments *(continued)*

AASB 7.27B(a)

Table 33.9: Financial assets measured at fair value(i)

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2016 | Carrying amount as at 30 June 2016 | Fair value measurement at end of reporting period using: | | |
| Level 1 (ii) | Level 2 (ii) | Level 3 |
| Financial assets at fair value through profit or loss |  |  |  |  |
| Debt securities – five year government bonds | 3 823 | .. | 3 823 | .. |
| Available‑for‑sale securities |  |  |  |  |
| Listed securities | 1 614 | 1 614 | .. | .. |
| Unlisted securities | 222 | .. | .. | 222 |
| Managed investment schemes | 229 | .. | 229 | .. |
| **Total** | **5 888** | **1 614** | **4 052** | **222** |
| 2015 | Carrying amount as at 30 June 2015 | Fair value measurement at end of reporting period using: | | |
| Level 1 (ii) | Level 2 (i) | Level 3 |
| Financial assets at fair value through profit or loss |  |  |  |  |
| 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 | .. |
| **Total** | **6 589** | **3 901** | **2 149** | **538** |

Notes:

AASB 7.27B(b)

(i) [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 139 paragraph 9.]

(ii) There is no significant transfer between Level 1 and Level 2.

AASB 13.93(c)

AASB 13.93(d)

There have been no transfers between levels during the period.

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.

#### Listed securities

The listed share assets 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.

Note 33. Financial instruments *(continued)*

#### 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.

Table 33.10: Reconciliation of level 3 fair value movements(i)

AASB 7.27B(c)

AASB 7.27B(d)

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Available‑for‑sale  financial assets | | Total | |
|  | Unlisted securities | |  |  |
|  | 2016 | 2015 | 2016 | 2015 |
| **Opening balance** | **538** | **509** | **538** | **509** |
| Total gains or losses recognised in: |  |  |  |  |
| * net result | .. | .. | .. | .. |
| * other comprehensive income | .. | .. | .. | .. |
| 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 (ii) | ( 37) | .. | ( 37) | .. |
| **Closing balance** | **222** | **538** | **222** | **538** |
| Total gains or losses for the period included in profit or loss for assets held at the end of the period | .. | .. | .. | .. |

Notes:

AASB 7.27B

(i) [Where significant transfers have occurred during the period, provide disclosure of such transfers and the reasons thereof.]

(ii) This transfer is due to transfer to assets held for sale category.

AASB 7.27B(e)

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(d)

AASB 13.93(h)(ii)

Note 33. Financial instruments *(continued)*

Table 33.11: Description of Level 3 valuation techniques used and key inputs to valuation

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Valuation technique (i) | Significant unobservable inputs (i) | Range (weighted average) (i) | Sensitivity of fair value measurement to changes in significant unobservable inputs (ii) |
| 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  Note 15(c) | 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:

(i) 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.

(ii) 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.

AASB 2013‑2

AASB 2013‑3

Commentary – Offsetting financial assets and financial liabilities

Master netting or similar arrangements

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 that 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 2016** (i) |  |  |  |  |  |
| **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:

(i) Comparatives will be required for disclosure.

Note 33. Financial instruments *(continued)*

Commentary – Fair value

Carrying amount and fair value disclosure

AASB 7.25

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:

AASB 7.27B(a)

(a) the level in the fair value hierarchy in accordance with the levels defined in AASB 7.27A;

AASB 7.27B(b)

(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 7.27B(c)

(c) for level 3 of the fair value hierarchy, a reconciliation of opening balances to closing balances shown separately:

– 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 7.27B(d)

(d) 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); and

AASB 7.27B(e)

(e) 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 7.27A

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.

A department shall present the quantitative fair value disclosures stated above in tabular format unless another format is more appropriate.

Commentary – Fair value *(continued)*

Fair value determined using valuation techniques

AASB 7.27

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.

AASB 7.27B(e)

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.

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; and
* 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 provide:

* if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes; and
* the entity shall 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.

AASB 7.29

Exceptions to fair value disclosures

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; or

(c) it is a contract containing a discretionary participation feature and the fair value of that feature cannot be measured reliably.

Commentary – Fair value *(continued)*

AASB 7.30

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:

(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;

(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;

(c) information about the market for the instruments;

(d) information about whether and how the entity intends to dispose of the financial instruments; and

(e) 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.

**Note 34**. Cash flow information

AASB 107.45

##### (a) Reconciliation of cash and cash equivalents

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| Total cash and deposits disclosed in the balance sheet (i) | 59 528 | 48 648 |
| Bank overdraft | .. | (5 437) |
| Discontinued operations | 4 906 | 1 283 |
| **Balance as per cash flow statement** | **64 434** | **44 494** |

Note:

FMA s.13‑17

(i) Due to the State of Victoria’s investment policy and government funding arrangements, the Department does not hold a large cash reserve in its bank accounts. Cash received by the Department from the generation of income is generally paid into the State’s bank account, known as the public account. Similarly, any Departmental expenditure, including those in the form of cheques drawn by the Department for the payment of goods and services to its suppliers and creditors are made via the public account. The process is such that, the public account would remit to the Department the cash required for the amount drawn on the cheques. This remittance by the public account occurs upon the presentation of the cheques by the Department’s suppliers or creditors.

The above funding arrangements often result in the Department having a notional shortfall in the cash at bank required for payment of unpresented cheques at the end of the reporting period.

At 30 June 2016, cash at bank included the amount of a notional shortfall for the payment of unpresented cheques of $10 000 (2015: $6 000).

Note 34. Cash flow information *(continued)*

##### (b) Entity acquired

AASB 107.40

On 2 August 2015, 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)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **During the financial year, the Department obtained control over a business due to acquisition. Details of the acquisition are as follows:** |  |  |
| **Consideration** |  |  |
| Cash and cash equivalents | 26 035 | .. |
| Land and buildings | .. | .. |
| Ordinary shares | .. | .. |
| Deferred purchase consideration | .. | .. |
| Other | .. | .. |
|  | **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 | .. |
| Investments accounted for using the equity method | .. | .. |
| Property, plant and equipment | 20 392 | .. |
| Investment properties | .. | .. |
| Other non‑financial assets | 9 | .. |
| Biological assets | 122 | .. |
| Intangible assets | 2 362 | .. |
| **Liabilities** |  |  |
| Payables | (3 219) | .. |
| Borrowings | .. | .. |
| Provisions | (1 246) | .. |
| Other liabilities | ( 87) | .. |
| **Net assets acquired** | **26 035** | **..** |
|  |  |  |
| **Net cash outflow on acquisition** |  |  |
| Cash and cash equivalents consideration | 26 035 | .. |
| Less cash and cash equivalent balances acquired | (2 628) | .. |
|  | **23 407** | **..** |

Note 34. Cash flow information *(continued)*

AASB 107.40

##### (c) Entity disposed

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **During the financial year, the Department lost control of one business due to disposal. Details of the disposal are as follows:** | .. | .. |
| **Consideration** |  |  |
| Cash and cash equivalents | 17 795 | .. |
| Land and buildings | .. | .. |
| Ordinary shares | .. | .. |
| Deferred purchase consideration | .. | .. |
| Other | .. | .. |
|  | **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 | .. |
| Investments accounted for using the equity method | .. | .. |
| Property, plant and equipment | 14 227 | .. |
| Investment properties | .. | .. |
| Other non‑financial assets | .. | .. |
| Biological assets | .. | .. |
| Intangible assets | .. | .. |
| **Liabilities** |  |  |
| Payables | (2 778) | .. |
| Borrowings | (2 599) | .. |
| Provisions | (4 678) | .. |
| Other liabilities | ( 20) | .. |
| **Net assets disposed** | **17 795** | **..** |
|  |  |  |
| **Net cash inflow on disposal** |  |  |
| Cash and cash equivalents consideration | 17 795 | .. |
| Less cash and cash equivalent balances disposed | ( 348) | .. |
|  | **17 447** | **..** |

Commentary – Business disposed

Obtaining and losing control of subsidiaries and other businesses

AASB 107.39

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.

AASB 107.40

An entity shall disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or 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; and
* 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.

AASB 107.50

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; and
* the amount of the cash flows arising from the operating, investing and financing activities of each reportable segment.

AASB 107.43

##### (d) Non‑cash financing and investing activities

Assumption of liabilities

During the reporting period the Department assumed the liabilities of Westlake Centre for Vaccine Research amounting to $825 000 (2015: $nil). The assumption of these liabilities is not reflected in the cash flow statement.

Restructuring of administrative arrangements

Details with respect to the restructuring of administrative arrangements are set out in Note 9. This administrative restructuring is not reflected in the cash flow statement.

Commentary – Non‑cash financing and investing activities

AASB 107.43

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.

Note 34. Cash flow information *(continued)*

AASB 107.50

##### (e) Financing facilities

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Unsecured bank overdraft facility, reviewed annually and payable at call** |  |  |
| Amount used | .. | 5,437 |
| Amount unused | 10 000 | 4 563 |
|  | **10 000** | **10 000** |
| **Unsecured loan facilities with various maturity dates through to 2014‑15 and which may be extended by mutual agreement** |  |  |
| Amount used | 53 814 | 39 724 |
| Amount unused | .. | .. |
|  | **53 814** | **39 724** |

##### 

AASB 107.48

##### (f) Cash balances not available for use

Commentary – Cash balances not available for use

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 1054.16

Note 34. Cash flow information *(continued)*

##### (g) Reconciliation of net result for the period

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Net result for the period** | **14 790** | **9 879** |
| **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 | 16 867 | 14 445 |
| Impairment of non‑current assets | 3 203 | ( 96) |
| Resources provided free of charge or for nominal consideration | (103) | (586) |
| Forgiveness of liabilities | (2 395) | (2 439) |
| Net (gain)/loss on financial instruments | 6 331 | 4 834 |
| Other non‑cash movements | 41 | (893) |
| **Movements included in investing and financing activities:** |  |  |
| (Gain)/loss on disposal of business (Note 10(c) and Note 34(c)) |  |  |
| 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:** |  |  |
| Increase/decrease in receivables | (28 738) | (5 802) |
| Increase/decrease in inventories | (159) | 15 |
| Increase/decrease in other non‑financial assets | (1 060) | (285) |
| Increase/decrease in payables | 1 693 | (176) |
| Increase/decrease in provisions | 3 870 | 2 695 |
| Increase/decrease in other liabilities | 196 | 169 |
| **Net cash flows from/(used in) operating activities** | **15 207** | **18 654** |

Note 35. Reserves

AASB 101.106(d)

AASB 136.126(c)

AASB 136.126(d)

AASB 101.106(d)

AASB 7.20(a)(ii)

AASB 7.20(a)(ii)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Physical asset revaluation surplus: (i)** |  |  |
| Balance at beginning of financial year | 3 759 | 2 626 |
| Revaluation increments/(decrements) | 7 903 | 2 989 |
| Impairment losses | (500) | (164) |
| 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** | **7 338** | **3 759** |
| **Financial assets available‑for‑sale revaluation surplus:** (ii) |  |  |
| Balance at beginning of financial year | 1 723 | 577 |
| Valuation gain/(loss) recognised | (1 250) | 996 |
| 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 | 150 |
| Disposal or transferred out | (323) | .. |
| **Balance at end of financial year** | **200** | **1 723** |
| **Net changes in reserves** | **7 538** | **5 482** |

Notes:

AASB 101.79(b)

AASB 101.79(b)

(i) The physical assets revaluation surplus arises on the revaluation of infrastructure, land and buildings.

(ii) 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 which 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 which relates to that financial asset is recognised in the net result.

Commentary – 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 that in accordance with amending standard AASB 2009‑6, the term ‘revaluation reserve’ is now to be referred to as the ‘revaluation surplus’.

AASB 101.79(b)

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’.

Amounts recognised in other comprehensive income relating to non‑current assets classified as held for sale

AASB 5.38

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.

Dividends

AASB 101.137(a)

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.

Note 36. Summary of compliance with annual Parliamentary and special appropriations

FRD 13

##### (a) Summary of compliance with annual parliamentary and special appropriations

AASB 1004.64

The following table discloses the details of the various annual Parliamentary appropriations received by the Department for the year. 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)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Appropriation Act | | | |  | |  | |
|  | Annual appropriation | | Advance from Treasurer | | Section 3 (2) | | Section 29 | |
|  | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Controlled** |  |  |  |  |  |  |  |  |
| Provision for outputs | 110 889 | 79 854 | 1 963 | .. | .. | 1 000 | 10 037 | 11 403 |
| Addition to net assets | 6 210 | .. | .. | .. | .. | .. | .. | .. |
|  |  |  |  |  |  |  |  |  |
| **Administered** |  |  |  |  |  |  |  |  |
| Payments made on behalf of the State | .. | .. | .. | .. | .. | .. | .. | .. |
| **Total** | **117 099** | **79 854** | **1 963** | **..** | **..** | **1 000** | **10 037** | **11 403** |

Note:

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

##### 

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Financial Management Act 1994 | | | | | |  |  |  |  |  |  |
| Section 30 | | Section 32 | | Section 35 advances | | Total parliamentary authority | | Appropriations applied | | Variance (i) | |
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| (12 019) | (10 869) | .. | 697 | .. | .. | 101 156 | 81 084 | 93 663 | 75 078 | 7 493 | 6 006 |
| .. | .. | .. | .. | .. | .. | 6 210 | .. | 5 750 | .. | 460 | .. |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| 12 019 | 10 869 | .. | .. | .. | .. | 12 019 | 10 869 | 12 019 | 10 869 | .. | .. |
| **..** | **..** | **..** | **697** | **..** | **..** | **119 385** | **91 953** | **111 432** | **85 947** | **7 953** | **6 006** |

Note 36. Summary of compliance with annual Parliamentary and special appropriations *(continued)*

FRD 13

AASB 1004.64

##### (b) Summary of compliance with special appropriations

($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| Authority | Purpose | Appropriations applied | |
| 2016 | 2015 |
| 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** |

Commentary – Summary of compliance with annual parliamentary and special appropriations

AASB 1004.64(a)‑(e)

A government department shall disclose separately:

(a) a summary of the recurrent, capital or other major categories of appropriations, disclosing separately:

(i) the original amounts appropriated for the reporting period; and

(ii) the total amounts appropriated for the reporting period;

(b) amounts authorised other than by way of appropriation and advanced separately by the Treasurer, other minister or other legislative authority for the reporting period;

(c) the expenditures for the reporting period in respect of each of the items disclosed in (a) and (b) above;

(d) the reasons for any material variances between the amounts appropriated or otherwise authorised and the associated expenditures for the reporting period; and

(e) 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.

FRD 13

AASB 1004.65

In satisfying the disclosure requirements of AASB 1004.65, 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.

FRD 11A

Note 37. Ex gratia expenses**(i)**

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| Forgiveness or waiver of debt (ii) | 100 | .. |
| Compensation for economic loss (iii) | 56 | .. |
| Property damage payments (iv) |  | 16 |
| Total ex gratia expenses (v) | 156 | 16 |

Notes:

(i) Includes ex gratia expenses for both individual items and in aggregate that are greater than or equal to $5 000.

(ii) Forgiveness of loans to several organisations under the ‘Upgrade Your Technology’ program, due to excessive hardship from severe flood damage in March [Refer to commentary – Ex gratia expenses for more guidance on write‑offs].

(iii) Payment to a commercial fishing operator who assisted authorities in a sea search and rescue.

(iv) 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).

(v) The total for ex gratia expenses is also presented in ‘other operating expenses’ of Note 5 Expenses from transactions.

Commentary – Ex gratia expenses

FRD 11A  
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:

(a) public statutory authority;

(b) a State business corporation or State body within the meaning of the *State Owned Enterprises Act 1992*;

(ba) Court Services Victoria;

(c) a body, office or trust body that is:

(i) established by or under an Act or enactment; or

(ii) established by the Governor in Council or a Minister;

and that is 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 threhold 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) which 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 11A *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 cicumstances 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 11A.

Note 38. Annotated income agreements

FMA.s29

The following is a listing of the *Financial Management Act 1994* Section 29 annotated income agreements approved by the Treasurer:

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | Actual | |
|  | 2016 | 2015 |
| User charges, or sales of goods and services |  |  |
| *[Name/title of agreement]* | .. | .. |
| *[Name/title of agreement]* | .. | .. |
|  | .. | .. |
| Asset sales |  |  |
| *[Name/title of agreement]* | .. | .. |
|  | .. | .. |
| Commonwealth Specific Purpose Payments |  |  |
| *[Name/title of agreement]* | .. | .. |
| *[Name/title of agreement]* | .. | .. |
|  | .. | .. |
| Municipal |  |  |
| *[Name/title of agreement]* | .. | .. |
| *[Name/title of agreement]* | .. | .. |
|  | .. | .. |
| Total annotated income agreements | .. | .. |

Note 39. Trust account balances

AASB 107.38

##### Table based on Auditor‑General’s recommendation in report *Portfolio Departments and Associated Entities: Results of the 2012‑13 Audits*

##### (a) Trust account balances relating to trust accounts controlled and/or administered by the Department:

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2016 | | | |
|  | Opening balance as at 1 July 2015 | Total receipts | Total payments | Closing balance as at 30 June 2016 |
| **Cash and cash equivalents and investments** |  |  |  |  |
| **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** | .. | .. | .. | .. |

##### 

|  |  |  |  |
| --- | --- | --- | --- |
| 2015 | | | |
| Opening  balance as at  1 July 2014 | Total  receipts | Total  payments | Closing  balance as at  30 June 2015 |
|  |  |  |  |
|  |  |  |  |
| *..* | .. | .. | .. |
|  |  |  |  |
| *..* | .. | .. | .. |
|  | .. | .. | .. |
|  |  |  |  |
|  |  |  |  |
| *..* | .. | .. | .. |
|  |  |  |  |
| *..* | .. | .. | .. |
|  | .. | .. | .. |

Note 39. Trust account balances *(continued)*

##### (b) Third party funds under management

AASB 118.8

The third party funds under management are funds held in trust for certain clients. They are not used for government purposes and therefore are not included in the Department’s financial statements. 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*] *2015*.

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 2010 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 May 2010. In June 2009, 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.

Based on recommendation 6 in PAEC Report 102 – Part One

Note 39. Trust account balances *(continued)*

##### Biological disaster fund

($ million)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| Cash at bank | 113.1 | 249.2 |
| Less amounts pending payments | (1.5) | (10.1) |
| **Total funds under management** | **111.6** | **239.1** |
|  |  |  |
| Donations and other contributions (i) | 142.1 | 500.1 |
| Interest earned (ii) | 3.7 | 10.9 |
| **Total receipts** | **145.8** | **511.0** |
|  |  |  |
| Payments to businesses | 6.6 | 23 |
| Payments to community groups | 4.7 | 34.8 |
| Payments to individuals | 10.6 | 86.2 |
| Payments on state‑owned assets | 12.3 | 127.9 |
| **Total payments** | **34.2** | **271.9** |
| **Balance carried forward**(iii) | **111.6** | **239.1** |

Notes:

(i) 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.

(ii) 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.

(iii) [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)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| e‑Technology fund (i) | | 21.2 | 46.1 | |
| International network association fund (ii) | | 1.7 | 1.5 | |
| **Total funds under management** | | **22.9** | **47.6** | |

Notes:

(i) 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.

(ii) 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.

Commentary – 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 restricitions 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.

AASB 118.App.21

Principal

An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate this include:

* the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, e.g. by being responsible for the acceptability of the products or services ordered or purchased by the customer;
* the entity has inventory risk before or after the customer order, during shipping or on return;
* the entity has latitude in establishing prices, either directly or indirectly, e.g. by providing additional goods or services; and
* the entity bears the customer’s credit risk for the amount receivable from the customer.

AASB 118.App.21

Agent

An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature that indicates this is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

AASB 107.48

Information to be disclosed

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.

Based on recommendation 6 in PAEC Report 102 – Part One

Natural disasters

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.

Note 40. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, 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 2015 to 30 June 2016 |
| * Minister for Biotechnology | The Hon. Laura Toddington MP | 1 July 2015 to 30 June 2016 |
| * Secretary | Ms Jane Smith | 1 July 2015 to 30 June 2016 |

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 ($460 000 – $469 000 in 2014‑15)

##### Related party transactions included in the reconciliation amount:

Revised

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| Ms Jane Smith |  |  |
| Loan balances at beginning of financial year | 30 | 40 |
| Loans made | .. | 20 |
| Loan repayments | (30) | (30) |
| Other | .. | .. |
|  | .. | 30 |
| The Secretary is an ex officio member of the Biological Technology Council Victoria to which the Department paid grants on normal commercial terms | (125) | .. |
| **Total** | **(125)** | **(30)** |

Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members’ interests is publicly available from: www.parliament.vic.gov.au/publications/register‑of‑interests.

Commentary – Responsible persons

FRD 21B

The disclosure requirements of FRD 21B *Disclosures of Responsible Persons, Executive Officers and Other Personnel (Contrators with Significant Management Responsibilities) in the Financial Report* issued by the Minister for Finance, 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. FRD 21B also requires disclosures in respect of related party transactions of responsible persons.

Remuneration includes all benefits received or receivable. Accordingly, remuneration needs to be determined on an accrual basis. Base remuneration must be separately disclosed from total remuneration. Where the difference between base and total remuneration is material, the reason for the variance should be supported by explanatory commentary.

New

Note 40. Responsible persons *(continued)*

Commentary – Responsible persons *(continued)*

Ministers may have different responsibilities or interests which 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 details, reference should be made to FRD 21B with regard to the specific disclosures to be made about responsible persons and their related parties.

FRD 21B

Note 41. Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities)

##### (a) Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long‑service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full‑time equivalent executive officers over the reporting period.

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and renegotiated and a number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts. Some contracts provide for an annual bonus payment whereas other contracts only include the payment of bonuses on the successful completion of the full term of the contract. A number of these contract completion bonuses became payable during the year.

A number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on total remuneration figures due to the inclusion of annual leave, long‑service leave and retrenchment payments.

Note 41. Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities) *(continued)*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Total  remuneration | | Base  remuneration | |
|  | 2016 | 2015 | 2016 | 2015 |
| Income band | No. | No. | No. | No. |
| $100 000 – 109 999 | 12 | 26 | 27 | 41 |
| $110 000 – 119 999 | 7 | 9 | 9 | 5 |
| $120 000 – 129 999 | 11 | 7 | 12 | 6 |
| $130 000 – 139 999 | 8 | 5 | 5 | 2 |
| $140 000 – 149 999 | 8 | 2 | 1 | 1 |
| $150 000 – 159 999 | 6 | 3 | 1 | 1 |
| $160 000 – 169 999 | 3 | 0 | 2 | 0 |
| $170 000 – 179 999 | 1 | 2 | 2 | 4 |
| $180 000 – 189 999 | 1 | 2 | 2 | 0 |
| $190 000 – 199 999 | 2 | 2 | 0 | 1 |
| $200 000 – 209 999 | 1 | 3 | 0 | 0 |
| $210 000 – 219 999 | 0 | 0 | 1 | 1 |
| $220 000 – 229 999 | 1 | 0 | 1 | 0 |
| $230 000 – 239 999 | 0 | 0 | 0 | 0 |
| $240 000 – 249 999 | 0 | 1 | 0 | 0 |
| $250 000 – 259 999 | 2 | 0 | 0 | 0 |
| **Total number of executives** | **63** | **62** | **63** | **62** |
| **Total annualised employee equivalents (i)** | **55.2** | **51.8** | **55.2** | **51.8** |
| **Total amount** | **$8 915 851** | **$7 303 964** | **$7 287 310** | **$6 383 420** |

Note:

(i) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

Commentary – Remuneration of executives

Base remuneration

Base remuneration is exclusive of benefits that are more likely to be paid on a discrete basis. Examples of benefits that are excluded from the base remuneration include bonus benefits, long service leave payments, redundancy payments and retirement benefits.

Benefits that are usually paid or payable on a regular basis such as salaries, sick leave and annual leave would be included as part of the base remuneration.

FRD 21B

To improve the usefulness of information disclosed about executive officer remuneration, the base remuneration should be separately disclosed from total remuneration.

Total remuneration

Total remuneration should include all benefits paid or payable, including the benefits that are excluded from the base remuneration, but excludes reimbursement for out‑of‑pocket expenses.

Remuneration bands

FRD 21B

Disclosure is required of the number of executive officers whose total remuneration for the year falls in each successive $10 000 band, commencing at $100 000. However, in accordance with FRD 21B, the base remuneration (amounts paid or payable during the reporting period excluding bonuses, redundancy payments, long service leave and retirement benefits) of executive officers should be disclosed separately. This will require disclosure of the number of executive officers whose base remuneration is less than $100 000, but their total remuneration is greater than this amount.

Annualised employee equivalent

Entities are required to disclose the ‘annualised employee equivalent’ in addition to the headcount disclosure of executive officers whose total remuneration exceeds $100 000 over the reporting period.

Annualised employee equivalent (AEE) is defined and explained in FRD 21B *Disclosures of Responsible Persons, Executive Officers and Other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report.* It is calculatedby dividing the total number of working hours that an employee was paid over the reporting period by the total number of full‑time working hours per annum. In general, the total number of full‑time working hours will be 1 976 hours per year, being 38 hours per week for 52 weeks, or equivalently 7.6 hours per day for 260 days. The employee’s working hours include **paid** leave, e.g. sick leave, paternity leave, recreation leave and long service leave etc. but **NOT unpaid leave**.

Example 1

A part‑time Employee A works 20 hours per week. During the 2015–16 reporting period, Employee A took 10 days of **paid** recreation leave and 5 days of **paid** sick leave. The AEE of Employee A equates to:

* AEE = (20 hours\*52 weeks)/(38 hours\*52 weeks) = 0.53

(The **paid** recreation leave and sick leave are included as Employee A’s working hours, therefore no deduction is required when calculating Employee A’s AEE.)

Commentary – Remuneration of executives *(continued)*

Example 2

A full‑time Employee B works 38 hours a week, including a **paid** study leave of 7.6 hours. In addition, during the 2015–16 reporting period, Employee B took **unpaid** study leave of 7.6 hours per week for 40 weeks. The AEE of Employee B equates to:

* AEE = [(38 hours\*52 weeks)‑(7.6 hours\*40 weeks)]/(38 hours\*52 weeks) = 0.85

(The **paid** study leave is included in Employee B’s working hours, therefore only the **unpaid** study leave (7.6 hour per week for 40 weeks) needs to be deducted in calculating Employee B’s AEE.)

Example 3

A part‑time Employee C commenced his employment on 1 January 2016, working 4 days per week. By 30 June 2016, the leave taken by Employee C includes:

* recreation leave without pay: 3 days;
* paid recreation leave: 10 days;
* paid sick leave: 4 days; and
* unpaid sick leave: 5 days.

The AEE of Employee C equates to:

* AEE = [(7.6 hours\*4 days\*26 weeks)–(7.6 hours\*3 days)–( 7.6 hours\*5 days)]/(7.6 hours\* 5 days\*52 weeks)= 0.37

(The **paid** recreation and sick leave is included as Employee C’s working hours, therefore only the **unpaid** recreation and sick leave needs to be deducted from calculating Employee C’s AEE.)

**Reconciliation with ‘executive officer data**’ **in the Report of Operation**

FRD 15C

Entities must also ensure that total numbers of executives reported in the note to the financial statements corresponds with the total numbers of executive officers with remuneration over $100 000 from the executive officer data disclosure in the report of operations(e.g. table 3 of ‘executive officer data’ section).

For further disclosure guidance in relation to executive officers, please refer to FRD 21B.

The disclosure of executive officer remuneration does not relate to any VPS 6 or 7 staff **acting** on a temporary basis in executive roles, while the substantive executive officer is on paid leave or secondment.

Where an executive officer from the same department backfills for another executive officer while on paid leave or secondment in that same department, then both executive officers are included in the disclosure.

Note 41. Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities) *(continued)*

FRD 21B

##### (b) Payments to other personnel (i.e. contractors with significant management responsibilities)

The following disclosures are made in relation to other personnel of the Department of Technology, i.e. contractors charged with significant management responsibilities.

Payments have been made to a number of contractors with significant management responsibilities, which are disclosed in the $10 000 expense band. These contractors are responsible for planning, directing or controlling, directly or indirectly, of the Department’s activities.

The change in the total expenses from 2015 to 2016 was mainly driven by new functions being undertaken by the Department in the 2016 reporting period.

|  |  |  |
| --- | --- | --- |
|  | Total expenses (exclusive of GST) | |
|  | 2016 | 2015 |
| Expense band | No. | No. |
| $120 000 – 129 999 | .. | 3 |
| $140 000 – 149 999 | 5 | .. |
| $150 000 – 159 999 | 2 | 1 |
| **Total expenses (exclusive of GST)** | **$1 032 000** | **$531 000** |

Commentary – Payments to other personnel

FRD 21B

Entities are required to disclose expenses (exclusive of GST) paid or payable to other personnel. FRD 21B defines other personnel as personnel engaged by an entity as contractors and charged with significant management responsibilities. FRD 21B requires entities to disclose:

* the number of other personnel to whom total expenses for the reporting period exceed $100 000 (exclusive of GST);
* the amount of total expenses paid or payable to other personnel (exclusive of GST); and
* reasons for significant variances of total expenses made to other personnel between the current and previous reporting period.

Note 42. Remuneration of auditors

AASB 1054.10(a)

AASB 1054.10(b)

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Victorian Auditor‑General’s Office** |  |  |
| Audit or review of the financial statements | 1 014 | 1 177 |
| Other non‑audit services *[describe]* | .. | .. |
|  | **1 014** | **1 177** |

Commentary – Remuneration of auditors

Amounts paid or payable

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.

An entity shall disclose fees to each auditor or reviewer, including any network firm, separately for:

AASB 1054.10

(a) the audit or review of the financial statements; and

(b) all other services performed during the reporting period.

AASB 1054.11

For sub‑paragraph (b) above, an entity shall describe the nature of other services.

Goods and services tax

AASB Interpretation 1031.6 and 7

Amounts disclosed for auditor’s remuneration should be net of goods and services tax (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. This disclosure is consistent with AASB Interpretation 1031 *Accounting for the Goods and Services Tax* which requires income, expenses and assets to be recognised net of the amount of GST, except that where the GST is not recoverable it shall be recognised as part of the cost of acquisition of the asset or as part of the item of expense to which it relates.

Note 43. Subsequent events

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.

Commentary – Subsequent events

AASB 110.21

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:

(a) the nature of the event; and

(b) 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; and

– reduced income to the State due to a lower tax base or tax exemptions granted.

AASB 110.22

Examples of events occurring after the reporting period that do not provide evidence about conditions existing at the end of the reporting period include:

(i) a major business combination after the end of the reporting period or disposing of a major subsidiary;

(ii) announcing a plan to discontinue an operation;

(iii) major purchases of assets, classifications of assets as held for sale, other disposals of assets, or expropriation of major assets by government;

(iv) 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;

(v) announcing, or commencing the implementation of, a major restructuring;

(vi) abnormally large changes after the reporting period in asset prices or foreign exchange rates;

(vii) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and

(viii) commencing major litigation arising solely out of events that occurred after the reporting period.

AASB 110.8

The effects of events that occurred after the reporting period which provide evidence of conditions that existed at the end of the reporting period, should be brought to account rather than disclosed by way of a note to the financial statements.

Note 44. Glossary of terms and style conventions

##### Actuarial gains or losses on superannuation defined benefit plans

New

Revised

New

Actuarial gains or losses are changes in the present value of the superannuation defined benefit liability resulting from:

1. experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
2. the effects of changes in actuarial assumptions.

**Administered item**

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

Amortisation is the expense which 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

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

Biological assets may comprise commercial forests and also any living animal, plant or agricultural produce that is the harvested product of biological assets.

##### Borrowings

Borrowings refers to interest‑bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest‑bearing arrangements. Borrowings also include non‑interest‑bearing advances from government that are acquired for policy purposes.

##### Capital asset charge

A charge levied on the written‑down value of controlled non‑current physical assets in a department’s balance sheet which aims to: attribute to agency outputs the opportunity cost of capital used in service delivery; and provide incentives to departments to identify and dispose of underutilised or surplus assets in a timely manner.

##### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non‑cancellable contractual or statutory sources.

##### Comprehensive result

The comprehensive result is the net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

##### Controlled item

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

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

##### Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a producedphysical or intangible asset. This expense is classified as a ‘transaction’ and so reduces the ‘net result from transaction’.

Note 44. Glossary of terms and style conventions *(continued)*

##### Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability 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 instrument, or, where appropriate, a shorter period.

##### Employee benefits expenses

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

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.

##### Financial asset

A financial asset is any asset that is:

1. cash;
2. an equity instrument of another entity;
3. a contractual or statutory 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; or

1. a contract that will or may be settled in the entity’s own equity instruments and is:

a non‑derivative for which the entity is or may be obliged to receive a variable number of the entity’s own equity instruments; or

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

A 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 assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

##### Financial liability

A financial liability is any liability that is:

1. a contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

1. a contract that will or may be settled in the entity’s own equity instruments and is:

(i) a non‑derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; or

(ii) 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.

Note 44. Glossary of terms and style conventions *(continued)*

##### Financial statements

financial statements in the Model Report comprises:

1. a balance sheet as at the end of the period;
2. a comprehensive operating statement for the period;
3. a statement of changes in equity for the period;
4. a cash flow statement for the period;
5. notes, comprising a summary of significant accounting policies and other explanatory information;
6. comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and
7. 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.

##### Grants and other transfers

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

The 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 which are mainly non‑market in nature, those which are largely for collective consumption by the community and those which 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

All 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

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, ports, utilities and public transport assets owned by the State.

Note 44. Glossary of terms and style conventions *(continued)*

##### Intangible produced assets

Refer to produced assets in this glossary.

##### Intangible non‑produced assets

Refer to non‑produced asset in this glossary.

##### Interest expense

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short‑term and long‑term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non‑employee provisions due to the unwinding of discounts to reflect the passage of time.

##### Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

##### Investment properties

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 State of Victoria.

##### Joint ventures

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).

##### Net gain on equity investments in other sector entities *[DTF only]*

Net gain on equity investments in other sector entities 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 result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as ‘other economic flows – other comprehensive income’.

##### Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income 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 worth

Net worth is assets less liabilities, which is an economic measure of wealth.

Note 44. Glossary of terms and style conventions *(continued)*

##### Non‑financial assets

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, investment properties, cultural and heritage assets, intangible and biological assets.

##### Non‑produced assets

Non‑produced assets are assets used 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 or leases.

##### Other economic flows included in 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. 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; and
* depletion of natural assets (non‑produced) from their use or removal.

Please refer to Appendix 2 for examples.

##### Other economic flows – other comprehensive income

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.

The components of other economic flows‑other comprehensive income include:

1. changes in physical asset revaluation surplus;
2. share of net movement in revaluation surplus of associates and joint ventures; and
3. gains and losses on remeasuring available‑for‑sale financial assets.

Please refer to Appendix 2 for examples.

##### Payables

Payables includes short and long‑term trade debt and accounts payable, grants, taxes and interest payable.

##### Produced assets

Produced assets are non‑financial assets that have come into existence as outputs of production processes. Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, artistic originals such as motion picture films, and research and development costs (which does not include the start‑up costs associated with capital projects).

##### Public financial corporation sector

Public financial corporations 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.

Note 44. Glossary of terms and style conventions *(continued)*

##### Public non‑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 market place 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 which own them.

##### Receivables

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 operating 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.

##### Supplies and services

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

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; and
* other taxes, including landfill levies, licence and concession fees.

##### Transactions

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. Please refer to Appendix 2 for examples.

Note 44. Glossary of terms and style conventions *(continued)*

## 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 2014‑15 *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.

Appendix 1: Extracts of whole of government financial statements and analysis of disclosures

[The following extracts are supplementary information for the introduction to the Model report and therefore not part of disclosure requirements. These extracts have been included to highlight the different presentation formats in whole of government publications for the estimates and actuals.]

# Appendix 1(a) – Extract of estimated financial statements from the 2015‑16 Statement of Finances: Budget Paper No. 5

## Estimated financial statements

Table 1.1: Estimated general government sector comprehensive operating statement for the financial year ending 30 June

($ million)

|  | Notes | 2015‑16 budget | 2016‑17 estimate | 2017‑18 estimate | 2018‑19 estimate |
| --- | --- | --- | --- | --- | --- |
| **Revenue from transactions** | | | | | |
| Taxation revenue | 2 | 19 024.5 | 19 804.5 | 20 402.8 | 21 339.6 |
| Interest revenue |  | 830.8 | 852.6 | 862.6 | 866.8 |
| Dividends and income tax equivalent and rate equivalent revenue | 3 | 1 144.3 | 988.8 | 1 011.8 | 1 052.4 |
| Sales of goods and services | 4 | 6 779.1 | 6 908.9 | 7 016.3 | 7 025.7 |
| Grant revenue | 5 | 25 579.5 | 26 089.6 | 27 507.6 | 28 605.4 |
| Other revenue | 6 | 2 170.6 | 2 249.4 | 2 235.4 | 2 289.1 |
| **Total revenue from transactions** |  | **55 528.7** | **56 893.9** | **59 036.6** | **61 179.1** |
| **Expenses from transactions** | | | | | |
| Employee expenses |  | 19 903.4 | 20 568.2 | 21 491.6 | 22 346.0 |
| Net superannuation interest expense | 7a | 886.5 | 859.5 | 831.5 | 798.2 |
| Other superannuation | 7a | 2 101.7 | 2 107.1 | 2 121.9 | 2 147.4 |
| Depreciation | 8 | 2 576.9 | 2 721.6 | 2 880.2 | 3 146.1 |
| Interest expense | 9 | 2 096.1 | 2 099.1 | 2 162.8 | 2 118.3 |
| Grant expense | 10 | 8 686.9 | 9 148.6 | 9 547.3 | 9 849.3 |
| Other operating expenses | 11 | 18 058.3 | 17 993.3 | 18 635.8 | 18 945.4 |
| **Total expenses from transactions** | **12** | **54 309.8** | **55 497.4** | **57 671.0** | **59 350.7** |
| **Net result from transactions – net operating balance** |  | **1 218.9** | **1 396.5** | **1 365.6** | **1 828.4** |
| **Other economic flows included in net result** | | | | |
| Net gain/(loss) on disposal of non‑financial assets |  | 63.6 | 65.5 | 74.4 | 65.5 |
| Net gain/(loss) on financial assets or liabilities at fair value |  | 5 402.2 | 10.2 | 10.2 | 10.2 |
| Other gains/(losses) from other economic flows | 13 | (318.4) | (331.5) | (340.2) | (350.7) |
| **Total other economic flows included in net result** |  | **5 147.4** | **(255.7)** | **(255.6)** | **(275.0)** |
| **Net result** |  | **6 366.3** | **1 140.8** | **1 110.1** | **1 553.4** |

|  | Notes | 2015‑16 budget | 2016‑17 estimate | 2017‑18 estimate | 2018‑19 estimate |
| --- | --- | --- | --- | --- | --- |
| **Other economic flows – other comprehensive income** | | | | | |
| **Items that will not be reclassified to net result** | | | | | |
| Changes in non‑financial assets revaluation surplus |  | 755.8 | 513.0 | 9 501.1 | 421.8 |
| Remeasurement of superannuation defined benefit plans | 7a | 962.4 | 995.0 | 1 027.3 | 1 062.8 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | 14 | 1.5 | (378.0) | (222.8) | (255.4) |
| Other movements in equity |  | 5.7 | 1.1 | 5.3 | 24.1 |
| **Items that may be reclassified subsequently to net result** | | | | | |
| Net gain/(loss) on financial assets at fair value |  | 1.2 | 1.3 | 1.3 | 1.3 |
| **Total other economic flows – other comprehensive income** |  | **1 726.7** | **1 132.4** | **10 312.2** | **1 254.7** |
| **Comprehensive result – total change in net worth** |  | **8 092.9** | **2 273.2** | **11 422.2** | **2 808.1** |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** |  | **1 218.9** | **1 396.5** | **1 365.6** | **1 828.4** |
| Less: Net acquisition of non‑financial assets from transactions | 15 | 1 410.3 | 1 510.1 | 1 042.5 | (228.8) |
| **Net lending/(borrowing)** |  | **(191.4)** | **(113.6)** | **323.2** | **2 057.2** |

The accompanying notes form part of these estimated financial statements.

Table 1.2: Estimated general government sector balance sheet as at 30 June

($ million)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | 2015 | 2016 | 2017 | 2018 | 2019 |
|  | Notes | revised | budget | estimate | estimate | estimate |
| **Assets** |  |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |  |
| Cash and deposits |  | 4 912.6 | 5 110.2 | 5 428.9 | 5 794.1 | 6 181.6 |
| Advances paid | 16 | 4 567.9 | 4 520.6 | 4 484.3 | 4 438.5 | 4 387.0 |
| Receivables |  | 5 010.0 | 4 857.6 | 4 825.1 | 4 876.3 | 4 996.2 |
| Investments, loans and placements | 16 | 3 039.3 | 3 146.4 | 3 275.3 | 3 410.6 | 3 547.8 |
| Investments accounted for using equity method |  | 44.1 | 44.1 | 44.1 | 44.1 | 44.1 |
| Investments in other sector entities | 14, 1H | 80 446.8 | 80 697.3 | 82 335.7 | 82 994.0 | 84 905.9 |
| **Total financial assets** |  | **98 020.7** | **98 376.3** | **100 393.4** | **101 557.7** | **104 062.6** |
| **Non‑financial assets** |  |  |  |  |  |  |
| Inventories |  | 155.1 | 158.5 | 162.0 | 166.4 | 170.9 |
| Non‑financial assets held for sale |  | 128.5 | 128.5 | 128.5 | 128.5 | 128.5 |
| Land, buildings, infrastructure, plant and equipment | 17, 18 | 109 633.6 | 111 780.6 | 113 878.7 | 124 523.0 | 124 768.3 |
| Other non‑financial assets | 19 | 1 208.5 | 1 147.4 | 1 113.8 | 950.6 | 877.3 |
| **Total non‑financial assets** |  | **111 125.6** | **113 214.9** | **115 282.9** | **125 768.5** | **125 944.9** |
| **Total assets** | 20d | **209 146.3** | **211 591.2** | **215 676.4** | **227 326.2** | **230 007.5** |
| **Liabilities** |  |  |  |  |  |  |
| Deposits held and advances received |  | 426.4 | 426.3 | 426.2 | 426.1 | 426.1 |
| Payables | 21 | 5 864.2 | 5 593.9 | 5 510.5 | 5 433.1 | 5 209.3 |
| Borrowings | 22 | 33 333.4 | 29 248.7 | 32 021.2 | 32 667.2 | 33 525.0 |
| Employee benefits | 23 | 5 519.7 | 5 766.8 | 6 008.9 | 6 255.6 | 6 498.7 |
| Superannuation | 7d | 30 752.2 | 29 808.9 | 28 668.9 | 28 057.1 | 27 024.8 |
| Other provisions |  | 1 261.7 | 664.9 | 685.8 | 709.9 | 738.5 |
| **Total liabilities** |  | **77 157.6** | **71 509.6** | **73 321.5** | **73 549.1** | **73 422.3** |
| **Net assets** |  | **131 988.7** | **140 081.7** | **142 354.8** | **153 777.1** | **156 585.1** |
| Accumulated surplus/(deficit) |  | 39 828.6 | 47 152.0 | 49 274.5 | 51 402.0 | 54 027.3 |
| Reserves | 24 | 92 110.2 | 92 879.6 | 93 030.4 | 102 325.0 | 102 507.8 |
| Non‑controlling interest |  | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| **Net worth** |  | **131 988.7** | **140 081.7** | **142 354.8** | **153 777.1** | **156 585.1** |
| **FISCAL AGGREGATES** |  |  |  |  |  |  |
| Net financial worth |  | 20 863.1 | 26 866.8 | 27 071.9 | 28 008.6 | 30 640.2 |
| Net financial liabilities |  | 59 583.7 | 53 830.6 | 55 263.8 | 54 985.5 | 54 265.7 |
| Net debt |  | 21 240.0 | 16 897.8 | 19 259.0 | 19 450.2 | 19 834.7 |

The accompanying notes form part of these Estimated Financial Statements.

Table 1.3: Estimated general government sector cash flow statement for the financial year ending 30 June

($ million)

|  |  | 2015‑16 | 2016‑17 | 2017‑18 | 2018‑19 |
| --- | --- | --- | --- | --- | --- |
|  | Notes | budget | estimate | estimate | estimate |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received |  | 19 007.3 | 19 736.0 | 20 254.6 | 21 193.0 |
| Grants |  | 25 668.3 | 26 089.6 | 27 507.6 | 28 605.4 |
| Sales of goods and services(a) |  | 7 531.3 | 7 730.4 | 7 811.0 | 7 667.2 |
| Interest received |  | 811.8 | 835.5 | 845.3 | 849.5 |
| Dividends and income tax equivalent and rate equivalent receipts |  | 1 143.5 | 1 009.1 | 1 014.4 | 991.2 |
| Other receipts |  | 1 741.4 | 1 821.8 | 1 811.9 | 1 850.4 |
| **Total receipts** |  | **55 903.6** | **57 222.3** | **59 244.9** | **61 156.8** |
| **Payments** |  |  |  |  |  |
| Payments for employees |  | (19 657.1) | (20 326.8) | (21 245.6) | (22 103.6) |
| Superannuation |  | (2 969.0) | (3 111.6) | (2 537.9) | (2 915.0) |
| Interest paid |  | (2 058.6) | (2 062.7) | (2 126.3) | (2 081.8) |
| Grants and subsidies |  | (8 748.0) | (9 233.7) | (9 503.0) | (9 805.0) |
| Goods and services(a) |  | (18 055.5) | (17 941.0) | (18 540.7) | (18 868.5) |
| Other payments |  | (660.5) | (690.0) | (721.0) | (749.1) |
| **Total payments** |  | **(52 148.7)** | **(53 365.8)** | **(54 674.4)** | **(56 523.0)** |
| **Net cash flows from operating activities** |  | **3 754.9** | **3 856.5** | **4 570.4** | **4 633.8** |
| **Cash flows from investing activities** |  |  |  |  |  |
| Purchases of non‑financial assets | 20a, b | (4 551.7) | (6 166.9) | (5 663.1) | (5 194.3) |
| Sales of non‑financial assets |  | 322.0 | 554.1 | 489.9 | 294.0 |
| Cash flows from investments in non‑financial assets |  | (4 229.7) | (5 612.7) | (5 173.2) | (4 900.3) |
| Net cash flows from investments in financial assets for policy purposes | 1H | 6 510.8 | (150.5) | 1 110.8 | (69.3) |
| **Subtotal** |  | **2 281.1** | **(5 763.2)** | **(4 062.4)** | **(4 969.5)** |
| Net cash flows from investments in financial assets for liquidity management purposes |  | (82.6) | (124.6) | (129.1) | (128.7) |
| **Net cash flows from investing activities** |  | **2 198.5** | **(5 887.8)** | **(4 191.5)** | **(5 098.2)** |
| **Cash flows from financing activities** |  |  |  |  |  | |
| Net borrowings |  | (5 755.7) | 2 350.1 | (13.6) | 852.0 |
| Deposits received (net) |  | (0.1) | (0.1) | (0.1) | (0.1) |
| **Net cash flows from financing activities** |  | **(5 755.8)** | **2 350.0** | **(13.6)** | **851.9** |
| **Net increase/(decrease) in cash and cash equivalents** |  | **197.6** | **318.7** | **365.2** | **387.5** |
| Cash and cash equivalents at beginning of reporting period |  | 4 912.6 | 5 110.2 | 5 428.9 | 5 794.1 |
| **Cash and cash equivalents at end of reporting period** |  | **5 110.2** | **5 428.9** | **5 794.1** | **6 181.6** |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities |  | 3 754.9 | 3 856.5 | 4 570.4 | 4 633.8 |
| Net cash flows from investments in non‑financial assets |  | (4 229.7) | (5 612.7) | (5 173.2) | (4 900.3) |
| **Cash surplus/(deficit)** |  | **(474.9)** | **(1 756.2)** | **(602.8)** | **(266.5)** |

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) Inclusive of goods and services tax.

Table 1.4: Estimated general government sector statement of changes in equity for the financial year ending 30 June

($ million)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Accumulated surplus/(deficit) | Non‑ controlling interest | Property, plant and equipment revaluation surplus | Investment in other sector entities revaluation surplus | Other  reserves | Total |
| **2015‑16** |  |  |  |  |  |  |
| Balance at 1 July 2015 | 39 828.6 | 50.0 | 46 843.4 | 44 625.4 | 641.3 | 131 988.7 |
| Net result for the year | 6 366.3 | .. | .. | .. | .. | 6 366.3 |
| Other comprehensive income for the year | 957.2 | .. | 755.8 | 1.5 | 12.2 | 1 726.7 |
| **Balance as at 30 June 2016** | **47 152.0** | **50.0** | **47 599.2** | **44 626.9** | **653.5** | **140 081.7** |
| **2016‑17** |  |  |  |  |  |  |
| Balance at 1 July 2016 | 47 152.0 | 50.0 | 47 599.2 | 44 626.9 | 653.5 | 140 081.7 |
| Net result for the year | 1 140.8 | .. | .. | .. | .. | 1 140.8 |
| Other comprehensive income for the year | 981.6 | .. | 513.0 | (378.0) | 15.8 | 1 132.4 |
| **Balance as at 30 June 2017** | **49 274.5** | **50.0** | **48 112.3** | **44 248.9** | **669.3** | **142 354.8** |
| **2017‑18** |  |  |  |  |  |  |
| Balance at 1 July 2017 | 49 274.5 | 50.0 | 48 112.3 | 44 248.9 | 669.3 | 142 354.8 |
| Net result for the year | 1 110.1 | .. | .. | .. | .. | 1 110.1 |
| Other comprehensive income for the year | 1 017.5 | .. | 9 501.1 | (222.8) | 16.3 | 10 312.2 |
| **Balance as at 30 June 2018** | **51 402.0** | **50.0** | **57 613.4** | **44 026.1** | **685.6** | **153 777.1** |
| **2018‑19** |  |  |  |  |  |  |
| Balance at 1 July 2018 | 51 402.0 | 50.0 | 57 613.4 | 44 026.1 | 685.6 | 153 777.1 |
| Net result for the year | 1 553.4 | .. | .. | .. | .. | 1 553.4 |
| Other comprehensive income for the year | 1 071.9 | .. | 421.8 | (255.4) | 16.4 | 1 254.7 |
| **Balance as at 30 June 2019** | **54 027.3** | **50.0** | **58 035.2** | **43 770.7** | **702.0** | **156 585.1** |

The accompanying notes form part of these Estimated Financial Statements.

# Appendix 1(b) – Extract of financial statements from the *2015‑16 Quarterly Financial Report No. 1*

## Financial statements for the general government sector

Table 1.5: Comprehensive operating statement for the period ending 30 September

($ million)

| 2014‑15 |  |  |  | 2015‑16 | |
| --- | --- | --- | --- | --- | --- |
| Actual  to Sep(a) |  |  | Notes | Actual  to Sep | Annual budget |
|  |  | **Revenue from transactions** |  |  |  |
| 4 711 |  | Taxation revenue | 2 | 5 061 | 19 024 |
| 205 |  | Interest revenue |  | 203 | 831 |
| 51 |  | Dividends and income tax equivalent and rate equivalent revenue | 3 | 59 | 1 144 |
| 1 657 |  | Sales of goods and services | 4 | 1 661 | 6 779 |
| 5 665 |  | Grant revenue | 5 | 6 010 | 25 579 |
| 566 |  | Other revenue | 6 | 564 | 2 171 |
| **12 855** |  | **Total revenue from transactions** |  | **13 559** | **55 529** |
|  |  | **Expenses from transactions** |  |  |  |
| 4 510 |  | Employee expenses |  | 4 768 | 19 903 |
| 258 |  | Net superannuation interest expense | 7 | 223 | 886 |
| 484 |  | Other superannuation | 7 | 554 | 2 102 |
| 597 |  | Depreciation | 8 | 605 | 2 577 |
| 523 |  | Interest expense |  | 513 | 2 096 |
| 2 003 |  | Grant expense |  | 2 172 | 8 687 |
| 4 063 |  | Other operating expenses |  | 4 204 | 18 058 |
| **12 438** |  | **Total expenses from transactions** | **9** | **13 040** | **54 310** |
| **417** |  | **Net result from transactions – net operating balance** |  | **519** | **1 219** |
|  |  | **Other economic flows included in net result** |  |  |  |
| 5 |  | Net gain/(loss) on disposal of non‑financial assets |  | (13) | 64 |
| 19 |  | Net gain/(loss) on financial assets or liabilities at fair value |  | (29) | 5 402 |
| (90) |  | Other gains/(losses) from other economic flows | 10 | (124) | (318) |
| **(66)** |  | **Total other economic flows included in net result** |  | **(166)** | **5 147** |
| **351** |  | **Net result** |  | **353** | **6 366** |
|  |  | **Other economic flows – other comprehensive income** |  |  |  |
|  |  | **Items that will not be reclassified to net result** |  |  |  |
| 22 |  | Changes in non‑financial assets revaluation surplus |  | 32 | 756 |
| 121 |  | Remeasurement of superannuation defined benefit plans |  | (1 934) | 962 |
| .. |  | Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets |  | .. | 1 |
| 14 |  | Other movements in equity |  | 2 | 6 |
|  |  | **Items that may be reclassified subsequently to net result** |  |  |  |
| (2) |  | Net gain/(loss) on financial assets at fair value |  | (3) | 1 |
| **155** |  | **Total other economic flows – other comprehensive income** |  | **(1 903)** | **1 727** |
| **506** |  | **Comprehensive result – total change in net worth** |  | **(1 550)** | **8 093** |
|  |  | **FISCAL AGGREGATES** |  |  |  |
| **417** |  | **Net operating balance** |  | **519** | **1 219** |
| 72 |  | Less: Net acquisition of non‑financial assets from transactions(b) | 11 | 72 | 1 366 |
| **345** |  | **Net lending/(borrowing)(b)** |  | **447** | **(147)** |

The accompanying notes form part of these financial statements.

Note:

(a) September 2014‑15 comparative figures have been restated to reflect more current information.

(b) 2015‑16 Budget figures have been restated to reflect more current information.

Table 1.6: Consolidated balance sheet as at 30 September

($ million)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2014‑15  Actual  30 Sep (a) |  |  | Notes | Opening  1 Jul | 2015‑16 Actual  30 Sep | Budget  30 Jun(b) |
|  |  | **Assets** |  |  |  |  |
|  |  | **Financial assets** |  |  |  |  |
| 4 177 |  | Cash and deposits |  | 4 282 | 4 061 | 4 479 |
| 4 576 |  | Advances paid |  | 4 572 | 4 567 | 4 525 |
| 5 169 |  | Receivables | 12 | 5 555 | 5 897 | 5 404 |
| 3 077 |  | Investments, loans and placements |  | 3 406 | 3 440 | 3 513 |
| 44 |  | Investments accounted for using equity method |  | 45 | 44 | 45 |
| 75 875 |  | Investments in other sector entities |  | 82 181 | 82 467 | 82 432 |
| **92 918** |  | **Total financial assets** |  | **100 040** | **100 477** | **100 397** |
|  |  | **Non‑financial assets** |  |  |  |  |
| 154 |  | Inventories |  | 144 | 146 | 148 |
| 147 |  | Non‑financial assets held for sale |  | 175 | 169 | 175 |
| 105 037 |  | Land, buildings, infrastructure, plant and equipment | 13 | 107 586 | 107 527 | 109 733 |
| 1 384 |  | Other non‑financial assets | 14 | 1 038 | 1 215 | 977 |
| **106 721** |  | **Total non‑financial assets** |  | **108 944** | **109 057** | **111 034** |
| **199 638** |  | **Total assets** | **15** | **208 985** | **209 534** | **211 431** |
|  |  | **Liabilities** |  |  |  |  |
| 454 |  | Deposits held and advances received |  | 518 | 471 | 518 |
| 5 112 |  | Payables | 16 | 5 704 | 5 355 | 5 434 |
| 32 847 |  | Borrowings |  | 34 069 | 34 597 | 29 986 |
| 5 463 |  | Employee benefits | 17 | 5 605 | 5 675 | 5 852 |
| 26 181 |  | Superannuation |  | 25 947 | 27 885 | 25 003 |
| 598 |  | Other provisions |  | 807 | 754 | 211 |
| **70 655** |  | **Total liabilities** |  | **72 650** | **74 738** | **67 003** |
| **128 983** |  | **Net assets** |  | **136 335** | **134 796** | **144 427** |
| 44 505 |  | Accumulated surplus/(deficit) |  | 45 788 | 44 237 | 53 112 |
| 84 428 |  | Reserves |  | 90 496 | 90 509 | 91 265 |
| 50 |  | Non‑controlling interest |  | 50 | 50 | 50 |
| **128 983** |  | **Net worth** |  | **136 335** | **134 796** | **144 427** |
|  |  |  |  |  |  |  |
|  |  | **FISCAL AGGREGATES** |  |  |  |  |
| 22 263 |  | Net financial worth |  | 27 390 | 25 739 | 33 394 |
| 53 613 |  | Net financial liabilities |  | 54 791 | 56 728 | 49 038 |
| 21 471 |  | Net debt |  | 22 327 | 23 000 | 17 986 |

The accompanying notes form part of these financial statements.

Notes:

(a) September 2014‑15 comparative figures have been restated to reflect more current information.

(b) Balances represent actual opening balances at 1 July 2015 plus 2015‑16 budgeted movements.

Table 1.7: Consolidated cash flow statement for the period ended 30 September

($ million)

| 2014‑15 |  |  |  | 2015‑16 | |  |
| --- | --- | --- | --- | --- | --- | --- |
| Actual  to Sep |  |  | Notes | Actual  to Sep | Annual Budget | |
|  |  | **Cash flows from operating activities** |  |  |  | |
|  |  | **Receipts** |  |  |  | |
| 4 586 |  | Taxes received |  | 4 887 | 19 007 | |
| 5 664 |  | Grants |  | 6 008 | 25 668 | |
| 1 805 |  | Sales of goods and services(a) |  | 1 782 | 7 531 | |
| 194 |  | Interest received |  | 193 | 812 | |
| 57 |  | Dividends and income tax equivalent and rate equivalent receipts |  | 49 | 1 143 | |
| 412 |  | Other receipts |  | 439 | 1 741 | |
| **12 718** |  | **Total receipts** |  | **13 359** | **55 904** | |
|  |  | **Payments** |  |  |  | |
| (4 313) |  | Payments for employees |  | (4 730) | (19 657) | |
| (692) |  | Superannuation |  | (773) | (2 969) | |
| (510) |  | Interest paid |  | (531) | (2 059) | |
| (2 180) |  | Grants and subsidies |  | (2 185) | (8 748) | |
| (4 515) |  | Goods and services(a) |  | (4 666) | (18 056) | |
| (176) |  | Other payments |  | (194) | (661) | |
| **(12 386)** |  | **Total payments** |  | **(13 078)** | **(52 149)** | |
| **332** |  | **Net cash flows from operating activities** | **18b** | **280** | **3 755** | |
|  |  | **Cash flows from investing activities** |  |  |  | |
| (887) |  | Purchases of non‑financial assets | 15 | (948) | (4 552) | |
| 36 |  | Sales of non‑financial assets |  | 22 | 322 | |
| **(851)** |  | **Cash flows from investments in non‑financial assets** |  | **(926)** | **(4 230)** | |
| 208 |  | Net cash flows from investments in financial assets for policy purposes |  | 18 | 6 511 | |
| **(643)** |  | **Sub‑total** |  | **(908)** | **2 281** | |
| (14) |  | Net cash flows from investments in financial assets for liquidity management purposes |  | (74) | (83) | |
| **(657)** |  | **Net cash flows from investing activities** |  | **(982)** | **2 199** | |
|  |  | **Cash flows from financing activities** |  |  |  | |
| .. |  | Advances received (net) |  | .. | .. | |
| (108) |  | Net borrowings |  | 528 | (5 756) | |
| 28 |  | Deposits received (net) |  | (47) | .. | |
| **(81)** |  | **Net cash flows from financing activities** |  | **481** | **(5 756)** | |
| **(405)** |  | **Net increase/(decrease) in cash and cash equivalents** |  | **(220)** | **198** | |
| 4 582 |  | Cash and cash equivalents at beginning of reporting period(b) |  | 4 282 | 4 282 | |
| **4 177** |  | **Cash and cash equivalents at end of reporting period(b)** | **18a** | **4 061** | **4 479** | |
|  |  | **FISCAL AGGREGATES** |  |  |  | |
| 332 |  | Net cash flows from operating activities |  | 280 | 3 755 | |
| (851) |  | Net cash flows from investments in non‑financial assets |  | (926) | (4 230) | |
| **(519)** |  | **Cash surplus/(deficit)** |  | **(646)** | **(475)** | |

The accompanying notes form part of these financial statements.

Notes:

(a) These items are inclusive of goods and services tax.

(b) September 2014‑15 comparative figures have been updated to reflect more current information.

Table 1.8: Consolidated statement of changes in equity for the period ending 30 September

($ million)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Accumulated surplus/(deficit) | Non‑ controlling interest | Non‑financial assets revaluation surplus(a) | Investment in other sector entities revaluation surplus | Other  reserves | Total |
| **2015‑16** |  |  |  |  |  |  |
| Balance at 1 July 2015 | 45 788 | 50 | 43 355 | 46 413 | 728 | 136 335 |
| Net result for the quarter | 353 | .. | .. | .. | .. | 353 |
| Other comprehensive income for the year | (1 916) | .. | 32 | .. | (20) | (1 903) |
| Transfer to accumulated surplus | 11 | .. | 1 | .. | .. | 12 |
| **Total equity as at 30 September 2015** | **44 237** | **50** | **43 387** | **46 413** | **708** | **134 796** |
| **Budget equity as at 30 June 2016(b)** | **53 112** | **50** | **44 111** | **46 414** | **740** | **144 427** |
| **2014‑15(c)** |  |  |  |  |  |  |
| Balance at 1 July 2014(a) | 43 635 | 50 | 41 965 | 42 187 | 640 | 128 477 |
| Net result for the quarter | 351 | .. | .. | .. | .. | 351 |
| Other comprehensive income for the year | 128 | .. | 22 | .. | 5 | 155 |
| Transfer to accumulated surplus | 392 | .. | (392) | .. | .. | .. |
| **Total equity as at 30 September 2014** | **44 505** | **50** | **41 595** | **42 187** | **646** | **128 983** |

The accompanying notes form part of these financial statements.

Notes:

(a) Non‑financial assets revaluation surplus relates to revaluation of land, buildings, infrastructure, plant and equipment.

(b) Balances represent actual opening balances at 1 July 2015 plus 2015‑16 budgeted movements.

(c) September 2014‑15 comparative figures have been restated to reflect more current information.

# Appendix 1(c) – Extract of financial statements from the *2015‑16 Mid‑Year Financial Report*

Table 1.9: Consolidated comprehensive operating statement for the six months ended 31 December

($ million)

|  |  |  | State of Victoria | |  | General  government sector | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Notes | 2015 | | 2014(a) | 2015 | | 2014(a) |
| **Revenue from transactions** |  |  | |  |  | |  |
| Taxation revenue | 3 | 9 443 | | 8 555 | 9 676 | | 8 764 |
| Interest revenue |  | 308 | | 462 | 394 | | 405 |
| Dividends and income tax equivalent and rate equivalent revenue | 4 | 766 | | 502 | 451 | | 667 |
| Sales of goods and services | 5 | 7 017 | | 6 854 | 3 332 | | 3 332 |
| Grant revenue | 6 | 12 258 | | 11 664 | 12 301 | | 11 722 |
| Other revenue | 7 | 2 065 | | 1 415 | 1 726 | | 1 155 |
| **Total revenue from transactions** |  | **31 857** | | **29 452** | **27 880** | | **26 045** |
| **Expenses from transactions** |  |  | |  |  | |  |
| Employee expenses |  | 10 261 | | 9 803 | 9 765 | | 9 319 |
| Net superannuation interest expense | 8a | 441 | | 512 | 441 | | 512 |
| Other superannuation | 8a | 1 223 | | 1 094 | 1 160 | | 1 035 |
| Depreciation | 9 | 2 322 | | 2 198 | 1 200 | | 1 198 |
| Interest expense | 10 | 1 356 | | 1 424 | 1 034 | | 1 048 |
| Grant expense | 11 | 2 841 | | 2 721 | 4 315 | | 4 130 |
| Other operating expenses | 12 | 12 267 | | 12 090 | 8 457 | | 8 340 |
| **Total expenses from transactions** | **13** | **30 711** | | **29 841** | **26 373** | | **25 581** |
| **Net result from transactions – net operating balance** |  | **1 146** | | **(389)** | **1 507** | | **463** |
| **Other economic flows included in net result** |  |  | |  |  | |  |
| Net gain/(loss) on disposal of non‑financial assets |  | 8 | | 28 | 11 | | 26 |
| Net gain/(loss) on financial assets or liabilities at fair value |  | (289) | | (174) | (21) | | 35 |
| Share of net profit/(loss) from associates/joint venture entities |  | 28 | | 22 | 2 | | .. |
| Other gains/(losses) from other economic flows | 14 | (351) | | (1 266) | (260) | | (333) |
| **Total other economic flows included in net result** |  | **(604)** | | **(1 390)** | **(267)** | | **(273)** |
| **Net result** |  | **542** | | **(1 779)** | **1 239** | | **191** |
| **Other economic flows – other comprehensive income** | | | | | | | |
| **Items that will not be reclassified to net result** |  |  | |  |  | |  |
| Changes in non‑financial assets revaluation surplus |  | (82) | | 74 | 8 | | 59 |
| Remeasurement of superannuation defined benefits plans | 8a | (704) | | (2 467) | (704) | | (2 464) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets |  | .. | | .. | (246) | | 3 |
| Other movements in equity |  | 53 | | (26) | (25) | | (7) |
| **Items that may be reclassified subsequently to net result** |  |  | |  |  | |  |
| Net gain/(loss) on financial assets at fair value |  | (30) | | (54) | (26) | | (34) |
| **Total other economic flows – other comprehensive income** |  | **(763)** | | **(2 473)** | **(993)** | | **(2 444)** |
| **Comprehensive result – total change in net worth** |  | **(221)** | | **(4 253)** | **246** | | **(2 253)** |
|  |  |  | |  |  | |  |
| **KEY FISCAL AGGREGATES** |  |  | |  |  | |  |
| **Net operating balance(a)** |  | **1 146** | | **(389)** | **1 507** | | **463** |
| Less: Net acquisition of non‑financial assets from transactions | 2 | 819 | | 848 | 359 | | 445 |
| **Net lending/(borrowing)(a)** |  | **327** | | **(1 237)** | **1 148** | | **18** |

The accompanying notes form part of these financial statements.

Notes:

(a) The December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

Table 1.10: Consolidated balance sheet as at 31 December

($ million)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | State of Victoria | |  | General  government sector | |
|  | Notes | Dec 2015 | | Jun  2015 | Dec  2015 | | Jun  2015 |
| **Assets** |  |  | |  |  | |  |
| **Financial assets** |  |  | |  |  | |  |
| Cash and deposits | 27a | 5 946 | | 6 521 | 4 112 | | 4 282 |
| Advances paid | 15 | 143 | | 121 | 4 550 | | 4 572 |
| Receivables | 16 | 7 735 | | 6 789 | 5 907 | | 5 555 |
| Investments, loans and placements | 15 | 35 289 | | 34 317 | 3 389 | | 3 406 |
| Investments accounted for using the equity method | 17 | 2 020 | | 2 021 | 44 | | 45 |
| Investments in other sector entities |  | .. | | .. | 82 563 | | 82 181 |
| **Total financial assets** |  | **51 134** | | **49 770** | **100 566** | | **100 040** |
| **Non‑financial assets** |  |  | |  |  | |  |
| Inventories | 18 | 706 | | 710 | 154 | | 144 |
| Non‑financial assets held for sale | 19 | 192 | | 205 | 165 | | 175 |
| Land, buildings, infrastructure, plant and equipment(a) | 20 | 207 459 | | 206 949 | 107 750 | | 107 562 |
| Other non‑financial assets | 21 | 2 287 | | 2 127 | 1 195 | | 1 038 |
| **Total non‑financial assets(a)** |  | **210 644** | | **209 991** | **109 265** | | **108 920** |
| **Total assets(a)** | **22** | **261 778** | | **259 760** | **209 830** | | **208 960** |
| **Liabilities** |  |  | |  |  | |  |
| Deposits held and advances received |  | 2 464 | | 2 320 | 485 | | 518 |
| Payables | 23 | 7 967 | | 7 591 | 5 188 | | 5 704 |
| Borrowings | 24 | 51 593 | | 51 688 | 34 301 | | 34 069 |
| Employee benefits | 25 | 6 223 | | 6 076 | 5 769 | | 5 605 |
| Superannuation | 8b | 26 762 | | 25 988 | 26 722 | | 25 947 |
| Other provisions | 26 | 27 104 | | 26 213 | 809 | | 807 |
| **Total liabilities** |  | **122 114** | | **119 876** | **73 274** | | **72 650** |
| **Net assets(a)** |  | **139 664** | | **139 885** | **136 556** | | **136 310** |
| Accumulated surplus/(deficit)(a) |  | 61 108 | | 61 204 | 46 304 | | 45 764 |
| Reserves |  | 78 506 | | 78 630 | 90 203 | | 90 496 |
| Non‑controlling interest |  | 50 | | 50 | 50 | | 50 |
| **Net worth(a)** |  | **139 664** | | **139 885** | **136 556** | | **136 310** |
|  |  |  | |  |  | |  |
| **FISCAL AGGREGATES** |  |  | |  |  | |  |
| Net financial worth |  | (70 980) | | (70 106) | 27 292 | | 27 390 |
| Net financial liabilities |  | 70 980 | | 70 106 | 55 271 | | 54 791 |
| Net debt |  | 12 679 | | 13 048 | 22 735 | | 22 327 |

The accompanying notes form part of these financial statements.

Note:

(a) Certain June 2015 comparative figures have been restated to reflect more current information.

Table 1.11: Consolidated cash flow statement for the six months ended 31 December

($ million)

|  |  | |  | State of Victoria | |  | General  government sector | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Notes | | 2015 | | 2014(a) | 2015 | | 2014(a) |
| **Cash flows from operating activities** |  | |  | |  |  | |  |
| **Receipts** |  | |  | |  |  | |  |
| Taxes received |  | | 9 702 | | 9 157 | 9 935 | | 9 366 |
| Grants |  | | 12 251 | | 11 660 | 12 300 | | 11 720 |
| Sales of goods and services(b) |  | | 8 557 | | 8 260 | 3 527 | | 3 489 |
| Interest received |  | | 265 | | 406 | 372 | | 385 |
| Dividends and income tax equivalent and rate equivalent receipts |  | | 766 | | 503 | 605 | | 676 |
| Other receipts |  | | 1 172 | | 1 204 | 939 | | 1 004 |
| **Total receipts** |  | | **32 712** | | **31 191** | **27 677** | | **26 640** |
| **Payments** |  | |  | |  |  | |  |
| Payments for employees |  | | (10 135) | | (9 739) | (9 622) | | (9 230) |
| Superannuation |  | | (1 595) | | (1 481) | (1 530) | | (1 420) |
| Interest paid |  | | (1 365) | | (1 428) | (1 031) | | (1 020) |
| Grants and subsidies |  | | (2 875) | | (2 904) | (4 336) | | (4 333) |
| Goods and services(b) |  | | (12 648) | | (12 552) | (8 966) | | (8 966) |
| Other payments |  | | (371) | | (341) | (371) | | (339) |
| **Total payments** |  | | **(28 988)** | | **(28 445)** | **(25 856)** | | **(25 308)** |
| **Net cash flows from operating activities** | **27b** | | **3 724** | | **2 746** | **1 821** | | **1 332** |
| **Cash flows from investing activities** |  | |  | |  |  | |  |
| Purchases of non‑financial assets |  | | (3 266) | | (3 226) | (2 037) | | (2 118) |
| Sales of non‑financial assets |  | | 220 | | 238 | 73 | | 122 |
| **Cash flows from investments in non‑financial assets** |  | | **(3 046)** | | **(2 989)** | **(1 964)** | | **(1 996)** |
| **Cash flows from investments in financial assets for policy purposes** | |  |  | |  |  | |  |
| Cash inflows |  | | 97 | | 1 736 | 52 | | 333 |
| Cash outflows |  | | (9) | | (6) | (241) | | (289) |
| Net cash flows from investments in financial assets for policy purposes(c) |  | | 88 | | 1 729 | (190) | | 44 |
| **Sub‑total** |  | | **(2 958)** | | **(1 259)** | **(2 153)** | | **(1 952)** |
| Net cash flows from investments in financial assets for liquidity management purposes |  | | (1 447) | | (1 312) | (33) | | (316) |
| **Net cash flows from investing activities** |  | | **(4 405)** | | **(2 571)** | **(2 187)** | | **(2 268)** |
| **Cash flows from financing activities** |  | |  | |  |  | |  |
| Advances received |  | | 39 | | 21 | .. | | 1 |
| Advances repaid |  | | (2) | | (5) | .. | | .. |
| Advances received (net)(c) |  | | 38 | | 16 | .. | | 1 |
| Borrowings received |  | | 281 | | 165 | 359 | | 236 |
| Borrowings repaid |  | | (308) | | (889) | (131) | | (173) |
| Net borrowings(c) |  | | (27) | | (724) | 229 | | 62 |
| Deposits received |  | | 429 | | 229 | 162 | | 153 |
| Deposits paid |  | | (323) | | (260) | (194) | | (157) |
| Deposits received (net)(c) |  | | 107 | | (32) | (32) | | (3) |
| **Net cash flows from financing activities** |  | | **117** | | **(739)** | **196** | | **60** |
| **Net increase/(decrease) in cash and cash equivalents** |  | | **(564)** | | **(564)** | **(169)** | | **(876)** |
| Cash and cash equivalents at beginning of reporting period |  | | 6 510 | | 8 281 | 4 282 | | 4 582 |
| **Cash and cash equivalents at end of reporting period** | **27a** | | **5 946** | | **7 717** | **4 112** | | **3 707** |
|  |  | |  | |  |  | |  |
| **FISCAL AGGREGATES** |  | |  | |  |  | |  |
| Net cash flows from operating activities |  | | 3 724 | | 2 746 | 1 821 | | 1 332 |
| Net cash flows from investments in non‑financial assets |  | | (3 046) | | (2 989) | (1 964) | | (1 996) |
| **Cash surplus/(deficit)** |  | | **678** | | **(242)** | **(142)** | | **(663)** |

The accompanying notes form part of these financial statements.

Notes:

(a) Certain December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

(b) These items are inclusive of goods and services tax.

(c) In accordance with AASB 107, Treasury Corporation of Victoria is not required to gross up their cash flow information for whole of government consolidation purposes. The net cash movements for Treasury Corporation of Victoria have been added to cash inflows or outflows for both six months ended 31 December 2015 and 31 December 2014.

## 

Table 1.12: Statement of changes in equity for the six months ended 31 December

($ million)

|  |  |  |
| --- | --- | --- |
| State of Victoria | Accumulated surplus/(deficit)(a) | Non‑controlling interest |
| **2015** |  |  |
| Balance at 1 July 2015 | 61 204 | 50.0 |
| Net result for the six months | 542 | .. |
| Other comprehensive income for the year | (616) | .. |
| Transfer to accumulated surplus | (22) | .. |
| Transactions with owners in their capacity as owners | .. | .. |
| **Total equity as at 31 December 2015** | **61 108** | **50.0** |
| **2014** |  |  |
| Balance at 1 July 2014(a) | 45 436 | 50.0 |
| Net result for the six months | (1 779) | .. |
| Other comprehensive income for the year | (2 380) | .. |
| Transfer to accumulated surplus | 392 | .. |
| Transactions with owners in their capacity as owners | .. | .. |
| **Total equity as at 31 December 2014** | **41 668** | **50.0** |

The accompanying notes form part of these financial statements.

Note:

(a) The 1 July 2014 and December 2014 comparatives and the 1 July 2015 opening balances have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

($ million)

|  |  |  |
| --- | --- | --- |
| General government sector | Accumulated surplus/(deficit)(a) | Non‑controlling interest |
| **2015** |  |  |
| Balance at 1 July 2015 | 45 764 | 50.0 |
| Net result for the six months | 1 239 | .. |
| Other comprehensive income for the year | (678) | .. |
| Transfer to accumulated surplus | (22) | .. |
| Transactions with owners in their capacity as owners | .. | .. |
| **Total equity as at 31 December 2015** | **46 304** | **50.0** |
| **2014** |  |  |
| Balance at 1 July 2014 | 43 635 | 50.0 |
| Net result for the six months | 191 | .. |
| Other comprehensive income for the year | (2 495) | .. |
| Transfer to accumulated surplus | 392 | .. |
| Transactions with owners in their capacity as owners | .. | .. |
| **Total equity as at 31 December 2014** | **41 722** | **50.0** |

The accompanying notes form part of these financial statements.

Note:

(a) The 1 July 2014 and December 2014 comparatives and the 1 July 2015 opening balances have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

|  |  |  |
| --- | --- | --- |
| Non‑financial assets revaluation surplus (a) | Other  reserves | Total (a) |
|  |  |  |
| 77 429 | 1 201 | 139 885 |
| .. | .. | 542 |
| (82) | (65) | (763) |
| 22 | .. | .. |
| .. | .. | .. |
| **77 370** | **1 135** | **139 664** |
|  |  |  |
| 85 437 | 1 161 | 132 083 |
| .. | .. | (1 779) |
| 74 | (168) | (2 473) |
| (392) | .. | .. |
| .. | .. | .. |
| **85 119** | **993** | **127 831** |

|  |  |  |  |
| --- | --- | --- | --- |
| Non‑financial assets revaluation surplus(a) | Investment in other  sector entities  revaluation surplus | Other  reserves | Total(a) |
|  |  |  |  |
| 43 355 | 46 413 | 728 | 136 310 |
| .. | .. | .. | 1 239 |
| 8 | (246) | (77) | (993) |
| 22 | .. | .. | .. |
| .. | .. | .. | .. |
| **43 385** | **46 167** | **651** | **136 556** |
|  |  |  |  |
| 41 965 | 42 187 | 640 | 128 477 |
| .. | .. | .. | 191 |
| 59 | 3 | (11) | (2 444) |
| (392) | .. | .. | .. |
| .. | .. | .. | .. |
| **41 632** | **42 190** | **629** | **126 224** |

# Appendix 1(d) – Analysis of disclosures made in Victorian financial publications

Refer to footnotes for additional information about individual disclosures.

## Glossary:

E – Estimated; A – Actual; F – Fictitious (for Model Report)

|  | Model Report for Victorian Government Departments 2015‑16 | 2015‑16 Budget Paper  No. 5 (a) | 2014‑15  Quarterly Financial Report  No. 3 | 2014‑15 Financial Report (b) | 2015‑16 Quarterly Financial Report  No. 1 | 2015‑16 Budget Update | 2015‑16 Mid‑Year Financial Report (c) | November 2014  Pre‑Election Budget Update |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial statements** | | | | | | | | |
| Comprehensive operating statement (COS) | F | E | A | A | A | E | A | E |
| Balance sheet | F | E | A | A | A | E | A | E |
| Statement of changes in equity | F | E | A | A | A | E | A | E |
| Cash flow statement | F | E | A | A | A | E | A | E |
|  |  |  |  |  |  |  |  |  |
| **Notes to the financial statements** | | | | | | | | |
| Statement of significant accounting policies/statement of significant accounting policies and forecast assumptions | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Disaggregated information(d) |  |  |  | 2 |  |  | 2 |  |
| Departmental (controlled) outputs(e) | 2 |  |  |  |  |  |  |  |
| Administered (non‑controlled) items(e) | 3 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Income from transactions | 4 |  |  |  |  |  |  |  |
| Taxation(d) |  | 2 | 2 | 3 | 2 | 2 | 3 | 2 |
| Interest | 4(a) |  |  |  |  |  |  |  |
| Fines |  | 6 |  |  |  |  |  |  |
| Dividends and income tax equivalent and rate equivalent income | 4(e) | 3 | 3 | 4 | 3 | 3 | 4 | 3 |
| Grants | 4(c) | 5 | 5 | 6 | 5 | 5 | 6 | 5 |
| Sale of goods and services | 4(b) | 4 | 4 | 5 | 4 | 4 | 5 | 4 |
| Fair value of assets received free of charge or for nominal consideration | 4(d) | 6 |  |  |  |  |  |  |
| Other income | 4(e) | 6 | 6 | 7 | 6 | 6 | 7 | 6 |
| Expenses from transactions | 5 |  |  |  |  |  |  |  |
| Superannuation | 28 | 7 | 7 | 8 | 7 | 7 | 8 | 7 |
| Depreciation | 5(b) | 8 | 8 | 9 | 8 | 8 | 9 | 8 |
| Interest expense | 5(c) | 9 |  | 10 |  | 9 | 10 | 9 |
| Grants and other transfers | 5(d) | 10 |  | 11 |  | 10 | 11 | 10 |
| Other operating expenses | 5(e) | 11 |  | 12 |  | 11 | 12 |  |
| Other economic flows included in net result | 6 |  |  |  |  |  |  |  |
| Net gain/(loss) from non‑financial assets | 6(a) |  |  | 14 |  |  |  |  |
| Other gains/(losses) from other economic flows | 6(d) | 13 | 10 | 15 | 10 | 13 | 14 | 13 |
| Total expenses from transactions by departments (d) |  |  | 9 |  | 9 |  |  | 12(b) |
| Total expenses by government purpose classification/function (d) |  | 12 |  | 13 |  | 12 | 13 | 12(a) |
| Revision of accounting estimates | 7 |  |  |  |  |  |  |  |
| Correction of errors | 8 |  |  |  |  |  |  |  |
| Restructuring of administrative arrangements | 9 |  |  |  |  |  |  |  |
| Discontinued operations | 10 |  |  |  |  |  |  |  |
| Receivables | 11 |  | 12 | 17 | 12 |  | 16 |  |
| Investments and other financial assets | 12 |  |  | 16 |  |  | 15 | 16 |
| Investments accounted for using the equity method | 13 |  |  | 18 |  |  | 17 |  |
| Interests in subsidiary and unconsolidated structured entities | 14 |  |  |  |  |  |  |  |
| Non‑financial physical assets classified as held for sale including disposal group and directly associated liabilities | 15 |  |  | 21 |  |  | 19 |  |
| Inventories | 16 |  |  | 20 |  |  | 18 |  |
| Property, plant and equipment | 17 | 17 | 13 | 22 | 13 | 17 | 20 | 17 |
| Reconciliation of movements in property, plant and equipment | 17 | 18 | 13 | 22(c) | 13 | 18 | 20 | 18 |
| Biological assets | 18 |  | 14 | 23 | 14 |  | 21 |  |
| Investment properties | 19 |  | 14 | 23 | 14 |  | 21 |  |
| Intangible assets | 20 |  | 14 | 23 | 14 |  | 21 |  |
| Other non‑financial assets | 21 |  | 14 | 23 | 14 |  | 21 |  |
| Payables | 22 |  |  | 25 |  | 21 | 23 | 20 |
| Borrowings | 23 | 22 |  | 26 |  | 22 | 24 | 21 |
| Provisions | 24 |  |  | 28 |  |  | 26 |  |
| Employee benefits | 24 (a) | 23 | 16 | 27 | 17 | 23 | 25 | 22 |
| Reconciliation of net gain on equity investments in other sector entities at proportional share of net assets |  | 14 |  | 19 |  | 14 |  | 14 |
| Net acquisition of non‑financial assets |  | 15 | 11 |  | 11 | 15 |  | 15 |
| Assets received as collateral | 25 |  |  |  |  |  |  |  |
| Assets pledged as security | 26 |  |  |  |  |  |  |  |
| De‑recognition of financial assets | 27 |  |  |  |  |  |  |  |
| Superannuation | 28 | 7 | 7 | 8 |  | 7 | 8 | 7 |
| Assets classified by government purpose classification | 17 | 20(d) |  | 24 |  | 20 | 22 | 19(a) |
| Other asset and liability disclosures | 29 |  |  |  |  |  |  |  |
| Leases | 30 |  |  |  |  |  |  |  |
| Purchase of non‑financial assets by department |  | 20(b) |  |  |  | 20(b) |  | 19(b) |
| Commitments | 31 |  |  | 34 |  |  | 29 |  |
| Contingent assets and liabilities | 32 |  |  | 35 |  |  | 30 |  |
| Financial instruments | 33 | 26 |  | 33 |  | 26 | 28 | 25 |
| Cash flow information | 34 |  |  | 30 | 18 |  | 27 |  |
| Reserves | 35 | 24 |  | 29 |  | 24 |  | 23 |
| Reconciliations to Government Finance Statistics |  | 25 |  | 31 |  | 25 |  | 24 |
| Summary of compliance with annual parliamentary and special appropriations/Public Account disclosure | 36 |  | 18 | 39 | 19 |  | 32 |  |
| Ex gratia payments | 37 |  |  |  |  |  |  |  |
| Annotated income agreements | 38 |  |  |  |  |  |  |  |
| Trust account balances/Funds under management | 39 |  |  | 36 |  |  |  |  |
| Responsible persons | 40 |  |  |  |  |  |  |  |
| Remuneration of executives | 41 |  |  |  |  |  |  |  |
| Remuneration of auditors | 42 |  |  |  |  |  |  |  |
| Subsequent events | 43 |  |  | 38 |  |  |  |  |
| Glossary of terms | 44 |  |  | 40 | 20 |  |  |  |
| Controlled entities (d) |  | 27 |  | 42 | 21 | 27 | 33 | 26 |

Notes:

(a) Incorporates general government sector Quarterly Financial Report No. 3.

(b) Incorporates general government sector Quarterly Financial Report No. 4.

(c) Incorporates general government sector Quarterly Financial Report No. 2.

(d) Notes specific to government sector reporting.

(e) Notes specific to the Model Report for departmental reporting.

Appendix 2 – Practical classification guide between transactions and other economic flows

Transactions (T) generally arise when there is mutual agreement between counterparties. They represent changes to assets/liabilities that result directly from economic activities such as production (including cultivated assets e.g. breeding stock and plantations) or consumption.

Other economic flows (OEF) are either holding gains/(losses) from revaluations of assets/liabilities due to market changes, or changes in volume due to non‑economic phenomena such as: entrance or exit from the balance sheet as a result of normal events other than transactions e.g. discoveries of mineral deposits; birth/demise of breeding stock; assets created by human activity not previously recognised; and destruction by catastrophe.

For operating statement presentation purposes, other economic flows are disaggregated into ‘other economic flows included in net result’ and ‘other economic flows – other comprehensive income (OCI)’.

|  | Item | Transaction | OEF included in net result | OEF – OCI | Reason for the classification |
| --- | --- | --- | --- | --- | --- |
| 1 | Taxation |  |  |  | Agreed between counterparties i.e. implicit agreement between government and taxpayers. |
| 2 | Bad debts |  |  |  | Either:  If agreed between counterparties = transaction.  If unilateral write off = other economic flows included in net result. |
| 3 | Dividends |  |  |  | Agreed between counterparties i.e. owner and business. |
| 4 | Net profit or loss from associates (other than dividends) |  |  |  | Revaluation of investment. |
| 5 | Depreciation |  |  |  | Agreed between internal counterparties i.e. the business is simultaneously acting as the owner and consumer of the service provided by the asset. |
| 6 | Provision for doubtful debts |  |  |  | Treated as a unilateral decision to provision adjustment and affect net result. |
| 7 | Long service leave provision:  1. Change in provision due to changes in the bond rates |  |  |  | The movements in the long service leave provision associated with a change in the bond rates will be reflected in other economic flows included in net result. |
|  | 2. Change in provision due to changed estimation. |  |  |  | The movements in the long service leave provision associated with a change in the estimates applied will be reflected in other economic flows included in net result. |
| 8 | Whole of government unfunded superannuation liability:  1. Net interest expense |  |  |  |  |
|  | 2. Remeasurement |  |  |  | Revaluation: (1) difference between expected return on assets and actual return; (2) change to gross obligation due to bond rate change. |
| 9 | Gain/Loss on financial instruments/ non‑financial assets |  |  |  | Revaluation. |
| 10 | Depletion of natural assets by removal or physical use e.g. forest; destruction by catastrophe e.g. fire |  |  |  | Change in volume. |
| 11 | Gain from natural increase in livestock due to births |  |  |  | Change in volume. |

Appendix 3 – Fair value measurement indicative expectations

| Asset class | Examples of types of assets | Expected fair value level | Likely valuation  approach | Significant inputs  (Level 3 only) |
| --- | --- | --- | --- | --- |
| Non‑specialised land | In areas where there is an active market –   * Vacant land * Land not subject to restrictions as to use or sale | Level 2 | Market approach | n/a |
| Specialised Land | * Land subject to restriction as to use and/or sale * Land in areas where there is not an active market | Level 3 | Market approach | CSO adjustments |
| Non‑specialised buildings | * For general/commercial buildings that are just built | Level 2 | Market approach | n/a |
| Specialised buildings (a) | * Specialised buildings with limited alternative uses and/or substantial customisation e.g. prisons, hospitals and schools | Level 3 | Depreciated replacement cost approach | * Cost per square metre * Useful life |
| Heritage assets | * Shrine of Remembrance * Governor’s House | Level 3 | Depreciated replacement cost approach (b) | * Cost per square metre * Useful life |
| Dwellings (a) | * Social/public housing, employee housing | Level 2, where there is an active market in the area | Market approach | n/a |
|  |  | Level 3, where there is no active market in the area | Depreciated replacement cost approach | * Cost per square metre * Useful life |
| Vehicles | * If there is an active resale market available; | Level 2 | Market approach | n/a |
|  | * If there is no active resale market available | Level 3 | Depreciated replacement cost approach | * Cost per unit * Useful life |
| Plant and equipment (a) | * Specialised items with limited alternative uses and/or substantial customisation | Level 3 | Depreciated replacement cost approach | * Cost per square metre * Useful life |
| Infrastructure | * Water infrastructures (Metro) | Level 3 | Income approach | * Estimated cash flow per year * Discount rate |
|  | * Water infrastructure (Regional) * Rail infrastructure * Others | Level 3 | Depreciated replacement cost approach | * Cost per unit * Useful life |
| Road, infrastructure and earthworks (a) | Any type | Level 3 | Depreciated replacement cost approach | * Cost per metre * Useful life |
| Cultural assets | * Artworks, for which there is an active market for the item | Level 2 | Market approach | n/a |
| Cultural assets (b) | * Museum/library collections, for which there is no active market for the item | Level 3 | Depreciated replacement cost approach | * Cost per unit * Useful life |

Notes:

(a) Newly built/acquired assets could be categorised as Level 2 assets as depreciation would not be a significant unobservable input (based on the 10 per cent materiality threshold).

(b) For heritage and iconic assets, cost may be the reproduction cost of the asset rather than the replacement cost as their service potential could only be replaced by reproducing them with the same materials.

Appendix 4 – Annual leave provisions

AASB 119 Employee Benefits

## Definitions (paragraph 8, AASB 119)

Short‑term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service.

Other long‑term employee benefits are all employee benefits other than short‑term employee benefits, post‑employment benefits and termination benefits.

## Revised requirements

Under revised AASB 119, the classification of short‑term employee benefits centres around the question as to whether the employee benefits are expected to be wholly settled within 12 months.

In other words, if the employee benefits are not expected to be wholly settled within 12 months and this is a permanent expectation, the employee benefits should be classified as long‑term employee benefits and should be measured at a discounted value similar to other long‑term employee benefits.

However, an entity need not reclassify a short‑term employee benefit if the entity’s expectations of the timing of employee benefit settlement change temporarily. In such cases, entities can continue to measure the employee benefits at nominal value.

## Example assumptions

* At 30 June Year 0 (i.e. the reporting date), the balance of outstanding annual leave entitlements are expected to be $100 (nominal value including wage inflation).
* Based on historical trends, 70 per cent of the entitlements are expected to be taken during Year 1, with the remaining 30 per cent taken by the end of Year 2.
* Cash settlements are made as expected.
* Discount rate = 5 per cent.
* Expected cash outflows are discounted on annual basis.

## Questions

### Do the annual leave provisions in this example qualify as short‑term employee benefits?

No. The classification of ‘short‑term employee benefits’ is based on the ‘whole of the benefit’ level. If a portion of the benefit is expected to be settled longer than 12 months after the end of the annual reporting period, then the whole of the benefit will be classified as a long‑term employee benefit. In this example, since 30 per cent of the entitlements are expected to be taken after 12 months, the whole balance of annual leave entitlements will be classified as ‘long‑term employee benefits’ and calculated on discounted value.

### How should the annual leave provisions be calculated?

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| PV | | Expected cash outflow of  $70 (incl. CPI) | |  | Expected cash outflow of $30 (incl. CPI) | |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| 30 Jun Y0  (reporting date) | | 30 Mar Y1 | |  | 30 Jun Y2 |  |
|  | Within 12 months | | | After 12 months | |  |

#### Calculation guidance

1. Entities need to estimate the expected cash outflows to settle the outstanding annual leave entitlements, taking into account the wage inflation rate as published by DTF for long service leave (LSL).

2. At the reporting date (Y0), the present value of annual leave provisions is the sum of the discounted value of expected cash outflows (note: discount rate used should be consistent with the LSL discount rate issued by DTF).

3. Discounted annual leave provision for the 12 months ended 30 June Y0.

|  |  |  |
| --- | --- | --- |
|  | Expected cash outflow  (including wage inflation) | Discounted value |
| Y1 | $70 | $70 (a) |
| Y2 | $30 | $27 (b) |
| Total | $100 (c) | 97 (d) |

Notes:

(a) Theoretically, this discounted value should be different from the expected cash outflows if it is discounted on a monthly or quarterly basis. However, because of the discounting methodology used (i.e. annual basis as with LSL calculation), expected cash outflows within 12 months will be the same as the nominal value.

(b) 30/(1+5%)2 = 27 (rounded).

(c) Annual leave provisions that meet the old definition of ‘short‑term employee benefit’ will usually be measured at nominal value.

(d) Since the annual leave provisions do not meet the new definition of ‘short‑term employee benefits’, the whole benefit should be measured at present value (using the same LSL calculation methodology).

### Journal entries

|  |  |  |
| --- | --- | --- |
| 30 June Y0 | DR | CR |
| AL expenses | $97 |  |
| Provisions for AL |  | $97 |
| Initial recognition for AL provisions | | |
| 30 March Y1 | DR | CR |
| Provisions for AL | $70 |  |
| Cash |  | $70 |
| Cash settlement of annual leave provision | | |
| 30 June Y1 | DR | CR |
| Interest expense – Unwinding of provision (transaction) | $1.35(a) |  |
| Provision for AL |  | $1.35 |
| Unwinding of provision at end of Y1 | | |
| 30 June Y2 | DR | CR |
| Interest expense – Unwinding of provision (transaction) | $1.42(b) |  |
| Provision for AL |  | $1.42 |
| Unwinding of provision at end of Y2 | | |
| Provision for AL | $30 |  |
| Cash |  | $30 |
| Cash settlement of annual leave provision (assume at 30 Mar Y1) | | |

Notes:

(a) 27\*5%=1.35.

(b) 27\*5%\*5% = 1.42.

## Disclosure illustration

Provisions for annual leave as at 30 June Y0 (i.e. current reporting period)

|  |  |  |
| --- | --- | --- |
| Current provisions | Old measurement | New measurement |
| Employee benefits – annual leave: |  |  |
| * Unconditional and expected to be settled within 12 months | $ 70 | $ 70 |
| * Unconditional and expected to be settled after 12 months | $ 30 | $27 |
| Total | $100 | $97 |

Appendix 5 – Summary of new/revised accounting standards effective for current and future reporting periods

[Update up to 1 March 2016]

Current reporting period

The following accounting pronouncements effective from the 2015‑16 reporting period are considered to have insignificant impacts on public sector reporting:

* AASB 1048 *Interpretation of Standards*
* AASB 2013‑9 *Amendments to Australian Accounting Standards [Part C Financial Instruments]*
* AASB 2014‑8 *Amendments to Australian Accounting Standards arising from AASB 9 – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*
* AASB 2015‑3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*
* AASB 2015‑4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127 & AASB 128]*

Note: Amending standard AASB 2015‑7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not‑for‑Profit Public Sector Entities, which is operative from 1 July 2016 provides an exemption for not‑for‑profit public sector entities from certain fair value disclosures. Please note that the State early adopted AASB 2015‑7 in the 2014‑15 reporting period and gave not‑for‑profit entities the option to early adopt this amending standard last year. As a result, all not‑for‑profit entities must now comply this amending standard for the current financial year.

## Future reporting periods

The table below outlines the accounting pronouncements that have been issued but not effective for 2015‑16, which may result in potential impacts on public sector reporting for future reporting periods.

| Topic | Key requirements | Effective date |
| --- | --- | --- |
| AASB 9 *Financial Instruments* | The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1 January 2018 |
| AASB 15 *Revenue from Contracts with Customers* | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015‑8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017. | 1 January 2018 |
| AASB 16 *Leases* | The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. | 1 January 2019 |
| AASB 2010‑7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]* | The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:   * the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and * other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. | 1 January 2018 |
| AASB 2014‑1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]* | Amends various AASs to reflect the AASB’s decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements. | 1 January 2018 |
| AASB 2014‑4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*  *[AASB 116 & AASB 138]* | AASB 2014‑4 amends AASB 116 and AASB 138 to:   * establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; * clarify that the use of revenue‑based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and * clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. | 1 January 2016 |
| AASB 2014‑5 *Amendments to Australian Accounting Standards arising from AASB 15* | Amends the measurement of trade receivables and the recognition of dividends. | 1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018. |
| AASB 2014‑7 *Amendments to Australian Accounting Standards arising from AASB 9* | Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. | 1 January 2018 |
| AASB 2014‑9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]* | Amends AASB 127 to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.  In particular, dividends from a subsidiary, a joint venture or an associate are recognised in profit or loss in the separate financial statements of an entity when the entity’s right to receive the dividend is established. The dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment. | 1 January 2016 |
| AASB 2014‑10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]* | Amends AASB 10 and AASB 128 to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that:   * a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and * a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. | 1 January 2016 |
| AASB 2015‑1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*  *[AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]* | Amends the methods of disposal in AASB 5 Non‑current assets held for sale and discontinued operations.  Amends AASB 7 Financial Instruments by including further guidance on servicing contracts. | 1 January 2016 |
| AASB 2015‑6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not‑for‑Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]* | AASB 2015‑6 extends the scope of AASB 124 *Related Party Disclosures* to not‑for‑profit public sector entities. Guidance has been included to assist the application of the Standard by not‑for‑profit public sector entities. | 1 January 2016 |

The following accounting pronouncements are also issued but not effective for the 2015‑16 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

* AASB 14 *Regulatory Deferral Accounts*
* AASB 1056 *Superannuation Entities*
* AASB 1057 *Application of Australian Accounting Standards*
* AASB 2014‑1 *Amendments to Australian Accounting Standards [Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*
* AASB 2014‑3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
* AASB 2014‑6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*
* AASB 2015‑5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*
* AASB 2015‑9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*
* AASB 2015‑10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*

Recommendation 47, PAEC Report 118

Appendix 6 – Budgetary reporting:  
explanation of material variances between budget and actual outcomes

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 2015 and requires:

* 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; and
* 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; and
* 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

(1) 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.

(2) 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.]

AASB 1055.6

## Comprehensive operating statement for the financial year ended 30 June 2015

($ thousand)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| FOR ILLUSTRATIVE PURPOSES ONLY | Notes | Original Budget 2015 | Actual 2015 | Variance |
| **Continuing operations** |  |  |  |  |
| **Income from transactions** |  |  |  |  |
| Output appropriations | a | 85 535 | 63 682 | (21 853) |
| Special appropriations | b | 8 128 | 11 396 | 3 268 |
| Interest |  | 3 864 | 3654 | (210) |
| Sale of goods and services |  | 1 839 | 1 346 | (493) |
| Grants |  | 306 | 140 | (166) |
| Fair value of assets and services received free of charge or for nominal consideration |  | 1 589 | 1 708 | 119 |
| Other income | c | 6 213 | 7 335 | 1 122 |
| **Total income from transactions** |  | **107 474** | **89 261** | **(18 213)** |
| **Expenses from transactions** |  |  |  |  |
| Employee expenses | d | (13 767) | (24 970) | (11 203) |
| Depreciation | e | (15 099) | (9 157) | 5 942 |
| Interest expense |  | (2 366) | (2 336) | .. |
| Grants and other transfers | f | (32 883) | (23 040) | 9 843 |
| Capital asset charge |  | (1 309) | ( 720) | 589 |
| Other operating expenses | g | (15 828) | (22 197) | (6 369) |
| **Total expenses from transactions** |  | **(81 252)** | **(82 420)** | **(1 168)** |
| **Net result from transactions (net operating balance)** |  | **26 222** | **6 841** | **(19 381)** |
| **Other economic flows included in net result** |  |  |  |  |
| Net gain/(loss) on non‑financial assets |  | (5 161) | 1 805 | 6 966 |
| Net gain/(loss) on financial instruments |  | (5 891) | (3 971) | 1 920 |
| Share of net profits/(losses) of associates and joint entities, excluding dividends |  | 1 286 | 1 397 | 111 |
| Other gains/(losses) from other economic flows |  | (2 895) | (2 047) | 848 |
| **Total other economic flows included in net result** |  | **(12 661)** | **(2 816)** | **9 845** |
| **Net result from continuing operations** |  | **13 562** | **6 023** | **(7 539)** |
| Net result from discontinued operations |  | 1 229 | 3 856 | 2 627 |
| **Net result** |  | **14 790** | **9 879** | **(4 911)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |
| Changes in physical asset revaluation surplus |  | 7 403 | 2 825 | (4 578) |
| Share of net movement in revaluation surplus of associates and joint ventures |  | 260 | 280 | 20 |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |
| Changes to financial assets available‑for‑sale revaluation surplus |  | (1 250) | 996 | 2 246 |
| **Total other economic flows – other comprehensive income** |  | **6 413** | **4 101** | **(2 312)** |
| **Comprehensive result** |  | **21 203** | **13 980** | **(7 223)** |

The following are brief explanations for major variances that are assessed to be relevant for the entity’s performance analysis, and the discharge of accountability.

Footnotes:

(a) Output appropriations were lower than the original budget primarily due to a number of machinery of government changes resulting in an adjustment to the 2014‑15 appropriations.

(b) Special appropriations were higher than the original budget due to the approved financing of a particular project.

(c) Other income was higher than the original budget primarily due to higher rental income received from investment properties.

(d) Employee expenses were greater than the original budget largely due an increase to the long service leave (LSL) expense. The LSL expense increased because of an increase in the number of staff achieving long‑term tenure and the increased EBA wage rates.

(e) Depreciation was lower than the original budget due to leasehold improvements assets being classified as work‑in‑progress and not being depreciated in the current year.

(f) Grants and other transfers were lower than the original budget due to the grant program for restoring heritage assets being abolished.

(g) Other operating expenses were higher than the original budget due to the increased level of rent and utility expenses.

AASB 1055.6

## Balance sheet as at 30 June 2015

($ thousand))

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | FOR ILLUSTRATIVE PURPOSES ONLY | Notes (i) | Original Budget 2015 | Actual 2015 | Variance |
|  | **Assets** |  |  |  |  |
|  | Financial assets |  |  |  |  |
|  | Cash and deposits |  | 59 528 | 48 648 | (10 880) |
|  | Receivables |  | 36 045 | 20 544 | (15 501) |
|  | Financial assets classified as held for sale including disposal group assets |  | 8 572 | 11 757 | 3 185 |
|  | Investments and other financial assets |  | 13 976 | 16 731 | 2 755 |
|  | Investments accounted for using the equity method |  | 5 187 | 6 112 | 925 |
|  | **Total financial assets** |  | **123 308** | **103 792** | **(19 516)** |
|  | **Non‑financial assets** |  |  |  |  |
|  | Inventories |  | 12 056 | 19 733 | 7 677 |
|  | Non‑financial physical assets classified as held for sale including disposal group assets |  | 6 781 | 14 599 | 7 818 |
|  | Property, plant and equipment |  | 83 044 | 76 807 | (6 237) |
|  | Biological assets |  | 4 034 | .. | (4 034) |
|  | Investment properties |  | 2 354 | 5 029 | 2 675 |
|  | Intangible assets |  | 5 974 | 7 447 | 1 473 |
|  | Other non‑financial assets |  | 1 483 | 380 | (1 103) |
|  | **Total non‑financial assets** |  | **115 726** | **123 995** | **8 269** |
|  | **Total assets** |  | **239 034** | **227 787** | **(11 247)** |
|  | **Liabilities** |  |  |  |  |
|  | Payables |  | 17 591 | 16 704 | (887) |
|  | Borrowings |  | 62 074 | 65 548 | 3 474 |
|  | Provisions |  | 12 906 | 21 011 | 8 105 |
|  | Other liabilities |  | 592 | 583 | (9) |
|  | Liabilities directly associated with assets classified as held for sale including disposal groups |  | 4 438 | 8 980 | 4 542 |
|  | **Total liabilities** |  | **97 601** | **112 826** | **15 225** |
|  | **Net assets** |  | **141 432** | **114 961** | **(26 471)** |
|  | Equity |  |  |  |  |
|  | Accumulated surplus/(deficit) |  | 76 434 | 71 133 | (5 301) |
|  | Physical asset revaluation surplus |  | 7 338 | 3 759 | (3 579) |
|  | Financial assets available‑for‑sale revaluation surplus |  | 200 | 1 723 | 1 523 |
|  | Contributed capital |  | 57 460 | 38 345 | (19 115) |
|  | **Net worth** |  | **141 432** | **114 960** | **(26 472)** |
| Note:  (i) Entities are required to disclose a brief explanation for any major variances identified. | | | | | |

AASB 1055.6

## Cash flow statement for the financial year ended 30 June 2015

($ thousand)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | FOR ILLUSTRATIVE PURPOSES ONLY | Notes (i) | Original budget 2015 | Actual  2015 | Variance |
|  | **Cash flows from operating activities** |  |  |  |  |
|  | Receipts |  |  |  |  |
|  | Receipts from government |  | 78 344 | 87 135 | 8 791 |
|  | Receipts from other entities |  | 5 536 | 4 373 | (1 163) |
|  | Interest received |  | 1 749 | 1 606 | (143) |
|  | Dividends received |  | 1 698 | 1 611 | (87) |
|  | Other receipts |  | 516 | 262 | (254) |
|  | **Total receipts** |  | **87 843** | **94 987** | **7 144** |
|  | **Payments** |  |  |  |  |
|  | Payments of grants and other transfers |  | (36 227) | (47 011) | (10 784) |
|  | Payments to suppliers and employees |  | (22 979) | (19 167) | 3 812 |
|  | Goods and Services Tax paid to the ATO |  | (3 055) | (3 497) | (442) |
|  | Capital asset charge payments |  | (1 567) | ( 952) | 615 |
|  | Interest and other costs of finance paid |  | (2 427) | (2 507) | (80) |
|  | Other payments |  | (6 382) | (3 200) | 3 182 |
|  | **Total payments** |  | **(72 637)** | **(76 334)** | **(3 697)** |
|  | **Net cash flows from/(used in) operating activities** |  | **15 207** | **18 654** | **3 447** |
|  | **Cash flows from investing activities** |  |  |  |  |
|  | Payments for investments |  | (6 364) | (13 386) | (7 022) |
|  | Proceeds from sale of investments |  | 7 857 | 2 409 | 5 448 |
|  | Purchases of non‑financial assets |  | (23 828) | (19 438) | 4 390 |
|  | Sales of non‑financial assets |  | 2 855 | 7 428 | 4 573 |
|  | Loans granted to other parties |  | ( 390) | ( 277) | 113 |
|  | Repayments of loans from other parties |  | 78 | 140 | 62 |
|  | Proceeds from disposal of activity |  | 17 795 | .. | (17 795) |
|  | Cash received from activity transferred in |  | 5 | .. | (5) |
|  | Payments for purchase of activity |  | (23 407) | .. | 23 407 |
|  | Cash transferred on activity transferred out |  | (3 072) | .. | 3 072 |
|  | Net cash flows from/(used in) investing activities |  | (28 470) | (23 124) | 5 346 |
|  | **Cash flows from financing activities** |  |  |  |  |
|  | Owner contributions by State Government |  | 5 750 | 10 500 | 4 750 |
|  | Proceeds from borrowings |  | 34 673 | 7 255 | (27 418) |
|  | Repayment of borrowings and finance leases |  | (6 749) | (4 044) | 2 705 |
|  | Net cash flows from/(used in) financing activities |  | 33 674 | 13 711 | (19 963) |
|  | **Net increase/(decrease) in cash and cash equivalents** |  | **20 411** | **9 241** | **(11 170)** |
|  | Cash and cash equivalents at beginning of financial year |  | 44 494 | 35 094 | (9 400) |
|  | Effect of exchange rate fluctuations on cash held in foreign currency |  | ( 471) | 160 | 631 |
|  | **Cash and cash equivalents at end of financial year** |  | **64 434** | **44 494** | **(19 940)** |

Note:

(i) Entities are required to disclose a brief explanation for any major variances identified.

AASB 1055.6

## Statement of changes in equity for the financial year ended 30 June 2015

($ thousand)

|  |  |  |
| --- | --- | --- |
|  | Note (i) | Physical asset revaluation surplus |
| **2014‑15 original budget** |  |  |
| **Balance as at 1 July 2014** |  | **3 759** |
| **Net result for the year** |  |  |
| Other comprehensive income for the year |  | 7 500 |
| Transfer to accumulated surplus – on disposal of business |  | (3 396) |
| Transfer to accumulated surplus |  | (600) |
| Transfer to contributed capital(i) |  | .. |
| Capital appropriations |  | .. |
| Administrative restructure – net assets received |  | .. |
| Administrative restructure – net assets transferred |  | .. |
| **Balance as at 30 June 2015** |  | **7 263** |
| **2014‑15 actuals** |  |  |
| **Balance as at 1 July 2014** |  | **3 759** |
| **Net result for the year** |  |  |
| Other comprehensive income for the year |  | 7 613 |
| Transfer to accumulated surplus – on disposal of business |  | (3 396) |
| Transfer to accumulated surplus |  | (637) |
| Transfer to contributed capital(i) |  | .. |
| Capital appropriations |  | .. |
| Administrative restructure – net assets received |  | .. |
| Administrative restructure – net assets transferred |  | .. |
| **Balance as at 30 June 2015** |  | **7 339** |
| **Variance to original budget** |  |  |
| **Balance as at 1 July 2014** |  | **..** |
| **Net result for the year** |  | **..** |
| Other comprehensive income for the year |  | 113 |
| Transfer to accumulated surplus – on disposal of business |  | .. |
| Transfer to accumulated surplus |  | (37) |
| Transfer to contributed capital(i) |  | .. |
| Capital appropriations |  | .. |
| Administrative restructure – net assets received |  | .. |
| Administrative restructure – net assets transferred |  | .. |
| **Balance as at 30 June 2015** |  | **76** |

Note:

(i) Entities are required to disclose a brief explanation for any major variances identified.

|  |  |  |  |
| --- | --- | --- | --- |
| Available‑for‑sale  financial asset  revaluation surplus | Accumulated surplus | Contributions  by owner | Total |
|  |  |  |  |
| **1 723** | **71 133** | **38 345** | **114 960** |
| **..** | **14 790** | **..** | **14 790** |
| (1 200) | .. | .. | 6 300 |
| (323) | 3 719 | .. | .. |
| .. | 637 | .. | 37 |
| .. | (13 847) | 13 847 | .. |
| .. | .. | 5 750 | 5 750 |
| .. | .. | 19 616 | 19 616 |
| .. | .. | (20 097) | (20 097) |
| **200** | **76 432** | **57 461** | **141 356** |
|  |  |  |  |
| **1 723** | **71 133** | **38 345** | **114 960** |
| .. | 14 790 | .. | 14 790 |
| (1 000) | .. | .. | 6 613 |
| (323) | 3 719 | .. | .. |
| .. | 637 | .. | .. |
| .. | (13 847) | 13 847 | .. |
| .. | .. | 8 000 | 8 000 |
| .. | .. | 20 100 | 20 100 |
| .. | .. | (20 097) | (20 097) |
| 400 | 76 432 | 60 195 | 144 366 |
|  |  |  |  |
| .. | .. | .. | .. |
| .. | .. | .. | .. |
| 200 | .. | .. | 313 |
| .. | .. | .. | .. |
| .. | .. | .. | (37) |
| .. | .. | .. | .. |
| .. | .. | 2 250 | 2 250 |
| .. | .. | 484 | 484 |
| .. | .. | .. | .. |
| **200** | **..** | **2 734** | **3 010** |

AASB 1055.7

## Administered items

($ thousand)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| FOR ILLUSTRATIVE PURPOSES ONLY | Notes (i) | Original budget 2015 | | Actual  2015 | Variance | |
| **Administered income from transactions** |  | |  |  | |  |
| Appropriations – payments made on behalf of the State |  | | 6 786 | 6 245 | | (541) |
| Sales of goods and services [include fees] |  | | 5 887 | 5 634 | | (253) |
| Grants |  | | 871 | 1 790 | | 919 |
| Taxation income |  | | .. | .. | | .. |
| Fines |  | | .. | .. | | .. |
| Refunds and other miscellaneous income |  | | .. | .. | | .. |
| **Total administered income from transactions** |  | | **13 544** | **13 669** | | **125** |
| Administered expenses from transactions |  | |  |  | |  |
| Payments made on behalf of the State |  | | (6 786) | (6 245) | | 541 |
| Payments into the consolidated fund |  | | (6 758) | (7 424) | | (666) |
| **Total administered expenses from transactions** |  | | **(13 544)** | **(13 669)** | | **(125)** |
| **Total administered net result from transactions (net operating balance)** |  | | **..** | **..** | | **..** |
| **Administered other economic flows included in administered net result** |  | |  |  | |  |
| Net gain/(loss) on non‑financial assets |  | | .. | .. | | .. |
| Net gain/(loss) on financial instruments |  | | 253 | (156) | | (409) |
| Share of net profits/(losses) of associates and joint entities, excluding dividends |  | | .. | .. | | .. |
| Other gains/(losses) from other economic flows |  | | .. | .. | | .. |
| **Total administered other economic flows** |  | | **253** | **(156)** | | **(409)** |
| **Administered net result** |  | | **253** | **(156)** | | **(409)** |
| **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 | | 153 |
| Changes in physical asset revaluation surplus |  | | .. | .. | | .. |
| **Total administered other economic flows – other comprehensive income** |  | | **..** | **153** | | **153** |
| **Total administered comprehensive result** |  | | **253** | **(3)** | | **(256)** |
| **Administered financial assets** |  | |  |  | |  |
| Receivables |  | | 443 | 746 | | 303 |
| Investments |  | | 5 897 | 4 378 | | (1 519) |
| **Total administered financial assets** |  | | **6 340** | **5 124** | | **(1 216)** |
| **Administered non‑financial assets** |  | |  |  | |  |
| Inventories |  | | .. | .. | |  |
| Prepayments |  | | 578 | 872 | | 294 |
| **Total administered non‑financial assets** |  | | **578** | **872** | | **294** |
| **Total administered assets** |  | | **6 918** | **5 996** | | **(922)** |
| **Administered liabilities** |  | |  |  | |  |
| Creditors and accruals |  | | 1 364 | 1 093 | | (271) |
| Amounts owing to other departments |  | | .. | .. | | .. |
| Interest bearing liabilities |  | | 2 015 | 2 227 | | 212 |
| **Total administered liabilities** |  | | **3 379** | **3 320** | | **(59)** |

Note:

(i) Entities are required to disclose a brief explanation for any major variances identified.

Appendix 7 – AASB 10 Consolidated Financial Statements checklist – control analysis for Victorian public sector entities

AASB 10 Consolidated Financial Statements focuses on ‘control’ in determining whether an entity needs to consolidate another entity. Under AASB 10, control is assessed on the achievement of all three criteria, i.e.

(i) power over the investee;

(ii) exposure, or rights, to variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect the amount of the investor’s return.

The Department of Treasury and Finance (DTF) has developed a list of questions to help you determine if each of the criteria has been satisfied to meet the ‘control’ test.

If all three criteria are met, the ‘control’ test will be met and the entity will need to be consolidated.

If this assessment has resulted in you having control over any additional entities that are required to be consolidated, please advise DTF by emailing [accpol@dtf.vic.gov.au](mailto:accpol@dtf.vic.gov.au). Please do not hesitate to contact DTF should you have any questions regarding this checklist.

In addition, you are strongly encouraged to liaise with the Victorian Auditor‑General’s Office once you have discussed your assessments of any changes with DTF to confirm year‑end reporting requirements.

| Entity name: | | | Analysis and supporting documentation |
| --- | --- | --- | --- |
| Criterion (i): Power over the investee  Questions 1‑9 are to help you assess whether you have power over the other entity. The determination depends on the relevant activities, the way decisions about the relevant activities are made and the rights you and other parties have in relation to the other entity. | | | |
|  | Who is the other entity subject to the assessment for ‘control’?  Note:  The basic terms ‘investor’ and ‘investee’ in AASB 10 are explained as entities that have a relationship in which control of one entity (the investee) by the other (the investor) might arise. | |  |
|  | What is the nature of the relationship with the other entity?  Note:  When assessing control, an investor shall consider the nature of its relationship with other parties. In the public sector, the relationship between a government and entities can often been established in one of the following scenarios, which may or may not result in government controlling the other entity, depending on the specific circumstances.  Economic dependence  A statutory entity’s operations could be dependent on the Government, e.g. dependence on the Government to fund a significant portion of its operations, guarantee a significant portion of its obligations, or provide critical goods or services. Nevertheless, if the governing body of the statutory entity has discretion with respect to whether it will accept resources from the Government, or the manner in which their resources are to be deployed, the Government is considered not to have the current ability to direct the relevant activities of the entity, even though it may be financially dependent on government funding.  Therefore, the economic dependence of an investee on the investor does not necessarily lead to the investor having power over the investee, in the absence of other rights.  Existence of congruent objectives  The Government would have the ability to use its power over the entity when it can direct the entity to work with the Government to further the Government’s objectives. However, the existence of congruent objectives alone is insufficient for a government to conclude that it controls a statutory entity.  Delegated powers  A department with decision‑making rights is required by AASB 10 to determine whether it is a principal or an agent. See Item 14 for more details regarding when a department controls over another entity through the delegated powers.  De facto agency relationship  A party is a de facto agent if the investor or those who control the investor have the ability to direct that party to act on the investor’s behalf (i.e. they are ‘de facto agents’). Refer to *Detailed guidance for application of AASB 10 Consolidated Financial Statements* at the end of this appendix for more details regarding an entity acts as a ‘de facto agent’. | |  |
|  | What is the primary objective and functions of the other entity?  Note:  Assessing the purpose and design of the other entity will assist you in understanding what are the relevant activities taken by the other entity, and how decisions about the relevant activities are made.  As the primary objective will affect the nature of the other entity’s returns to be achieved, understanding the primary objective of the other entity will assist you to determine the scope of its relevant activities. | |  |
| Criterion (i): Power over the investee *(continued)* | | | |
|  | What are the relevant activities of the other entity that significantly affect its returns?  Note:  The relevant activities will include a range of operating and financing activities that significantly affect an entity’s returns. In that case, if your entity were able to set the strategic operating and financing policies of the other entity, you would usually have power.  However, a higher degree of judgement is particularly required for entities in the public sector when the primary objectives of the other entity could include non‑financial returns. More specifically, examples of relevant activities in the public sector include, but are not limited to:   * the achievement of the other entity’s objectives as set out in the specific legislation; * raising revenue to fund its functions and activities; * planning for and providing services and facilities; and * strategic planning and implementation. | |  |
|  | What authority (e.g. enabling legislation, statutory provisions) is in place that enables the other entity to achieve its objectives? | |  |
|  | How are decisions made about these relevant activities of the other entity?  Note:  Examples of decisions about relevant activities include but are not limited to:   * making operating and capital decisions of the other entity, including budgets; and * appointing and remunerating the other entity’s key management personnel or service providers and terminating their services or employment.   Broadly speaking, those decisions can be made on by your entity on behalf of the relevant Minister (i.e. act as an agent), or by your entity’s own discretion (i.e. act as a principal). If the decisions about these relevant activities of the other entity are made at your own discretion, you would have power over the other entity. | |  |
|  | Do you have current ability to direct the relevant activities of the other entity?  Note:  For your entity to control the other entity, you must have the power to require the entity’s assets to be deployed towards achieving your entity’s objectives.  Therefore, the ability to deploy resources is relevant to assessing whether your entity has power over the other entity. Restrictions on the ability to deploy resources may reflect barriers that prevent you from exercising them. Examples of barriers may include operational barriers, legal or regulatory restrictions.  In addition, the economic dependence of the other entity on you alone is insufficient to determine whether you have current ability to deploy the other entity’s assets. See Item 2 for more guidance on economic dependence. | |  |
|  | What’s the nature of rights held by you over the other entity? Are they only substantive rights, or only protective rights or both?  Note:  For a right to be substantive and to meet the ‘power’ test, you must have the practical ability to exercise that right when decisions about the directions of relevant activities need to be made. Accordingly, you need to consider what are the relevant activities of the other entity, including the nature of returns to determine whether you have power.  Examples of substantive rights include rights to:   * give policy directions to the governing body of the other entity that give you the ability to direct the relevant activities of the other entity; * approve or veto operating and capital budgets relating to the relevant activities of the other entity; * appoint, or remove the entity’s key management personnel; or * enter into, or veto transactions that would benefit you. | |  |
| Criterion (i): Power over the investee *(continued)* | | | |
|  | Conversely, protective rights are designed to protect your interest without giving you power over the other entity, which those rights relate to. If you only have protective rights in relation to the other entity, you do not have power, or you cannot prevent another party having power over the other entity.  Examples of protective rights include:   * regulatory power that imposes conditions or sanctions on the other entity’s operation in restricted circumstances (e.g. breaching of environmental regulations); * the right of a regulator to curtail or close the operation of entities that breach regulations or other requirements; * the right to remove or appoint members of the governing body of another entity under certain restricted circumstances (e.g. failure to comply with performance standards).   In many cases, you may have a mixed of substantive rights and protective rights. To assess power, only substantive rights should be considered. However, not all substantive rights will give rise to power, as the substantive rights need to relate to the activities that significantly affect the investee entity’s returns (i.e. the relevant activities). Accordingly, you also need to consider what are the relevant activities of the investee entity, including the nature of returns when determining whether you have power. | |  |
|  | Is the authority that the other entity operates under subject to any limitations through regulatory powers imposed by you or the State? | |  |
| Assessment for criterion (i): | | | |
| Your entity will satisfy Criterion (i) if you have a current ability to affect the relevant activities of the other entity that significantly affect its returns.  The closer the activities directed by you relate to the other entity’s primary objectives, the greater is the impact expected on the other entity’s returns, and as a result, the greater involvement/power over the other entity. | | | |
| Criterion (ii): Exposure or rights to variable returns from its involvement with the investee  Questions 10‑12 are to help you assess whether you have exposure or rights to variable returns of the other entity. Your involvement with the other entity may give rise to indirect and non‑financial returns, such as when achieving or furthering the objectives of the other entity contributes to your objectives. | | | |
|  | What is the nature of returns[[5]](#footnote-5) in the other entity? Are they financial/non‑financial? Does it include achievement, or furtherance of your objectives?  Note:  AASB 10 suggests that the scope of the nature of returns is broad for not‑for‑profit entities. It encompasses financial, non‑financial, direct, and indirect benefits, whether positive or negative, including the achievement or furtherance of the investor’s objectives. | |  |
|  | Do you have any exposure to the variability of returns of the other entity?  Note:  The greater the magnitude of, and variability associated with the return, the more likely you are acting as a principal, rather than as an agent, of the other entity.  In the public sector, achievement of common objectives will be a key indicator to determine if you have exposure to the variable returns of the other entity.  In terms of the variability of returns, it should be noted that:   * variable returns are returns that are not fixed and have the potential to vary as a result of the performance of the other entity; and * your entity’s exposure to the variable returns can be positive, negative or both. | |  |
| Criterion (ii): Exposure or rights to variable returns from its involvement with the investee *(continued)* | | | |
|  | Are you exposed to any risks arising from the existence of the other entity?  Note:  As the returns are variable and can be positive or negative, this could expose you to the risks of the other entity. Therefore, you should consider the risks of the other entity when evaluating the purpose of design of the entity, including any impact of those risks on you and other parties involved in the arrangement. | |  |
| Assessment for criterion (ii): | | | |
| When assessing ‘returns’, AASB 10 intends to keep the scope of returns to be broad in the context of the not‑for‑profit (NFP) entities. Your entity will satisfy criterion (ii) if you have exposure, or rights to variable returns of the other entity, which could be both financial and non‑financial in nature. | | | |
| Criterion (iii): The ability to use its power over the investee to affect the amount of the investor’s returns – questions 13 and 14 are to assist you in examining whether you can use the power over the other entity to affect the returns. | | | |
|  | | What is the scope of decision‑making authority held by yourself to affect your returns?  Note:  The scope of the decision‑making authority will determine whether criterion (iii) is met or not. A restricted decision‑making authority could mean you are only acting as an agent and therefore does not control over the other entity. |  |
|  | | Is the authority a mere delegated power to act on behalf of the responsible Minister? Or do you have discretion of the authority and the direction of which is not specified by the relevant Minister?  Note:  From the department’s perspective, a department acts as an agent of the responsible Minister in relation to the investee entity when the department is merely authorised by the Minister to act on the Minister’s behalf. For example, a department may act as a ‘system manager’ for the State health service systems. Its role includes providing strategic leadership, directions to the hospitals for the delivery of health services, or monitoring the hospitals’ performance. However, ministerial approval is specifically required for the hospitals’ operational or budgetary activities. In this case, the department acts only as an agent on behalf of the Minister, who controls the hospitals. Therefore, the hospitals will be consolidated into the State’s financial reports.  Alternatively, a department may act as a principal under a delegation of powers from the Minister if it is able to exercise its own discretion, and is not subject to specific directions by the Minister. In the previous example, if the department head has been delegated by the Minister to make specific decisions in relation to the operating and investing activities of the hospitals, e.g. appointment of the governing bodies of the hospitals, approval or veto service agreements, this indicates that the department is acting on its own discretion, and may have control if other criteria are also met. |  |
| Assessment for criterion (iii) | | | |
| Your entity will satisfy criterion (iii) if the scope of your decision‑making authority is wide enough to provide you with sufficient discretion to direct the activities of the other entity. | | | |

## Detailed guidance for application of AASB 10 Consolidated Financial Statements

AASB 10 focuses on ‘control’ in determining whether an entity needs to consolidate another entity. Under AASB 10.7 control is assessed on the following three criteria:

(i) power over the investee;

(ii) exposure, or rights, to variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect the amount of the investor’s returns.

Please note that these elements in isolation do not necessarily result in control as they would need to be assessed at an overall level and tested against the facts and circumstances specific to the entity.

References below are to the compiled version of AASB 10 as available on the AASB’s website.

Detailed guidance in relation to the ‘control’ criteria:

|  |  |
| --- | --- |
| (i) Power over the investee | |
| AASB 10.8 and B80‑84 | The assessment of control should be performed on a continuous basis and the investor entity shall reassess whether it controls the investee entity if the facts and circumstances indicate that there are changes to one or more elements of control. |
| AASB 10.10 | The investor has power over the investee when it has existing rights with the current ability to direct the relevant activities of the investee, which significantly affect the investee’s returns.  [Note the investor does not need to actively direct the investee’s activities as long as there are no barriers preventing the exercise of its rights.] |
| AASB10.IG5 | The investor has power over the investee when the investor can direct the investee to deploy its assets or incur liabilities in a way that affects the investee’s returns (e.g. in providing goods/services to the investor, or assist in achieving or furthering the investor’s objectives). |
| AASB 10.B5 | The investor shall consider the purpose and design of the investee in order to identify the relevant activities, how relevant decisions are made, who has the current ability to direct those activities, and who receives returns from those activities. |
| AASB 10.IG6 | For not‑for‑profit (NFP) entities, rights arising from administrative arrangements or statutory provisions will often be the source of power. |
| AASB 10.IG7 | For example, an enabling legislation for the investee may specify the investor’s rights to direct the operating and financing activities that may be carried out by the investee. Therefore, the legislation will give rise power to the investor over the investee through rights specified in it.  However, the impact of the constituting document or legislation should be evaluated in the context of the prevailing circumstances.  For example, the enabling legislation may not specify the investor’s rights to direct the relevant activities of the investee, or the rights are actually held by other entities that are not controlled by the Government, even though the investee operates under a mandate created, and limited, by the Government’s legislation. In this case, the investor would not have power over the investee. |
| AASB 10.IG9 | Power arises from rights.  In relation to NFP investors, rights include:   * rights to give policy directions to the governing body of the investee that give the holder the ability to direct the relevant activities of the investee; and * rights to approve or veto operating and capital budgets relating to the relevant activities of the investee. |
| AASB 10.IG10 | A NFP investor can have power over the investee even if it does not have responsibility for the day‑to‑day operation of the investee or the specific manner in which prescribed functions are performed by the investee. If the Government provides resources (not limited to grants) that assist the investee in fulfilling its responsibilities, the resources of the investee remain government resources, albeit they are placed at the disposal of the investee. |
| AASB 10.IG 11‑12 | A NFP investor can have more than a passive interest in an investee. For example, an investee’s operations are dependent on the investor.  However, the existence of economic dependence alone may not lead to the investor entity having power over the investee. For instance, a government may not have the current ability to direct the relevant activities of entities (such as private schools, private hospitals, private aged‑care providers and universities) that are financially dependent on government funding, where the governing bodies of those entities have discretion with respect to whether they will accept resources from the Government, or the manner in which their resources are to be deployed. This may be so even if government grants provided to such entities require them to comply with specified conditions. Although these entities might receive government grants for capital construction and operating costs subject to specified service standards or restrictions on user fees, their independent governing body may have ultimate discretion about how assets are deployed. |
| (i) Power over the investee *(continued)* | |
| AASB 10. B22 | Only substantive rights held by the investor and others are considered when determining whether the rights give rise to power.  To be substantive, rights need to be exercisable when decisions about the relevant activities need to be made, and their holder needs to have a practical ability to exercise those rights. |
| AASB 10.IG13‑14 | While AASB10.B24 states that for rights to be substantive, they must be currently exercisable, they note that sometimes rights can be substantive even when they are not currently exercisable.  The standard states that rights can be substantive even if not currently exercisable due to timing delays for the rights to become effective. For the NFP investor, rights specified in substantively enacted legislation would be substantive rights that need to be considered in assessing control if it is assessed that the rights will be exercisable when decisions about the direction of the relevant activities need to be made. |
| AASB 10.IG14 | However, the power to enact or change legislation does not necessarily give the investor the current ability to direct relevant activities of the investee. |
| AASB 10.B26‑B28 | Depending on the circumstances, statutory arrangements may be in the nature of protective rights rather than substantive rights. |
| AASB 10.IG16 | Protective rights are related to fundamental changes in the activities of the other entity or rights that apply only in exceptional circumstances, and does not give the holder the power or prevent others from having power and therefore control the other entity.  For NFP entities, protective rights includes rights held by a government or other entity in order to protect (rather than enhance) the interests of the Government, the beneficiaries of an entity or the public at large. The regulatory powers may be exercisable through a framework within which entities operate, including the ability to impose conditions or sanctions on their operations.  As a result, these regulatory powers may represent protective rights, which do not give power over the other entity.  However, these may be substantive rights if they have the effect of giving the regulator the ability to direct the relevant activities of the other entity in particular circumstances. |
| AASB 10.IG17 | Examples of protective rights in relation to NFP entities include, but are not limited to:   * regulatory power that imposes conditions or sanctions on the other entity’s operation in restricted circumstances (e.g. breaching of environmental regulations); * the right of a regulator to curtail or close the operation of entities that breach regulations or other requirements; or * the right to remove or appoint members of the governing body of another entity under certain restricted circumstances (e.g. failure to comply with performance standards). |
| AASB 10.B34‑B39 | The investor can have power over the investee when the relevant activities are directed through voting rights:   * where the investor holds a majority of the voting rights and these rights are substantive; or * the investor holds less than half the voting rights but has an agreement with the other vote holders. |
| AASB 10.B40‑B50 | The investor can have power over the investee when the relevant activities are directed through voting rights:   * where the investor holds rights arising from other contractual arrangements; * holds substantive potential voting rights; * holds rights sufficient to unilaterally direct the relevant activities of the investee (de facto power); or * holds a combination of thereof. |
| (ii) Exposure, or rights, to variable returns from its involvement with the investee | |
| AASB 10.15 and B20 | Criterion (ii) of control requires an entity to assess whether it is exposed, or has rights, to variable returns from its involvement with the investee to assess control. |
| AASB 10.IG 18 | For NFP entities, the broad scope of the nature of returns encompasses financial, non‑financial, direct, and indirect benefits, whether positive or negative, including the achievement, or furtherance of the investor’s objectives. |
| AASB 10.IG 19 | Note that these may include the efficiency and effectiveness of delivery of the goods and services and changes in outcomes for the beneficiaries.  It should be noted that the existence on congruent objectives alone is not sufficient for a NFP to conclude it controls the other entity. |
| (iii) The ability to use its power over the investee to affect the amount of the investor’s returns | |
| AASB 10.17 | This criterion of control requires the investor not only to have the power over the investee and exposure or rights to variable returns from its involvement, but also the ability to use its power to affect the investor’s return from its involvement. |
| AASB 10.B58 | The concept of delegated power is introduced in AASB 10.  The decision maker needs to assess whether it is acting as a principal or agent on behalf of others when directing the activities of the investee.  If it has the power to direct the activities of the entity it manages to generate returns for itself, it is a principal and controls the investee. |
| (iii) The ability to use its power over the investee to affect the amount of the investor’s returns *(continued)* | |
| AASB 10.B75 | When assessing control, the investor should also consider the nature of its relationships with other parties and whether the other parties act on the investor’s behalf.  A party is a de facto agent if the investor or those who control the investor have the ability to direct that party to act on the investor’s behalf (i.e. they are ‘de facto agents’).  Examples of such other parties that, by the nature of their relationship, might act as de facto agents for the investor:  (a) the investor’s related parties;  (b) a party that received its interest in the investee as a contribution or loan from the investor;  (c) a party that has agreed not to sell, transfer or encumber its interests in the investee without the investor’s prior approval (except for situations in which the investor and the other party have the right of prior approval and the rights are based on mutually agreed terms by willing independent parties);  (d) a party that cannot finance its operations without subordinated financial support from the investor;  (e) an investee for which the majority of the members of its governing body or for which its key management personnel are the same as those of the investor; and  (f) a party that has a close business relationship with the investor, such as the relationship between a professional service provider and one of its significant clients. |

1. *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, 2005 (Catalogue No. 5514.0)*,* published by Australian Bureau of Statistics. The Australian Bureau of Statistics (ABS) released a new manual, *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* on 23 December 2015. The new manual will be operative from 1 July 2017. For the purpose of financial reporting under AASB 1049 *Whole of government and general government sector financial reporting*, the new manual will apply for reporting periods beginning from 1 July 2018. DTF is currently in the process of assessing the impact of the changes and will consult departments where appropriate. [↑](#footnote-ref-1)
2. Located on the DTF website at

   http://www.dtf.vic.gov.au/Publications/Government‑Financial‑Management‑publications/Financial‑Reporting‑Policy/Financial‑reporting‑directions‑and‑guidance [↑](#footnote-ref-2)
3. Accessible to Victorian government reporting entities only. Note that the BFMGs are currently being revised as part of the revision to the Standing Directions of the Minister for Finance and will remain operational until 30 June 2016. The BFMGs will be replaced by the Financial Reporting Operations Framework, Budget Operations Framework and Performance Management Framework documents. [↑](#footnote-ref-3)
4. 4 The System of National Accounts 1993 was released under the auspices of the Commission of the European Communities, International Monetary Fund, Organisation for Economic Cooperation and Development, United Nations and World Bank. [↑](#footnote-ref-4)
5. *From the perspective of a NFP entity, the scope of the nature of returns is broad and encompasses financial, non‑financial, direct and indirect benefits, whether positive or negative, including the achievement or furtherance of the investor’s objectives. For more detailed guidance on the ‘control’ criteria, please refer to* Detailed guidance for application of AASB 10 Consolidated Financial Statements *at the end of this appendix.* [↑](#footnote-ref-5)