**Department of Employment**

**Financial Statements 2013-14**

 

# INDEPENDENT AUDITOR'S REPORT

**To the Minister for Employment**

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

## Chief Executive's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Independence

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

## Opinion

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

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

Australian National Audit Office



Kristian Gage

Acting Executive Director

Delegate of the Auditor-General

Canberra

8 October 2014

**Department of Employment**

**STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER**

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

Signed................................

Reneé Leon PSM

Chief Executive

Signed................................

Justine Potter

Chief Finance Officer

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

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

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

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

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|  | **2014** |
| **BY TYPE** | **$'000** |
| **Commitments receivable** |  |
| Sublease rental income1 | **(10,424)** |
| Net GST recoverable on commitments | **(10,694)** |
| **Total commitments receivable** | **(21,118)** |
|  |  |
| **Commitments payable** |  |
| **Other commitments** |  |
| Operating leases1 | **81,028** |
| IT commitments2 | **27,164** |
| Research and development | **30** |
| Other3 | **22,628** |
| **Total other commitments** | **130,850** |
| ***Net commitments by type*** | **109,732** |
|  |  |
| **BY MATURITY** |  |
| **Commitments receivable** |  |
| **Operating lease income** |  |
| Within one year | **(4,374)** |
| Between one to five years | **(4,924)** |
| More than five years | **(1,126)** |
| **Total operating lease income** | **(10,424)** |
|  |  |
| **Other commitments receivable** |  |
| Within one year | **(5,209)** |
| Between one to five years | **(4,931)** |
| More than five years | **(554)** |
| **Total other commitments receivable** | **(10,694)** |
| **Total commitments receivable** | **(21,118)** |
|  |  |
| **Commitments payable** |  |
| **Operating lease commitments1** |  |
| Within one year | **30,360** |
| Between one to five years | **43,442** |
| More than five years | **7,226** |
| **Total operating lease commitments** | **81,028** |
|  |  |
| **IT commitments2** |  |
| Within one year | **13,680** |
| Between one to five years | **13,484** |
| **Total IT commitments** | **27,164** |
|  |  |
| **Research and development commitments** |  |
| Within one year | **30** |
| **Total research and development commitments** | **30** |
|  |  |

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

Note: Commitments are GST inclusive where relevant.

1 Operating leases included are effectively non-cancellable and comprise:

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

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

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

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|  | **2014** |
|  | **$'000** |
| **Contingent liabilities** |  |
| Claims for damages or costs | **180** |
| **Total contingent liabilities** | **180** |
| ***Net contingent liabilities*** | **(180)** |

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

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

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

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

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

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

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|  |
| Note: All commitments are GST inclusive where relevant.  The value of commitments is determined based on expected value of services contracted, but yet to be performed under the agreement. |

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|  | **2014** |
|  | **$'000** |
| **Contingent assets** |  |
| Claims for damages or costs | **22,724** |
| **Total contingent assets** | **22,724** |
|  |  |
| **Contingent liabilities** |  |
| Claims for damages or costs | **114,469** |
| **Total contingent liabilities** | **114,469** |
| ***Net contingent liabilities*** | **(91,745)** |

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