# Section 3: Financial statementsfor the year ended 30 June 2019

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## Comprehensive operating statementfor the financial year ended 30 June 2019

|  | Notes | 2019$’000 | 2018$’000 |
| --- | --- | --- | --- |
| Continuing operations |
| Income from transactions |
| Output appropriations | 2.1 | 624,532 | 485,576 |
| Special appropriations | 2.1 | 95,587 | 34,426 |
| Grants | 2.1 | 28,279 | 52,833 |
| Other income | 2.1 | 11,920 | 7,943 |
| Total income from transactions |  | 760,318 | 580,778 |
| Expenses from transactions |
| Employee expenses | 3.1 | 223,288 | 192,729 |
| Depreciation and amortisation | 5.3 | 13,158 | 7,306 |
| Interest expense |  | 70 | 56 |
| Grant expenses | 3.1 | 353,108 | 231,792 |
| Capital asset charge | 3.1 | 8,863 | 8,658 |
| Other operating expenses | 3.1 | 151,836 | 132,487 |
| Total expenses from transactions |  | 750,323 | 573,028 |
| Net result from transactions (net operating balance) |  | 9,995 | 7,750 |
| Other economic flows included in net result |
| Net gain on non-financial assets | 8.1 | 127 | 183 |
| Other gains/(losses) on other economic flows | 8.1 | (1,539) | 33 |
| Total other economic flows included in net result |  | (1,412) | 216 |
| Comprehensive result |  | 8,583 | 7,966 |

The accompanying notes form part of these financial statements.

## Balance sheetas at 30 June 2019

|  | Notes | 2019$’000 | 2018$’000 |
| --- | --- | --- | --- |
| Assets |
| Financial assets |
| Cash and deposits | 7.2.1 | 64,311 | 59,943 |
| Receivables | 6.1 | 122,676 | 127,072 |
| Total financial assets |  | 186,987 | 187,015 |
| Non-financial assets |
| Property, plant and equipment | 5.1 | 639,511 | 617,606 |
| Intangible assets | 5.2 | 37,600 | 34,602 |
| Other non-financial assets | 6.3 | 12,715 | 8,008 |
| Total non-financial assets  |  | 689,826 | 660,216 |
| Total assets |  | 876,813 | 847,231 |
| Liabilities |
| Payables | 6.2 | 68,962 | 49,575 |
| Borrowings | 7.1 | 3,700 | 3,192 |
| Employee benefits | 6.4 | 43,658 | 37,110 |
| Other provisions |  | 391 | 391 |
| Total liabilities |  | 116,711 | 90,268 |
| Net assets |  | 760,102 | 756,963 |
| Equity |
| Accumulated surplus |  | 144,626 | 136,043 |
| Physical asset revaluation surplus |  | 361,723 | 361,723 |
| Contributed capital |  | 253,753 | 259,197 |
| Total equity |  | 760,102 | 756,963 |
| Net worth |  | 760,102 | 756,963 |

The accompanying notes form part of these financial statements.

## Cash flow statementfor the financial year ended 30 June 2019

|  | Notes | 2019$’000 | 2018$’000 |
| --- | --- | --- | --- |
| Cash flows from / (used in) operating activities |
| Receipts from government |  | 751,394 | 574,954 |
| Receipts from other entities |  | 5,807 | 4,433 |
| Goods and services tax recovered from the Australian Taxation Office |  | 23,512 | 18,479 |
| Interest received |  | 171 | 11 |
| Total receipts |  | 780,885 | 597,877 |
| Payments to suppliers and employees |  | (383,718) | (341,391) |
| Payments of grants expenses |  | (353,100) | (231,793) |
| Capital asset charge payments |  | (8,863) | (8,658) |
| Interest and other costs of finance paid |  | (70) | (56) |
| Total payments |  | (745,751) | (581,897) |
| Net cash flows from / (used in) operating activities | 7.2.2 | 35,134 | 15,980 |
| Cash flows from / (used in) investing activities |
| Purchase of non-financial assets |  | (28,833) | (33,634) |
| Total payments |  | (28,833) | (33,634) |
| Net cash flows used in investing activities |  | (28,833) | (33,634) |
| Cash flows from / (used in) financing activities |
| Appropriation for capital expenditure purposes |  | 1,620 | 18,998 |
| Special appropriations |  | 5,036 | 4,840 |
| Cash transferred in — machinery of government changes | 8.6 | 4,752 | – |
| Proceeds from disposal of motor vehicles |  | 1,209 | 1,106 |
| Total receipts |  | 12,617 | 24,944 |
| Cash transferred out — machinery of government changes | 8.6 | (7,075) | (7,091) |
| Capital grants to portfolio agencies |  | (5,379) | (5,277) |
| Repayment of finance leases |  | (2,096) | (1,906) |
| Total payments |  | (14,550) | (14,274) |
| Net cash flows from / (used in) financing activities |  | (1,933) | 10,670 |
| Net increase in cash and cash equivalents |  | 4,368 | (6,984) |
| Cash and cash equivalents at beginning of financial year |  | 59,943 | 66,927 |
| Cash and equivalents at end of financial year | 7.2.1 | 64,311 | 59,943 |

The accompanying notes form part of these financial statements.

## Statement of changes in equityfor the financial year ended 30 June 2019

|  | Notes | Physical asset revaluation surplus$’000 | Contributed capital$’000 | Accumulated surplus$’000 | Total$’000 |
| --- | --- | --- | --- | --- | --- |
| Balance at 1 July 2017 |  | 361,723 | 245,855 | 128,077 | 735,655 |
| Net result for the year |  | – | – | 7,966 | 7,966 |
| Annual appropriations — capital | 2.2.1 | – | 18,998 | – | 18,998 |
| Special appropriations — capital | 2.2.2 | – | 4,840 | – | 4,840 |
| Machinery of government transfers |  | – | (5,219) | – | (5,219) |
| Capital distributions to portfolio agencies |  | – | (5,277) | – | (5,277) |
| Balance at 30 June 2018 |  | 361,723 | 259,197 | 136,043 | 756,963 |
| Net result for the year |  | – | – | 8,583 | 8,583 |
| Annual appropriations — capital | 2.2.1 | – | 1,620 | – | 1,620 |
| Special appropriations — capital | 2.2.2 | – | 5,036 | – | 5,036 |
| Machinery of government transfers | 8.6 | – | (6,721) | – | (6,721) |
| Capital distributions to portfolio agencies |  | – | (5,379) | – | (5,379) |
| Balance at 30 June 2019 |  | 361,723 | 253,753 | 144,626 | 760,102 |

The accompanying notes form part of these financial statements.

## Notes to the financial statementsfor the financial year ended 30 June 2019

### Note 1. About this report

The Department of Premier and Cabinet (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. It is an administrative agency acting on behalf of the Crown.

The principal address of the department is:

Department of Premier and Cabinet
1 Treasury Place
Melbourne VIC 3002

A description of the department’s operations and its principal activities is included in the **Report of Operations**, which does not form part of these financial statements.

#### Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

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.

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

Revisions to accounting estimates are recognised in the period in which these estimates are revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards (AASs) that have significant effects on the financial statements and estimates are disclosed in the notes to which they relate.

These financial statements include all the controlled activities of the department. They also include entities listed below, which although not controlled by the department, are required to be included pursuant to a determination made by the Assistant Treasurer under section 53(1)(b) of the Financial Management Act 1994.

* **Office of the Victorian Information Commissioner** was established on 1 September 2017 under the Freedom of Information Amendment (Freedom of Information Commissioner) Act 2017.
* **Victorian Multicultural Commission** was established under the Multicultural Victoria Act 2011.
* **Victorian Veterans Council** is an independent statutory body established under the Veterans Act 2005.
* **Labour Hire Licensing Authority** was established on 23 October 2018 under the Labour Hire Licensing Act 2018.
* **Victorian Independent Remunerations Tribunal** was established on 20 March 2019 under the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019*.

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.

All amounts in the financial statements have been rounded to the nearest $1,000 unless otherwise stated.

#### Compliance information

These general-purpose financial statements have been prepared on a going concern basis in accordance with the Financial Management Act and applicable AASs including interpretations issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

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

#### Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

### Note 2. Funding of our services

###

#### Introduction

The role of the department is to work for the people of Victoria by leading the public service and supporting the government of the day to achieve its strategic objectives.

To deliver on these strategic objectives, the department receives income predominantly in the form of accrual based parliamentary appropriations.

#### Structure of this section

2.1 Income that funds the delivery of services

2.2 Summary of compliance with annual parliamentary and special appropriations

Key accounting recognition and measurement criteria

Income is recognised to the extent that it is probable the economic benefits will flow to the department and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. Amounts of income where the department does not have control are separately disclosed as administered income (see Note 8.8 Administered items).

2.1 Income that funds the delivery of services

|  | Notes | 2019$’000 | 2018$’000 |
| --- | --- | --- | --- |
| Output appropriations | 2.2.1 | 624,532 | 485,576 |
| Special appropriations | 2.2.2 | 95,587 | 34,426 |
| Total appropriations |  | 720,119 | 520,002 |
| General purpose grants |  | 6,388 | 14 |
| Specific purpose grants for on-passing |  | 21,532 | 52,708 |
| Other specific purpose grants |  | 359 | 111 |
| Total grants |  | 28,279 | 52,833 |
| Other income |  | 11,920 | 7,943 |
| Total income from transactions |  | 760,318 | 580,778 |

##### Appropriations

Once annual parliamentary appropriations are approved by the Treasurer, they become controlled by the department and are recognised as income when applied for the purposes defined under the relevant legislation governing the use of the appropriation.

The department receives the following forms of appropriation:

* **Output appropriations**: Income from the outputs (i.e. services) 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**: Income related to special appropriation is recognised when the expenditure relating to the amounts appropriated are paid by the department.

##### Grants

**Grant income** arises from transactions in which a party provides goods, services or assets (or extinguishes a liability) to the department without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not represent a claim to receive benefits directly of approximately equal value (and are termed ‘non-reciprocal’ transfers). For non-reciprocal grants, the department recognises revenue when a grant is receivable or received.

* **General purpose grants** are mainly not subject to conditions regarding their use.
* **Specific purpose grants** for on-passing are grants received by the department to be passed on to another institution (e.g. local government or a private non-profit institution).
* **Other specific purpose grants** during the current financial year include funds received from the Commonwealth for the Multicultural Affairs and Social Cohesion programs.

##### Other income

**Other income** arises from the following transactions and other miscellaneous income and recovery of administration costs.

* **Trust fund income**: Trust fund income includes fees collected from the Aboriginal Cultural Heritage Register and other external parties.
* **Sponsorship income**: Sponsorship income includes receipts from external parties for the Australia Day Fund and Cultural Diversity Week.
* **Resources received free of charge**: 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.

Resources received free of charge include the net increases in the value of public records due to records transferred to and from the Public Record Office Victoria.

2.2 Summary of compliance with annual parliamentary and special appropriations

##### 2.2.1 Summary of annual appropriations

The following table discloses the details of the various annual parliamentary appropriations received by the department for the financial 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, these transactions are separately disclosed in Note 8.8 Administered items.

|  | Appropriations Act | Financial Management Act | Total parliamentary authority | Appropriations applied | Variance(4) |
| --- | --- | --- | --- | --- | --- |
| Annual appropriation | Advance from Treasurer | Section 29(1) | Section 30(2) | Section 32(3) |
| 2019 controlled |
| Output appropriations | 569,024 | 105,857 | 1,342 | 550 | 1,792 | 678,565 | 624,532 | 54,033 |
| Additions to net assets | 7,596 | 2,015 | – | (550) | – | 9,061 | 1,620 | 7,441 |
| 2019 total | 576,620 | 107,872 | 1,342 | – | 1,792 | 687,626 | 626,152 | 61,474 |
| 2018 controlled |
| Output appropriations | 498,004 | 58,565 | 1,498 | (9,500) | 60,449 | 609,016 | 485,576 | 123,440 |
| Additions to net assets | 7,100 | 4,830 | – | 9,500 | 2,380 | 23,810 | 18,998 | 4,812 |
| 2018 total | 505,104 | 63,395 | 1,498 | – | 62,829 | 632,826 | 504,574 | 128,252 |

Notes:

(1) The department is permitted under section 29 of the Financial Management Act to have certain income annotated to the annual appropriation. The income that forms part of a section 29 agreement is recognised by the department and the receipts paid into the consolidated fund as an administered item. At the point of income recognition, section 29 provides for an equivalent amount to be added to the annual appropriation.

(2) Under section 30, the department may transfer an amount from one appropriation item to another in the current year. All expenses and obligations to which any section 30 transfer is applied must be reported in the financial year in which the transfer was made.

(3) Section 32 constitutes the approved carryover of unapplied appropriation from prior year to be applied against outputs in the current year.

(4) Variances in output appropriations primarily related to funding for initiatives being transferred to future financial years.

##### 2.2.2 Summary of special appropriations

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

| Authority | Purpose | Appropriations applied |
| --- | --- | --- |
| 2019$’000 | 2018$’000 |
| Controlled |
| Constitution Act, No. 8750 of 1975 — Governor’s Salary | Salary payments to the Governor of Victoria | 408 | 287 |
| Ombudsman Act, No. 8414 of 1973 | Salary and allowances payable to the Ombudsman | 523 | 532 |
| Electoral Act, No. 23 of 2002 | Operating costs incurred by the Victorian Electoral Commission | 94,656 | 33,607 |
| Total controlled |  | 95,587 | 34,426 |
| Capital |
| Electoral Act, No. 23 of 2002 | Capital costs incurred by the Victorian Electoral Commission | 5,036 | 4,840 |
| Total capital |  | 5,036 | 4,840 |

### Note 3. Cost of delivering our services

#### Introduction

This section provides an account of the expenses incurred by the department in delivering its services.

The funds that enable the provision of services were disclosed in Note 2 and in this section.

#### Structure of this section

3.1 Expenses incurred in the delivery of services

Key accounting recognition and measurement criteria

Expenses are ordinarily recognised in the comprehensive income statement in the reporting period in which they are incurred, and the expense is paid or is payable.

Certain expenses such as employee expenses, grant expenses and the capital asset charge have specific characteristics that are further described in Note 3.1 below.

3.1 Expenses incurred in the delivery of services

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Salaries and wages, annual leave and long service leave | 206,144 | 178,028 |
| Defined contribution superannuation expenses | 16,706 | 14,189 |
| Defined benefit superannuation expense | 438 | 512 |
| Employee expenses | 223,288 | 192,729 |
| Specific purpose grants for on-passing | 230,760 | 165,673 |
| Grant payments for other specific purposes | 122,348 | 66,119 |
| Grant expenses | 353,108 | 231,792 |
| Capital asset charge | 8,863 | 8,658 |
| Purchases of services | 73,567 | 72,728 |
| Information technology expenses | 25,458 | 12,122 |
| Marketing and promotion | 10,832 | 13,223 |
| Other supplies and services | 19,399 | 15,575 |
| Operating lease payments | 13,857 | 10,786 |
| Lease outgoings | 8,723 | 8,053 |
| Other operating expenses | 151,836 | 132,487 |

##### Employee expenses

Employee expenses comprise all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments, WorkCover premiums and other on-costs.

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

##### Grant expenses

Grant expenses are contributions of the department’s resources to another party for specific or general purposes where there is no expectation that the amount will be repaid in equal value (either by money, goods or services). Grant expenses include grants paid to entities within the department’s portfolio. These grants are reported in specific purpose grants for on-passing in Note 3.1 — expenses incurred in the delivery of services.

Grants can either be operating or capital in nature. Grants can be paid as general-purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and have conditions attached regarding their use.

Grant expenses are recognised in the reporting period in which they are paid or payable. Grants can take the form of money, assets, goods or services.

Details of the department’s grant payments in 2018–19 can be viewed at <https://www.dpc.vic.gov.au/>. This grant payments information on the department’s intranet page is not subject to audit by the Victorian Auditor-General’s Office.

##### Capital asset charge

A capital asset charge is a charge levied by the Department of Treasury and Finance on the written-down value of controlled non-current physical assets in department’s balance sheet. It aims to attribute to the department outputs, a cost of capital used in service delivery. Imposing this charge provides incentives for the department to identify and dispose of under-utilised or surplus non‑current physical assets.

##### Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and are recognised as an expense in the reporting period in which they are incurred. The exception to this is operating lease payments, which are recognised on a straight-line basis over the lease term.

### Note 4. Output information

#### Introduction

The department is predominantly funded by accrual-based parliamentary appropriations for the provision of outputs. This section provides a description of the departmental outputs delivered during the financial year and the costs incurred in delivering those outputs.

#### Structure of this section

4.1 Departmental outputs

4.2 Changes in departmental outputs

4.3 Departmental outputs — controlled income and controlled expenses

4.1 Departmental outputs

A description of the departmental outputs during the financial year ended 30 June 2019 and the objectives of these outputs is summarised below.

##### Strong policy outcomes

These outputs relate to advice and support provided to the Premier and Cabinet on all aspects of government policy. This includes advice on issues as they arise, policy coordination, research and analysis, consultation with stakeholders and leadership in long-term policy development. These outputs also relate to advice on investment relating to Victorian infrastructure, architecture and digital government. This involves driving the economy for Victoria and developing the effective use of technology to support productivity and competitiveness.

##### Engaged citizens

These outputs relate to coordinating and providing services and support to culturally, linguistically and religiously diverse communities such as Aboriginal Victorians, veterans and the Equality portfolio. They promote social cohesion, enhanced engagement and greater opportunities for participation and contribution to the social, cultural and economic life of Victoria.

##### Professional public administration

These outputs relate to providing independent services and aim to ensure effective management, governance and support in the public sector.

4.2 Changes in departmental outputs

The following changes were made to output groups in 2018–19.

Youth affairs and gender equality and the prevention of family violence policy and programs were transferred to the Department of Premier and Cabinet from the Department of Health and Human Services as a result of machinery of government changes. These are reported under ‘Engaged citizens’.

4.3 Departmental outputs — controlled income and controlled expenses

|  | Strong policyoutcomes(1) | Engagedcitizens | Professional public administration(1) | Total |
| --- | --- | --- | --- | --- |
| 2019$’000 | 2018$’000 | 2019$’000 | 2018$’000 | 2019$’000 | 2018$’000 | 2019$’000 | 2018$’000 |
| Income from transactions |
| Output appropriations | 324,800 | 261,973 | 180,617 | 106,999 | 119,115 | 116,604 | 624,532 | 485,576 |
| Special appropriations | – | – | – | – | 95,587 | 34,426 | 95,587 | 34,426 |
| Grants income | 26,004 | 47,474 | 1,864 | 2,831 | 411 | 2,528 | 28,279 | 52,833 |
| Other income | 2,813 | 917 | 2,270 | 2,178 | 6,837 | 4,848 | 11,920 | 7,943 |
| Total income from transactions | 353,617 | 310,364 | 184,751 | 112,008 | 221,950 | 158,406 | 760,318 | 580,778 |
| Expenses from transactions |
| Employee benefits | 162,185 | 140,490 | 34,938 | 28,264 | 26,165 | 23,975 | 223,288 | 192,729 |
| Depreciation and amortisation | 7,295 | 1,541 | 566 | 565 | 5,297 | 5,200 | 13,158 | 7,306 |
| Interest expense | 60 | 41 | – | 9 | 10 | 6 | 70 | 56 |
| Grants expenses | 76,390 | 67,306 | 105,484 | 61,541 | 171,234 | 102,945 | 353,108 | 231,792 |
| Capital asset charge | 457 | 468 | 434 | 427 | 7,972 | 7,763 | 8,863 | 8,658 |
| Other operating expenses | 105,418 | 98,108 | 32,797 | 20,620 | 13,621 | 13,759 | 151,836 | 132,487 |
| Total expenses from transactions | 351,805 | 307,954 | 174,219 | 111,426 | 224,299 | 153,648 | 750,323 | 573,028 |
| Net result from transactions (net operating balance) | 1,812 | 2,410 | 10,532 | 582 | (2,349) | 4,758 | 9,995 | 7,750 |
| Other economic flows included in net result |
| Net gain/(loss) on non-financial assets | 53 | 141 | 156 | 20 | (82) | 22 | 127 | 183 |
| Other gains/(losses) from other economic flows | (1,060) | 22 | (241) | 5 | (238) | 6 | (1,539) | 33 |
| Total other economic flows included in net result | (1,007) | 163 | (85) | 25 | (320) | 28 | (1,412) | 216 |
| Comprehensive result | 805 | 2,573 | 10,447 | 607 | (2,669) | 4,786 | 8,583 | 7,966 |

Note:

(1) 2018 output appropriations, special appropriations and grant income and expenditure were reclassified between output groups of Strong policy outcomes and Professional public administration. This reclassification was made to align with the 2019 presentation of the department’s output results.

### Note 5. Key assets to support output delivery

#### Introduction

The department uses land, buildings, property, plant and equipment in fulfilling its objectives and conducting output activities. These assets represent the key resources that the department uses in delivering these output activities.

#### Structure of this section

5.1 Property, plant and equipment

5.2 Intangible assets

5.3 Depreciation and amortisation

5.4 Fair value determination

Key accounting recognition and measurement criteria

Items of property, plant and equipment are measured initially at cost. Where an asset is acquired for nominal cost, the cost is its fair value at the date of acquisition. Assets transferred from/to other departments as part of a machinery of government change are transferred at their carrying amount.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

The initial cost of motor vehicles under finance leases is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments determined at the inception of the lease.

In reporting periods subsequent to initial recognition, property, plant and equipment are measured at fair value less accumulated depreciation and impairment. Fair value is determined in regard to the asset’s highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised by asset category in the table at 5.1.

5.1 Property, plant and equipment

|  | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| --- | --- | --- | --- |
| 2019$’000 | 2018$’000 | 2019$’000 | 2018$’000 | 2019$’000 | 2018$’000 |
| Land(1) | 193,900 | 193,900 | – | – | 193,900 | 193,900 |
| Buildings (including heritage buildings)(1) | 104,802 | 103,156 | (8,986) | (4,511) | 95,816 | 98,645 |
| Leasehold improvements | 9,766 | 9,620 | (7,376) | (7,912) | 2,390 | 1,708 |
| Building construction in progress | 22,651 | 5,712 | – | – | 22,651 | 5,712 |
| Office equipment and computer equipment | 15,985 | 15,734 | (14,744) | (14,535) | 1,241 | 1,199 |
| Plant and equipment works in progress | 1,529 | 1,529 | – | – | 1,529 | 1,529 |
| Motor vehicles | 100 | 100 | (100) | (100) | – | – |
| Motor vehicles under finance lease | 4,669 | 4,373 | (1,199) | (1,210) | 3,470 | 3,163 |
| Public records(2) | 311,591 | 304,757 | – | – | 311,591 | 304,757 |
| Other heritage assets(2) | 7,066 | 7,066 | (143) | (73) | 6,923 | 6,993 |
| Net carrying amount | 672,059 | 645,947 | (32,548) | (28,341) | 639,511 | 617,606 |

Notes:

(1) Land and buildings at both Government House and the Public Record Office Victoria were valued as at 30 June 2017 by the
Valuer-General of Victoria. The department does not hold any other land and buildings.

(2) Public records held by the Public Record Office Victoria and other heritage assets were valued as at 30 June 2017 by the
Valuer-General of Victoria.

##### Land and buildings (including heritage buildings)

Land and buildings are classified as specialised land and specialised buildings due to restrictions on the use of these assets. For valuation purposes, the market approach is used for specialised land, although this is adjusted for any community service obligations (CSO) to reflect the specialised nature of the land being valued. Buildings are valued using the current replacement cost method. For more details refer to Note 5.4.

##### Leasehold improvements

Leasehold improvements are valued using the historical cost method. Historical cost is used as a close proxy to the current replacement cost due to its short useful life.

##### Office equipment and computer equipment

Office equipment and computer equipment are both valued using the historical cost method. Historical cost is used as a close proxy to the current replacement cost due to its short useful life.

##### Motor vehicles (including Motor vehicles under finance lease)

Vehicles are valued using the current replacement cost method. The department acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition use and disposal in the market is managed by experienced fleet managers in the department who set relevant depreciation rates during the life of the asset to reflect the use of the vehicles.

##### Public records and Other heritage assets

The valuation of these assets are based on a market approach. This involves using market prices and other relevant information generated by market transactions from comparable or similar assets (refer to Note 5.4 for details on valuation techniques).

##### 5.1.1 Reconciliation of movements in carrying amount of property, plant and equipment

|  | Land at fair value$’000 | Buildings (including heritage buildings)$’000 | Leasehold improve-ments$’000 | Construc-tion in progress$’000 | Office equipment and computer equipment$’000 | Plant and equipment works in progress$’000 | Leased motor vehicles$’000 | Public records$’000 | Other heritage assets$’000 | Total$’000 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2019 |  |  |  |  |  |  |  |  |  |  |
| Carrying amount as at start of the year | 193,900 | 98,645 | 1,708 | 5,712 | 1,199 | 1,529 | 3,163 | 304,757 | 6,993 | 617,606 |
| Additions | – | 1,648 | 1,461 | 15,877 | 453 | – | 2,771 | – | – | 22,210 |
| Disposals | – | – | (194) | – | – | – | (1,423) | – | – | (1,617) |
| Transfers between classes | – | – | – | – | – | – | – | – | – | – |
| Net transfers free of charge | – | – | – | – | – | – | – | 6,834 | – | 6,834 |
| Other administrative arrangements | – | – | – | 1,062 | (12) | – | (8) | – | – | 1,042 |
| Revaluation | – | – | – | – | – | – | – | – | – | – |
| Depreciation/amortisation expense | – | (4,477) | (585) | – | (399) | – | (1,033) | – | (70) | (6,564) |
| Carrying amount at end of 2019 | 193,900 | 95,816 | 2,390 | 22,651 | 1,241 | 1,529 | 3,470 | 311,591 | 6,923 | 639,511 |
| 2018 |  |  |  |  |  |  |  |  |  |  |
| Carrying amount as at start of the year | 193,900 | 100,983 | 1,730 | 1,029 | 983 | – | 2,661 | 299,909 | 7,092 | 608,287 |
| Additions | – | 732 | 467 | 6,039 | 540 | 1,529 | 2,239 | – | – | 11,546 |
| Disposals | – | – | – | – | – | – | (974) | – | (29) | (1,003) |
| Transfers between classes | – | 1,356 | – | (1,356) | – | – | – | – | – | – |
| Net transfers free of charge | – | – | – | – | – | – | 207 | 4,848 | – | 5,055 |
| Other administrative arrangements | – | – | 124 | – | 31 | – | – | – | – | 155 |
| Revaluation | – | – | – | – | – | – | – | – | – | – |
| Depreciation/amortisation expense | – | (4,426) | (613) | – | (355) | – | (970) | – | (70) | (6,434) |
| Carrying amount at end of 2018 | 193,900 | 98,645 | 1,708 | 5,712 | 1,199 | 1,529 | 3,163 | 304,757 | 6,993 | 617,606 |

5.2 Intangible assets

Key accounting recognition and measurement criteria

**Purchased intangible assets** are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and 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.

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:

* an intention to complete the intangible asset for use or sale
* the ability to use or sell the intangible asset
* the intangible asset will generate probable future economic benefits
* the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
* the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Intangible-produced assets with finite useful lives are amortised as an ‘expense from transactions’ on a straight-line basis over their useful lives.

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested for impairment annually or where there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Opening balance of gross carrying amount | 17,866 | 17,861 |
| Additions | 32,441 | 5 |
| Closing balance of gross carrying amount | 50,307 | 17,866 |
| Opening balance of accumulated amortisation | (16,329) | (15,457) |
| Amortisation of intangible assets charged | (6,594) | (872) |
| Closing balance of accumulated amortisation | (22,923) | (16,329) |
| Intangibles under development | 10,216 | 33,065 |
| Net book value at end of financial year | 37,600 | 34,602 |

Additions in 2019 mainly relate to capitalisation of costs relating to the Service Victoria online customer platform. In 2018 this was reported as an intangible asset under development.

5.3 Depreciation and amortisation

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Buildings (including heritage buildings) | 4,477 | 4,426 |
| Leasehold improvements | 585 | 613 |
| Office equipment and computer equipment | 399 | 355 |
| Motor vehicles under finance lease | 1,033 | 970 |
| Other heritage assets | 70 | 70 |
| Intangible assets | 6,594 | 872 |
| Total depreciation and amortisation | 13,158 | 7,306 |

The increase in intangible assets amortisation is due to the amortisation of the Service Victoria online customer platform.

All buildings, office and computer equipment and other non-financial physical assets that have finite useful lives are depreciated and intangible assets are amortised over the useful life.

Depreciation and amortisation are generally calculated on a straight-line basis, at rates that allocate the asset’s value, less any estimated residual value, to its useful life. Depreciation and amortisation begin when the asset is first available for use in the location and condition necessary for it to be capable of operating in the manner intended by the department.

##### Useful life of assets

Typical estimated useful lives for the different asset classes are included in the table below.

|  | Useful life (years) |
| --- | --- |
| Buildings | 5–200 |
| Leasehold improvements | 5–40 |
| Office equipment and computer equipment | 3–20 |
| Motor vehicles | 5 |
| Motor vehicles under finance lease | 2–3 |
| Public records(1) | Indefinite |
| Other heritage assets | 99–100 |
| Intangible assets | 3–10 |

Note:

(1) Public records are assessed to have an indefinite useful life since the records are preserved in near perfect conditions to ensure they last for an indefinite period.

##### Impairment

Non-financial assets including items of property, plant and equipment or intangible assets are tested for impairment whenever there is an indication that the asset may be impaired.

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 considered to be an impairment and is written off as an ‘other economic flow’, except to the extent that it can be offset to an asset revaluation surplus amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of current 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.

##### Assets subject to restriction on use

Heritage assets held by the department generally cannot be modified or disposed of unless ministerial approval is obtained.

5.4 Fair value determination

The department determines the policies and procedures for fair value measurements such as property, plant and equipment in accordance with the requirements of AASB 13 Fair Value Measurement and the relevant Financial Reporting Directions issued by the Department of Treasury and Finance.

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy:

* level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities
* level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
* level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The department determines whether transfers have occurred between levels in the hierarchy by reassessing the categorisation at the end of each reporting period (based on the lowest level input that is significant to the fair value measurement as a whole).

The Valuer‑General Victoria (VGV) is the department’s independent valuation agency. The department, in conjunction with VGV, monitors changes in the fair value of each asset through relevant data sources to determine whether revaluation is required.

There have been no transfers between levels during the period.

The carrying amounts of all non-financial physical assets approximate to level 3 fair value.

The reconciliation of all movements of level 3 fair value assets is shown in the table at 5.1.

The disclosures in connection with fair value determination for non-financial physical assets is as follows.

##### Land and buildings (including heritage buildings)

The department’s land and buildings are classified as specialised land and buildings for valuation purposes. The market approach is used to value specialised land, although this is adjusted for any CSO to reflect the use 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 it is equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement. Relevant valuation factors include what is physically possible, legally permissible and financially feasible. As cost and such adjustments of CSO are considered significant unobservable inputs, valuation of specialised land is classified as a level 3 fair value measurement.

For the department’s specialised buildings, the current replacement cost method is used, adjusting for associated depreciation. Such adjustments are considered significant unobservable inputs and specialised buildings are classified as level 3 fair value measurements.

An independent valuation of the department’s specialised land and specialised buildings was performed by the VGV. The effective date of the valuation was 30 June 2017.

##### Office equipment and computer equipment

Office equipment and computer equipment is valued using the historical cost method, which is considered a close proxy to the current replacement cost due to the short useful lives of these assets. Depreciation rates used in arriving at the current replacement costs are an unobservable input, as such these assets are classified under level 3 in the fair value measurement hierarchy.

There were no changes in valuation techniques during the current financial year.

For all assets measured at fair value, the current use is considered the ‘highest and best’ use.

##### Public records and other heritage assets

The valuation of public records and other heritage assets uses market prices and other relevant information generated by market transactions involving comparable or similar assets. The assessment of similar assets in existence is performed by identifying comparable sales and undertaking research using subscription databases as well as referring to auction catalogues and other specialised libraries. Such a valuation technique will involve unobservable inputs to the fair value measurement, therefore public records and other heritage assets are classified under level 3 in the fair value measurements hierarchy.

The VGV undertook an independent valuation of the department’s public records and other heritage assets. The effective date of the valuation was 30 June 2017.

Other heritage assets include artwork. For artwork, valuation of the assets is determined by a comparison to similar examples of the artist’s work in existence throughout Australia and research on recent prices paid for similar examples offered at auction or through art galleries.

### Note 6. Other assets and liabilities

#### Introduction

This section sets out the other assets and liabilities that arose from the department’s operations and help to contribute to the successful delivery of output operations.

#### Structure of this section

6.1 Receivables

6.2 Payables

6.3 Other non-financial assets

6.4 Employee benefits

Key accounting recognition and measurement criteria

**Contractual receivables** are classified as financial instruments and categorised as ‘financial assets at amortised cost’. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment.

The department currently holds financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the 2019–20 reporting period.

**Statutory receivables** do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

**Contractual payables** are classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the department prior to the end of the financial year that are unpaid.

**Statutory payables** 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 contracts.

6.1 Receivables

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Contractual |
| Receivables | 32,966 | 11,934 |
| Statutory |
| Amounts owing from Victorian Government(1) | 84,967 | 110,683 |
| GST recoverable | 4,743 | 4,455 |
| Total receivables | 122,676 | 127,072 |
| Represented by: |
| Current receivables | 115,351 | 121,687 |
| Non-current receivables | 7,325 | 5,385 |

Note:

(1) Represents the balance of available appropriations relating to outputs as well as funds available for capital purchases (additions to the net asset base), for which payments had not been disbursed at the balance date, and accordingly had not been drawn from the Consolidated Fund.

##### 6.1.1 Ageing analysis of contractual receivables

The average credit period for sales of goods or services and for other receivables is 30 days. There are no material financial assets that 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.

6.2 Payables

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Contractual |
| Supplies and services | 45,055 | 31,612 |
| Statutory |
| Amounts payable to other government agencies | 23,907 | 17,963 |
| Total payables | 68,962 | 49,575 |
| Represented by: |
| Current payables | 68,962 | 49,575 |

6.3 Other non-financial assets

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Prepayments | 12,424 | 7,921 |
| Other | 291 | 87 |
| Total other non-financial assets | 12,715 | 8,008 |

Prepayments represent payments in advance of receiving goods or services made in one accounting period covering a term extending beyond that period. Prepayments at the end of the financial year include accommodation, WorkCover insurance, software and information technology payments paid in advance.

6.4 Employee benefits

Key accounting recognition and measurement criteria

Provision is made for benefits payable to employees in respect of annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

The **annual leave liability** is classified as a current liability and measured at the undiscounted amount expected to be paid because the department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for **sick leave** because all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the comprehensive operating statement as it is taken.

**Unconditional LSL** is disclosed as a current liability, even where the department does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of the current LSL liability is measured at:

* undiscounted 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.

**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 is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an ‘other economic flow’ in the net result.

**Employment on-costs** such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Current provisions |
| Annual leave | 14,993 | 13,427 |
| Long service leave | 17,106 | 14,582 |
| Provision for on-costs | 4,238 | 3,716 |
| Total current provisions for employee benefits | 36,337 | 31,725 |
| Non-current provisions |
| Long service leave | 6,587 | 4,845 |
| Provision for on-costs | 734 | 540 |
| Total non-current provisions for employee benefits | 7,321 | 5,385 |
| Total provisions for employee benefits | 43,658 | 37,110 |

The department does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State of Victoria as the sponsoring employer).

### Note 7. Our financing activities

#### Introduction

This section provides information on any financing activities of the department during the financial year.

This section also includes disclosures of balances that are classified as financial instruments (including cash balances) and additional information on the management of exposures to financial risks.

#### Structure of this section

7.1 Borrowings

7.2 Cash balances and cash flow information

7.3 Financial instruments and financial risk management

7.4 Commitments for expenditure

7.5 Trust account balances

7.1 Borrowings

Key accounting recognition and measurement criteria

**Borrowings** are classified as financial instruments. All interest-bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition is at amortised cost. The 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.

**Interest expenses** include costs incurred in connection with borrowing of funds and the interest component of finance lease repayments related to leased motor vehicles through the lease provider. Interest expenses are recognised in the period in which they are incurred.

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Current borrowings |
| Finance lease liabilities  | 1,946 | 1,850 |
| Total current borrowings | 1,946 | 1,850 |
| Non-current borrowings  |
| Finance lease liabilities  | 1,754 | 1,342 |
| Total non-current borrowings | 1,754 | 1,342 |
| Total borrowings | 3,700 | 3,192 |

Finance leases are interest-bearing borrowings. For the department, these relate mainly to motor vehicles under finance leases. There have been no defaults or breaches of any borrowing conditions in the current or prior financial years.

7.2 Cash balances and cash flow information

##### 7.2.1 Cash balances

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Cash on hand | 1 | 1 |
| Cash at bank | 64,310 | 59,942 |
| Balance as per cash flow statement | 64,311 | 59,943 |

Cash at bank includes deposits at call held at the bank and trust balances held in the State of Victoria’s bank account (‘public account’). Cash received by the department is paid into the public account. Similarly, expenditure for payments to suppliers and creditors are made via the public account. The public account remits to the department the cash required based on electronic payments and upon presentation of cheques by the department’s suppliers or creditors.

##### 7.2.2 Reconciliation of the net result for the period to the cash flow from operating activities

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Net result for the period | 8,583 | 7,966 |
| Non-cash movements |
| Depreciation and amortisation | 13,158 | 7,306 |
| (Gain) on disposal of non-financial assets | (127) | (183) |
| Net transfers free of charge | (6,836) | (4,847) |
| Total non-cash movements | 6,195 | 2,276 |
| Movements in assets and liabilities (net of restructuring) |
| (Increase)/decrease in receivables | 2,414 | (752) |
| (Increase)/decrease in other non-financial assets | (5,141) | (6,663) |
| Increase/(decrease) in payables | 16,637 | 7,124 |
| Increase/(decrease) in employee benefits | 6,446 | 6,029 |
| Total movements in assets and liabilities | 20,356 | 5,738 |
| Net cash flows from/(used in) operating activities | 35,134 | 15,980 |

7.3 Financial instruments and financial risk management

Key accounting recognition and measurement criteria

###### Introduction

Financial instruments arise out of contractual agreements between entities 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 do not meet the definition of financial instruments because they do not arise under contract. The department’s statutory receivables are disclosed in Note 6.1.

From 1 July 2018, the department has applied AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms.

###### Categories of financial assets under AASB 9

Financial assets at amortised cost

Financial assets are measured at amortised costs. These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

Financial assets at amortised cost include the department’s trade receivables but not statutory receivables.

###### Categories of financial assets previously under AASB 139

Financial assets (Receivables)

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, receivables are measured at amortised cost using the effective interest method, less any impairment.

Receivables includes trade receivables but not statutory receivables.

###### Categories of financial liabilities under AASB 9 and previously under AASB 139

Financial liabilities at amortised cost

Financial 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 measurement, these financial instruments are measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include all of the department’s contractual payables and finance lease liabilities (borrowings).

###### 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.

###### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

###### Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, there is a legal right to offset the amounts and the department intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### Categories of financial assets and liabilities

The following table shows the department’s categorisation of financial assets and financial liabilities.

| **2019** | Financial assets at amortised cost$’000 | Financial liabilities at amortised cost$’000 | Total$’000 |
| --- | --- | --- | --- |
| Contractual financial assets |
| Cash and deposits | 64,311 | – | 64,311 |
| Receivables | 32,966 | – | 32,966 |
| Total contractual financial assets in 2019 | 97,277 | – | 97,277 |
| Financial liabilities |
| Payables | – | 45,055 | 45,055 |
| Borrowings | – | 3,700 | 3,700 |
| Total contractual financial liabilities in 2019 | – | 48,755 | 48,755 |

| **2018** | Receivablesand cash$’000 | Liabilities at amortised cost$’000 | Total$’000 |
| --- | --- | --- | --- |
| Contractual financial assets |
| Cash and deposits | 59,943 | – | 59,943 |
| Receivables | 11,934 | – | 11,934 |
| Total contractual financial assets in 2018 | 71,877 | – | 71,877 |
| Financial liabilities |
| Payables | – | 31,612 | 31,612 |
| Borrowings | – | 3,192 | 3,192 |
| Total contractual financial liabilities in 2018 | – | 34,804 | 34,804 |

The department’s main financial risks include credit risk, liquidity risk and market risk. The department manages these financial risks in accordance with its financial risk management policy.

##### Credit risk

Credit risk refers to the possibility that a debtor will default on their financial obligations as and when they fall due. Credit risk associated with the department’s contractual financial assets is minimal because the main debtors are other Victorian Government entities. Credit risk is measured at fair value and is monitored on a regular basis.

Considering minimal credit risk, there is no expected credit loss for contractual receivables as per AASB 9’s Expected Credit Loss approach.

##### Liquidity risk

Liquidity risk arises when the department is unable to meet its financial obligations when they fall due. Exposure to liquidity risk is deemed insignificant based on a current assessment of risk, the nature of the department and a review of data from previous financial periods.

The department is exposed to liquidity risk mainly through the financial liabilities as disclosed in the balance sheet. The department manages its liquidity risk by:

* maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
* careful maturity planning of its financial obligations based on forecasts of future cash flows.

##### Market risk

The department’s exposure to market risk is primarily through interest rate risk. The department has no material exposure to foreign currency and other price risks.

##### Interest rate risk

The department’s exposure to interest rate risk is insignificant and arises primarily through its interest-bearing liabilities. The only interest-bearing liabilities are the motor vehicles under finance lease liabilities entered under fixed rate contracts.

7.4 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded at their nominal value and are inclusive of GST. Where it is considered appropriate and provides 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.

| Nominal amounts | Less than 1 year$’000 | 1–5 years$’000 | 5+ years$’000 | Total$’000 |
| --- | --- | --- | --- | --- |
| 2019 |
| Capital commitments | 7,498 | – | – | 7,498 |
| Outsourcing commitments | 1,714 | – | – | 1,714 |
| Operating lease commitments | 12,514 | 11,403 | 7,221 | 31,138 |
| Other commitments | 21,620 | 15,468 | – | 37,088 |
| Total commitments (inclusive of GST) | 43,346 | 26,871 | 7,221 | 77,438 |
| Less GST recoverable | (3,940) | (2,443) | (656) | (7,040) |
| Total commitments (exclusive of GST) in 2019 | 39,406 | 24,428 | 6,565 | 70,398 |
| 2018 |
| Capital commitments | 20,795 | – | – | 20,795 |
| Outsourcing commitments | 1,540 | 2,979 | – | 4,519 |
| Operating lease commitments | 13,333 | 44,215 | 10,281 | 67,829 |
| Other commitments | 10,376 | 3,882 | – | 14,258 |
| Total commitments (inclusive of GST) | 46,044 | 51,076 | 10,281 | 107,401 |
| Less GST recoverable | (4,186) | (4,643) | (935) | (9,764) |
| Total commitments (exclusive of GST) in 2018 | 41,858 | 46,433 | 9,346 | 97,638 |

The department has grant payment commitments. These commitments are unquantifiable since the final grant payment is based on achieving performance milestones.

7.5 Trust account balances

| Cash and cash equivalents and investments | 2019 | 2018 |
| --- | --- | --- |
| Opening balance as at 1 July 2018$’000 | Total receipts$’000 | Total payments$’000 | Closing balance as at 30 June 2019$’000 | Opening balance as at 1 July 2017$’000 | Total receipts$’000 | Total payments$’000 | Closing balance as at 30 June 2018$’000 |
| Controlled trusts |
| Australia Day Committee Victoria Trust | 57 | 747 | (703) | 101 | 164 | 975 | (1,082) | 57 |
| Victorian Veterans Fund | 256 | 423 | (151) | 528 | 165 | 268 | (177) | 256 |
| Departmental Trust Account | 12,992 | 452 | (4,099) | 9,345 | 16,734 | 4,343 | (8,085) | 12,992 |
| Treasury Trust | 42,866 | 27,483 | (29,329) | 41,020 | 47,926 | 41,784 | (46,844) | 42,866 |
| Victorian Pride Centre(1) | – | 12,983 | (6,207) | 6,776 | – | – | – | – |
| Vehicle Lease Trust | 539 | 1,209 | (866) | 882 | 339 | 200 | – | 539 |
| Information Victoria Working Account | 1,002 | 208 | (295) | 915 | 1,183 | 227 | (408) | 1,002 |
| ANZAC Day Trust | 17 | 400 | (399) | 18 | 17 | 360 | (360) | 17 |
| Aboriginal Cultural Heritage Fund | 874 | 1,923 | (401) | 2,396 | 397 | 1,276 | (799) | 874 |
| Intergovernmental trust(2) | 1,339 | 5,401 | (4,411) | 2,329 | – | 3,000 | (1,661) | 1,339 |
| Total controlled trusts | 59,942 | 51,229 | (46,861) | 64,310 | 66,925 | 52,433 | (59,416) | 59,942 |

Trust accounts controlled by the department are shown above. These trust balances are reported as cash at bank in Note 7.2.1.

Notes:

(1) This relates to funds payable to the Victorian Pride Centre Consortium upon completion of project milestones.

(2) The Intergovernmental trust was established during 2017–18 under section 19 of the Financial Management Act 1994 to record projects managed through inter-departmental fund transfers.

### Note 8. Other disclosures

#### Introduction

This section includes additional disclosures required by accounting standards or otherwise for the understanding of this financial report.

#### Structure of this section

8.1 Other economic flows

8.2 Responsible persons

8.3 Executive remuneration

8.4 Related parties

8.5 Remuneration of auditors

8.6 Restructuring of administrative arrangements

8.7 Contingent assets and contingent liabilities

8.8 Administered items

8.9 Third-party funds under management

8.10 Change in accounting policies, other accounting policies and Australian Accounting Standards issued but not yet effective

8.11 Subsequent events

8.1 Other economic flows

Other economic flows are changes in the value of an asset or liability that do not result from transactions. Gains/(losses) from other economic flows include the gains or losses from:

* the disposal of leased motor vehicles
* the revaluation of the present value of the long service and recreational leave liability due to changes in the bond interest rate.

| Other economic flows | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Net gain on non-financial assets |
| Gain on disposal of leased motor vehicles | 127 | 183 |
| Total net gain on non-financial assets | 127 | 183 |
| Other gains/(losses) on other economic flows |
| Gain/(loss) on revaluation of recreational leave liability | (69) | 2 |
| Gain/(loss) on revaluation of long service leave liability | (1,470) | 31 |
| Total other gains/(losses) on other economic flows | (1,539) | 33 |

8.2 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer 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 Minister or Accountable Officer in the department (from 1 July 2018 to 30 June 2019 unless otherwise stated) were:

| Name of Minister or Accountable Officer | Relevant title |
| --- | --- |
| The Hon Daniel Andrews MP | Premier |
| The Hon James Merlino MP | Deputy Premier |
| The Hon John Eren MP | Minister for Veterans |
| Martin Foley MP | Minister for Equality |
| The Hon Natalie Hutchins MP | Minister for Aboriginal Affairs |
| Gavin Jennings MLC | Special Minister of State; Minister for Aboriginal Affairs |
| Robin Scott MP | Minister for Multicultural Affairs; Minister for Veterans |
| Tim Pallas MP | Minister for Industrial Relations |
| Gabrielle Williams MP | Minister for Youth; Minister for Women |
| The Hon Richard Wynne MP | Minister for Multicultural Affairs |
| Chris Eccles AO | Secretary |

The persons who acted in positions of Minister or Accountable Officer in the department
(from 1 July 2018 to 30 June 2019) were:

| Name of Minister or Accountable Officer | Relevant office | Persons who acted in the positions |
| --- | --- | --- |
| The Hon Daniel Andrews MP | Office of the Premier | The Hon James Merlino MPTim Pallas MPThe Hon Jacinta Allan MPThe Hon Lisa Neville MP |
| Gavin Jennings MLC | Office of the Special Minister of State | The Hon James Merlino MPThe Hon Lily D’Ambrosio MP |
| Gavin Jennings MLC | Office of the Minister for Aboriginal Affairs | The Hon Lily D’Ambrosio MPThe Hon James Merlino MP |
| The Hon Natalie Hutchins MP | Office of the Minister for Aboriginal Affairs | The Hon Luke Donnellan MP |
| Martin Foley MP | Office of the Minister for Equality | Gavin Jennings MLCThe Hon Jill Hennessy MPThe Hon Luke Donnellan MPGabrielle Williams MP |
| Robin Scott MP | Office of the Minister for Multicultural Affairs | The Hon Marlene Kairouz MPMartin Foley MPGavin Jennings MLCThe Hon Natalie Hutchins MP |
| The Hon John Eren MP | Office of the Minister for Veterans | The Hon Philip Dalidakis MP |
| Robin Scott MP | Office of the Minister for Veterans | The Hon Adem Somyurek MPTim Pallas MP |
| Tim Pallas MP | Office of the Minister for Industrial Relations | Robin Scott MPThe Hon Ben Carroll MP |
| Gabrielle Williams MP | Office of the Minister for Youth | Martin Foley MPThe Hon Luke Donnellan MP |
| Gabrielle Williams MP | Office of the Minister for Women | The Hon Jill Hennessy MPThe Hon Lisa Neville MPJenny Mikakos MP |
| The Hon Richard Wynne MP | Office of the Minister for Multicultural Affairs | The Hon Lisa Neville MPThe Hon Lily D’Ambrosio MP |
| Chris Eccles AO | Office of the Secretary | Jeremi MouleKate Houghton |

##### Remuneration

Remuneration received or receivable by the Accountable Officer in connection with managing of the department during the reporting period was in the range of $580,000–$589,999
(2018: $620,000–$629,999).

8.3 Executive remuneration

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full-time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories:

* Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.
* Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.
* Other long-term benefits include LSL, other long-service benefit or deferred compensation.

| Remuneration of executive officers | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Short-term employee benefits | 24,093 | 23,281 |
| Post-employment benefits | 2,254 | 2,224 |
| Other long-term benefits | 2,484 | 868 |
| Termination benefits | 147 | 114 |
| Total remuneration | 28,979 | 26,487 |
| Total number of executives(1) | 154 | 135 |
| Total annualised employee equivalents(2) | 119.7 | 110.9 |

Notes:

(1) The total number of executive officers includes persons who meet the definition of key management personnel of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.4).

(2) Annualised employee equivalent is based on the time fraction worked over the reporting period.

8.4 Related parties

The department is a wholly owned and controlled entity of the State of Victoria.

Related parties of the department, Office of the Victorian Information Commissioner, Victorian Multicultural Commission and Victorian Veterans Council include:

* all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over)
* all Cabinet ministers and their close family members
* all departments and public sector entities that are controlled and included in the whole of state consolidated financial statements.

##### Significant transactions with government-related entities

The department received funding from and made payments to the Consolidated Fund of $624.5 million (2018: $485.6 million).

##### Key management personnel

The department’s key management personnel from 1 July 2018 to 30 June 2019 included:

###### The Premier

* The Hon Daniel Andrews MP

###### Portfolio ministers

* The Hon James Merlino MP
* Gavin Jennings MLC
* Tim Pallas MP
* Martin Foley MP
* Robin Scott MP
* Gabrielle Williams MP
* The Hon Richard Wynne MP

###### The Secretary

* Chris Eccles AO

###### The Deputy Secretaries

* Kate Houghton (from 29 November 2018)
* Rebecca Falkingham (to 28 November 2018)
* Tim Ada (from 15 April 2019)
* Matthew Lowe (acting from 7 December 2018 to 14 April 2019)
* Simon Phemister (to 6 December 2018)
* Jeremi Moule
* Brigid Monagle (from 1 January 2019)
* Matthew O’Connor (from 1 April 2019)
* Lill Healy (from 17 June 2019)
* Elizabeth Langdon (from 17 June 2019)

###### Other members of the executive team

* Toby Hemming — General Counsel
* Andrew Campbell — Executive Director, Corporate Services (from 21 January 2019)
* Susan Middleditch — Executive Director, Corporate Services (to 7 October 2018)
* Nicola Brown — Acting Executive Director, Corporate Services (from 8 October 2018
to 21 December 2018).

Key management personnel of the administrative offices included in the department’s financial statements and other statutory appointees that are material in terms of the department’s financial results include:

###### Administrative offices

* Justine Heazlewood — The Keeper of Public Records of Public Record Office Victoria
* Joanne de Morton — Chief Executive Officer of Service Victoria
* Karen Cain — Chief Executive Officer of Latrobe Valley Authority (to 31 December 2018).

Since 1 January 2019, Latrobe Valley Authority was transferred to the Department of Jobs, Precincts and Regions.

The compensation detailed below excludes the salaries and benefits of portfolio ministers. Ministers’ remuneration and allowances are set by the Parliamentary Salaries and Superannuation Act 1968 and is reported by the Department of Parliamentary Services.

| Compensation of key management personnel | Department, administration offices and s.53 entities |
| --- | --- |
| 2019$’000 | 2018$’000 |
| Short-term employee benefits | 3,711 | 2,840 |
| Post-employment benefits | 243 | 206 |
| Other long-term benefits | 433 | 89 |
| Termination benefits | – | 90 |
| Total | 4,387 | 3,225 |

##### Transactions with key management personnel and other related parties

Given the breadth and depth of state government activities, related parties transact with the Victorian public sector on terms and conditions equivalent to those that prevail in arm’s-length transactions under the State’s procurement process. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004, codes of conduct and standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

During the financial year, the Secretary, Mr Chris Eccles AO, was a member of the Board of Directors of the Australian New Zealand School of Government (ANZSOG). Since 2002 the department has transactions that occurred with ANZSOG that prevail at arm’s length under the State’s procurement processes.

Outside of normal citizen-type transactions with the department, there were no other related party transactions that involved key management personnel or their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

8.5 Remuneration of auditors

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Victorian Auditor-General’s Office |
| Audit of the annual financial statements | 137 | 134 |
| Total remuneration of auditors | 137 | 134 |

8.6 Restructuring of administrative arrangements

In December 2018 the government issued an administrative order restructuring some of its activities via machinery of government changes. As part of the machinery of government restructure, the department (the transferor) relinquished the functions associated with the following areas, taking effect on 1 January 2019:

* Latrobe Valley Authority, Melbourne Biomedical, Cities and Precincts and GovHubs to the Department of Jobs, Precincts and Regions (the transferee)
* National Disability Insurance Scheme to the Department of Health and Human Services (the transferee).

The following transfers took effect on 11 February 2019:

* Countering Violent Extremism to the Department of Justice and Community Safety (the transferee).

In addition, the department (as transferee) assumed responsibility for the functions associated with the following areas, taking effect on 1 January 2019:

* Industrial Relations Victoria from the Department of Jobs, Precincts and Regions (the transferor)
* Office for Women and Office for Youth from the Department of Health and Human Services (the transferor).

Restructuring of administrative arrangements during the year are as follows:

| 2019 | Transfer in | Transfer out |  | Total net transfer$’000 |
| --- | --- | --- | --- | --- |
| Industrial Relations Victoria$’000 | Office for Women and Youth$’000 | Total transfer in$’000 | Latrobe Valley Authority$’000 | National Disability Insurance Scheme$’000 | Cities and Precincts and GovHubs$’000 | Melbourne Biomedical$’000 | Countering Violent Extremism$’000 | Total transfer out$’000 |
| Assets |
| Cash and deposits | 104 | 4,648 | 4,752 | (1,258) | (5,525) | – | (292) | – | (7,075) | (2,323) |
| Receivables | 1,684 | 1,397 | 3,081 | (2,350) | (5,889) | (513) | (40) | (2,215) | (11,007) | (7,926) |
| Property, plant and equipment | 94 | 1,242 | 1,336 | (271) | – | (23) | – | – | (294) | 1,042 |
| Prepayments | – | – | – | (610) | – | – | – | (6) | (616) | (616) |
| Total assets | 1,882 | 7,287 | 9,169 | (4,489) | (11,414) | (536) | (332) | (2,221) | (18,992) | (9,823) |
| Liabilities |
| Borrowings | (94) | (40) | (134) | 120 | – | 23 | – | – | 143 | 9 |
| Payables | (196) | – | (196) | 685 | 615 | 54 | 55 | 1,980 | 3,389 | 3,193 |
| Provisions | (1,360) | (1,397) | (2,757) | 1,059 | 703 | 437 | 217 | 241 | 2,657 | (100) |
| Total liabilities | (1,650) | (1,437) | (3,087) | 1,864 | 1,318 | 514 | 272 | 2,221 | 6,189 | 3,102 |
| Net assets transferred(1) | 232 | 5,850 | 6,082 | (2,625) | (10,096) | (22) | (60) | – | (12,803) | (6,721) |

Note:

(1) The net asset transfers were treated as a contribution of capital by the State of Victoria.

8.7 Contingent assets and contingent liabilities

Key accounting recognition and measurement criteria

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are measured atnominal value.

Contingent assets and liabilities are presented inclusive of GST.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known,
or non-quantifiable.

Contingent liabilities are:

* possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
* present obligations that arise from past events but are not recognised because:
	+ it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations, or
	+ the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

##### Contingent assets

There were no contingent assets during the reporting period.

##### Contingent liabilities

There were no contingent liabilities during the reporting period.

8.8 Administered items

Key accounting recognition and measurement criteria

Administered transactions relating to income, assets and liabilities are determined on an accrual basis.

Administered items are items that the department administers but does not control the related activities. The transactions and balances provided below relate to administered items and are not included elsewhere in these financial statements because the department does not control these activities. However, the department remains accountable to the state for the transactions involving these administered resources even though it does not have the discretion to deploy these resources for its own benefit or to achieve its objectives. Some of the activities includes disposal of vehicles under finance lease, the Public Service Commuter Club and other treasury and departmental trusts.

| Administered (non-controlled) items | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Administered Income from transactions |
| Appropriations | 29,052 | – |
| Grants | – | 3,426 |
| Provision of services | 74 | 79 |
| Other income | 562 | 570 |
| Total administered income from transactions | 29,688 | 4,075 |
| Administered expenses from transactions |
| Supplies and services | 12 | 30 |
| Grants and other transfers | 29,052 | – |
| Payments into the Consolidated Fund | 759 | 4,051 |
| Total administered expenses from transactions | 29,823 | 4,081 |
| Total administered comprehensive result | (135) | (6) |
| Administered financial assets |
| Cash | 16,490 | 17,664 |
| Other receivables | 432 | 517 |
| Total administered financial assets | 16,922 | 18,181 |
| Total assets | 16,922 | 18,181 |
| Administered liabilities |
| Amounts payable to other government agencies(1) | 17,051 | 18,175 |
| Total liabilities | 17,051 | 18,175 |
| Administered net assets | (129) | 6 |

Note:

(1) Funds held in trust within the Public Account for the portfolio agencies.

##### Administered trust account balances

The table below provides additional information on individual administered trust account balances.

| Cash and cash equivalents and investments | 2019 | 2018 |
| --- | --- | --- |
| Opening balance as at 1 July 2018$’000 | Total receipts$’000 | Total payments$’000 | Closing balance as at 30 June 2019$’000 | Opening balance as at 1 July 2017$’000 | Total receipts$’000 | Total payments$’000 | Closing balance as at 30 June 2018$’000 |
| Administered trusts |
| Vehicle Lease Trust  | 10 | 1 | – | 11 | 13 | – | (3) | 10 |
| Public Service Commuter Club | (510) | – | (50) | (560) | (432) | 686 | (764) | (510) |
| Treasury Trust | 7,473 | 90 | (174) | 7,389 | 7,596 | 20 | (143) | 7,473 |
| Departmental Trust Account | 10,691 | 9,017 | (10,058) | 9,650 | 8,510 | 9,149 | (6,968) | 10,691 |
| Total administered trusts | 17,664 | 9,108 | (10,282) | 16,490 | 15,687 | 9,855 | (7,878) | 17,664 |

8.9 Third-party funds under management

The department has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the department. Funds managed on behalf of third parties are not recognised in these financial statements because they are managed on a fiduciary and custodial basis and therefore are not controlled by the department.

Any earnings on the funds held pending distribution are also applied to the trust funds under management as appropriate.

The Victorian Veterans Council is the trustee for the following patriotic funds, which are administered in accordance with Part 4 of the Veterans Act 2005:

##### The Australian Legion of Ex Servicemen and Women Scholarship Fund No 1 — Nurses Memorial Centre

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Cash at bank | 1,052 | 1,058 |
| Total funds under management | 1,052 | 1,058 |
| Balance brought forward | 1,058 | 1,061 |
| Interest earned | 25 | 23 |
| Total receipts | 25 | 23 |
| Scholarships/prizes paid | (31) | (26) |
| Total payments | (31) | (26) |
| Balance carried forward | 1,052 | 1,058 |

The fund was established in August 2006 to provide scholarships to students undertaking postgraduate studies in care of either older persons or palliative care at a recognised Victorian university. The funds are provided to the Nurses Memorial Centre as the facilitator of the scholarships.

##### Australian Legion of Ex Servicemen and Women Scholarship Fund — Albert Coates Memorial Trust

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Cash at bank | 1,022 | 1,028 |
| Total funds under management | 1,022 | 1,028 |
| Balance brought forward | 1,028 | 1,031 |
| Interest earned | 25 | 23 |
| Total receipts | 25 | 23 |
| Scholarships/prizes paid | (31) | (26) |
| Total payments | (31) | (26) |
| Balance carried forward | 1,022 | 1,028 |

The Australian Legion of Ex-Servicemen and Women Scholarship Fund, in association with the Albert Coates Memorial Trust, provides scholarships to students who are studying to train as paramedics, nurses or doctors in emergency care at Victorian universities. The scholarships are for either postgraduate students or second-year undergraduate students.

##### War Widows and Widowed Mothers Association Scholarship Fund

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Cash at bank | 86 | 84 |
| Total funds under management | 86 | 84 |
| Balance brought forward | 84 | 82 |
| Interest earned | 2 | 2 |
| Total receipts | 2 | 2 |
| Balance carried forward | 86 | 84 |

This fund supports scholarships awarded by the Federation University Australia to students undertaking a Bachelor of Nursing or a Graduate Diploma of Midwifery.

##### The Victorian Blinded Soldiers’ Welfare Patriotic Fund

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Cash at bank | 161 | 157 |
| Total funds under management | 161 | 157 |
| Balance brought forward | 157 | 154 |
| Interest earned | 4 | 3 |
| Total receipts | 4 | 3 |
| Balance carried forward | 161 | 157 |

This fund was established in April 2013 and provides welfare assistance to visually impaired veterans who have a visual impairment due to their service in defence of our nation, and to their dependants.

##### The EDA Patriotic Fund

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Cash at bank | 34 | 34 |
| Total funds under management | 34 | 34 |
| Balance brought forward | 34 | 34 |
| Interest earned | 1 | – |
| Total receipts | 1 | – |
| Scholarships/prizes paid | (1) | – |
| Total payments | (1) | – |
| Balance carried forward | 34 | 34 |

This fund was established in 2013–14 and provides an annual prize of $500 for the Victorian Veteran Community Story Writing and Art Competition, facilitated by Austin Health’s Heidelberg Repatriation Hospital.

##### Australian United Ex-Services Association Patriotic Fund

|  | 2019$’000 | 2018$’000 |
| --- | --- | --- |
| Cash at bank | 343 | 335 |
| Total funds under management | 343 | 335 |
| Balance brought forward | 335 | 328 |
| Interest earned | 8 | 7 |
| Total receipts | 8 | 7 |
| Balance carried forward | 343 | 335 |

This fund provides for yearly scholarships to train clinicians working at the Psychological Trauma Recovery Service at the Heidelberg Repatriation Hospital in cognitive processing therapy, with an associated year of supervision.

8.10 Change in accounting policies, other accounting policies and Australian Accounting Standards issued but not yet effective

##### Change in accounting policies — AASB 9

The department has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment.

Contractual receivables previously classified as other loans and receivables under AASB 139 are now reclassified as financial assets at amortised cost under AASB 9.

The accounting for financial liabilities remains largely the same as it was under AASB 139, except for the treatment of gains or losses arising from the department’s own credit risk relating to liabilities designated at fair value through net result, which is nil.

The department’s application of AASB 9 is disclosed in Note 7.3.

##### Other accounting policies — contributions by owners

In relation to machinery of government changes and consistent with the requirements of AASB 1004 Contributions, contributions by owners, contributed capital and its repayments are treated as equity transactions and do not form part of the department’s income and expenses.

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

##### Australian Accounting Standards (AASs) issued but not yet effective

The following AASs become effective for reporting periods commencing after 1 July 2019:

* AASB 16 Leases
* AASB 15 Revenue from Contract with Customers
* AASB 1058 Income of Not-for-Profit Entities.

###### Leases

AASB 16 Leases replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a right-of-use asset and a lease liability, except for leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below $10,000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset and to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases — operating and finance leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019. The department intends to adopt AASB 16 in the 2019–20 financial year when it becomes effective.

The department will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

Various practical expedients are available on adoption to account for leases previously classified by a lessee as operating leases under AASB 117. The department will elect to use the exemptions for all
short-term leases (lease terms less than 12 months) and low-value leases (deemed to be below $10,000).

The department has performed a detailed impact assessment of AASB 16 and the potential impact in the initial year of application has been estimated as follows:

* increase in right of use ($55,513,117)
* increase in related depreciation ($14,269,587)
* increase in lease liability ($59,242,586)
* increase in related interest ($1,742,980) calculated using the effective interest method
* decrease in rental expense ($12,283,099).

###### Revenue and Income

AASB 15 supersedes *AASB 118 Revenue* to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. AASB 15 requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

To address specific concerns from the ‘not-for-profit’ sector in Australia, the AASB also released the following standards and guidance:

* AASB 2016-8 Amendments to Australian Accounting Standards — Australian implementation guidance for NFP entities to provide guidance on application of revenue recognition principles under AASB 15 in the not-for-profit sector
* AASB 1058 Income of Not-for-Profit Entities to supplement AASB 15 and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions previously contained within *AASB 1004 Contributions*.

AASB 15, AASB 1058 and the related guidance came into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. The department intends to adopt these standards in the 2019–20 financial year when it becomes effective.

The department will apply the standard using a modified retrospective approach, with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

The department has performed a detailed impact assessment of AASB 15 and AASB 1058 and the potential impact for each major class of revenue and income in the initial year of application and has found nil impact.

8.11 Subsequent events

No significant events have occurred since 30 June 2019 that will have a material impact on the information disclosed in the financial statements.

## Accountable Officer’s andChief Financial Officer’s declaration

The attached financial statements for the Department of Premier and Cabinet have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and the financial position of the department at 30 June 2019.

At the time of signing, we are not aware of any circumstance that would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 20 August 2019.



**Andrew Davis**

Chief Financial Officer

Department of Premier and Cabinet

Melbourne

20 August 2019



**Chris Eccles AO**

Secretary

Department of Premier and Cabinet

Melbourne

20 August 2019

## Independent audit reportfor the year ended 30 June 2019



