

# 05

## Financial statements

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Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Families and Social Services

#### Opinion

In my opinion, the financial statements of the Department of Social Services ('the Entity') for the year ended 30 June 2019:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

- Statement by the Secretary and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a Summary of significant accounting policies and other explanatory information.

#### Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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**Key audit matter****Accuracy and occurrence of grants expenses**

*Refer to Note 2.1B 'Grants'*

I focused on this area as there are a large number of grants programs with differing legislative and policy requirements which make the management of grant processes complex and this has the potential to impact the validity of grant expenses.

For the year ended 30 June 2019 the grants expenses were \$2.4 billion.

**How the audit addressed the matter**

The audit procedures undertaken to address this matter included:

1. evaluating the information technology controls specifically access controls, change management, approvals and delegations for grants and payment processing;
2. assessing manual controls supporting grants management focusing on risk management and compliance processes; and
3. examining supporting documentation for a sample of grant agreements to assess the accuracy and occurrence of expenditure amounts.

**Key audit matter****Accuracy and occurrence of personal benefits expense**

*Refer to Note 2.1C 'Personal Benefits'*

I focused on this area as the accuracy and occurrence of personal benefits expense is dependent on the correct self-disclosure of personal circumstances by a large number of diverse recipients. The accuracy of personal benefits expense is also reliant on a complex information technology system for the processing of a high volume of payments across numerous personal benefit types with varying conditions for determining payment amount.

For the year ended 30 June 2019 the expense related to personal benefits was \$110.8 billion.

**How the audit addressed the matter**

The audit procedures undertaken to address this matter included:

1. assessing the internal controls in place over the personal benefits payments, focusing on processes for monitoring compliance with requirements to disclose accurate personal information;
2. assessing the information technology controls, specifically access controls to personal circumstances data and controls designed to prevent and detect unauthorised changes to the information technology environment; and
3. recalculating a sample of personal benefits payments made to recipients, based on relevant legislation and personal circumstances data held by the Australian Government.

**Key audit matter****Valuation of personal benefits provisions and personal benefit receivables**

*Refer to Note 4.3A 'Personal Benefits and Other Provisions' and Note 4.1B 'Receivables'*

I focused on this area as the valuation of the provisions and receivables involve estimation models which require significant judgements and assumptions, and are dependent on a number of factors. These factors include, but are not limited to, new budget measures affecting benefit programs, timing of payments, personal circumstances of recipients and the economic environment. The accuracy and completeness of the source data used by the actuary in developing the estimation of the provisions and receivables is also a key component of the valuation process.

As at 30 June 2019 the provisions totalled \$4.1 billion and the receivables totalled \$4.5 billion.

**How the audit addressed the matter**

The audit procedures undertaken to address this matter included:

1. evaluating the appropriateness of management's processes to assess whether judgements and assumptions used in the estimation models remain appropriate;
2. assessing the work undertaken by the Entity's actuary; and
3. assessing the accuracy and completeness of data used in the estimation models.

### **Accountable Authority's responsibility for the financial statements**

As the Accountable Authority of the Entity, the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Grant Hehir  
Auditor-General

Canberra  
2 September 2019

## Department of Social Services

### Statement by the Secretary and Chief Finance Officer

In our opinion, the financial statements for the year ended 30 June 2019 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Social Services (the department) will be able to pay its debts as and when they fall due.



Kathryn Campbell AO CSC  
Secretary

2 September 2019



Andrew Harvey  
Chief Finance Officer

2 September 2019

## Department of Social Services

### Statement of comprehensive income

for the period ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget 2019 \$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	1.1A	287,835	258,979	259,152
Suppliers	1.1B	188,363	203,723	155,024
Depreciation and amortisation	3.2A	95,906	72,123	81,691
Finance costs		17	5	-
Impairment loss allowance on financial instruments		24	12	-
Write-down and impairment of other assets	3.2A	1,837	748	-
Payments for service delivery		151	152	-
Other expenses		239	4	4,493
<b>Total expenses</b>		<b>574,372</b>	<b>535,746</b>	<b>500,360</b>
<b>Own-Source Income</b>				
<b>Own-source revenue</b>				
Rendering of services	1.2A	56,570	81,947	40,730
Resources received free of charge	1.2B	18,576	1,603	1,350
Rental income	1.2C	1,948	2,082	-
Other revenue		15	173	-
<b>Total own-source revenue</b>		<b>77,109</b>	<b>85,805</b>	<b>42,080</b>
<b>Gains</b>				
Gains from sale of assets	1.2D	172	211	-
Other gains	1.2E	511	90	-
<b>Total gains</b>		<b>683</b>	<b>301</b>	<b>-</b>
<b>Total own-source income</b>		<b>77,792</b>	<b>86,106</b>	<b>42,080</b>
<b>Net cost of services</b>		<b>(496,580)</b>	<b>(449,640)</b>	<b>(458,280)</b>
Revenue from Government		420,522	406,779	376,589
<b>Deficit</b>		<b>(76,058)</b>	<b>(42,861)</b>	<b>(81,691)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation reserve		3,221	57	-
<b>Total other comprehensive income</b>		<b>3,221</b>	<b>57</b>	<b>-</b>
<b>Total comprehensive loss</b>		<b>(72,837)</b>	<b>(42,804)</b>	<b>(81,691)</b>

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

For budgetary reporting information refer to Note 8.4A. The Original Budget information has been reclassified and presented on a consistent basis with the corresponding financial statement item.

## Department of Social Services

### Statement of financial position

as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget 2019 \$'000
<b>ASSETS</b>				
<b>Financial Assets</b>				
Cash and cash equivalents		9,313	6,602	7,192
Trade and other receivables	3.1A	90,225	76,385	86,283
<b>Total financial assets</b>		<b>99,538</b>	<b>82,987</b>	<b>93,475</b>
<b>Non-Financial Assets</b>				
Leasehold improvements	3.2A	52,265	58,787	45,624
Property, plant and equipment	3.2A	27,711	30,257	22,021
Intangibles	3.2A	123,980	158,288	142,127
Prepayments		25,819	28,149	26,397
<b>Total non-financial assets</b>		<b>229,775</b>	<b>275,481</b>	<b>236,169</b>
Assets held for sale	3.2A	50	298	-
<b>Total assets</b>	8.1A	<b>329,363</b>	<b>358,766</b>	<b>329,644</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	3.3A	23,707	30,432	21,413
Other payables	3.3B	45,574	44,180	38,455
<b>Total payables</b>		<b>69,281</b>	<b>74,612</b>	<b>59,868</b>
<b>Provisions</b>				
Employee provisions	6.1A	96,172	80,478	78,966
Other provisions	3.4A	743	1,087	849
<b>Total provisions</b>		<b>96,915</b>	<b>81,565</b>	<b>79,815</b>
<b>Total liabilities</b>	8.1A	<b>166,196</b>	<b>156,177</b>	<b>139,683</b>
<b>Net assets</b>		<b>163,167</b>	<b>202,589</b>	<b>189,961</b>
<b>EQUITY</b>				
Contributed equity		467,376	433,961	586,330
Asset revaluation reserve		75,613	72,392	72,336
Accumulated deficit		(379,822)	(303,764)	(468,705)
<b>Total equity</b>		<b>163,167</b>	<b>202,589</b>	<b>189,961</b>

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

For budgetary reporting information refer to Note 8.4A.

## Department of Social Services

### Statement of changes in equity

for the period ended 30 June 2019

		2019	2018	Original Budget 2019
	Notes	\$'000	\$'000	\$'000
<b>CONTRIBUTED EQUITY</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		433,961	417,189	548,312
<b>Transactions with owners</b>				
Equity injection - Appropriations		21,469	40,692	21,469
Departmental capital budget		17,063	16,614	16,549
Restructuring	8.2A	(5,117)	35	-
Appropriations repealed		-	(40,569)	-
<b>Total transactions with owners</b>		<b>33,415</b>	<b>16,772</b>	<b>38,018</b>
<b>Closing balance as at 30 June</b>		<b>467,376</b>	<b>433,961</b>	<b>586,330</b>
<b>ASSET REVALUATION RESERVE</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		72,392	72,335	72,336
<b>Comprehensive income</b>				
Other comprehensive income		3,221	57	-
<b>Total comprehensive income</b>		<b>3,221</b>	<b>57</b>	<b>-</b>
<b>Closing balance as at 30 June</b>		<b>75,613</b>	<b>72,392</b>	<b>72,336</b>
<b>ACCUMULATED DEFICIT</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		(303,764)	(259,324)	(387,014)
<b>Comprehensive income</b>				
Deficit for the period		(76,058)	(42,861)	(81,691)
Appropriations repealed		-	(1,579)	-
<b>Total comprehensive income</b>		<b>(76,058)</b>	<b>(44,440)</b>	<b>(81,691)</b>
<b>Closing balance as at 30 June</b>		<b>(379,822)</b>	<b>(303,764)</b>	<b>(468,705)</b>
<b>TOTAL EQUITY</b>				
<b>Opening balance</b>				
Balance carried forward from the previous period		202,589	230,200	233,634
Comprehensive loss for the period		(72,837)	(42,804)	(81,691)
Other movements		-	(1,579)	-
Transactions with owners		33,415	16,772	38,018
<b>Closing balance as at 30 June</b>		<b>163,167</b>	<b>202,589</b>	<b>189,961</b>

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

For budgetary reporting information refer to Note 8.4A.

#### Accounting Policy

##### Equity Injections

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

##### Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructure of administrative arrangements are adjusted at their book value directly against Contributed Equity.

## Department of Social Services

## Cash flow statement

for the period ended 30 June 2019

	2019	2018	Original Budget 2019
	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	479,809	468,850	389,646
Rendering of services*	57,870	82,634	40,730
GST received	20,297	27,321	-
Other*	11,739	9,487	-
<b>Total cash received</b>	<b>569,715</b>	<b>588,292</b>	<b>430,376</b>
<b>Cash used</b>			
Employees	288,883	257,803	264,301
Suppliers	209,879	230,683	161,582
Payments for service delivery	151	152	-
Section 74 receipts transferred to Official Public Account	66,990	92,460	-
Other	-	-	4,493
<b>Total cash used</b>	<b>565,903</b>	<b>581,098</b>	<b>430,376</b>
<b>Net cash from operating activities</b>	<b>3,812</b>	<b>7,194</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment	299	648	-
<b>Total cash received</b>	<b>299</b>	<b>648</b>	<b>-</b>
<b>Cash used</b>			
Purchase of property, plant and equipment	14,590	40,922	11,402
Purchase of intangibles	25,558	56,997	26,616
<b>Total cash used</b>	<b>40,148</b>	<b>97,919</b>	<b>38,018</b>
<b>Net cash used by investing activities</b>	<b>(39,849)</b>	<b>(97,271)</b>	<b>(38,018)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations - Equity injections	24,021	57,049	21,469
Appropriations - Departmental capital budget	14,727	22,438	16,549
<b>Total cash received</b>	<b>38,748</b>	<b>79,487</b>	<b>38,018</b>
<b>Net cash from financing activities</b>	<b>38,748</b>	<b>79,487</b>	<b>38,018</b>
<b>Net increase / (decrease) in cash held</b>	<b>2,711</b>	<b>(10,590)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	6,602	17,192	7,192
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>9,313</b>	<b>6,602</b>	<b>7,192</b>

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

For budgetary reporting information refer to Note 8.4A. The Original Budget information has been reclassified and presented on a consistent basis with the corresponding financial statement item.

\*In the 2019 financial year, the department identified that Rendering of Services was overstated and Other cash received was understated in the 2018 financial statements by \$9.314 million due to the misclassification of section 74 receipts. To better reflect the nature of these activities, the 2018 comparative disclosures have been restated with Rendering of Services now reported as \$82.634 million (2018 financial statements: \$91.948 million) and Other cash received now reported as \$9.487 million (2018 financial statements: \$0.173 million). This change had no impact on the reported total cash received.

## Department of Social Services Administered schedule of comprehensive income

for the period ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget 2019 \$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Suppliers	2.1A	229,419	965,529	284,832
Subsidies		126,378	84,934	84,678
Grants	2.1B	2,425,806	1,639,643	2,192,132
Personal benefits	2.1C	110,804,402	109,346,281	111,133,931
Impairment loss allowance on financial instruments	2.1D	-	122,015	-
Write-down and impairment of other assets	2.1E	241,755	750,886	1,293,331
Payments to National Disability Insurance Agency		5,304,982	3,210,826	7,157,860
Other expenses	2.1F	6,377	17,120	297,597
<b>Total expenses</b>		<b>119,139,119</b>	<b>116,137,234</b>	<b>122,444,361</b>
<b>Income</b>				
<b>Revenue</b>				
<b>Non-taxation revenue</b>				
Recoveries	2.2A	54,195	54,345	17,388
Interest		71,780	1,045	41,142
Special accounts revenue		8,190	5,966	1,700
Other revenue		1,751	7,425	81,434
<b>Total non-taxation revenue</b>		<b>135,916</b>	<b>68,781</b>	<b>141,664</b>
<b>Total revenue</b>		<b>135,916</b>	<b>68,781</b>	<b>141,664</b>
<b>Gains</b>				
Write back of impairment allowance for personal benefits	2.2B	304,800	-	-
Fair value gains	2.2C	74,146	16,300	-
<b>Total gains</b>		<b>378,946</b>	<b>16,300</b>	<b>-</b>
<b>Total income</b>		<b>514,862</b>	<b>85,081</b>	<b>141,664</b>
<b>Net cost of services</b>		<b>(118,624,257)</b>	<b>(116,052,153)</b>	<b>(122,302,697)</b>
<b>Deficit</b>		<b>(118,624,257)</b>	<b>(116,052,153)</b>	<b>(122,302,697)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation reserve		700,142	897,854	-
<b>Total other comprehensive income</b>		<b>700,142</b>	<b>897,854</b>	<b>-</b>
<b>Total comprehensive loss</b>		<b>(117,924,115)</b>	<b>(115,154,299)</b>	<b>(122,302,697)</b>

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

For budgetary reporting information refer to Note 8.4B. The Original Budget information has been reclassified and presented on a consistent basis with the corresponding financial statement item.

## Department of Social Services Administered schedule of assets and liabilities

as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget 2019 \$'000
<b>ASSETS</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	4.1A	412,483	344,311	299,746
Receivables	4.1B	4,550,616	4,063,704	4,519,133
Investments	4.1C	2,532,466	1,832,325	874,003
<b>Total financial assets</b>		<b>7,495,565</b>	<b>6,240,340</b>	<b>5,692,882</b>
<b>Total assets administered on behalf of Government</b>	8.1B	<b>7,495,565</b>	<b>6,240,340</b>	<b>5,692,882</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers		185,120	44,187	18,941
Subsidies		86,512	38,898	74,096
Personal benefits	4.2A	2,262,729	1,972,918	2,116,554
Grants	4.2B	44,249	35,680	50,479
Other payables		3,695	81,085	6,246
<b>Total payables</b>		<b>2,582,305</b>	<b>2,172,768</b>	<b>2,266,316</b>
<b>Provisions</b>				
Personal benefits and other provisions	4.3A	4,050,253	4,229,878	4,110,016
<b>Total provisions</b>		<b>4,050,253</b>	<b>4,229,878</b>	<b>4,110,016</b>
<b>Total liabilities administered on behalf of Government</b>	8.1B	<b>6,632,558</b>	<b>6,402,646</b>	<b>6,376,332</b>
<b>Net assets / (liabilities)</b>		<b>863,007</b>	<b>(162,306)</b>	<b>(683,450)</b>

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

For budgetary reporting information refer to Note 8.4B. The Original Budget information has been reclassified and presented on a consistent basis with the corresponding financial statement item.

## Department of Social Services Administered reconciliation schedule

for the period ended 30 June 2019

	2019 \$'000	2018 \$'000
<b>Opening assets less liabilities as at 1 July</b>	<b>(162,306)</b>	(439,042)
Adjustment for initial application of AASB 9	(4,479)	-
<b>Adjusted opening balance</b>	<b>(166,785)</b>	(439,042)
<b>Net cost of services</b>		
Income	514,862	85,081
Expenses		
Payments to entities other than corporate Commonwealth entities	(113,834,137)	(112,926,408)
Payments to corporate Commonwealth entities	(5,304,982)	(3,210,826)
<b>Other comprehensive income</b>		
Revaluations transferred to reserves	700,142	897,854
<b>Transfers (to) / from the Australian Government</b>		
Appropriation transfers from Official Public Account		
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	2,593,676	2,380,061
Payments to National Disability Insurance Agency	1,477,674	1,050,979
Payments to National Disability Insurance Agency for reimbursement of goods and services	3,735,082	2,159,847
Special appropriations		
Payments to individuals and entities other than corporate Commonwealth entities	111,587,597	110,248,928
Appropriation transfers to Official Public Account		
Transfers to Official Public Account	(292,156)	(276,421)
Net withholdings of personal benefit overpayments through equity	(147,988)	(126,947)
Other non-reportable items recognised	22	(5,412)
<b>Closing assets less liabilities as at 30 June</b>	<b>863,007</b>	(162,306)

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

### Accounting Policy

#### *Administered Cash Transfers to and from the Official Public Account*

Revenue collected by the department for use by the Government rather than the department is reported as administered revenue. Collections are transferred to the Official Public Account which is maintained by the Department of Finance. Cash is drawn from the Official Public Account by the department to make payments under Parliamentary appropriation on behalf of the Government. These transfers to and from the Official Public Account are adjustments to the administered cash held by the department on behalf of the Government and reported as such in the administered cash flow statement and in the administered reconciliation schedule.

## Department of Social Services Administered cash flow statement

for the period ended 30 June 2019

	2019	2018
	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Interest	1,620	310
Special accounts	7,538	6,824
GST received	212,851	208,820
Personal benefits recoveries	798,904	711,096
Other	21,113	15,856
<b>Total cash received</b>	<b>1,042,026</b>	<b>942,906</b>
<b>Cash used</b>		
Grants	2,684,786	1,724,513
Subsidies	78,764	106,780
Personal benefits	111,700,745	110,355,612
Suppliers	224,996	1,078,802
Payments to National Disability Insurance Agency	5,212,756	3,135,031
Other	23,032	7,390
<b>Total cash used</b>	<b>119,925,079</b>	<b>116,408,128</b>
<b>Net cash used by operating activities</b>	<b>(118,883,053)</b>	<b>(115,465,222)</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash received</b>		
Repayments of advances and loans	57,473	51,435
<b>Total cash received</b>	<b>57,473</b>	<b>51,435</b>
<b>Cash used</b>		
Advances and loans made	208,121	208,571
<b>Total cash used</b>	<b>208,121</b>	<b>208,571</b>
<b>Net cash used by investing activities</b>	<b>(150,648)</b>	<b>(157,136)</b>
<b>Net decrease in cash held</b>	<b>(119,033,701)</b>	<b>(115,622,358)</b>
<b>Cash from Official Public Account:</b>		
Appropriations	119,394,029	115,839,815
<b>Total cash from official public account</b>	<b>119,394,029</b>	<b>115,839,815</b>
<b>Cash to Official Public Account:</b>		
Appropriations	(292,156)	(276,421)
<b>Total cash to official public account</b>	<b>(292,156)</b>	<b>(276,421)</b>
Cash and cash equivalents at the beginning of the reporting period	344,311	403,275
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>412,483</b>	<b>344,311</b>
	4.1A	

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

## Department of Social Services

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## Department of Social Services

### Notes to and forming part of the financial statements

#### Overview

##### The Basis of Preparation

The financial statements are general purpose financial statements as required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets and liabilities that are reported at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars, exclusive of Goods and Services Tax (GST) and values are rounded to the nearest thousand dollars unless otherwise specified.

##### New and Future Australian Accounting Standards

###### Adoption of New Australian Accounting Standard Requirements

The department first adopted AASB 9 *Financial Instruments* on 1 July 2018. Upon initial application, financial assets previously recognised as loans and receivables under AASB 139 *Financial Instruments: Recognition and Measurement* were reclassified to financial assets measured at amortised cost except for the Student Start-up Loans and the Pension Loan Scheme which are now classified as fair value through profit and loss. Adjustments to the carrying amounts upon initial application were recognised as adjustments for changes in accounting policies within the opening balance of retained earnings in the Statement of Changes in Equity. Refer to Note 7.2A and Note 7.3A for more detail.

There was no impact on the measurement or classification of financial liabilities.

##### Resources Received Free of Charge

In the 2019 financial year, the department recognised resources received free of charge (refer to Note 1.2B) in relation to the Aged Care Gateway IT systems application development services for work completed by the Department of Health.

##### Comparative Figures Amendment for 2018 Financial Year

Certain comparative amounts have been reclassified to conform with the 2019 financial year's reporting presentation. Further details are provided in the relevant note disclosures.

##### Taxation

The department is exempt from all forms of taxation except Fringe Benefits Tax and GST.

##### Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes. Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

###### Payments to National Disability Insurance Agency

Payments to the National Disability Insurance Agency from amounts appropriated for that purpose are classified as administered expenses. The appropriation to the department forms part of the appropriation as disclosed in Note 5.1A.

###### Disability Employment Services

Disability Employment Services assists individuals whose disability, injury or health condition is assessed as the main impediment to them gaining sustainable open employment. Commencing 1 July 2018, the Government implemented the Disability Employment Services program 2018 reform agenda. It was previously agreed the new selection processes would be undertaken as grants. This represented a change from the previous process that was undertaken as a procurement.

During the 2019 financial year, Disability Employment Services is reported as an administered grant expense (2018: administered suppliers expense) to better align with the enabling legislation. Refer to Notes 2.1A and 2.1B.

## Department of Social Services

### Notes to and forming part of the financial statements

#### Reporting of Administered Activities (continued)

##### Social and Community Services Pay Equity Special Account

The purpose of the *Social and Community Services Pay Equity Special Account Act 2012* is to assist certain employers in the Social, Community and Disability Services Industry to meet the costs of payments required to be made as a result of certain pay equity orders. As these wage supplementation payments are a provision of financial assistance with the intention to help address Government policy outcomes, these expenses are classified as grants.

During the 2019 financial year, the reporting of the Social and Community Services Pay Equity special account expenses have been attributed to Grants expenses rather than Other special account expenses as reported in the 2018 financial year, to improve the disclosure of these type of expenses. Refer to Notes 2.1B and 2.1F.

#### Events After the Reporting Period

##### Settlement Services Transfer

As a result of the Administrative Arrangements Order issued on 29 May 2019, the responsibilities for Settlement Services transferred to the Department of Home Affairs.

To align with the determinations made under section 72 of the *Public Service Act 1999* to move staff between agencies and under section 75 of the PGPA Act to transfer appropriation funding between agencies, the transfer of associated assets and liabilities will occur in the 2020 financial year.

##### Aged Care Gateway Information Technology Systems Application Development Services Asset Transfer

The department and the Department of Health are in the process of confirming arrangements to transfer responsibility for the Aged Care Gateway Information Technology systems application and development services to the Department of Health and this is scheduled to occur in the 2020 financial year.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 1. Financial Performance

##### 1.1 Expenses

	2019	2018
	\$'000	\$'000
<b>Note 1.1A: Employee Benefits</b>		
Wages and salaries*	190,651	175,036
Leave and other entitlements*	51,556	40,365
Superannuation:		
Defined benefit plans	23,450	21,393
Defined contribution plans	19,440	17,051
Separation and redundancies	2,738	5,134
<b>Total employee benefits</b>	<b>287,835</b>	<b>258,979</b>

\*During the 2019 financial year, the department determined that the Wages and salaries were overstated and Leave and other entitlements were understated by \$23,097 million in the 2018 financial statements due to the misallocation of payments of recreational leave and long service leave. The 2018 comparative disclosures have been restated, with Wages and salaries now reported as \$175.036 million (2018 financial statements: \$198.133 million) and Leave and other entitlements now reported as \$40.365 million (2018 financial statements: \$17.268 million). This change had no impact on the reported result.

##### Accounting Policy

Accounting policies for employee related expenses are contained in Section 6: People.

##### Note 1.1B: Suppliers

###### Goods and services supplied or rendered

Consultants and contractors	76,607	89,026
IT and communications	45,566	48,342
Building expenses (excluding operating lease rentals)	6,966	7,841
Travel and accommodation	5,341	5,837
Training	3,345	3,035
Recruitment	1,872	1,464
Motor vehicle expenses	659	696
Other	12,060	9,857
<b>Total goods and services supplied or rendered</b>	<b>152,416</b>	<b>166,098</b>

Goods supplied	3,615	4,839
Services rendered	148,801	161,259
<b>Total goods and services supplied or rendered</b>	<b>152,416</b>	<b>166,098</b>

###### Other suppliers

Operating lease rentals	34,760	34,647
Workers' compensation expenses	1,187	2,978
<b>Total other suppliers</b>	<b>35,947</b>	<b>37,625</b>
<b>Total suppliers</b>	<b>188,363</b>	<b>203,723</b>

## Department of Social Services

### Notes to and forming part of the financial statements

#### 1.1 Expenses (continued)

##### Note 1.1B: Suppliers (continued)

##### **Leasing commitments**

The department has 13 leases (2018: 14 leases) relating to office accommodation including two data centre leases. The department also occupies office accommodation under memorandum of understanding agreements with Commonwealth agencies in nine locations (2018: 14 locations).

The department's lease payments are subject to review by a variety of mechanisms; and these include predetermined fixed escalations, a link to Labour Price Index and Consumer Price Index movements, or in accordance with a market review of comparable leases. Contingent rental payments are determined by market review and indexation movements.

	2019 \$'000	2018 \$'000
<b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows (GST inclusive):</b>		
Within 1 year	33,490	36,962
Between 1 to 5 years	116,780	127,498
More than 5 years	<u>219,667</u>	<u>246,685</u>
<b>Total operating lease commitments</b>	<b><u>369,937</u></b>	<b><u>411,145</u></b>

##### **Accounting Policy**

##### Leases

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

## Department of Social Services

### Notes to and forming part of the financial statements

#### 1.2 Own-Source Revenue and Gains

	2019	2018
	\$'000	\$'000
<b>Own-Source Revenue</b>		
<b><u>Note 1.2A: Rendering of Services</u></b>		
Rendering of services	56,570	81,947
<b>Total rendering of services</b>	<b>56,570</b>	<b>81,947</b>

#### Accounting Policy

##### Rendering of Services

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

- the amount of revenue, stage of completion and transaction costs incurred; or
- the probable economic benefits associated with the transaction flowing to the department; or
- the proportion of costs incurred to date as compared to the estimated total costs of the transaction.

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

#### **Note 1.2B: Resources Received Free of Charge**

Aged Care Gateway IT systems application development services	17,106	-
Remuneration of auditors	1,470	1,470
Employee secondment	-	133
<b>Total resources received free of charge</b>	<b>18,576</b>	<b>1,603</b>

#### Accounting Policy

##### Resources Received Free of Charge

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

#### **Note 1.2C: Rental Income**

Operating lease:		
Contingent rentals	1,948	2,082
<b>Total rental income</b>	<b>1,948</b>	<b>2,082</b>

#### Subleasing rental income commitments

The department, in its capacity as lessor, has one sub-lease arrangement (2018: one arrangement) and fixed memorandum of understanding agreements with Commonwealth agencies in two tenancies (2018: four tenancies).

#### Commitments for sublease rental income receivables are as follows (GST inclusive):

Within 1 year	884	1,420
Between 1 to 5 years	380	3,040
More than 5 years	1	265
<b>Total sublease rental income commitments</b>	<b>1,265</b>	<b>4,725</b>

## Department of Social Services

### Notes to and forming part of the financial statements

#### 1.2 Own-Source Revenue and Gains (continued)

	2019	2018
	\$'000	\$'000
<b>Gains</b>		
<b>Note 1.2D: Gains from Sale of Assets</b>		
Property, plant and equipment:		
Proceeds from sale	299	648
Carrying value of assets sold	(127)	(437)
<b>Net gain from sale of assets</b>	<u>172</u>	<u>211</u>

#### Accounting Policy

##### Sale of Assets

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

#### **Note 1.2E: Other Gains**

Reversal of makegood	449	40
Assets recognised	45	7
Other	17	43
<b>Total other gains</b>	<u>511</u>	<u>90</u>

#### Accounting Policy

##### Contributions of Assets at No Cost

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 8.2A).

##### Revenue from Government

Amounts appropriated for departmental appropriations for the financial year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the department gains control of the appropriation. Appropriations receivable are recognised at nominal amounts, refer to Note 3.1A.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 2. Income and Expenses Administered on Behalf of Government

##### 2.1 Administered – Expenses

	2019	2018
	\$'000	\$'000
<b>Note 2.1A: Suppliers</b>		
<b>Goods and services supplied or rendered</b>		
Settlement services	103,545	85,559
Consultants and contractors <sup>+</sup>	40,404	27,063
Research services <sup>+</sup>	26,190	23,486
Disability employment services <sup>**</sup>	17,007	791,546
Advertising, legal and marketing costs	8,041	6,839
Other	34,232	31,036
<b>Total goods and services supplied or rendered</b>	<b>229,419</b>	<b>965,529</b>
Goods supplied	25,275	10,484
Services rendered	204,144	955,045
<b>Total goods and services supplied or rendered</b>	<b>229,419</b>	<b>965,529</b>
<b>Total suppliers</b>	<b>229,419</b>	<b>965,529</b>

<sup>+</sup>In the 2018 financial year, Research services were reported within Consultants and contractors expenses. Research services are now separately disclosed. In the 2018 financial statements, Consultants and contractors were reported as \$50.549 million.

<sup>\*\*</sup>Commencing 1 July 2018, the Government implemented the Disability Employment Services program 2018 reform agenda. It was previously agreed the new selection processes would be undertaken as grants. This represented a change from the previous selection process that was undertaken as a procurement. As a result, Disability Employment Services expenses were lower than the previous year by \$860.083 million. Refer to Overview and Note 2.1B.

##### **Note 2.1B: Grants**

Public sector:

Australian Government entities	169,935	287,857
Local Governments	7,627	8,361

Private sector:

Non-profit organisations <sup>+</sup>	1,824,781	1,236,508
External parties	423,463	106,917

**Total grants<sup>\*\*</sup>** **2,425,806** 1,639,643

<sup>+</sup>In the 2019 financial year, the department has attributed \$144.014 million for the Social and Community Services Pay Equity Special Account expenses classified in 2018 as Other special account expenses, to Grants expense (Private sector: Non-profit organisations). This reclassification improved the disclosure of these type of grant expenses. The 2018 comparative disclosures have been restated with Grants to Non-profit organisations as \$1,236.508 million (2018 financial statements: \$1,092.494 million). Refer to Overview and Note 2.1F.

<sup>\*\*</sup>Commencing 1 July 2018, the Government implemented the Disability Employment Services program 2018 reform agenda. It was previously agreed the new selection processes would be undertaken as grants. This represented a change from the previous selection process that was undertaken as a procurement. As a result, Total grant expenses were higher than the previous year by \$860.083 million. Refer to Overview and Note 2.1A.

#### **Accounting Policy**

##### Grants and Subsidies

The department administers grant and subsidy schemes on behalf of the Government. These schemes include grants to local governments, non-government, not-for-profit organisations and other recipients for activities associated with community development and supporting individuals.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 2.1 Administered – Expenses (continued)

	2019	2018
	\$'000	\$'000
<b>Note 2.1C: Personal Benefits</b>		
Direct:		
Income Support for Seniors	46,513,719	44,899,613
Family Tax Benefit	18,081,480	17,758,639
Income Support for People with Disability	16,740,242	16,521,888
Working Age Payments	15,822,443	16,544,640
Income Support for Carers	8,676,067	8,465,345
Student Payments	2,323,878	2,578,794
Paid Parental Leave	2,316,636	2,193,536
Child Payments	103,820	108,267
Income Support for Vulnerable People	102,553	100,166
Allowances and Concessions for Seniors	92,558	98,206
Other	30,326	75,700
Indirect	680	1,487
<b>Total personal benefits</b>	<b>110,804,402</b>	<b>109,346,281</b>

#### Accounting Policy

##### Personal Benefits

The department administers personal benefit payments on behalf of the Government that provide income support, family assistance and other entitlements to individuals. Payments to recipients are determined in accordance with provisions under social security law and other legislation, including:

- *Social Security (Administration) Act 1999*;
- *A New Tax System (Family Assistance) (Administration) Act 1999*;
- *Student Assistance Act 1973*; and
- *Paid Parental Leave Act 2010*.

Payments made under social security law and other legislation are assessed, determined and paid by Services Australia (formally the Department of Human Services) and the Department of Veterans' Affairs under delegation from the department.

The department reports payments made by Services Australia and the Department of Veterans' Affairs on behalf of the department.

The *Social Security (Administration) Act 1999* and the *A New Tax System (Family Assistance) (Administration) Act 1999* impose an obligation on recipients to disclose to Services Australia and the Department of Veterans' Affairs information about financial and personal circumstances that affect entitlement to payment. This is a necessary part of Services Australia and the Department of Veterans' Affairs administration, which acknowledges that, at the time certain information is required, only the recipient is in a position to provide that information.

Unreported changes in circumstances can lead to incorrect payment, even if no deliberate fraud is intended. Risks associated with relying on voluntary disclosure by recipients are mitigated by a comprehensive portfolio risk management plan, underpinned by compliance strategies, which have been built up over many years. The compliance framework has been designed to meet the requirements of social security legislation.

The compliance framework does not rely solely on information provided by recipients to determine their entitlement. A comprehensive risk management strategy minimises the potential for incorrect payment by subjecting recipients to a variety of review processes. If debts are identified, Services Australia seeks recovery in a lump sum or by instalments. While the risk management strategy is principally directed at minimising debts, the detection of underpayments will also result in an adjustment to their level of entitlement.

Personal benefits recoveries for the overpayments made during the year are offset against personal benefit expenses.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 2.1 Administered – Expenses (continued)

	2019	2018
	\$'000	\$'000
<b>Note 2.1D: Impairment Loss Allowance on Financial Instruments</b>		
Impairment of loan receivables	-	122,015
<b>Total impairment on financial instruments</b>	<b>-</b>	<b>122,015</b>
<b>Note 2.1E: Write-Down and Impairment of Other Assets</b>		
Impairment of personal benefits receivable	239,698	750,181
Other	2,057	705
<b>Total write-down and impairment of other assets</b>	<b>241,755</b>	<b>750,886</b>
<b>Note 2.1F: Other Expenses</b>		
Other special accounts expense	5,000	5,442
Other	1,377	11,678
<b>Total other expenses*</b>	<b>6,377</b>	<b>17,120</b>

\*In the 2019 financial year, the department has attributed \$144.014 million for the Social and Community Services Pay Equity Special Account expenses classified in 2018 as Other special account expense, to Grants expense. This reclassification improved the disclosure of this type of grant expense.

Additionally, \$5.000 million was reclassified from Other expenses to Other special accounts expense to allocate the National Centre of Excellence Special Account expenses to the appropriate disclosure item.

The 2018 comparative disclosures have been restated with Other special account expenses now reported as \$5.442 million (2018 financial statements: \$144.456 million) and Other expenses as \$11.678 million (2018 financial statements: \$16.678 million). Refer to Overview and Note 2.1B.

#### 2.2 Administered – Income

##### Revenue

##### Non-Taxation Revenue

##### Note 2.2A: Recoveries

Personal benefits recoveries	37,744	17,964
Other	16,451	36,381
<b>Total recoveries</b>	<b>54,195</b>	<b>54,345</b>

##### Gains

##### Note 2.2B: Write Back of Impairment Allowance for Personal Benefits

Family Tax Benefit	304,800	-
<b>Total write back of impairment allowance for personal benefits</b>	<b>304,800</b>	<b>-</b>

##### Note 2.2C: Fair Value Gains

Loans	74,146	16,300
<b>Total fair value gains</b>	<b>74,146</b>	<b>16,300</b>

#### Accounting Policy

##### Revenue

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

##### Personal Benefits Recoveries

Personal benefits recoveries mainly relate to fees on the recovery of personal benefit payments, and are recognised on an accrual basis.

##### Interest

Interest revenue is recognised using the effective interest method.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 3. Departmental Financial Position

##### 3.1 Financial Assets

	2019	2018
	\$'000	\$'000
<b>Note 3.1A: Trade and Other Receivables</b>		
Goods and services receivables	5,858	4,691
<b>Total goods and services receivables</b>	<b>5,858</b>	<b>4,691</b>
<b>Appropriations receivables:</b>		
For ordinary annual appropriation	74,927	62,462
For equity injection	2,539	5,091
For departmental capital budget	2,336	-
<b>Total appropriations receivables</b>	<b>79,802</b>	<b>67,553</b>
<b>Other receivables:</b>		
GST receivable from the Australian Taxation Office	3,342	3,458
Other	1,244	683
<b>Total other receivables</b>	<b>4,586</b>	<b>4,141</b>
<b>Total trade and other receivables (gross)</b>	<b>90,246</b>	<b>76,385</b>
<b>Less impairment loss allowance</b>	<b>(21)</b>	<b>-</b>
<b>Total trade and other receivables (net)</b>	<b>90,225</b>	<b>76,385</b>

During the 2019 financial year, credit terms for goods and services were within 30 days (2018: 30 days).

#### Accounting Policy

##### Financial assets

Trade and other receivables are held for the purpose of collecting contractual cash flows. The cash flows are solely payments of principal and interest, that are not provided at below-market interest rates and are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 3.2 Non-Financial Assets

##### Note 3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Leasehold improvements	Property, plant & equipment	Computer software internally developed	Computer software purchased	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2018</b>					
Gross book value	67,711	50,247	285,237	59,393	462,588
Accumulated depreciation, amortisation and impairment	(8,924)	(19,692)	(149,682)	(36,660)	(214,958)
<b>Net book value as at 1 July 2018</b>	<b>58,787</b>	<b>30,555</b>	<b>135,555</b>	<b>22,733</b>	<b>247,630</b>
Additions:					
By purchase or internally developed	5,357	8,894	22,170	3,303	39,724
By recognition	-	45	17,106	-	17,151
Restructuring activities	(5,700)	(448)	-	-	(6,148)
Revaluations and impairments recognised in other comprehensive income	3,711	(192)	-	-	3,519
Impairments recognised in net cost of services	(547)	(1,283)	-	(7)	(1,837)
Depreciation and amortisation	(10,367)	(9,683)	(62,109)	(13,747)	(95,906)
Reclassification	1,024	-	(1,024)	-	-
Disposals:					
Disposals with proceeds	-	(127)	-	-	(127)
<b>Net book value as at 30 June 2019</b>	<b>52,265</b>	<b>27,761</b>	<b>111,698</b>	<b>12,282</b>	<b>204,006</b>
<b>Net book value as at 30 June 2019 represented by:</b>					
Gross book value	52,378	28,153	258,566	44,713	383,810
Accumulated depreciation, amortisation and impairment	(113)	(392)	(146,868)	(32,431)	(179,804)
<b>Net book value as at 30 June 2019</b>	<b>52,265</b>	<b>27,761</b>	<b>111,698</b>	<b>12,282</b>	<b>204,006</b>

In the 2019 financial year:

- leasehold improvements with a carrying amount of \$0.547 million (2018: nil) were identified as impaired and written-down;
- property, plant and equipment with a carrying amount of \$1.283 million (2018: \$0.092 million) was identified as impaired and written-down;
- intangibles with a carrying amount of \$0.007 million (2018: \$0.656 million) were identified as impaired and written-down; and
- property, plant and equipment with a carrying amount of \$0.127 million (2018: \$0.437 million) was sold via independent contract auction houses Pickles and Allbids.

A net book value of \$0.050 million (2018: \$0.298 million) for property, plant and equipment is expected to be sold or disposed within the next 12 months. The disposals will be arranged through an independent auction house.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 3.2 Non-Financial Assets (continued)

	2019	2018
	\$'000	\$'000
<b>Contractual commitments for the acquisition of property, plant equipment are payable as follows (GST inclusive):</b>		
Within 1 year	<u>55</u>	<u>130</u>
<b>Total property, plant and equipment commitments</b>	<u>55</u>	<u>130</u>

#### Accounting Policy

##### Fair Value Measurement

All property, plant and equipment assets are measured at fair value. The department did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2019.

##### Acquisition of Assets

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

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

##### Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases of less than \$2,000, which are expensed in the financial year of acquisition (other than where these assets form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to makegood provisions in office accommodation leases reported by the department where an obligation to restore the property to its original or an agreed condition exists. These costs are included in the value of the department's leasehold improvements with a corresponding provision for the makegood recognised. Leasehold improvement assets have a recognition threshold of \$10,000.

The department's intangibles comprise purchased and also internally developed software for internal use. Intangibles are capitalised when their gross values are greater than \$50,000 for externally acquired software and \$200,000 for internally developed software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

##### Revaluations

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

Revaluation adjustments are made on a class by class basis. Any revaluation increment is credited to Equity under the heading of asset revaluation reserve except to the extent it reverses a previous revaluation decrement of the same asset class previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent these amounts reverse a previous revaluation increment for the class.

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

## Department of Social Services

### Notes to and forming part of the financial statements

#### 3.2 Non-Financial Assets (continued)

##### Valuation Processes

The department engaged the service of Jones Lang LaSalle Public Sector Valuations to conduct a detailed revaluation of all tangible non-financial assets at 30 June 2019. This annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from their fair value. Intangible non-financial assets are carried at cost. Comprehensive valuations are carried out at least once every three years. Jones Lang LaSalle Public Sector Valuations has provided written assurance to the department that the models developed are in compliance with AASB 13 - *Fair Value Measurement*.

The methods used to determine and substantiate the unobservable inputs are derived and evaluated as follows:

- Physical depreciation and obsolescence - assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost approach. Under the cost approach the estimated cost to replace the asset is calculated and adjusted to take into account physical depreciation and obsolescence. Physical depreciation and obsolescence is determined on the basis of professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.
- For all leasehold improvement assets, the consumed economic benefit/asset obsolescence deduction is determined on the basis of the associated lease term.

##### Depreciation

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

Software is amortised on a straight-line basis over its anticipated useful life.

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

	2019	2018
Leasehold improvements	<b>Lesser of 10 years or lease term</b>	Lesser of 10 years or lease term
Plant and equipment	<b>3 to 10 years</b>	3 to 10 years
Artwork	<b>1 to 50 years</b>	1 to 50 years
Software	<b>2 to 8 years</b>	2 to 8 years

##### Impairment

All non-financial assets were assessed by the department for impairment as at 30 June 2019. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

##### Derecognition

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

##### Transfers

The department transfers assets between categories to ensure the nature and useful lives of assets are disclosed in accordance with departmental asset policy.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 3.3 Payables

	2019	2018
	\$'000	\$'000
<b>Note 3.3A: Suppliers</b>		
Trade creditors and accruals	23,707	30,377
Operating lease rentals	-	55
<b>Total suppliers</b>	<b>23,707</b>	<b>30,432</b>

During the 2019 financial year, settlement was usually made within 30 days.

#### **Note 3.3B: Other Payables**

Lease incentive	27,199	29,522
Operating leases straight-lining	9,022	4,621
Salaries and wages	1,652	1,490
Unearned income	1,118	1,813
Separations and redundancies	1,082	1,891
Superannuation	314	291
Other	5,187	4,552
<b>Total other payables</b>	<b>45,574</b>	<b>44,180</b>

#### 3.4 Other Provisions

##### **Note 3.4A: Other Provisions**

	Provision for restoration
	\$'000
<b>Carrying amount as at 1 July 2018</b>	<b>1,087</b>
Change in provisions held	(642)
Revaluation	298
<b>Closing balance as at 30 June 2019</b>	<b>743</b>

The department has two agreements (2018: four agreements) for the leasing of premises which have provisions requiring restoration of the premises to their original or an agreed condition at the conclusion of the lease. The department has made a provision to reflect the present value of these obligations.

#### **Accounting Judgements and Estimates**

##### Makegood Provision

The fair value of makegood for leasehold improvements is based on estimated costs per square metre on a site by site basis and is included as a provision for makegood. The value of the provision for a property will depend on the rate and assessed cost of the makegood obligation applied to the premises. The department's property management advisor has determined that not all property leases have a makegood obligation.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 4. Assets and Liabilities Administered on Behalf of Government

##### 4.1 Administered – Financial Assets

	2019	2018
	\$'000	\$'000
<b>Note 4.1A: Cash and Cash Equivalents</b>		
Cash in special accounts <sup>1</sup>	402,363	338,921
Cash at bank	10,120	5,390
<b>Total cash and cash equivalents</b>	<b>412,483</b>	<b>344,311</b>
<b>Note 4.1B: Receivables</b>		
<b>Personal benefits:</b>		
Recovery of personal benefit payments <sup>2</sup>	5,240,769	5,015,532
<b>Total personal benefits</b>	<b>5,240,769</b>	<b>5,015,532</b>
<b>Advances and loans:</b>		
Advance payments for personal benefits	417,196	446,081
Student Financial Supplement Scheme	424,500	336,700
Student Start-up Loan	239,401	335,368
Pension Loan Scheme	26,194	28,749
<b>Total advances and loans</b>	<b>1,107,291</b>	<b>1,146,898</b>
<b>Other receivables:</b>		
GST receivable from the Australian Taxation Office	13,453	12,429
Other receivables	24,929	1,982
<b>Total other receivables (gross)</b>	<b>38,382</b>	<b>14,411</b>
<b>Total receivables</b>	<b>6,386,442</b>	<b>6,176,841</b>
<b>Less impairment loss allowance:</b>		
Personal benefits	(1,834,918)	(1,900,021)
Loans <sup>3</sup>	-	(212,192)
Other	(908)	(924)
<b>Total impairment loss allowance</b>	<b>(1,835,826)</b>	<b>(2,113,137)</b>
<b>Total receivables (net)</b>	<b>4,550,616</b>	<b>4,063,704</b>

<sup>1</sup> Cash in special accounts relate to the Social and Community Services Pay Equity Special Account, the Services for Other Entities and Trust Moneys Special Account and the National Disability Research Special Account cash balances held in the Official Public Account. Special account cash balance details are disclosed at Note 5.2.

<sup>2</sup> Personal benefits mainly relate to Working Age Payments of \$2,259.163 million (2018: \$1,896.286 million), Family Tax Benefit of \$1,697.897 million (2018: \$2,067.051 million), Student Payments of \$443.397 million (2018: \$367.987 million), Income Support for People with Disability of \$349.977 million (2018: \$308.199 million), Income Support for Carers of \$249.476 million (2018: \$190.631 million) and Income Support for Seniors of \$217.052 million (2018: \$160.318 million).

<sup>3</sup> With the implementation of AASB 9 - *Financial Instruments*, the Student Start-up Loan and Pension Loan Scheme receivables were recognised at fair value on 1 July 2018. This has resulted in no impairment loss allowance recognised for 2019 and future years.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 4.1 Administered – Financial Assets (continued)

##### Significant Accounting Judgements and Estimates

###### Family Tax Benefit

At any point in time, there are a number of eligible recipients who have received a benefit in excess of their entitlement and owe money to the Commonwealth. The Australian Government Actuary has provided advice on the likely level of debt recovery.

The Australian Government Actuary also calculates the impairment allowance associated with the Family Tax Benefit receivable noting there are a number of uncertainties in the estimation process. The allowance relies on periodic analysis of longitudinal unit record data to estimate the proportion of the outstanding non-lodger debt, which might be considered receivable, and the doubtful debt associated with each category of debt.

###### Student Financial Supplement Scheme

The Student Financial Supplement Scheme was a voluntary loan scheme for tertiary students to help cover their expenses while they studied. The Student Financial Supplement Scheme closed on 31 December 2003 and no new loans have been issued since this date. Existing Student Financial Supplement Scheme debts are collected through the tax system and voluntary repayments can also be made.

For the 2019 financial year, the department engaged the Australian Government Actuary to provide the fair value estimate of the Student Financial Supplement Scheme receivable as at 30 June 2019.

The model used by the Australian Government Actuary generates individual income profiles for all those who have an outstanding debt at the valuation date. The income projections are based on analysis of data provided by the Australian Taxation Office on the historical income distributions of those who have completed their study in the past. The model has a projection period of 45 years and the incomes generated are used to calculate the future compulsory repayments which are expected to be settled against the outstanding debt.

The fair value of the receivable is then derived by discounting the nominal value of projected repayments using the yield curve for Commonwealth Government securities as at 30 June 2019 to arrive at a net value.

###### Student Start-up Loan

The Student Start-up Loan is a voluntary loan that is available to full time students in receipt of Youth Allowance, Austudy or ABSTUDY. The scheme commenced on 1 January 2016 with students potentially eligible to take out two loans a year. The loan is only repaid once any HELP debts have been fully extinguished.

For the 2019 financial year, the department engaged the Australian Government Actuary to provide a fair value estimate recognising the debt not expected to be repaid for the Student Start-up Loan receivable as at 30 June 2019.

The Australian Government Actuary has developed a model to provide estimates of a number of financial measures related to the Student Start-up Loan receivables, including an estimate of the debt that is not expected to be repaid. Significant judgements, estimates and assumptions are re-evaluated for each reporting period in light of historical experience, new loan schemes and changes to reasonable expectations of future events. Consideration is given to: projections of future income of debtors, pattern and timing of repayments, changes in legislation and the recoverability of concessional debt.

###### Pension Loan Scheme

The Pension Loan Scheme is a voluntary reverse equity mortgage that offers older Australians an income stream to supplement their retirement. Older Australians can choose to increase the amount of their fortnightly pension by using their assets as security.

Information for new loan amounts, loan repayments and interest receipts for the Pension Loan Scheme is provided by Services Australia from their Debt Management Information System. To estimate the fair value of the receivable balance, the department adjusts the receivable to recognise the time value of the associated cash flows discounted by the average market interest rate for this type of loan.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 4.1 Administered – Financial Assets (continued)

	2019	2018
	\$'000	\$'000
<b>Note 4.1C: Investments</b>		
National Disability Insurance Agency <sup>1</sup>	2,531,071	1,831,348
<b>Total investments in Commonwealth entities</b>	<b>2,531,071</b>	<b>1,831,348</b>
<b>Other interests:</b>		
Unison Housing Limited <sup>2,3</sup>	1,395	977
<b>Total other interests</b>	<b>1,395</b>	<b>977</b>
<b>Total investments</b>	<b>2,532,466</b>	<b>1,832,325</b>

<sup>1</sup> The Commonwealth has 100% of the equity interest in the National Disability Insurance Agency.

<sup>2</sup> The Commonwealth has an interest in a property occupied by Unison Housing Limited (previously Yarra Community Housing which has merged with Unison Housing Limited) located in Melbourne. The principal activity of the entity is the provision of community housing facilities. The Commonwealth owns 31% of the unimproved market value of the land and its investment in Unison Housing Limited is limited to an equity contribution of grant funding. The Commonwealth's interest is not expected to be sold or fully realised within the next 12 months.

<sup>3</sup> For 2019, Unison Housing Limited was revalued independently in accordance with AASB 13 – *Fair Value Measurement*.

#### Accounting Policy

##### Administered Investments

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

Administered investments other than those held for sale are classified as fair value through other comprehensive income and are measured at their fair value as at 30 June 2019. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at the end of the reporting period.

#### 4.2 Administered – Payables

	2019	2018
	\$'000	\$'000
<b>Note 4.2A: Personal Benefits</b>		
Income Support for Seniors	910,609	738,485
Working Age Payments	377,778	340,730
Income Support for People with Disability	338,330	289,969
Family Tax Benefit	324,408	297,020
Income Support for Carers	182,072	210,789
Student Payments	64,931	54,400
Paid Parental Leave	58,956	36,673
Other	5,645	4,852
<b>Total personal benefits</b>	<b>2,262,729</b>	<b>1,972,918</b>
<b>Note 4.2B: Grants</b>		
Private sector:		
Non-profit organisations	22,468	30,767
Other grants	21,781	4,913
<b>Total grants*</b>	<b>44,249</b>	<b>35,680</b>

During the 2019 financial year, settlement of supplier payables was usually made within 30 days. Settlement of grants payables was made according to the terms and conditions of each grant and usually within 30 days of performance or eligibility.

\*Commencing 1 July 2018, the Government implemented the Disability Employment Services program 2018 reform agenda. It was previously agreed the new selection processes would be undertaken as grants. This represented a change from the previous selection process that was undertaken as a procurement. As a result, Private sector grants payable for Non-profit organisations was higher than the previous year by \$18.270 million, and Private sector grants payable for Other entities was higher than the previous year by \$12.696 million. Refer to Overview and Note 2.1B.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 4.2 Administered – Payables (continued)

##### Accounting Policy

Administered payables are measured at fair value where possible. The carrying amounts of administered liabilities not measured at fair value are considered to be a reasonable approximation of their fair value.

##### Grants

Grant liabilities are recognised to the extent that required services have been performed or the eligibility criteria have been satisfied by the grantee, but payments due have not been made.

Grant commitments are when the Government enters into an agreement to make grant payments, but services have not yet been performed or criteria satisfied.

#### 4.3 Administered – Other Provisions

##### Note 4.3A: Personal Benefits and Other Provisions

	Family Tax Benefit \$'000	Claims in Progress \$'000	Pension Bonus Scheme \$'000	Single Income Family Supplement \$'000	Schoolkids Bonus \$'000	Total \$'000
<b>Carrying amount as at 1 July</b>						
<b>2018</b>	<b>3,638,900</b>	<b>319,119</b>	<b>243,000</b>	<b>27,009</b>	<b>1,850</b>	<b>4,229,878</b>
Provisions made	3,589,600	117,449	-	20,741	-	3,727,790
Provisions expired or settled	(3,550,600)	(316,275)	(48,000)	(26,050)	-	(3,940,925)
Changes in provision	74,400	-	(40,000)	-	(890)	33,510
<b>Closing balance as at 30 June</b>						
<b>2019</b>	<b>3,752,300</b>	<b>120,293</b>	<b>155,000</b>	<b>21,700</b>	<b>960</b>	<b>4,050,253</b>

##### Significant Accounting Judgements and Estimates

During 2019, the department engaged the Australian Government Actuary to estimate the following provisions:

##### Family Tax Benefit

At any point in time, there are eligible recipients, entitled to receive the Family Tax Benefit, who have not yet received their full entitlement from Services Australia. The provision calculates the current financial year and earlier financial years' liability for claims that have yet to be realised. The methodology considers the likely lodgement profiles associated with reconciliation top-ups, lump sum claims and supplement payments, including the impact of new measures.

##### Pension Bonus Scheme

The Pension Bonus Scheme provides a tax free lump sum payment to those who continue in employment and defer receiving the Age Pension. The future Pension Bonus Scheme liability relates to those who are currently registered and have not yet received a bonus payment or exited for some other reason.

The assumptions used by the Australian Government Actuary are based on historical experience and other factors which are considered reasonable, including actual average payments, claim rates and the period over which claims are expected to be made. These factors have been reviewed for 2019, based on the behaviour of recipients up to 31 December 2018, and projected over the estimated remaining life of the scheme. The Australian Government Actuary has adopted the zero coupon bond rate as at 30 June 2019 (2019: 1.01 per cent, 2018: 2.26 per cent) as the discount rate to determine the present value of this long term provision.

Additionally, during the 2019 financial year the department engaged the Australian Government Actuary to review the department's methodology for estimating the following provision:

##### Claims in progress

At any point in time, there are claims for personal benefits payments that have been submitted and are in the process of being assessed. While some of these claims are granted, others are determined not to be eligible for payment. Under current legislation, individuals may be eligible for payment from the date their claim was submitted (the date of effect). The provision calculates the estimated liability for claims as at balance date that have not been fully assessed as at that date. The methodology considers average payment amounts and the proportion of claims expected to be eligible for payment.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 5. Funding

##### 5.1 Appropriations

###### Note 5.1A: Annual and Unspent Appropriations ('Recoverable GST Exclusive')

	2019	2018
	\$'000	\$'000
<b>Departmental</b>		
Annual Appropriation		
Ordinary annual services	399,214	424,623
PGPA Act		
Section 74 receipts	66,990	92,460
Section 75 transfers <sup>1</sup>	39,155	(1,230)
<b>Total annual appropriation</b>	<b>505,359</b>	<b>515,853</b>
Appropriation applied (current and prior years)	491,825	501,876
<b>Variance<sup>2</sup></b>	<b>13,534</b>	<b>13,977</b>
Opening unspent appropriation balance	69,064	69,448
Prior year section 75 transfers <sup>1</sup>	4,762	(615)
Appropriations repealed		
<i>Appropriation Act (No. 1) 2013-14</i>	-	(1,458)
<i>Appropriation Act (No. 1) 2014-15</i>	-	(12,167)
<i>Appropriation Act (No. 1) 2014-15</i>	-	(121)
<b>Closing unspent appropriation balance</b>	<b>87,360</b>	<b>69,064</b>
<b>Balance comprises appropriations as follows:</b>		
<i>Appropriation Act (No. 1) 2017-18</i>	-	62,462
<i>Appropriation Act (No. 1) 2018-19</i>	69,635	-
<i>Appropriation Act (No. 3) 2018-19<sup>3</sup></i>	6,076	-
<i>Appropriation Act (No. 1) 2018-19 - Capital Budget (DCB) - Non Operating Cash and cash equivalents</i>	2,336	-
	9,313	6,602
<b>Total unspent appropriation - Ordinary annual services</b>	<b>87,360</b>	<b>69,064</b>
<b>Other Services</b>		
Annual Appropriation		
Equity Injection	21,469	40,692
<b>Total annual appropriation</b>	<b>21,469</b>	<b>40,692</b>
Appropriation applied (current and prior years)	24,021	57,049
<b>Variance<sup>2</sup></b>	<b>(2,552)</b>	<b>(16,357)</b>
Opening unspent appropriation balance	5,091	62,017
Appropriations repealed		
<i>Appropriation Act (No. 2) 2012-13 - Non Operating - Equity Injection</i>	-	(8,955)
<i>Appropriation Act (No. 2) 2013-14 - Non Operating - Equity Injection</i>	-	(31,614)
<b>Closing unspent appropriation balance</b>	<b>2,539</b>	<b>5,091</b>
<b>Balance comprises appropriations as follows:</b>		
<i>Appropriation Act (No. 2) 2017-18 - Non Operating - Equity Injection</i>	474	5,091
<i>Appropriation Act (No. 2) 2018-19 - Non Operating - Equity Injection</i>	2,065	-
<b>Total unspent appropriation - other services</b>	<b>2,539</b>	<b>5,091</b>
<b>Total unspent appropriation</b>	<b>89,899</b>	<b>74,155</b>

<sup>1</sup> The departmental appropriation section 75 transfer includes an amount of \$39.155 million of current year appropriation, including \$0.514 million of departmental capital appropriation. There is also \$4.762 million of prior year appropriation which relates to the transfer of functions with the Department of Health, the Department of Education (formerly the Department of Education and Training), the Department of the Prime Minister and Cabinet and the NDIS Quality and Safeguards Commission. Refer to Note 8.2A.

<sup>2</sup> The variance in the departmental appropriation relates to the movement of cash and appropriation receivable between the current and prior financial year.

<sup>3</sup> The departmental ordinary annual services item includes a quarantined amount under section 51 of the PGPA Act of \$0.784 million.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 5.1 Appropriations (continued)

<b>Note 5.1A: Annual and Unspent Appropriations ('Recoverable GST Exclusive') (continued)</b>		
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Administered</b>		
<b>Ordinary annual services</b>		
Appropriation Act - Annual Appropriation		
Operating <sup>5</sup>	<b>8,251,410</b>	5,151,118
Payments to Corporate Commonwealth entities	<b>1,477,674</b>	1,050,979
PGPA Act		
Section 74 receipts	<b>1,529</b>	1,637
Section 75 transfers <sup>1</sup>	<b>(126)</b>	-
<b>Total available appropriation</b>	<b>9,730,487</b>	6,203,734
Appropriation applied (current and prior years)	<b>6,113,732</b>	4,335,178
Appropriation applied - payments to Corporate Commonwealth Entities	<b>1,477,674</b>	1,050,979
<b>Variance<sup>2</sup></b>	<b>2,139,081</b>	817,577
Opening unspent appropriation balance	<b>1,555,387</b>	995,520
Appropriations repealed		
<i>Appropriation Act (No. 1) 2012-13</i>	-	(4,281)
<i>Appropriation Act (No. 1) 2013-14</i>	-	(6,225)
<i>Appropriation Act (No. 3) 2013-14</i>	-	(547)
<i>Appropriation Act (No. 1) 2014-15</i>	-	(165,502)
<i>Appropriation Act (No. 3) 2014-15</i>	-	(59,723)
<i>Appropriation Act (No. 5) 2014-15</i>	-	(103)
<i>Appropriation Act (No. 1) 2014-15 - National Disability Insurance Scheme Launch Transition Agency</i>	-	(21,329)
<i>Appropriation Act (No. 1) 2015-16<sup>3</sup></i>	<b>(305,442)</b>	-
<i>Appropriation Act (No. 3) 2015-16<sup>3</sup></i>	<b>(78,415)</b>	-
<i>Appropriation Act (No. 1) 2015-16 - National Disability Insurance Scheme Launch Transition Agency<sup>3</sup></i>	<b>(1,036)</b>	-
<b>Closing unspent appropriation balance</b>	<b>3,309,575</b>	1,555,387
<b>Balance comprises appropriations as follows:</b>		
<i>Appropriation Act (No. 1) 2015-16</i>	-	305,442
<i>Appropriation Act (No. 3) 2015-16</i>	-	78,415
<i>Appropriation Act (No. 1) 2015-16 - National Disability Insurance Scheme Launch Transition Agency</i>	-	1,036
<i>Appropriation Act (No. 1) 2016-17</i>	<b>224,555</b>	224,555
<i>Supply Act (No. 1) 2016-17</i>	<b>178</b>	178
<i>Appropriation Act (No. 1) 2017-18<sup>4</sup></i>	<b>727,904</b>	933,934
<i>Appropriation Act (No. 3) 2017-18</i>	<b>11,827</b>	11,827
<i>Appropriation Act (No. 1) 2018-19</i>	<b>2,231,088</b>	-
<i>Appropriation Act (No. 3) 2018-19</i>	<b>114,023</b>	-
<b>Total unspent appropriation - ordinary annual services</b>	<b>3,309,575</b>	1,555,387

## Department of Social Services

### Notes to and forming part of the financial statements

#### 5.1 Appropriations (continued)

##### Note 5.1A: Annual and Unspent Appropriations ('Recoverable GST Exclusive') (continued)

	2019 \$'000	2018 \$'000
<b>Other services</b>		
Appropriation Act - Annual Appropriation		
Non-operating	-	-
<b>Total available appropriation</b>	-	-
Appropriation applied (current and prior years)	-	-
<b>Variance</b>	-	-
Opening unspent appropriation balance	-	500
Appropriations repealed		
<i>Appropriation Act (No.2) 2013-14 - SPP</i>	-	(500)
<b>Closing unspent appropriation balance</b>	-	-
<b>Balance comprises appropriations as follows:</b>		
<i>Appropriation Act (No.2) 2013-14 - SPP</i>	-	-
<b>Total unspent appropriation - other services</b>	-	-
<b>Total unspent appropriation</b>	<b>3,309,575</b>	1,555,387

<sup>1</sup> The administered appropriation section 75 transfer includes an amount of \$0.126 million of current appropriation which relates to the transfer of National Office for Child Safety functions to the Department of the Prime Minister and Cabinet. Refer to Note 8.2A.

<sup>2</sup> The variance attributable to administered ordinary annual services consists of \$206.030 million for payment of prior year expenses during 2019 offset by \$2,345.111 million that represents unspent available appropriations for administered items.

<sup>3</sup> 2015-16 Appropriation Acts were automatically repealed on 1 July 2018.

<sup>4</sup> The administered ordinary annual services items include quarantined amounts under section 51 of the *Public Governance, Performance and Accountability Act 2013* of prior year Administered Items of \$451.746 million.

<sup>5</sup> During the 2019 financial year, the department identified that the 2018 financial year of unspent appropriations in the Annual and Unspent Appropriations disclosure note were not reported correctly by an amount of \$0.006 million due to an entry processed in the Department of Finance's financial system that was not replicated in the department's financial system. The 2018 comparative disclosures have been restated with Appropriation Act – Annual Appropriation now reported as \$5,151.118 million (2018 financial statements: \$5,151.112 million) and *Appropriation Act (No. 1) 2017-18* now reported as \$933.934 million (2018 financial statements: \$933.928 million).

## Department of Social Services Notes to and forming part of the financial statements

### 5.1 Appropriations (continued)

#### Note 5.1B: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2019 \$'000	2018 \$'000
<i>Social Security (Administration) Act 1999, Administered<sup>1,2</sup></i>	Unlimited Amount	To enable the payment of income support payments. Most of the amount relates to payments for Age Pension and Disability Support Pension.	90,774,884	89,292,139
<i>A New Tax System (Family Assistance) (Administration) Act 1999, Administered<sup>1,2</sup></i>	Unlimited Amount	To enable the payment of family income support payments. Most of the amount relates to payments for Family Tax Benefit and Schoolkids Bonus.	17,631,905	18,716,338
<i>Paid Parental Leave Act 2010, Administered</i>	Unlimited Amount	To enable payments to working parents to enhance maternal and child health and shared caring responsibilities.	2,335,090	2,146,144
<i>Social and Community Services Pay Equity Special Account Act 2012</i>	Limited Amount	An Act to establish the Social and Community Services Pay Equity Special Account, and for related purposes including wage supplementation payments to eligible social and community services workers.	447,168	381,775
<i>Student Assistance Act 1973 - Section 55A (Administered)</i>	Unlimited Amount	To enable payment of student assistance benefits for Isolated Children and the Aboriginal Study Assistance Scheme.	350,525	349,892
<i>Business Services Wage Assessment Tool Payment Scheme Act 2015 -- Section 99, Administered</i>	Limited Amount	An Act to establish the Business Services Wage Assessment Tool payment scheme for making payments in relation to the use of the Business Services Wage Assessment Tool.	29,856	73,616
<i>National Redress Scheme for Institutional Child Sexual Abuse Act 2018</i>	Unlimited Amount	An Act to establish the National Redress Scheme for Institutional Child Sexual Abuse, to provide redress for survivors of past institutional sexual abuse.	18,032	-
<i>Public Governance, Performance and Accountability Act 2013 - Section 77, Administered</i>	Refund	To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and apart from this section there is no specific appropriation for the repayment.	137	42
<i>Data-matching Program (Assistance and Tax) Act 1990</i>	Unlimited Amount	An Act to provide for the matching of data in relation to certain assistance and tax and to amend the Privacy Act 1988.	-	-
<i>Social Security and Other Legislation Amendment (Economic Security Strategy) Act 2008</i>	Unlimited Amount	An Act to amend laws in order to provide economic security strategy payments, and for related purposes.	-	-

## Department of Social Services Notes to and forming part of the financial statements

### 5.1. Appropriations (continued)

#### Note 5.1B: Special Appropriations ('Recoverable GST exclusive') (continued)

Authority	Type	Purpose	Appropriation applied	
			2019 \$'000	2018 \$'000
<i>Social Security and Veterans' Entitlements Legislation Amendment (One-off Payments to Increase Assistance for Older Australians and Carers and Other Measures) Act 2006</i>	Unlimited Amount	An Act to amend the law relating to social security and veterans' affairs, and for other purposes.	-	-
<i>Social Security and Veterans' Affairs Legislation Amendment (One-off Payments and Other 2007 Budget Measures) Act 2007</i>	Unlimited Amount	An Act to amend the law relating to social security and veterans' affairs, and for other purposes.	-	-
<i>Social Security and Veterans' Entitlements Legislation Amendment (One-off Payments and Other Budget Measures) Act 2008</i>	Unlimited Amount	An Act to amend the law relating to social security and veterans' entitlements, and for other purposes.	-	-
<i>Clean Energy (Household Assistance Amendments) Act 2011</i>	Unlimited Amount	An Act to amend the law relating to social security, family assistance, veterans' entitlements, military rehabilitation and compensation, farm household support and aged care, and for related purposes.	-	-
<i>Household Stimulus Package Act (No.2) 2009</i>	Unlimited Amount	An Act to amend laws in order to provide payments relating to the household stimulus package, and for other purposes.	-	-
<b>Total special appropriations applied</b>			<b>111,587,597</b>	<b>110,959,946</b>

1. The Department of Veterans' Affairs spent money from the Consolidated Revenue Fund on behalf of the department against the special appropriations for *Social Security (Administration) Act 1999, Administered*; and *A New Tax System (Family Assistance) (Administration) Act 1999, Administered*.

2. During 2019, the department received *Public Governance, Performance and Accountability Act 2013* section 74 cash receipts from Services Australia for recovery of personal benefit overpayments. These amounts are included against the relevant special appropriation.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 5.1 Appropriations (continued)

**Note 5.1C: Disclosure by Agent in Relation to Annual and Special Appropriations ('Recoverable GST exclusive')**

	Attorney-General's Department <sup>1</sup>	Department of Veterans' Affairs <sup>2</sup>	Department of Home Affairs <sup>3</sup>	Department of the Prime Minister and Cabinet <sup>4</sup>
2019	\$'000	\$'000	\$'000	\$'000
Total receipts	184,091	9,880	5,772	365
Total payments	(184,091)	(9,880)	(5,772)	(365)

  

	Attorney-General's Department	Department of Veterans' Affairs	Department of Home Affairs	Department of the Prime Minister and Cabinet
2018	\$'000	\$'000	\$'000	\$'000
Total receipts	162,764	3,936	-	-
Total payments	(162,764)	(3,936)	-	-

1. The department has third party drawing rights for the Attorney-General's Department annual appropriation for the Family Relationship Services, Justice Services and Indigenous Law and Justice programs.

2. The department has third party drawing rights for the Department of Veterans' Affairs annual appropriation for the Veterans' Community Care and Support, Commemorative Activities, Veterans' Counselling and Other Health Services and Assistance and Other Compensation for Veterans and Dependents programs.

3. The department has third party drawing rights for the Department of Home Affairs annual appropriation for the National Security and Criminal Justice and Multicultural Affairs and Citizenship programs.

4. The department receipted wage supplementation recoveries initially paid by the Department of the Prime Minister and Cabinet for the Social and Community Services Pay Equity Special Account.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 5.2 Administered Special Accounts

	Social and Community Services Pay Equity Special Account <sup>2</sup>		Services for Other Entities and Trust Moneys Special Account <sup>3</sup>	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance brought forward from previous period	329,095	377,610	7,265	16,439
<b>Increases:</b>				
Total increase	447,995	382,029	6,711	6,570
Available for payments	777,090	759,639	13,976	23,009
<b>Decreases:</b>				
<b>Administered</b>				
Payments made	(376,683)	(430,544)	(13,579)	(15,744)
Total administered	(376,683)	(430,544)	(13,579)	(15,744)
Total decreases	(376,683)	(430,544)	(13,579)	(15,744)
Total balance carried to the next period <sup>1</sup>	400,407	329,095	397	7,265
	National Disability Research Special Account 2016 <sup>4</sup>			
	2019 \$'000	2018 \$'000		
Balance brought forward from previous period	2,561	3,376		
<b>Increases:</b>				
Total increase	-	-		
Available for payments	2,561	3,376		
<b>Decreases:</b>				
<b>Administered</b>				
Payments made	(1,002)	(815)		
Total administered	(1,002)	(815)		
Total decreases	(1,002)	(815)		
Total balance carried to the next period <sup>1</sup>	1,559	2,561		

## Department of Social Services

### Notes to and forming part of the financial statements

#### 5.2 Administered Special Accounts (continued)

<sup>1</sup> The total balance carried to the next period is represented by cash held in the Official Public Account.

#### **2. Social and Community Services Pay Equity Special Account**

Appropriation: *Public Governance, Performance and Accountability Act 2013; section 80*

Establishing Instrument: *Social and Community Services Pay Equity Special Account Act 2012; section 5*

Purpose: To distribute the Commonwealth's contribution of its share of the equal remuneration order pay increases for social and community service sector workers in Commonwealth-funded programs.

This account was established on 8 November 2012 in accordance with the *Social and Community Services Pay Equity Special Account Act 2012*.

This account is non-interest bearing and the balance is held in the Official Public Account.

#### **3. Services for Other Entities and Trust Moneys Special Account**

Appropriation: *Public Governance, Performance and Accountability Act 2013; section 78*

Establishing Instrument: *Financial Management and Accountability Determination 2010/14*

Purpose: For the disbursement of amounts held on trust or otherwise for the benefit of a person other than the Commonwealth and for services relating to other governments and bodies that are not PGPA Act Agencies.

This account is non-interest bearing and the balance is held in the Official Public Account.

This Special Account consists of the following sub-accounts:

- National Framework
- National Campaign - Violence Against Women
- National Centre of Excellence

#### **4. National Disability Research Special Account 2016**

Appropriation: *Public Governance, Performance and Accountability Act 2013; section 78*

Establishing Instrument: *PGPA Act Determination (National Disability Research Special Account 2016) – Establishment*

Purpose: For expenditure on projects that relate to the National Disability Research Special Account 2016.

The National Disability Research Special Account was established on 23 August 2016. It replaced the National Disability Special Account which ceased on 1 October 2016. This account is non-interest bearing and the balance is held in the Official Public Account.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 5.3 Net Cash Appropriation Arrangements

	2019 \$'000	2018 \$'000
<b>Total comprehensive loss attributable to the department</b>	<b>(72,837)</b>	<b>(42,804)</b>
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>95,906</u>	<u>72,123</u>
<b>Total comprehensive loss plus depreciation/amortisation expenses previously funded through revenue appropriations</b>	<b><u>23,069</u></b>	<b><u>29,319</u></b>
Changes in asset revaluation reserve	<u>(3,221)</u>	<u>(57)</u>
<b>Operating surplus attributable to the department<sup>1,2</sup></b>	<b><u>19,848</u></b>	<b><u>29,262</u></b>

<sup>1</sup> In the 2019 financial year revenue of \$17.106 million was reported as part of resources received free of charge, refer to Note 1.2B. This revenue relates to the Aged Care Gateway IT systems application development services to recognise work completed in the 2019 financial year by the Department of Health on the Aged Care Gateway asset. As a result, the underlying operating surplus attributable to the department is \$2.742 million.

<sup>2</sup> In the 2018 financial year revenue of \$18.307 million was received for capital works. As a result, the underlying operating surplus attributable to the department was \$10.955 million.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 6. People

##### 6.1 Employee Provisions

	2019	2018
	\$'000	\$'000
<b>Note 6.1A: Employee Provisions</b>		
Leave and other entitlements	96,172	80,478
<b>Total employee provisions</b>	<b>96,172</b>	<b>80,478</b>

#### Accounting Policy

##### Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 - *Employee Benefits*) and termination benefits due within 12 months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

##### Leave

The liability for employee benefits includes provision for annual leave and long service leave.

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

As at 30 June 2019, the liability for long service leave and annual leave expected to be settled beyond 12 months of the balance date has been determined by reference to the work of the Australian Government Actuary. The estimate of the present value of the liability takes into account employee attrition rates, inflation, increases in salary through promotion and estimated salary increases.

##### Separation and Redundancy

Provisions are made for employee separation and redundancy benefit payments. The department recognises a provision for separation and redundancies when it has developed a detailed formal plan and has informed those employees affected that it will carry out the plan.

##### Superannuation

Staff of the department are members of the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation accumulation plan or other superannuation funds.

The Commonwealth Superannuation Scheme and Public Sector Superannuation Scheme are defined benefit schemes for the Australian Government. The Public Sector Superannuation accumulation plan is a defined contribution scheme.

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

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

The liability for superannuation recognised as at 30 June 2019 represents outstanding employer contributions for the financial year.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 6.2 Key Management Personnel Remuneration

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the department, directly or indirectly. The department has determined the key management personnel to be the members of the Executive Management Group, which generally comprises the Secretary and Deputy Secretaries. The note includes anyone acting in a key management personnel position who has demonstrated authority and responsibility over planning, directing and controlling the activities of the department, including both departmental and administered funded activities.

Key management personnel remuneration is:

	2019	2018
	\$	\$
Short-term employee benefits	2,369,614	2,345,752
Post-employment benefits	360,160	399,026
Other long-term employee benefits	54,723	229,029
<b>Total key management personnel remuneration expenses</b>	<b>2,784,497</b>	<b>2,973,807</b>

The total number of key management personnel (KMP) included in the above table is ten, being three substantive officers who held the position for the full year; five substantive officers who held the position for part of the year and two officers acting in a KMP position for part of the year (2018: 17 KMP, being three full year, seven part-year and seven acting).

There were no termination benefits paid in 2019.

The above key management personnel remuneration excludes the remuneration and other benefits of the Cabinet Ministers, Portfolio Ministers, Assistant Ministers and Presiding Officers. The Ministers' remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the department.

#### 6.3 Related Party Disclosures

##### Related party relationships

The department is an Australian Government controlled entity. Related parties to this entity are key management personnel, including the Cabinet Ministers, Portfolio Ministers, Assistant Ministers and Presiding Officers, as well as other Australian Government entities.

##### Transactions with related parties

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed in this note.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period, the department has determined there are no related party transactions that require separate disclosure.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 7. Managing Uncertainties

##### 7.1 Contingent Assets and Liabilities

###### Departmental Contingencies

	Guarantees	
	2019	2018
	\$'000	\$'000
<b>Contingent assets</b>		
Balance from previous period	1,198	2,095
New contingent asset recognised	-	150
Expired	(1,048)	(1,047)
<b>Total contingent assets</b>	<b>150</b>	<b>1,198</b>

As at 30 June 2019, the department held a quantifiable contingent asset of \$0.150 million (2018: \$1.198 million) in relation to one bank guarantee for the provision of logistics and letter services.

There are no quantifiable liabilities or unquantifiable contingent assets or liabilities (2018: nil).

###### Administered Contingencies

	Indemnities	
	2019	2018
	\$'000	\$'000
<b>Contingent liabilities</b>		
Balance from previous period	-	-
New contingent liabilities recognised	5,000	-
Re-measurement	-	-
Obligations expired	-	-
<b>Total contingent liabilities</b>	<b>5,000</b>	<b>-</b>

###### Quantifiable Contingencies

As at 30 June 2019, the department has an administered quantifiable contingent liability of \$5.000 million (2018: nil) in relation to one contract with an indemnity clause associated with the Cashless Debit Card Trial.

###### Unquantifiable Contingencies

During the 2019 financial year, the department was involved in a number of cases before the Administrative Appeals Tribunal. These cases relate to appeals regarding income support payments under the social security legislation. It was not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

The *National Redress Scheme for Institutional Child Sexual Abuse Act 2018* received Royal Assent on 23 May 2018 and commenced on 1 July 2018. Payments under the *National Redress Scheme for Institutional Child Sexual Abuse Act 2018* help people who have experienced institutional child sexual abuse from participating institutions gain access to counselling and psychological services, a direct personal response from the responsible institution, and a monetary payment. At 30 June 2019, the full scope of participating institutions under the National Redress Scheme, and the resulting level of financial payments are highly uncertain. As a result, the Commonwealth cannot reliably measure the financial liability for applicant payments, or the associated repayments from relevant participating institutions, at this time.

There are no quantifiable or unquantifiable contingent assets (2018: nil).

###### Accounting Policy

###### Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are reported in the notes of disclosure. These items may arise from uncertainty as to the existence of an asset or liability or represent in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 7.2 Financial Instruments

	2019	2018
	\$'000	\$'000
<b>Note 7.2A: Categories of Financial Instruments</b>		
<b>Financial Assets under AASB 139</b>		
<b>Loans and receivables:</b>		
Cash and cash equivalents		6,602
Trade and other receivables*		4,882
<b>Total loans and receivables</b>		<b>11,484</b>
<b>Financial Assets under AASB 9</b>		
<b>Financial assets measured at amortised cost</b>		
Cash and cash equivalents	9,313	
Trade and other receivables	5,858	
<b>Total financial assets measured at amortised cost</b>	<b>15,171</b>	
<b>Total financial assets</b>	<b>15,171</b>	11,484
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost:</b>		
Trade creditors*	23,619	29,926
<b>Total financial liabilities measured at amortised cost:</b>	<b>23,619</b>	<b>29,926</b>
<b>Total financial liabilities</b>	<b>23,619</b>	<b>29,926</b>

\*During the 2019 financial year, the department determined that Trade and other receivables of \$0.191 million as well as Trade creditors of \$5.951 million were understated in the financial instruments disclosure in the 2018 financial statements, as these account balances did not include accrual transactions. Accrual transactions are now included in Trade and other receivables and Trade creditors. The 2018 comparative disclosures have been restated with Trade and other receivables now reported as \$4.882 million (2018 financial statements: \$4.691 million) and Trade creditors now reported as \$29.926 million (2018 financial statements: \$23.975 million).

#### Classification of financial assets on the date of initial application of AASB 9

Financial assets class	Notes	AASB 139 original classification	AASB 9 new classification	AASB 139	AASB 9
				carrying amount at 1 July 2018	carrying amount at 1 July 2018
				\$'000	\$'000
Cash and cash equivalents		Loans and receivables	Amortised Cost	6,602	6,602
Trade and other receivables	3.1A	Loans and receivables	Amortised Cost	4,882	4,882
<b>Total financial assets</b>				<b>11,484</b>	<b>11,484</b>

The department reported no reclassification or remeasurement from the carrying amounts of financial assets on the date of initial application of AASB 9 at 1 July 2018.

#### Accounting Policy

##### Financial assets

With the implementation of AASB 9 *Financial Instruments* for the first time in the 2019 financial year, the department classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- financial assets measured at amortised cost.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 7.2 Financial Instruments (continued)

The classification depends on both the department's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition.

Financial assets are recognised when the department becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and are derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

##### Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

##### Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

##### Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

Financial assets measured at fair value through other comprehensive income are held with the objective of both collecting contractual cash flows and selling the financial assets and the cash flows meet the SPPI test.

Any gains or losses as a result of fair value measurement or the recognition of an impairment loss allowance is recognised in other comprehensive income.

##### Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets either does not meet the criteria of financial assets held at amortised cost or at FVOCI (i.e. mandatorily held at FVTPL) or may be designated.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

##### Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

An asset write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

##### Financial liabilities

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

##### Financial Liabilities at Fair Value Through Profit or Loss

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

##### Financial Liabilities at Amortised Cost

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

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

## Department of Social Services

### Notes to and forming part of the financial statements

#### 7.3 Administered – Financial Instruments

	2019	2018
	\$'000	\$'000
<b>Note 7.3A: Categories of Financial Instruments</b>		
<b>Financial Assets under AASB 139</b>		
<b>Loans and receivables:</b>		
Cash and cash equivalents		344,311
Student Start-up Loan		123,176
Pension Loan Scheme		28,749
Other receivables		1,982
<b>Total loans and receivables</b>		<b>498,218</b>
<b>Available-for-sale financial assets:</b>		
Investments in Commonwealth entities and other interests		1,832,325
<b>Total available-for-sale financial assets</b>		<b>1,832,325</b>
<b>Financial assets at fair value through profit or loss (designated):</b>		
Student Financial Supplement Scheme		336,700
<b>Total financial assets at fair value through profit or loss (designated)</b>		<b>336,700</b>
<b>Financial Assets under AASB 9</b>		
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	412,483	
Other receivables	24,021	
<b>Total financial assets at amortised cost</b>	<b>436,504</b>	
<b>Financial assets at fair value through other comprehensive income</b>		
Investments in Commonwealth entities and other interests	2,532,466	
<b>Total financial assets at fair value through other comprehensive income</b>	<b>2,532,466</b>	
<b>Financial assets at fair value through profit or loss (designated):</b>		
Student Financial Supplement Scheme	424,500	
Student Start-up Loan	239,401	
Pension Loan Scheme	26,194	
<b>Total financial assets at fair value through profit or loss (designated)</b>	<b>690,095</b>	
<b>Total financial assets</b>	<b>3,659,065</b>	2,667,243
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost:</b>		
Suppliers	185,120	44,187
Grants and subsidies	130,761	74,578
<b>Total financial liabilities measured at amortised cost</b>	<b>315,881</b>	118,765
<b>Total financial liabilities</b>	<b>315,881</b>	118,765

## Department of Social Services

### Notes to and forming part of the financial statements

#### 7.3 Administered – Financial Instruments (continued)

Classification of financial assets on the date of initial application of AASB 9					
Financial assets class	Notes	AASB 139 original classification	AASB 9 new classification	AASB 139 carrying amount at 1 July 2018 \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Cash and cash equivalents	4.1A	Loans and receivables	Amortised Cost	344,311	344,311
Student Start-up Loan	4.1B	Loans and receivables	FVTPL	123,176	123,176
Pension Loan Scheme	4.1B	Loans and receivables	FVTPL	28,749	24,270
Other receivables	4.1B	Loans and receivables	Amortised Cost	1,982	1,982
Investments in Commonwealth entities and other interests	4.1C	Available-for-sale financial assets	FVOCI	1,832,325	1,832,325
Student Financial Supplement Scheme	4.1B	FVTPL	FVTPL	336,700	336,700
<b>Total financial assets</b>				<b>2,667,243</b>	<b>2,662,764</b>
Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9					
Financial assets at amortised cost		AASB 139 carrying amount at 1 July 2018 \$'000	Reclassification \$'000	Re-measurement \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Loans and receivables					
Cash and cash equivalents		344,311	-	-	344,311
Student Start-up Loan		123,176	(123,176)	-	-
Pension Loan Scheme		28,749	(28,749)	-	-
Other receivables		1,982	-	-	1,982
<b>Total amortised cost</b>		<b>498,218</b>	<b>(151,925)</b>	<b>-</b>	<b>346,293</b>
Financial assets at fair value through other comprehensive income					
Available-for-sale financial assets					
Investments in Commonwealth entities and other interests		1,832,325	-	-	1,832,325
<b>Total fair value through other comprehensive income</b>		<b>1,832,325</b>	<b>-</b>	<b>-</b>	<b>1,832,325</b>
Financial assets at fair value through profit and loss (designated)					
Financial assets at fair value through profit and loss (designated)					
Student Financial Supplement Scheme		336,700	-	-	336,700
Student Start-up Loan		-	123,176	-	123,176
Pension Loan Scheme		-	28,749	(4,479)	24,270
<b>Total fair value through profit and loss (designated)</b>		<b>336,700</b>	<b>151,925</b>	<b>(4,479)</b>	<b>484,146</b>

## Department of Social Services

### Notes to and forming part of the financial statements

#### 7.3 Administered – Financial Instruments (continued)

	2019	2018
	\$'000	\$'000
<b>Note 7.3B: Net Gains or Losses on Financial Assets</b>		
<b>Financial assets at amortised cost</b>		
Impairment	16	(122,718)
<b>Net gains/(losses) on financial assets at amortised cost</b>	<b>16</b>	<b>(122,718)</b>
<b>Financial assets at fair value through profit or loss (designated)</b>		
Change in fair value	74,146	16,300
<b>Net gains on financial assets at fair value through profit or loss (designated)</b>	<b>74,146</b>	<b>16,300</b>
<b>Net gains/(losses) on financial assets</b>	<b>74,162</b>	<b>(106,418)</b>

## 8. Other Information

### 8.1 Aggregate Assets and Liabilities

	2019	2018
	\$'000	\$'000
<b>Note 8.1A: Departmental - Aggregate Assets and Liabilities</b>		
<b>Assets expected to be recovered in:</b>		
No more than 12 months	121,015	107,540
More than 12 months	208,348	251,226
<b>Total assets</b>	<b>329,363</b>	<b>358,766</b>
<b>Liabilities expected to be settled in:</b>		
No more than 12 months	61,220	61,226
More than 12 months	104,976	94,951
<b>Total liabilities</b>	<b>166,196</b>	<b>156,177</b>

#### Note 8.1B: Administered - Aggregate Assets and Liabilities

<b>Assets expected to be recovered in:</b>		
No more than 12 months	4,315,005	3,965,592
More than 12 months	3,180,560	2,274,748
<b>Total assets</b>	<b>7,495,565</b>	<b>6,240,340</b>
<b>Liabilities expected to be settled in:</b>		
No more than 12 months	6,334,643	6,072,105
More than 12 months	297,915	330,541
<b>Total liabilities</b>	<b>6,632,558</b>	<b>6,402,646</b>

## Department of Social Services

### Notes to and forming part of the financial statements

#### 8.2 Restructuring

##### Note 8.2A: Departmental Restructuring

	2019				2018
	Budget Based Funded Programs	Grants Administration Transition	National Office for Child Safety	Commission Establishment	Multicultural Affairs
	Department of Education <sup>1</sup>	Department of Health <sup>2</sup>	Department of the Prime Minister and Cabinet <sup>3</sup>	National Disability Insurance Scheme Quality and Safeguards Commission <sup>4</sup>	Department of Home Affairs <sup>5</sup>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>FUNCTIONS ASSUMED</b>					
<b>Assets recognised</b>					
Appropriation receivable	104	7,529	-	-	-
<b>Total assets recognised</b>	<b>104</b>	<b>7,529</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities recognised</b>					
Employee provisions	(104)	(7,546)	-	-	-
<b>Total liabilities recognised</b>	<b>(104)</b>	<b>(7,546)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets/(liabilities) recognised<sup>6, 8</sup></b>	<b>-</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUNCTIONS RELINQUISHED</b>					
<b>Assets relinquished</b>					
Appropriation receivable	-	-	(361)	(2,510)	(615)
Land and buildings	-	-	-	(5,700)	-
Property, plant and equipment	-	-	-	(448)	-
Prepayments	-	-	-	(109)	-
<b>Total assets relinquished</b>	<b>-</b>	<b>-</b>	<b>(361)</b>	<b>(8,767)</b>	<b>(615)</b>
<b>Liabilities relinquished</b>					
Suppliers	-	-	-	709	-
Other payables	-	-	-	1,778	-
Employee provisions	-	-	361	850	650
Other provisions	-	-	-	330	-
<b>Total liabilities relinquished</b>	<b>-</b>	<b>-</b>	<b>361</b>	<b>3,667</b>	<b>650</b>
<b>Net (assets)/liabilities relinquished<sup>7</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,100)</b>	<b>35</b>

<sup>1</sup> The Budget Based Funded Programs were assumed by the department from the Department of Education during the 2019 financial year. Expenses recognised by the department in 2019 were \$0.139 million (income: nil) while expenses and income recognised by the losing entity were nil.

<sup>2</sup> The Grants Administration Transition function was assumed by the department from the Department of Health for participation in the Community Grants Hub. Expenses recognised by the department in 2019 were \$26.229 million (income: nil) while expenses recognised by the losing entity were \$7.115 million (income: nil).

<sup>3</sup> The National Office for Child Safety function was relinquished by the department to the Department of the Prime Minister and Cabinet during the 2019 financial year. In addition, \$0.126 million of administered appropriation transferred to the Department of the Prime Minister and Cabinet. Refer to Note 5.1A.

<sup>4</sup> The establishment of the National Disability Insurance Scheme Quality and Safeguards Commission occurred during the 2019 financial year.

<sup>5</sup> The Multicultural Affairs function was relinquished by the department to the Department of Home Affairs as a result of the Administrative Arrangements Order issued on 20 December 2017.

<sup>6</sup> The net liabilities assumed from all entities were \$0.017 million (2018: nil).

<sup>7</sup> The net assets relinquished to all entities were \$5.100 million (2018: net liabilities relinquished of \$0.035 million).

<sup>8</sup> In respect of functions assumed, the net book values of assets and liabilities (with the exception of leave liability provision amounts) were transferred to the department for no consideration.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 8.3 Breach of Section 83 of the Constitution

#### Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

The table below summarises the results of the department's review of compliance with payments from the consolidated revenue fund for 2019.

Appropriations identified as subject to conditions	Payments made	Breaches identified for payments made		Potential Breaches	
	Amount \$'000	Yes/No	Amount \$'000	Yes/No	Indicative extent
<b>SPECIAL APPROPRIATIONS<sup>1</sup></b>					
<i>A New Tax System (Family Assistance) (Administration) Act 1999</i>	17,631,905	No	-	Yes	Refer note 2
<i>Business Services Wage Assessment Tool Payment Scheme Act 2015</i>	29,856	No	-	No	-
<i>Paid Parental Leave Act 2010</i>	2,335,090	No	-	Yes	Refer note 3
<i>Social Security (Administration) Act 1999</i>	91,222,189	Yes	76,502	Yes	Refer note 4 and 5
<i>Student Assistance Act 1973</i>	350,525	No	-	Yes	Refer note 6 and 7
<i>National Redress Scheme for Institutional Child Sexual Abuse Act 2018</i>	18,032	No	-	No	-
<b>SPECIAL ACCOUNTS</b>					
<i>National Disability Research Special Account 2016</i>	1,002	No	-	No	-
<i>Services for Other Entities and Trust Monies</i>	13,579	No	-	No	-
<i>Social &amp; Community Services Pay Equity Special Account</i>	376,683	No	-	No	-
<b>ANNUAL APPROPRIATIONS</b>					
<i>Annual Appropriation Act No.1 2018-19 (National Rental Affordability Scheme)</i>	74,590	No	-	No	-
<i>Annual Appropriation Act (No.1) - Operating</i>	6,037,614	Yes	45	Yes	Refer note 8 and 9

- The department administers an additional seven special appropriations, from which no payments were made during 2018-19. As a consequence, no actual or potential breaches from these appropriations occurred. Refer to 5.1B Special Appropriations for the list of these special appropriations.
- The value of potential contraventions in respect of payments under *A New Tax System (Family Assistance) Act 1999* and *A New Tax System (Family Assistance) (Administration) Act 1999* was \$1,488.738 million representing 643,391 new debts raised. A total of \$676.143 million was recovered during the 2019 financial year; a further \$12.932 million was waived or written off.
- The value of potential contraventions in respect of payments under *Paid Parental Leave Act 2010* was \$13.353 million representing 4,839 new debts raised. A total of \$11.564 million was recovered during the 2019 financial year; a further \$0.451 million was waived or written off.
- The value of potential contraventions in respect of payments under *Social Security (Administration) Act 1999* was \$894.668 million representing 1,078,752 new debts raised. A total of \$896.706 million was recovered during the 2019 financial year; a further \$101.657 million was waived or written off.
- The department has identified that some payments to refugee and humanitarian visa holders may have occurred without legislative authority under social security law. The estimated value of the payments was \$76.502 million for the 2019 financial year. As these payments were made in accordance with government policy, no debts have been raised. The Social Security (Class of Visas – Qualifying Residence Exemption – Refugee) Declaration 2018 commenced on 29 September 2018 to address the issue and provides legislative authority going forward.
- The value of potential contraventions in respect of payments under *Student Assistance Act 1973* was \$14.910 million representing 16,605 new debts raised. A total of \$10.682 million was recovered during the 2019 financial year; a further \$1.091 million was waived or written off.
- The department has identified that some payments to a class of student may have occurred without legislative authority under student payments law. This may amount to a breach of section 83 of the Constitution.
- Through regular internal reconciliation processes, 14 instances totalling \$510.695 million of potential breaches have been identified as at 30 June 2019. These instances relate to adjustments from administered to departmental appropriation within *Appropriation Bill (No. 1) 2018-19*.
- The department has identified two payments in respect of long service leave paid without legislative authority under the *Long Service Leave (Commonwealth Employees) Act 1976*. The value of the payments were \$0.045 million.

## Department of Social Services

### Notes to and forming part of the financial statements

#### 8.4 Explanations of Major Variances to Budget

The following major variance explanations between the original budget as presented in the 2018-19 Portfolio Budget Statements and the 2019 financial statements are presented in accordance with Australian Accounting Standards. The 2018-19 Portfolio Budget Statements contain the original financial statements' budget estimates presented to Parliament in respect of the 2019 financial year. The information presented below should be read in the context of the following:

- The original 2018-19 Social Services Portfolio Budget Statements were prepared before the 2018 final outcome was known. As a consequence, the Statement of Financial Position and Statement of Changes in Equity opening balances were estimated and, in some cases, variances between the 2018 final outcome and original budget estimates (Budget) are a result of unanticipated movement in the prior financial year actual amounts;
- Variances attributable to factors which would not reasonably have been identifiable at the time of the Budget preparation, such as revaluation, impairment of assets or impacts of Government bond rate changes have not been included in the explanations;
- Major variances are those deemed relevant to an analysis of the department's performance and are not focused merely on numerical differences between the Budget and actual amounts;
- Variances relating to cash flows are a result of the factors explained for net cost of services, assets or liabilities variations. Unless otherwise individually significant, no additional commentary has been included; and
- The Budget is not audited.

#### **Note 8.4A: Departmental Major Budget Variances for 2019**

Explanations of major variances	Affected line items
<p>Total net cost of services was \$38.300 million higher than the Budget as a result of:</p> <ul style="list-style-type: none"> <li>- the department providing additional corporate services to other departments beyond the original estimate that resulted in higher revenue and expenses of similar amounts;</li> <li>- the transfer of community grants hub staff and resources from the Department of Health;</li> <li>- an increase in software development services and changes in the department's office accommodation portfolio that have as a result increased depreciation on associated leasehold improvements;</li> <li>- offset by resources received free of charge for Aged Care Gateway IT systems application development services work completed by the Department of Health during the 2019 financial year.</li> </ul>	<p>Total own-source revenue Suppliers</p> <p>Employee benefits, Suppliers Revenue from Government Depreciation and amortisation</p> <p>Resources received free of charge</p>
<p>Total assets were broadly consistent with the Budget, noting:</p> <ul style="list-style-type: none"> <li>- increased cash and cash equivalents due to the timing of section 74 receipts being swept to the Official Public Account;</li> <li>- offset by higher than anticipated accumulated depreciation and amortisation due to an increase in software development services and changes in the department's office accommodation portfolio.</li> </ul>	<p>Cash and cash equivalents</p> <p>Intangibles and leasehold improvements</p>
<p>Total liabilities were \$26.513 million higher than the Budget as a result of:</p> <ul style="list-style-type: none"> <li>- variability that surrounds the estimates for the timing of payments to suppliers;</li> <li>- increased other payables due to changes in the department's office accommodation portfolio; and</li> <li>- increased employee leave provisions as a result of the on-boarding of community grants hub staff from the Department of Health.</li> </ul>	<p>Supplier payables Other payables</p> <p>Employee provisions</p>
<p>Total equity was \$26.794 million lower than the Budget and is consistent with the movement in assets and liabilities.</p>	<p>Total equity</p>

## Department of Social Services Notes to and forming part of the financial statements

### 8.4 Explanation of Major Variances to Budget (continued)

#### Note 8.4B: Administered Major Budget Variances for 2019

Explanations of major variances	Affected line items
Total administered expenses were \$3.305 billion lower than the original budget estimate (Budget) and this variance is mainly due to:	
<ul style="list-style-type: none"> <li>- Personal benefit expenses were less than the Budget due to the following key drivers:               <ul style="list-style-type: none"> <li>- lower Family Tax Benefit recipient numbers and average payment rates due to positive labour market conditions and growth in family income;</li> <li>- lower Income Support for Seniors due to the increasing number of people over pension age delaying their retirement;</li> <li>- National Redress Scheme payments were lower as a result of delays in on-boarding jurisdictions and non-government institution participants into the scheme;</li> <li>- offset by higher Working Age payments that was the result of lower than projected recovery of debt.</li> </ul> </li> <li>- Write down and impairment of other assets was less than Budget and reflects lower personal benefit debt and improvements in recoveries.</li> <li>- National Disability Insurance Scheme expenses were less than the Budget as a result of lower than projected participant plan numbers that reflect the slower than expected transition.</li> </ul>	Personal benefit expenses           Write-down and impairment of other assets Payments to the National Disability Insurance Scheme
Administered income was \$0.338 billion higher than the Budget mainly as a result of a write-back of a prior year Family Tax Benefit program impairment allowance.	Gains
Administered assets were \$1.767 billion higher than the Budget primarily as a result of the increase in the National Disability Insurance Agency investment value.	Investments
Administered liabilities were \$0.256 billion higher than the Budget as a result of:	
<ul style="list-style-type: none"> <li>- Greater than expected supplier payables due to increased National Disability Insurance Scheme participant plan expenses;</li> <li>- Personal benefit payables were larger than expected due to the timing of payments to recipients; and</li> <li>- These increases were offset by lower than budgeted claims in progress provision due to improved Services Australia claims processing performance.</li> </ul>	Supplier payables  Personal benefit payables  Personal benefits and other provisions



# Following in dad's footsteps

**Daithi is in his second year of boarding at Hale School in Perth. He shares his junior boarding house with 50 other boys and his favourite subjects are Physical Education and Maths.**



Originally from Broome in Western Australia, Daithi is the oldest of four children. He started boarding in 2018 in Year 7, but he is not the first person from his family to attend Hale School.

“My dad was one of the early Indigenous Scholarship students at Hale (Year 12, 2003). He’s a Civil Team Leader at Water Corp and was always keen for me to come here. Whenever we came to Perth when I was little, we always took a drive through Hale. I am proud to be here now, at dad’s school,” Daithi said.

ABSTUDY is a means tested payment for Aboriginal and Torres Strait Islander students and Australian apprentices. In recognition of the 50th anniversary of ABSTUDY, the Government is investing \$38.1 million over five years from 2018–19 to support Aboriginal and Torres Strait Islander secondary students who need to live away from home for education.

In addition to ABSTUDY, Daithi also receives support from the Hale School’s Foundation Indigenous Scholarship and MADALAH, a not-for-profit organisation, that offers secondary and tertiary scholarships to young Indigenous people from remote and regional communities to

attend Western Australia’s leading boarding schools and Australian universities.

“I’m only in Year 8 but already I can see how many subjects are offered—there are so many opportunities here and I have plenty of new friends. ABSTUDY payments and the scholarship are supporting me to think big about possibilities for the future,” Daithi said.

**ABOVE: Daithi at Hale School where he boards.**

See Part 2, Chapter 2.1 for more information.