

DEPARTMENT OF THE PRIME MINISTER AND CABINET

Financial Statements

For the period ended 30 June 2019

DEPARTMENT OF THE PRIME MINISTER AND CABINET STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached 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 the Prime Minister and Cabinet will be able to pay its debts as and when they fall due.

Dr Martin Parkinson AC PSM
Secretary

30 August 2019

Paul Wood
Chief Financial Officer

30 August 2019

DEPARTMENT OF THE PRIME MINISTER AND CABINET
STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2019

		2019	2018	Original budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	264,619	267,962	275,757
Suppliers	1.1B	156,308	178,927	141,578
Grants		7,208	1,224	402
Depreciation and amortisation	3.2	21,804	18,408	18,763
Finance costs		7	10	13
Impairment loss allowance on financial instruments		151	16	-
Write-down and impairment of other assets		5,376	6,705	-
Losses from asset sales	1.1C	42	117	-
Total expenses		455,515	473,369	436,513
Own-source income				
Own-source revenue				
Rendering of services	1.2A	19,078	16,726	14,333
Resources received free of charge	1.2B	4,554	9,566	-
Total own-source revenue		23,632	26,292	14,333
Gains				
Other gains	1.2C	99	5,633	2,627
Total gains		99	5,633	2,627
Total own-source income		23,731	31,925	16,960
Net cost of services		431,784	441,444	419,553
Revenue from Government - departmental appropriations		404,857	417,447	400,790
Deficit		(26,927)	(23,997)	(18,763)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		2,818	(823)	-
Total comprehensive loss		(24,109)	(24,820)	(18,763)

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET
STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

		2019	2018	Original budget
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash and cash equivalents		2,160	1,910	2,976
Trade and other receivables	3.1	96,994	96,643	102,910
Accrued revenue - recovery of departmental costs		1,876	4,056	3,793
Total financial assets		101,030	102,609	109,679
Non-financial assets				
Property, plant and equipment	3.2	117,584	110,739	127,231
Intangibles	3.2	34,713	30,372	28,000
Prepayments		7,650	4,573	5,039
Total non-financial assets		159,947	145,684	160,270
Assets held for sale - land and buildings		1,012	1,825	250
Total assets		261,989	250,118	270,199
LIABILITIES				
Payables				
Trade creditors and accruals		19,035	22,709	25,082
Grants - non-profit organisations		-	232	303
Other payables	3.3	43,135	36,299	39,535
Total payables		62,170	59,240	64,920
Provisions				
Employee provisions	6.1A	86,197	78,629	78,448
Make good provisions	3.4	642	645	1,102
Total provisions		86,839	79,274	79,550
Total liabilities		149,009	138,514	144,470
Net assets		112,980	111,604	125,729
EQUITY				
Contributed equity		221,226	195,741	213,269
Accumulated deficit		(116,824)	(89,897)	(94,123)
Reserves		8,578	5,760	6,583
Total equity		112,980	111,604	125,729

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET
STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2019

	2019 \$'000	2018 \$'000	Original budget \$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	195,741	173,209	192,014
Adjustment for changes in accounting policies	(584)	-	-
Adjusted opening balance	195,157	173,209	192,014
Transactions with owners			
Distributions to owners			
Returns of capital:			
Restructuring ¹	-	127	-
Other	-	-	818
Contributions by owners			
Appropriation (equity injection)	8,273	11,694	8,273
Departmental Capital Budget (DCB)	17,796	10,711	12,164
Total transactions with owners	26,069	22,532	21,255
Closing balance as at 30 June	221,226	195,741	213,269
ACCUMULATED DEFICIT			
Opening balance			
Balance carried forward from previous period	(89,897)	(65,900)	(75,025)
Adjusted opening balance	(89,897)	(65,900)	(75,025)
Comprehensive income			
Deficit for the period	(26,927)	(23,997)	(18,763)
Total comprehensive income	(26,927)	(23,997)	(18,763)
Transactions with owners			
Distributions to owners			
Returns of capital:			
Distribution of equity	-	-	2,536
Other	-	-	(2,871)
Total transactions with owners	-	-	(335)
Closing balance as at 30 June	(116,824)	(89,897)	(94,123)

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET
STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2019

	2019 \$'000	2018 \$'000	Original budget \$'000
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	5,760	6,583	6,583
Adjusted opening balance	5,760	6,583	6,583
Comprehensive income			
Other comprehensive income	2,818	(823)	-
Total comprehensive income	2,818	(823)	-
Closing balance as at 30 June	8,578	5,760	6,583
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	111,604	113,892	123,572
Adjustment for changes in accounting policies	(584)		
Adjusted opening balance	111,020	113,892	123,572
Comprehensive income			
Other comprehensive income	2,818	(823)	-
Deficit for the period	(26,927)	(23,997)	(18,763)
Total comprehensive income	(24,109)	(24,820)	(18,763)
Transactions with owners			
Distributions to owners			
Returns of capital:			
Distribution of equity	-	-	2,536
Restructuring ¹	-	127	-
Other	-	-	(2,053)
Contributions by owners			
Appropriation (equity injection)	8,273	11,694	8,273
Departmental Capital Budget (DCB)	17,796	10,711	12,164
Total transactions with owners	26,069	22,532	20,920
Closing balance as at 30 June	112,980	111,604	125,729

¹ Refer Note 8.2 Restructuring.

Accounting Policy

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and DCBs are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

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

Other Distributions to/from Owners

The *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET
CASH FLOW STATEMENT
for the period ended 30 June 2019

	2019 \$'000	2018 \$'000	Original budget \$'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services	26,964	25,324	14,333
GST received	20,546	18,892	-
Appropriations	421,197	460,342	420,832
Total cash received	468,707	504,558	435,165
Cash used			
Employees	260,047	255,114	275,508
Suppliers	167,901	200,752	142,214
Grants	7,440	1,295	2,458
Retained receipts transferred to Official Public Account	27,889	26,047	16,833
Total cash used	463,277	483,208	437,013
Net cash from / (used by) operating activities	5,430	21,350	(1,848)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	1,238	1,019	2,500
Total cash received	1,238	1,019	2,500
Cash used			
Purchase of property, plant and equipment	23,196	31,548	20,437
Purchase of intangibles	12,803	10,809	-
Other investing	10	31	-
Total cash used	36,009	42,388	20,437
Net cash used by investing activities	(34,771)	(41,369)	(17,937)
FINANCING ACTIVITIES			
Cash received			
Contributed equity			
Equity injections	7,791	9,665	19,785
Departmental capital budget	21,800	9,288	-
Total cash received	29,591	18,953	19,785
Net cash from financing activities	29,591	18,953	19,785
Net increase in cash held	250	(1,066)	-
Cash and cash equivalents at the beginning of the reporting period	1,910	2,976	2,976
Cash and cash equivalents at the end of the reporting period	2,160	1,910	2,976

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET
BUDGET COMMENTARY
for the period ended 30 June 2019

Departmental Budget Variance Commentary:

The below table provides commentary for significant variances between PM&C's original budget estimates, as published in the 2018-19 Portfolio Budget Statements, and the actual expenditure and net asset position for the year.

Explanation of major variances	Affected line items (and statement)
Grants: The Data Integration Partnership for Australia Grant and the Future Female Entrepreneurs Program Grant were not included in the 2018-19 original budget.	Grants - Statement of Comprehensive Income
Additional taskforces: the ongoing use of taskforces contributed to supplier expenses and own-source revenue (due to seconded employees from other government entities) being higher than budget.	Supplier expense - Statement of Comprehensive Income Resources received free of charge - Statement of Comprehensive Income Payments to suppliers - Cash Flow Statement
Departmental Capital Budget: Prior year funding was rolled over from 2017-18 to 2018-19 which was agreed by Department of Finance (Finance) but not formally re-appropriated. The funding was not quarantined and PM&C used the funding for approved projects.	Purchase of Property, Plant and Equipment and Intangibles - Cash Flow Statement

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

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME**

for the period ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2.1A	1,515	1,198	918
Suppliers	2.1B	62,011	60,648	52,084
Subsidies - Petrol Sniffing Prevention Strategy		149	300	1,688
Grants	2.1C	1,281,851	1,340,924	1,312,337
Depreciation	4.2	349	318	349
Finance costs		3,878	348	324
Impairment loss allowance on financial instruments		2,091	2,814	-
Write-down and impairment of other assets		-	13	-
Payments associated with Land Councils	2.1D	181,711	147,325	127,803
Payments to Corporate Commonwealth entities and companies	2.1E	111,105	94,929	111,105
Payments to Indigenous Land and Sea Corporation ¹		53,290	52,296	53,626
Mining withholding tax		7,618	6,532	-
Total expenses		1,705,568	1,707,645	1,660,234
Income				
Revenue				
Non-taxation revenue				
Interest	2.2A	60,702	76,888	82,023
Other revenue	2.2B	14,463	13,264	13,632
Total non-taxation revenue		75,165	90,152	95,655
Total revenue		75,165	90,152	95,655
Gains				
Other gains		3,237	948	-
Total gains		3,237	948	-
Total income		78,402	91,100	95,655
Net cost of services		1,627,166	1,616,545	1,564,579
Deficit		(1,627,166)	(1,616,545)	(1,564,579)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserves		93,053	131,755	-
Items subject to subsequent reclassification to net cost of services				
Actuarial loss - former Governors-General entitlements	6.1C	(3,257)	(354)	-
Total other comprehensive income/(loss)		89,796	131,401	-
Total comprehensive loss		(1,537,370)	(1,485,144)	(1,564,579)

¹ Payment made from the Aboriginal and Torres Strait Islander Land Account (Special Account). The original budget amount was published in the 2018-19 Portfolio Budget Statement as 'Other Expenses'.

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

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES**

as at 30 June 2019

		2019	2018	Original budget
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash and cash equivalents	4.1A	39,062	23,576	34,699
Trade and other receivables	4.1B	56,452	102,507	105,680
Term deposits		1,042,500	2,798,741	3,115,008
Investments in Corporate Commonwealth entities	4.1C	2,427,299	2,309,766	2,005,762
Total financial assets		3,565,313	5,234,590	5,261,149
Non-financial assets				
Property, plant and equipment	4.2	50,650	50,342	51,618
Prepayments		3,719	3,147	1,827
Total non-financial assets		54,369	53,489	53,445
Total assets administered on behalf of Government		3,619,682	5,288,079	5,314,594
LIABILITIES				
Payables				
Trade creditors and accruals		8,549	3,967	6,497
Grants	4.3A	23,964	48,197	40,791
Other payables	4.3B	2,883	1,435	782
Total payables		35,396	53,599	48,070
Provisions				
Employee provisions	6.1B	433	293	260
Non-cash benefits - former Governors-General	6.1C	18,909	13,251	14,425
Other provisions		105	105	-
Total provisions		19,447	13,649	14,685
Total liabilities administered on behalf of Government		54,843	67,248	62,755
Net assets		3,564,839	5,220,831	5,251,839

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET ADMINISTERED BUDGET COMMENTARY

as at 30 June 2019

Administered Budget Variance Commentary:

The below table provides commentary for significant variances between PM&C's original budget estimates for administered functions, as published in the 2018-19 Portfolio Budget Statements, and the actual expenditure and net asset position for the year.

Explanation of major variances	Affected line items (and statement)
Royalty equivalent income: statutory payments to royalty associations were higher than the original budget due to additional mining royalty equivalent income received by the Aboriginals Benefit Account. 30% of royalty equivalent income received is distributed to relevant Land Councils.	Payments associated with Land Councils - Administered Schedule of Comprehensive Income
Corporate Commonwealth Entities: increases to the net asset positions of the Indigenous Land and Sea Corporation and the Indigenous Business Australia is the main reason for investments in Corporate Commonwealth entities being higher than budget.	Investments in Corporate Commonwealth entities – Statement of Financial Position Changes in asset revaluation reserves – Other comprehensive income
Aboriginal and Torres Strait Islander Land Account (ATSILA): the balance of the ATSILA special account was transferred from PM&C to the Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF) on 1 February 2019, to be managed in the Finance Portfolio. The new Indigenous Land and Sea Corporation Funding Special Account was also established to continue payments to the Indigenous Land and Sea Corporation.	Interest income – Administered Schedule of Comprehensive Income, Term Deposits – Administered Schedule of Assets and Liabilities and Restructuring – Administered Reconciliation Schedule

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

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
ADMINISTERED RECONCILIATION SCHEDULE**

for the period ended 30 June 2019

	2019	2018
	\$'000	\$'000
Opening assets less liabilities as at 1 July	5,220,831	4,813,353
Adjustment for changes in accounting policies	(3,141)	-
Net cost of services		
Income	78,402	91,100
Expenses		
Payments to entities other than Corporate Commonwealth entities and companies	(1,541,173)	(1,560,420)
Payments to Indigenous Land and Sea Corporation	(53,290)	(52,296)
Payments to Corporate Commonwealth entities and companies	(111,105)	(94,929)
Other comprehensive income		
Revaluations transferred to reserves	93,053	131,755
Actuarial (loss) through equity	(3,257)	(354)
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account		
Annual appropriation for administered expenses (non-corporate Commonwealth entities and companies)	1,404,210	1,415,282
Annual appropriation for payment to Corporate Commonwealth entities and companies	111,105	94,929
Special appropriations (non-Corporate Commonwealth entities and companies)	533,839	406,731
Special account	1,433	1,617
Transfers to Official Public Account	(181,376)	(137,955)
Transfers to Official Public Account Special accounts	(1,433)	(1,617)
Transfer of investment funds to Government ¹	(2,007,609)	-
Equity injection to Corporate Commonwealth entities and companies	24,913	23,850
Restructuring ²	-	89,785
Other ³	(563)	-
Closing assets less liabilities as at 30 June	3,564,839	5,220,831

¹The Aboriginal and Torres Strait Islander Land Account transferred to the Finance Portfolio on 1 February 2019.

² Refer Note 8.2 Restructuring.

³ Adjustment to opening balance for reversal of accrued interest.

Accounting Policy

Administered cash transfers to and from the Official Public Account

Revenue collected by PM&C for use by the Government rather than for PM&C is administered revenue. Collections are transferred to the Official Public Account (OPA), maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by PM&C on behalf of the Government and reported as such in the Administered Cash Flow Statement and in the Administered Reconciliation Schedule.

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET
ADMINISTERED CASH FLOW STATEMENT

for the period ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
OPERATING ACTIVITIES			
Cash received			
GST received		105,868	120,323
Other		2,599	2,065
Total cash received		108,467	122,388
Cash used			
Employees		1,372	1,156
Suppliers		59,771	62,822
Subsidy payments		149	300
Grant payments		1,405,755	1,440,193
Payments to Corporate Commonwealth entities and companies		111,105	94,929
Payments associated with Land Councils		181,711	147,325
Payments to Indigenous Land and Sea Corporation		53,290	52,296
Other		3,200	6,528
Total cash used		1,816,353	1,805,549
Net cash used by operating activities		(1,707,886)	(1,683,161)
INVESTING ACTIVITIES			
Cash received			
Proceeds from realisation of investments		2,571,374	2,696,110
Interest on investments and loans		54,148	72,928
Repayment of loans		29,660	5,381
Total cash received		2,655,182	2,774,419
Cash used			
Purchase of property, plant and equipment		224	-
Payments to Corporate Commonwealth entities and companies		24,913	23,850
Purchase of investments		2,433,243	2,882,741
Total cash used		2,458,380	2,906,591
Net cash used by investing activities		196,802	(132,172)
Net decrease in cash held		(1,511,084)	(1,815,333)
Cash and cash equivalents at the beginning of the reporting period		23,576	36,072
Cash from Official Public Account			
Appropriations		2,074,067	1,940,792
Special Accounts		1,433	1,617
Total cash from the Official Public Account		2,075,500	1,942,409
Cash to Official Public Account			
Appropriations		(181,376)	(137,955)
Special Accounts		(1,433)	(1,617)
Return of investment fund to Government		(366,122)	-
Total cash to the Official Public Account		(548,931)	(139,572)
Cash and cash equivalents at the end of the reporting period	4.1A	39,062	23,576

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2019

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DEPARTMENT OF THE PRIME MINISTER AND CABINET NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

Overview

Basis of preparation of the financial statements

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

The financial statements have been prepared in accordance with:

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

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except where certain assets and liabilities are recorded 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, and are rounded to the nearest thousand dollars unless otherwise specified.

The Department of the Prime Minister and Cabinet (PM&C) is a not-for-profit entity for the purposes of preparing the financial statements.

Except where stated below, 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.

Taxation

PM&C is exempt from all forms of taxation except Fringe Benefits Tax (FBT), the Goods and Services Tax (GST) and Mining Withholding Tax (WHT).

New Australian accounting standards

No accounting standard has been adopted earlier than the application date as stated in the standard.

AASB 9 Financial Instruments is applicable to the current reporting period and the financial impact is recorded in the financial statements for the period ended 30 June 2019.

Compliance with statutory conditions for payments from the consolidated revenue fund

During 2018-19 PM&C reviewed its exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution.

The review identified the following technical breach:

- The Aboriginals Benefit Account (ABA) special account – testing of transactions revealed that three payments made from the ABA under section 64(3) of the *Aboriginal Land Rights (Northern Territory) Act 1976* (the ALRA), contravened section 83 of the Constitution totalling \$1.660 million. The payments were a technical contravention, despite the payments having been made in accordance with the requirements of section 64(3) of the ALRA. No overpayments have been recovered through reduction of subsequent payments, therefore the remaining \$1.660 million will be offset against future payments. Overpayments from previous years of \$0.507 million were partially recovered during the year and the remaining \$0.034 million will be offset against future payments.

Payments are required to be made out of the ABA based on royalties received by the Northern Territory and Australian Governments. The contraventions occur when the royalties upon which the payments were based had been estimated at a value greater than the eventual actual value. Legislation has been prepared, and is awaiting presentation to Parliament, to reduce the risks of non-compliance associated with these payments to an acceptably low level.

PM&C will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. Where possible, amendments to legislation will continue to be progressed.

DEPARTMENT OF THE PRIME MINISTER AND CABINET

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

Events after the reporting period

On 26 May 2019, the Prime Minister announced that the Indigenous Affairs Group (IAG), part of PM&C as at 30 June, is to become an Executive Agency in its own right and will be named the National Indigenous Australians Agency (NIAA) from the 1 July 2019. The new agency will be responsible for the following: to lead and coordinate Commonwealth policy development, program design and implementation and service delivery for Aboriginal and Torres Strait Islander people; and to provide advice to the Prime Minister and the Minister for Indigenous Australians on whole-of-government priorities for Aboriginal and Torres Strait Islander people.

On 5 July 2019, the Prime Minister requested the Minister for Finance to amend the *Public Governance, Performance and Accountability Rule 2016* (PGPA OPH Rule) to reflect the transfer of responsibility for Old Parliament House from the Communications and the Arts portfolio to the Prime Minister and Cabinet portfolio. This request was agreed to by the Minister for Finance on 14 August 2019.

DEPARTMENT OF THE PRIME MINISTER AND CABINET NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

1. Departmental Financial Performance

This section analyses the financial performance of the Department of the Prime Minister and Cabinet for the period ended 30 June 2019.

1.1. Expenses

	2019 \$'000	2018 \$'000
Note 1.1A: Employee benefits		
Wages and salaries	189,372	191,968
Superannuation		
Defined contribution plans	18,919	18,016
Defined benefit plans	17,006	18,515
Leave and other entitlements	33,551	30,252
Separation and redundancies	2,705	5,576
Other	3,066	3,635
Total employee benefits	264,619	267,962
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants, legal, contractors and secondees	51,817	53,304
Equipment, repairs and maintenance	6,583	10,929
General expenses ¹	12,863	14,268
Venue hire	443	2,774
Office accommodation, facility management and security	5,826	5,879
Information, communication and technology	30,976	40,615
Travel	11,020	14,250
Total goods and services supplied or rendered	119,528	142,019
Goods supplied	7,975	13,422
Services rendered	111,553	128,597
Total goods and services supplied or rendered	119,528	142,019
Other suppliers		
Operating lease rentals	34,259	34,074
Workers compensation expenses	2,521	2,834
Total other supplier expenses	36,780	36,908
Total suppliers	156,308	178,927
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	24,195	25,755
Between 1 to 5 years	94,224	92,166
More than 5 years	199,819	221,175
Total operating lease commitments	318,238	339,096

Note: Commitments are GST inclusive where relevant.

Operating lease commitments - leases for office accommodation

Office accommodation lease payments are subject to periodic increases in accordance with the rent review provisions in the lease agreements.

Operating leases comprise 89 leases for office accommodation (2018: 80).

¹ Includes \$0.005 million audit fees to the ANAO for the financial statements audit of the Aboriginal and Torres Strait Islander Land Account (ATSILA) (2018: \$0.029 million), which is not a resource received free of charge.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2019

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.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease.

Lease payments are allocated between the principal component and the interest expense.

PM&C currently has five (2018: five) agreements for the leasing of premises which have provisions requiring the premises to be restored to their original condition at the conclusion of the lease. PM&C has recognised a make good provision to reflect the present value of this obligation.

	2019	2018
	\$'000	\$'000
<u>Note 1.1C: Losses from asset sales</u>		
Property, plant and equipment		
Proceeds from sale	1,238	1,019
Carrying value of asset sold	(1,270)	(1,105)
Selling expense	(10)	(31)
<i>Total losses from asset sales</i>	<u>42</u>	<u>117</u>

Accounting Policy

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

1.2. Own-Source Revenue and Gains

	2019	2018
	\$'000	\$'000
Own-source revenue		

Note 1.2A: Sale of goods and rendering of services

Rendering of services	19,078	16,726
Total sale of goods and rendering of services	19,078	16,726

Accounting Policy

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

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured.
- The probable economic benefits associated with the transaction will flow to PM&C.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear 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 account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Note 1.2B: Resources received free of charge

Seconded staff	4,077	9,092
Other	477	474
Total resources received free of charge	4,554	9,566

Accounting Policy

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: Other gains

Gain on early termination of lease	80	4,944
Reversal of previous asset write-down	9	76
Reversal of make good provision	10	613
Total other gains	99	5,633

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

2. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Department of the Prime Minister and Cabinet does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

2.1. Administered – Expenses

	2019	2018
	\$'000	\$'000
<u>Note 2.1A: Employee benefits</u>		
Wages and salaries	1,083	851
Superannuation		
Defined contribution plans	140	93
Defined benefit plans	52	40
Leave and other entitlements	240	152
Separation and redundancies	-	62
Total employee benefits	1,515	1,198
<u>Note 2.1B: Suppliers</u>		
Goods and services supplied or rendered		
Outsourced providers, contractors and consultants	47,622	47,934
Equipment, repairs and maintenance	721	830
General expenses	7,455	7,707
Travel	2,194	3,004
Information, communication and technology	4,006	1,159
Total goods and services supplied or rendered	61,998	60,634
Goods supplied	1,172	626
Services rendered	60,826	60,008
Total goods and services supplied or rendered	61,998	60,634
Other suppliers		
Operating lease rentals	-	3
Workers compensation expenses	13	11
Total other supplier expenses	13	14
Total suppliers	62,011	60,648
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	229	380
Between 1 to 5 years	530	576
More than 5 years	1,383	1,415
Total operating lease commitments	2,142	2,371

Note: Commitments are GST inclusive where relevant.

Operating leases comprise 12 leases, three for office accommodation for the former Governors-General, one relating to the Indigenous Education (Northern Territory Facilities) program and eight relating to the Children and Schooling program. Lease payments are subject to periodic increase in accordance with the rent review provisions of the lease.

Accounting Policy

Leases

PM&C administers four (2018: four) agreements for the leasing of premises which have provisions requiring the premises to be restored to their original condition at the conclusion of the lease. A make good provision has been raised to reflect the present value of this obligation.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2019

	2019 \$'000	2018 \$'000
<u>Note 2.1C: Grants</u>		
Public sector		
Australian Government entities	87,203	100,676
Local Governments	78,052	87,893
State and Territory Governments	65,781	70,156
Private sector		
Non-profit organisations	859,651	883,412
Commercial entities	191,164	198,787
Total grants	1,281,851	1,340,924
Program 2.1 - Jobs, Land and Economy	626,083	646,114
Program 2.2 - Children and Schooling	314,124	330,840
Program 2.3 - Safety and Wellbeing	246,665	258,133
Program 2.4 - Culture and Capability	46,438	47,756
Program 2.5 - Remote Australia Strategy	29,933	43,332
Program 1.1 - Prime Minister and Cabinet	18,608	14,749
Total grants	1,281,851	1,340,924

Accounting Policy

PM&C administers a number of grants and subsidy schemes on behalf of the Government. Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed; or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made.

Settlement is made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.

Note 2.1D: Payments associated with Land Councils

Payments associated with Land Councils administration	59,008	49,843
Land Councils distributions	122,703	97,482
Total payments associated with Land Councils	181,711	147,325

Note 2.1E: Payments to Corporate Commonwealth entities and companies

Aboriginal Hostels Limited	36,323	36,563
Australian Institute of Aboriginal and Torres Strait Islander Studies	20,388	3,249
Indigenous Business Australia	9,762	10,133
Indigenous Land and Sea Corporation	8,749	8,928
Torres Strait Regional Authority	35,883	36,056
Total payments to Corporate Commonwealth entities and companies	111,105	94,929

Accounting Policy

Payments to Corporate Commonwealth entities and companies from amounts appropriated for that purpose are classified as administered expenses, equity injections or loans of PM&C. The appropriation to PM&C is disclosed in section 5 Funding.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

2.2. Administered – Income

	2019	2018
	\$'000	\$'000
<u>Note 2.2A: Interest</u>		
Interest on investments	57,377	72,412
Interest on loans	1,153	1,513
Unwinding of discount on concessional loans	2,172	2,963
Total interest	60,702	76,888
<u>Note 2.2B: Other revenue</u>		
Return of grant funding	12,118	11,372
Lease rental income	2,251	1,848
Other	94	44
Total other revenue	14,463	13,264

Accounting Policy

All administered revenues relate to ordinary activities performed by PM&C on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity. PM&C oversees distribution or expenditure of the funds as directed.

Interest revenue is recognised using the effective interest method.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

3. Departmental Financial Position

This section analyses the Department of the Prime Minister and Cabinet's assets used to generate financial performance and the operating liabilities incurred as a result. Employee related information is disclosed in the People section.

3.1. Financial Assets

	2019 \$'000	2018 \$'000
<u>Note 3.1: Trade and other receivables</u>		
Goods and services receivables		
Goods and services	5,752	11,729
<i>Total goods and services receivables</i>	5,752	11,729
 Appropriations receivables		
Existing programs	86,599	81,571
<i>Total appropriations receivable</i>	86,599	81,571
 Other receivables		
Statutory receivables	2,471	3,449
Other	3,000	-
<i>Total other receivables</i>	5,471	3,449
<i>Total trade and other receivables (gross)</i>	97,822	96,749
 Less impairment loss allowance		
Goods and services	(828)	(106)
<i>Total impairment loss allowance</i>	(828)	(106)
 <i>Total trade and other receivables (net)</i>	96,994	96,643

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

3.2. Non-Financial Assets

Note 3.2: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

	Land ¹ \$'000	Buildings ¹ \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2018							
Gross book value	-	-	-	-	32,283	4,292	36,575
Fair value	10,616	43,111	54,577	18,848	-	-	127,152
Work in progress	-	103	4,002	2,483	7,247	99	13,934
Accumulated depreciation/amortisation and impairment	-	(3,458)	(12,455)	(7,088)	(10,303)	(3,246)	(36,550)
Total as at 1 July 2018	10,616	39,756	46,124	14,243	29,227	1,145	141,111
Additions							
Purchase	-	1,236	13,703	8,257	11,323	1,479	35,998
Revaluations and impairments recognised in other comprehensive income	-	(445)	3,789	(526)	-	-	2,818
Reclassifications	(280)	(106)	(64)	-	-	-	(450)
Depreciation and amortisation	-	(2,286)	(7,678)	(4,578)	(6,667)	(595)	(21,804)
Write-down and impairments recognised in net cost of services (expense)	-	(1,144)	(1,712)	(1,321)	(1,166)	(33)	(5,376)
Total as at 30 June 2019	10,336	37,011	54,162	16,075	32,717	1,996	152,297
Total as at 30 June 2019 represented by							
Gross book value	-	-	-	-	29,140	3,191	32,331
Fair value	10,336	42,132	55,177	23,761	-	-	131,406
Work in progress	-	495	15,543	2,553	17,645	1,578	37,814
Accumulated depreciation, amortisation and impairment	-	(5,616)	(16,558)	(10,239)	(14,068)	(2,773)	(49,254)
Total as at 30 June 2019	10,336	37,011	54,162	16,075	32,717	1,996	152,297

¹ PM&C has a property portfolio divestment strategy that will result in properties throughout Australia being sold within the next 12 months.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

Contractual commitments for the acquisition of IT equipment and other capital works of \$0.295 million are payable within one year. (2018: \$6,529 million).

DEPARTMENT OF THE PRIME MINISTER AND CABINET NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

Accounting Policy

Asset recognition threshold

Purchases of property, plant and equipment and intangibles are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$5,000, which are expensed in the year of acquisition (other than IT assets where they 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 'make good' provisions in property leases taken up by PM&C where there exists an obligation to restore the asset to its original condition. These costs are included in the value of PM&C's property, plant and equipment with a corresponding provision for the 'make good' recognised.

Property, plant and equipment are subsequently measured at fair value.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measurement
Land	Market selling price
Buildings excluding leasehold improvements	Market selling price and depreciated replacement cost
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price and depreciated replacement cost

PM&C procured valuation services from independent valuation experts and relied on the valuations made by these experts. The experts provided written assurance that the models developed to value assets are in compliance with accounting standards. PM&C tests the procedures of the valuation model as an internal management review at least once every 12 months. PM&C has a rolling revaluation plan in place which ensures all assets are formally revalued at least once every three years. If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation.

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured using the cost (Depreciated Replacement Cost or DRC) approach. Professional judgement has been applied in calculating the consumed economic benefit/asset obsolescence relevant to the asset under construction.

All property, plant and equipment assets are valued on a recurring basis except for assets held for sale.

Upon revaluation, any accumulated depreciation is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Assets held for sale

Assets held for sale are measured at the lesser of their carrying amount and fair value less cost to sell and are valued at a non-recurring basis. PM&C is currently marketing five residential properties (staff housing) that are no longer essential for operational requirements. 2019: \$1.01 million (2018: \$1.825 million).

Intangibles

PM&C's intangibles comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Impairment

All assets were assessed for impairment during 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.

DEPARTMENT OF THE PRIME MINISTER AND CABINET

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

Accounting Policy (continued)

Depreciation/Amortisation

Depreciable assets are written-off to their estimated residual values over their estimated useful lives to PM&C using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of asset are based on the following total useful lives for the current and prior reporting periods:

Buildings excluding leasehold improvements	3 to 50 years (2018: 3 to 50 years)
Leasehold improvements	Lease term (2018: Lease term)
Plant and equipment	1 to 25 years (2018: 1 to 25 years)
Intangibles	1 to 5 years (2018: 1 to 5 years)

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.

3.3. Payables

	2019 \$'000	2018 \$'000
Note 3.3: Other payables		
Salaries, wages and superannuation	1,721	1,704
Separation and redundancies payable	292	3,314
Unearned income	1,854	2,435
Lease liability	14,156	10,666
Lease incentive	22,767	15,154
Other	2,345	3,026
Total other payables	43,135	36,299

3.4. Make Good Provisions

	Make good provision \$'000	Total \$'000
As at 1 July 2018	645	645
Finance cost	7	7
Gain on reversal of provision	(10)	(10)
Total as at 30 June 2019	642	642

Significant accounting judgements and estimates

Provision for the restoration of leased premises (make good) is based on future obligations relating to the underlying assets and is supported by independent qualified valuers' opinions.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

4. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to generate financial performance and the operating liabilities incurred as a result which the Department of the Prime Minister and Cabinet does not control, but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1. Administered – Financial Assets

	2019	2018
	\$'000	\$'000
<u>Note 4.1A: Cash and cash equivalents</u>		
Cash on hand or on deposit	1,282	79
Aboriginals Benefit Account - Special Account	9,154	11,212
Aboriginal and Torres Strait Islander Land Account - Special Account	-	1
Cash held in the Official Public Account - Special Account	28,626	12,284
Total cash and cash equivalents	39,062	23,576
<u>Note 4.1B: Trade and other receivables</u>		
Goods and services receivables		
Goods and services receivable	16	17
Total goods and services receivables	16	17
Advances and loans		
Loans to Australian Government entities	23,624	48,549
Total advances and loans	23,624	48,549
Other receivables		
Statutory receivables	15,522	14,707
Interest receivable	14,685	34,243
Grants receivable	23,182	21,516
Other	911	322
Total other receivables	54,300	70,788
Total trade and other receivables (gross)	77,940	119,354
Less impairment loss allowance		
Other receivables	(21,488)	(16,847)
Total impairment loss allowance	(21,488)	(16,847)
Total trade and other receivables (net)	56,452	102,507

Accounting Policy

Loans

Concessional loans are initially recognised at their fair value. If the rate of interest charged is lower than the government bond rate (for government/public sector loans) or the counterparty's borrowing rate (for non-government loans), the difference between the amortised cost and the fair value of the loan is treated as an expense.

Loans to Australian Government entities are made for the period up to 4 years based on current interest rates. Interest is variable and is paid quarterly.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2019

	2019 \$'000	2018 \$'000
<u>Note 4.1C: Investments in Corporate Commonwealth entities and companies</u>		
Equity interest in		
Aboriginal Hostels Limited	149,272	149,556
Anindilyakwa Land Council	15,468	15,945
Australian Institute of Aboriginal and Torres Strait Islander Studies	41,087	37,919
Central Land Council	42,168	41,665
Indigenous Land and Sea Corporation	479,132	452,005
Indigenous Business Australia	1,499,150	1,415,737
National Australia Day Council Limited	797	790
Northern Land Council	11,516	11,346
Outback Stores Pty Ltd	41,983	41,617
Tiwi Land Council	4,704	2,796
Torres Strait Regional Authority	85,084	83,600
Wreck Bay Aboriginal Community Council	56,938	56,790
Total investments in Corporate Commonwealth entities and companies	2,427,299	2,309,766

All investments in Corporate Commonwealth entities and companies are expected to be recovered in more than 12 months.

Investment in Corporate Commonwealth Entities

The Australian Government holds a 100% equity interest in the following administered investments:

Aboriginal Hostels Limited

Provides temporary accommodation to Aboriginal and Torres Strait Islander people through a national network of hostels.

Australian Institute of Aboriginal and Torres Strait Islander Studies

The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) is a research, collections and publishing organisation that promotes knowledge and understanding of Aboriginal and Torres Strait Islander cultures, traditions, languages and stories, past and present.

Land Councils

The Land Councils include:

- Anindilyakwa Land Council
- Central Land Council
- Northern Land Council
- Tiwi Land Council; and
- Wreck Bay Aboriginal Community Council

The Land Councils represent the Aboriginal people living in the area of the Land Council in the management of Aboriginal land in the area, and in relation to legislation concerning that land. The Land Councils also consult and protect the interests of traditional owners and take measures to assist in the protection of sacred sites in the area of the Land Council. Wreck Bay Aboriginal Community Council holds title to land and provides services to the Aboriginal community of Jervis Bay.

DEPARTMENT OF THE PRIME MINISTER AND CABINET

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

Investment in Commonwealth Entities (continued)

Indigenous Land and Sea Corporation

The Indigenous Land and Sea Corporation provides economic, environmental, social and cultural benefits for Aboriginal persons and Torres Strait Islanders by assisting in the acquisition and management of an Indigenous land and fresh water and salt water base.

Indigenous Business Australia

Indigenous Business Australia assists and enhances Aboriginal and Torres Strait Islander self-management and economic self-sufficiency, and aims to advance the commercial and economic interests of Aboriginal and Torres Strait Islander people by accumulating and using a substantial capital asset for their benefit.

National Australia Day Council Limited

Promotes national pride, active citizenship and the observance and celebration of Australia Day; administration of the Australian of the Year awards, which includes awards for the Young Australian of the Year, the Senior Australian of the Year and Australia's Local Hero; distribution of grants to State and Territory Australia Day Councils; and provision of recommendations and advice to the Australian Government on all matters relating to year-round national pride activities.

Outback Stores Pty Ltd

Outback Stores Pty Ltd improves access to affordable, healthy food for Indigenous communities, particularly in remote areas, through providing food supply and store management and support services.

Torres Strait Regional Authority

The Torres Strait Regional Authority formulates, implements and monitors the effectiveness of programs for Aboriginal and Torres Strait Islander people living in the Torres Strait and Northern Peninsula Area.

Accounting Policy

Administered investments

Administered investments in subsidiaries are not consolidated because their consolidation is relevant only at the whole-of-government level.

Administered investments 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 as advised by the entities as at the end of the reporting period recorded in the latest management accounts or unaudited financial statements provided.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

4.2. Administered – Non-Financial Assets

Note 4.2: Reconciliation of the opening and closing balances of property, plant and equipment

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
As at 1 July 2018					
Fair value	44,000	5,811	97	1,095	51,003
Accumulated depreciation and impairment	-	(126)	(72)	(463)	(661)
Total as at 1 July 2018	44,000	5,685	25	632	50,342
Additions					
Purchases	-	-	76	148	224
Revaluations recognised in other comprehensive income	-	433	-	-	433
Depreciation expense	-	(218)	(25)	(106)	(349)
Total as at 30 June 2019	44,000	5,900	76	674	50,650
Total as at 30 June 2019 represented by					
Fair value	44,000	5,900	97	758	50,755
Work in progress	-	-	76	148	224
Accumulated depreciation and impairment	-	-	(97)	(232)	(329)
Total as at 30 June 2019	44,000	5,900	76	674	50,650

Accounting Policy

Revaluation

All buildings, leasehold improvements, plant and equipment assets were formally valued during the year by independent qualified valuers and were assessed for impairment.

Depreciation

Depreciation rates applying to each class of depreciable asset are based on the following useful lives for the current and prior reporting periods:

Buildings excluding leasehold improvements 22 to 30 years (2018: 22 to 30 years)

Leasehold improvements Lease term (2018: Lease term)

Plant and equipment 5 to 114 years (2018: 5 to 114 years)

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

4.3. Administered – Payables

	2019	2018
	\$'000	\$'000
<u>Note 4.3A: Grants</u>		
Public sector		
Australian Government entities (related parties)	21	17,064
Local Governments	220	22
State and Territory Governments	13	21,327
Private sector		
Commercial entities	236	860
Non-profit organisations	23,474	8,924
<i>Total grants</i>	23,964	48,197
All grant payables are expected to be settled in no more than 12 months.		
<u>Note 4.3B: Other payables</u>		
Office of Township Leasing payables	1,809	1,094
Other	1,074	341
<i>Total other payables</i>	2,883	1,435
All other payables are expected to be settled in no more than 12 months.		

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

5. Funding

This section identifies the Department of the Prime Minister and Cabinet funding structure.

5.1. Appropriations

Note 5.1A: Departmental annual and unspent appropriations ('recoverable GST exclusive')

	2019 \$'000	2018 \$'000
Ordinary annual services		
Annual Appropriation		
Operating	407,376	451,886
Capital budget	17,514	14,506
Section 74 receipts	27,889	26,047
Section 75 transfers	(1,237)	(11,072)
Total available appropriation	451,542	481,367
Appropriation applied (current and prior years)	(442,747)	(470,695)
Variance	8,795	10,672
Opening unspent appropriation balance	103,374	143,464
Repeal of <i>Appropriation Acts 2013-14, 2014-15</i>	-	(50,762)
Repeal of <i>Appropriation Act (No. 1) 2015-16</i>	(1,190)	-
Closing unspent appropriation balance	110,979	103,374
Balance comprises appropriations as follows¹:		
<i>Appropriation Act (No. 1) 2015-16</i>	-	1,190
<i>Appropriation Act (No. 1) 2016-17</i>	11,320	13,128
<i>Appropriation Act (No. 1) 2017-18 cash held by the department</i>	-	1,910
<i>Appropriation Act (No. 1) 2017-18 - Capital Budget (DCB) - Non Operating</i>	3,795	8,279
<i>Appropriation Act (No. 1) 2017-18</i>	10,168	78,867
<i>Appropriation Act (No. 1) 2018-19</i>	76,770	-
<i>Appropriation Act (No. 1) 2018-19 - Capital Budget (DCB) - Non Operating</i>	180	-
<i>Appropriation Act (No. 1) 2018-19 cash held by the department</i>	2,160	-
<i>Appropriation Act (No. 3) 2018-19</i>	6,586	-
Total unspent appropriation - ordinary annual services	110,979	103,374
Other services		
Annual Appropriation		
Equity injections	8,273	11,694
Total available appropriation	8,273	11,694
Appropriation applied (current and prior years)	(7,791)	(9,665)
Variance	482	2,029
Opening unspent appropriation balance	6,581	4,609
Repeal of <i>Appropriation Act 1 (No.2) 2014-15</i>	-	(57)
Closing unspent appropriation balance	7,063	6,581
Balance comprises appropriations as follows :		
<i>Appropriation Act (No. 2) 2017-18 - Non Operating - Equity Injection</i>	-	6,581
<i>Appropriation Act (No. 2) 2018-19 - Non Operating - Equity Injection</i>	7,063	-
Total unspent appropriation - other services	7,063	6,581
Total unspent appropriation	118,042	109,955

¹ The unspent annual appropriation is shown inclusive of Section 51 permanent quarantines against *Appropriation Act (No. 1) 2016-17* of \$11.320 million, *Appropriation Act (No. 1) 2017-18 – Capital Budget – Non Operating* of \$3.795 million and *Appropriation Act (No. 1) 2017-18* of \$10.168 million.

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for the period ended 30 June 2019

Note 5.1B: Administered annual and unspent appropriations ('recoverable GST exclusive')

	2019	2018
	\$'000	\$'000
Ordinary annual services		
Annual Appropriation		
Operating	1,270,474	1,320,644
Capital budget	1,276	253
Payments to corporate Commonwealth entities/companies	111,105	94,929
Section 74 receipts	4,103	5,213
Section 75 transfers	126	(19,037)
Total available appropriation	1,387,084	1,402,002
Appropriation applied (current and prior years)	(1,402,289)	(1,395,502)
Variance	(15,205)	6,500
Opening unspent appropriation balance	102,254	122,651
Repeal of <i>Annual Appropriation Acts 2015-16</i>	(9,154)	-
Repeal of <i>Annual Appropriation Acts 2012-13, 2013-14 and 2014-15</i>	-	(26,897)
Closing unspent appropriation balance	77,895	102,254
Balance comprises appropriations as follows:¹		
<i>Appropriation Act (No. 3) 2015-16</i>	-	8,902
<i>Appropriation Act (No. 1) 2015-16 - Capital Budget (DCB) - Non Operating</i>	-	252
<i>Appropriation Act (No. 1) 2016-17</i>	39,058	39,058
<i>Appropriation Act (No. 1) 2016-17 - Capital Budget (DCB) - Non Operating</i>	146	146
<i>Supply Act (No. 1) 2016-17 - Capital Budget (DCB) - Non Operating</i>	12	12
<i>Appropriation Act (No. 1) 2017-18</i>	1,010	53,631
<i>Appropriation Act (No. 1) 2017-18 - Capital Budget (DCB) - Non Operating</i>	253	253
<i>Appropriation Act (No. 1) 2018-19</i>	34,654	-
<i>Appropriation Act (No. 1) 2018-19- Capital Budget (DCB) - Non Operating</i>	863	-
<i>Appropriation Act (No. 3) 2018-19</i>	1,709	-
<i>Appropriation Act (No. 1) 2018-19 - Capital Budget (DCB) - Non Operating</i>	190	-
Total unspent appropriation - ordinary annual services	77,895	102,254
Other services		
Annual Appropriation		
States, ACT, NT and Local government	6,536	7,762
Payments to corporate Commonwealth entities/companies	24,913	23,850
Total available appropriation	31,449	31,612
Appropriation applied (current and prior years)	(31,449)	(31,612)
Variance	-	-
Opening unspent appropriation balance	-	23,838
Repeal of <i>Annual Appropriation Acts 2013-14 and 2014-15</i>	-	(23,838)
Closing unspent appropriation balance	-	-
Total unspent appropriation	77,895	102,254

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Note 5.1C: Special appropriations ('recoverable GST exclusive')

Authority	Appropriation applied	
	2019 \$'000	2018 \$'000
<i>Aboriginal Land Rights (Northern Territory) Act 1976</i>	430,627	338,702
<i>Public Governance, Performance and Accountability Act 2013 s.77</i>	-	50
<i>Higher Education Support Act 2003</i>	69,135	67,979
Total	499,762	406,731

There were no transactions during 2018 and 2019 for special appropriations *Indigenous Education (Targeted Assistance) Act 2000*, s.13 and *Native Title Act 1993*, s.54(2).

¹ The administered unspent annual appropriation is shown inclusive of Section 51 permanent quarantines against *Appropriation Act (No.1) 2016-17* of \$39.058 million, *Appropriation Act (No.1) Capital Budget (DCB) 2016-17* of \$0.146 million, *Supply Appropriation Act (No.1) Capital Budget (DCB) 2016-17* of \$0.012 million, *Appropriation Act (No.1) 2017-18* of \$1.010 million, *Appropriation Act (No.1) Capital Budget (DCB) 2017-18* of \$0.253 million and *Appropriation Act (No.1) 2018-19* of \$2.513 million.

Accounting Policy

Revenue from Government - Departmental

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue from Government when PM&C gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

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5.2. Special Accounts

	Services for Other Entities and Trust Moneys ¹		Aboriginals and Torres Strait Islander Corporations Unclaimed Money Account ²		Indigenous Remote Services Delivery Special Account ³		Aboriginals Benefit Account ⁴		Aboriginals and Torres Strait Islander Land Account ⁵	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance brought forward from previous period	1,418	-	981	787	9,885	10,646	11,212	24,334	1	1
Increases										
Administered										
Appropriation credited to special account	-	-	-	-	28,500	10,250	429,608	337,701	-	-
Investments realised	-	-	-	-	-	-	853,746	691,500	1,717,559	2,004,610
Interest receipts	-	-	-	-	-	-	20,348	17,901	32,718	-
Other receipts	817	1,418	-	196	1,363	940	2,394	2,222	-	53,095
Total increase	817	1,418	-	196	29,863	11,190	1,306,096	1,049,324	1,750,277	2,057,705
Available for payments	2,235	1,418	981	983	39,748	21,836	1,317,308	1,073,658	1,750,278	2,057,706
Decreases										
Administered										
Transfers to OPA	-	-	-	-	-	-	-	-	(366,122)	-
PGPA Act section 58 investments	-	-	-	-	-	-	(1,102,500)	(877,746)	(1,330,745)	(2,004,995)
Payments made	(371)	-	(2)	(2)	(13,966)	(11,951)	(205,654)	(184,700)	(53,411)	(52,710)
Total administered decreases	(371)	-	(2)	(2)	(13,966)	(11,951)	(1,308,154)	(1,062,446)	(1,750,278)	(2,057,705)
Total decreases	(371)	-	(2)	(2)	(13,966)	(11,951)	(1,308,154)	(1,062,446)	(1,750,278)	(2,057,705)
Total balance carried to the next period	1,864	1,418	979	981	25,782	9,885	9,154	11,212	-	1
Balance represented by:										
Cash held in entity bank accounts	-	-	-	-	-	-	9,154	11,212	-	1
Cash held in the Official Public Account	1,864	1,418	979	981	25,782	9,885	-	-	-	-
Total balance carried to the next period	1,864	1,418	979	981	25,782	9,885	9,154	11,212	-	1

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¹*Appropriation: Public Governance, Performance and Accountability Act 2013; section 78*

Establishing Instrument: PGPA Act Determination (DPM&C SOETM Special Account 2018).

Purpose: This account was created to disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth.

This account is non-interest bearing.

²*Appropriation: Public Governance, Performance and Accountability Act 2013; section 80*

Establishing Instrument: Corporations (Aboriginal and Torres Strait Islander) Act 2006; section 551-20

Purpose: To administer unclaimed moneys received by the Registrar of Aboriginal and Torres Strait Islander Corporations.

This account is non-interest bearing.

³*Appropriation: Public Governance, Performance and Accountability Act 2013; section 78*

Establishing Instrument: Determination 2010/06

Purpose: To support the implementation of the Remote Service Delivery National Partnership Agreement. It will provide the Australian Government with the capacity to address high priority projects in a timely way and support projects identified through the local implementation planning process.

This account is non-interest bearing.

⁴*Appropriation: Public Governance, Performance and Accountability Act 2013; section 80*

Establishing Instrument: Aboriginal Land Rights (Northern Territory) Act 1976; sections 62, 63, 64 and 65

Purpose: For the receipt and disbursement of the equivalent of mining royalty moneys derived from mining operations on Aboriginal land in the Northern Territory.

This account is interest bearing.

⁵*Appropriation: Public Governance, Performance and Accountability Act 2013; section 80*

Establishing Instrument: Section 192W of the Aboriginal and Torres Strait Islander Act 2005

Purpose: To provide a secure stream of income to the Indigenous Land and Sea Corporation in perpetuity to provide economic, environmental, social and cultural benefits for Aboriginal people and Torres Strait Islanders by assisting in the acquisition and management of an Indigenous land base. This account was transferred to the Finance Portfolio in February 2019.

This account is interest bearing.

Indigenous Land and Sea Corporation Funding Special Account

The Indigenous Land and Sea Corporation Funding Special Account is a special account under section 80 of the PGPA Act.

Establishing Instrument: Section 12 of the Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018 (ATSILSFF Act).

The new Indigenous Land and Sea Corporation Funding Special Account was established on 1 February 2019 to continue payments to the Indigenous Land and Sea Corporation. There were no transactions credited or debited to the special account during 2019.

Aboriginal Advancement Account

The Aboriginal Advancement Account was established under section 80 of the PGPA Act.

The purpose of the account is for furthering the social and economic advancement of Aboriginal people living in Victoria. There were no transactions credited or debited to the special account during 2018 and 2019.

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for the period ended 30 June 2019

6. People

This section describes a range of employment and post-employment benefits provided to our people.

6.1. Employee Provisions

	2019	2018
	\$'000	\$'000
Note 6.1A: Employee provisions		
Annual leave	25,953	26,445
Long service leave	60,244	52,184
Total employee provisions	86,197	78,629

Accounting policy and significant accounting judgements

Employee benefits

Liabilities for 'short-term employee benefits' and termination benefits due within 12 months of the end of the reporting period are measured at their nominal amounts.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of PM&C is estimated to be less than the annual entitlement for sick 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 PM&C's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary during 2018. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

A liability is made for separation and redundancy benefit payments. PM&C recognises a liability for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

PM&C's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or another fund of their choice.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

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

PM&C makes employer contributions to the employees' superannuation scheme. For Commonwealth defined benefits schemes, these rates are determined by an actuary to be sufficient to meet the current cost to the Government. PM&C accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

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for the period ended 30 June 2019

	2019	2018
	\$'000	\$'000
<u>Note 6.1B: Administered employee provisions</u>		
Annual leave	174	113
Long service leave	259	180
<i>Total employee provisions</i>	433	293

Accounting Policy

The expense and liabilities for services rendered by staff employed in the Prime Minister's Official Establishments and in support of former Governors-General are recognised as administered items. Accounting policies are consistent with those applied to departmental items.

Note 6.1C: Non-cash benefits - former Governors-General benefits

Non-cash benefits - former Governors-General	18,909	13,251
<i>Total non-cash benefits - former Governors-General benefits</i>	18,909	13,251

Changes in the value of the defined benefit obligations are as follows:

Net liability at 1 July	13,251	13,918
Current service cost	3,547	-
Finance costs	331	348
Actuarial losses	3,257	354
Benefits paid	(1,477)	(1,369)
Net liability at 30 June	18,909	13,251

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

Discount rate at 30 June	1.25%	2.50%
Future salary increases	3.50%	3.50%
Inflation rate	2.50%	2.50%
Rate of expenditure slow down with age	3.00%	3.00%

Accounting Policy

Former Governors-General benefits

PM&C has responsibility for the administration of non-cash benefits provided to former Governors-General. These entitlements are regarded as post-employment benefits and represent the provision of office facilities, administrative support and transport.

The liability for these benefits is calculated annually as the present value of future benefit obligations. Actuarial gains or losses are recognised in equity in the year in which they occur. Interest on the liability is recognised in the surplus/(deficit).

Significant accounting judgements and estimates

The provision for non-cash former Governors-General entitlements relate to post-employment benefits such as office facilities, administrative support and transport. The future liability for these benefits is based on the actuarial assessment determined by the Australian Government Actuary.

DEPARTMENT OF THE PRIME MINISTER AND CABINET

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6.2. Key Management Personnel Remuneration

	2019 \$'000	2018 \$'000
Short-term employee benefits	4,184	3,979
Post-employment benefits	616	582
Other long-term employee benefits	211	406
Total key management personnel remuneration expenses	5,011	4,967

The total number of key management personnel included in the above table is 16 (2018: 17). Included in that number is eight staff who worked for the full-year and eight staff who worked a part-year (2018: six and 11). Key management personnel on acting arrangements are included where the length of the arrangement is longer than two months.

¹ Excludes remuneration and other benefits of the PM&C Portfolio Ministers as these are set by the Remuneration Tribunal and are not paid by PM&C.

6.3. Related Party Disclosures

PM&C is an Australian Government controlled entity. Related parties to PM&C are Key Management Personnel including the Portfolio Ministers, and other Australian Government entities.

Significant transactions with related parties can include:

- the payments of grants or loans;
- purchases of goods and services;
- asset purchases, sales transfers or leases;
- debts forgiven; and
- guarantees.

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens for example payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been disclosed in this note.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period (including comparative year) by PM&C, it has been determined that there are no related party transactions to be separately disclosed.

DEPARTMENT OF THE PRIME MINISTER AND CABINET NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2019

7. Managing Uncertainties

This section analyses how the Department of the Prime Minister and Cabinet manages financial risks within its operating environment.

7.1. Contingent Assets and Liabilities

Note 7.1A: Contingent assets and liabilities

Unquantifiable contingent liabilities - claims for damages and costs

Claims have been made against the Australian Government by former residents of the Retta Dixon Home in the Northern Territory. These claims are currently being assessed.

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability 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.

Note 7.1B: Administered contingent assets and liabilities

PM&C is not aware of any material administered quantifiable or unquantifiable contingent assets or liabilities as at 30 June 2019.

7.2. Financial Instruments

	2019	2018
	\$'000	\$'000
<u>Note 7.2A: Categories of financial instruments</u>		
Financial assets under AASB 139		
Loans and receivables		
Cash and cash equivalents	-	1,910
Goods and services receivables (net)	-	11,623
Accrued revenue	-	4,056
Total loans and receivables	-	17,589
Total financial assets	-	17,589
Financial assets under AASB 9		
Financial assets at amortised cost		
Cash and cash equivalents	2,160	-
Goods and services receivables (net)	4,924	-
Accrued revenue	1,876	-
Total financial assets at amortised cost	8,960	-
Total financial assets	8,960	-
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	19,035	22,709
Grants	-	232
Total financial liabilities measured at amortised cost	19,035	22,941
Total financial liabilities	19,035	22,941

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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		Loans and receivable	Amortised Cost	1,910	1,910
Goods and services receivables (net)	3.1A	Loans and receivable	Amortised Cost	11,623	11,039
Accrued revenue		Loans and receivable	Amortised Cost	4,056	4,056
Total financial assets				17,589	17,005

Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9

Financial assets class	AASB 139 carrying amount at 1 July 2018 \$'000	Re-measurement \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Financial assets at amortised cost			
Loans and receivable			
Cash and cash equivalents	1,910	-	1,910
Goods and services receivables (net)	11,623	(584)	11,039
Accrued revenue	4,056	-	4,056
Total financial assets	17,589	(584)	17,005

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for the period ended 30 June 2019

Note 7.2B: Net gains or losses on financial assets

	2019	2018
	\$'000	\$'000
Financial assets at amortised cost		
Impairment	(151)	(16)
Reversal of impairment	9	76
Net gains/ (losses) on financial assets at amortised cost	(142)	60
Net gain/ (loss) on financial assets	(142)	60

Accounting Policy

PM&C 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* were reclassified to financial assets measured at amortised cost. Adjustments to the carrying amounts upon initial application were recognised as adjustments for changes in accounting policies within the opening balance for retained earnings in the statement of changes in equity.

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

Financial liabilities

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).

Financial liabilities are recognised and derecognised upon 'trade date'.

Settlement of supplier payables is usually made within 30 days.

Significant accounting judgements and estimates

The relevant government bond rate has been used to discount non-current liabilities.

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for the period ended 30 June 2019

7.3. Administered – Financial Instruments

	2019 \$'000	2018 \$'000
Note 7.3A: Categories of financial instruments		
Financial assets under AASB 139		
Held-to-maturity investments		
Bank term deposits	-	2,798,741
Total held-to-maturity investments	-	2,798,741
Loans and receivables		
Cash and cash equivalents	-	23,576
Loans to Australian Government entities	-	48,549
Goods and services receivable	-	17
Interest receivable	-	34,243
Grants receivable (net)	-	4,669
Total loans and receivables	-	111,054
Available for sale financial assets		
Administered investments	-	2,309,766
Total available for sale financial assets	-	2,309,766
Financial assets under AASB 9		
Financial assets at amortised cost		
Bank term deposits	1,042,500	-
Cash and cash equivalents	39,062	-
Loans to Australian Government entities	23,624	-
Goods and services receivable	16	-
Interest receivable	14,685	-
Grants receivable (net)	1,694	-
Total financial assets at amortised cost	1,121,581	-
Financial assets at fair value through other comprehensive income		
Investments in Corporate Commonwealth entities	2,427,299	-
Total financial assets at fair value through other comprehensive income	2,427,299	-
Total financial assets	3,548,880	5,219,561
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	8,549	3,967
Grants	23,964	48,197
Other payables	1,809	1,094
Total financial liabilities measured at amortised cost	34,322	53,258
Total financial liabilities	34,322	53,258

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<u>Classification of financial assets on the date of initial application of AASB 9</u>				
Financial assets class	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
Bank term deposits	Held-to-maturity investments	At amortised cost	2,798,741	2,798,741
Cash and cash equivalents	Loans and receivables	At amortised cost	23,576	23,576
Loans to Australian Government entities	Loans and receivables	At amortised cost	48,549	48,549
Goods and services receivable	Loans and receivables	At amortised cost	17	17
Interest receivable	Loans and receivables	At amortised cost	34,243	34,243
Grants receivable (net)	Loans and receivables	At amortised cost	4,669	1,528
Investments in Corporate Commonwealth entities	Available for sale financial assets	FVOCI	2,309,766	2,309,766
Total financial assets			5,219,561	5,216,420

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<u>Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9</u>			
Financial assets class	AASB 139 carrying amount at 1 July 2018 \$'000	Re-measurement \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Financial assets at amortised cost			
Held to maturity			
Bank term deposits	2,798,741	-	2,798,741
Loans and receivables			
Cash and cash equivalents	23,576	-	23,576
Loans to Australian Government entities	48,549	-	48,549
Goods and services receivable	17	-	17
Interest receivable	34,243	-	34,243
Grants receivable (net)	4,669	(3,141)	1,528
Total financial assets at amortised cost	2,909,795	(3,141)	2,906,654
Financial assets at fair value through other comprehensive income			
Available-for-sale financial assets			
Investments in Corporate Commonwealth entities	2,309,766	-	2,309,766
Total fair value through other comprehensive income	2,309,766	-	2,309,766

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for the period ended 30 June 2019

	2019	2018
	\$000	\$000
<u>Note 7.3B: Net gains or losses on financial instruments</u>		
Financial assets at amortised cost		
Interest revenue	60,702	76,888
Reversal of impairment	669	948
Impairment	(2,091)	(2,814)
Other gains	2,568	-
<i>Net gains/(losses) on financial assets at amortised cost</i>	61,848	75,022

Accounting Policy

Financial assets

Upon initial application of AASB 9 *Financial Instruments*, financial assets previously recognised as loans and receivables under AASB 139 *Financial Instruments* were reclassified to financial assets measured at amortised cost. Adjustments to the carrying amounts upon initial application were recognised as adjustments for changes in accounting policies within the opening balance of assets and liabilities in the administered reconciliation schedule.

Term Deposits

Investment activities are conducted in accordance with the requirements of section 58 of the PGPA Act. Investments are typically low risk and take the form of term deposits. The duration of the term deposits are usually for a term of three to 12 months.

The investment objective of PM&C is to comply with legislative obligations under the PGPA Act and the ALRA. Investment practices are also governed by the investment policy of PM&C, which requires the management of the portfolio to respond to positive investment opportunities in the market so as to achieve the best possible returns for the account within the legislative framework.

The investment portfolio and bank accounts are managed to ensure sufficient funds are available for payments as required.

The asset allocation of the portfolio as at 30 June 2019 is 100% (2018: 100%) term deposits with Australian banks.

Administered Investments

Administered investments are classified as fair value through other comprehensive income (FVOCI) 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 as advised by the entities as at the end of the reporting period recorded in the latest management accounts or unaudited financial statements provided.

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.

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8. Other Information

8.1. Aggregate Assets and Liabilities

	2019 \$'000	2018 \$'000
<u>Note 8.1A: Aggregate Assets and Liabilities</u>		
Assets expected to be recovered in:		
No more than 12 months	108,593	105,542
More than 12 months	153,396	144,576
Total assets	261,989	250,118
Liabilities expected to be settled in:		
No more than 12 months	53,943	57,944
More than 12 months	95,066	80,570
Total liabilities	149,009	138,514

Note 8.1B: Administered Aggregate Assets and Liabilities

Assets expected to be recovered in:		
No more than 12 months	1,121,520	2,396,416
More than 12 months	2,498,162	2,891,663
Total assets	3,619,682	5,288,079
Liabilities expected to be settle in:		
No more than 12 months	35,585	55,436
More than 12 months	19,258	11,812
Total liabilities	54,843	67,248

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8.2. Restructuring

Restructuring 2019

	National Cyber Security Adviser³ Australian Signals Directorate \$'000	Independent National Security Legislation Monitor⁴ Attorney- General's Department \$'000
FUNCTION RELINQUISHED		
Assets relinquished		
Appropriation receivable	72	227
Total assets relinquished	72	227
Liabilities relinquished		
Employee provisions	72	227
Total liabilities relinquished	72	227
Net assets relinquished	-	-

	National Office of Child Safety (NOCS) Department of Social Services¹ \$'000	Indigenous Children and Schooling Department of Education² \$'000
FUNCTION ASSUMED		
Assets recognised		
Appropriation receivable	-	67
Total assets recognised	-	67
Liabilities recognised		
Employee provisions	-	67
Total liabilities recognised	-	67
Net assets assumed	-	-
Expenses		
Recognised by the receiving entity	126	293
Recognised by the losing entity	4	-
Total expenses	130	293

¹ Responsibility for the NOCS was transferred to PM&C following a decision of the Prime Minister effective 24 January 2019.

² Responsibility for Indigenous Children and Schooling Program was transferred to PM&C following a decision of the Prime Minister on 3 April 2018.

³ Responsibility for the National Cyber Security Advisor was relinquished to the Australian Signals Directorate in 2017-18 following the Administrative Arrangements Order of 10 May 2018. Funding transfers for this function were finalised in 2018-19 as presented above.

⁴ Responsibility for the Independent National Security Legislation Monitor was relinquished to the Attorney-General's Department in 2017-18 following the Administrative Arrangements Order of 10 May 2018. Funding transfers for this function were finalised in 2018-19 as presented above.

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Restructuring 2018

	AIATSIS¹	Official	
	Education	Finance	Finance
	\$'000	\$'000	\$'000
FUNCTION ASSUMED			
Assets recognised			
Investment in Corporate Commonwealth entities	39,974	-	-
Appropriation receivable	-	28	-
Property, plant and equipment	-	-	49,811
Total assets recognised	39,974	28	49,811
Liabilities recognised			
Employee provisions	-	28	-
Total liabilities recognised	-	28	-
Net assets assumed	39,974	-	49,811
Expenses			
Recognised by the receiving entity	-	-	126
Recognised by the losing entity	-	50	219
Total expenses	-	50	345

¹ The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) was transferred into the PM&C Portfolio following the Administrative Arrangements Order of 19 April 2018. As a result, an investment in AIATSIS was transferred from the Department of Education and Training (Education).

² Official Establishments, ownership and property management of the Prime Minister's official residences was assumed from the Department of Finance (Finance) during the year following the Administrative Arrangements Order of 30 November 2017.

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	National policy on cities ¹ DIRDC \$'000	Cyber policy and counter terrorism coordination ² DoHA \$'000	Intelligence policy ³ ONI \$'000	Reducing the burden of Government regulation ⁴ DJSB \$'000	Spatial data function ⁵ DIIS \$'000
FUNCTION RELINQUISHED					
Assets relinquished					
Appropriation receivable	1,192	1,261	430	148	161
Total assets relinquished	1,192	1,261	430	148	161
Liabilities recognised					
Employee provisions	1,192	1,345	459	162	161
Total liabilities recognised	1,192	1,345	459	162	161
Net assets relinquished	-	(84)	(29)	(14)	-

¹ Responsibility for National policy on cities and population was relinquished to the Department of Infrastructure, Regional Development and Cities (DIRDC) following the Administrative Arrangements Order of 20 December 2017.

² Responsibility for Cyber policy and Counter terrorism co-ordination was relinquished to the Department of Home Affairs (DoHA) following the Administrative Arrangements Order of 20 December 2017.

³ Responsibility for Intelligence Policy was relinquished to the Office of National Intelligence (ONI) following a decision of the Prime Minister, effective 21 August 2017.

⁴ Reducing the burden of Government regulation was relinquished to the Department of Jobs and Small Business (DJSB) following the Administrative Arrangements Order of 20 December 2017.

⁵ Responsibility for the spatial data function was transferred to the Department of Industry, Innovation and Science (DIIS) following a decision of the Prime Minister, effective January 2018.

Other functions relinquished

Responsibility for the APS Data Skills and Capability Framework and data platforms was relinquished to the Digital Transformation Agency following a decision of the Prime Minister, effective 31 October 2017. No assets or liabilities were transferred.

Responsibility for the Independent National Security Legislation Monitor was relinquished to the Attorney General's Department following the Administrative Arrangements Order of 10 May 2018. Funding transfers for this function had not been finalised as at 30 June 2018.

Responsibility for the Cyber Security Advisor was relinquished to the Australian Signals Directorate following the Administrative Arrangements Order of 10 May 2018. Funding transfers for this function had not been finalised as at 30 June 2018.