

8

OUR FINANCES



HOW WE ARE FUNDED

Parliament, via the appropriation Acts, provides PM&C with two types of funding: departmental and administered.

We use departmental resources to produce services (outputs) at a quantity, quality and price endorsed by government.

We also administer payments, revenues and other resources on behalf of government, which controls how we use them and requires us to account for them separately.

PM&C's outputs and administered items for 2007–08 are detailed in Figure 8.1. A shaded background indicates that information relates to an administered resource, both in the table and in the formal financial statements that follow it.

How we measure our performance

We published detailed financial forecasts through the year as part of the Budget Papers. Key reference points include:

- Our *Portfolio Budget Statements*, released on budget night,
- Our *Portfolio Supplementary Estimates Statements*, and
- Our *Portfolio Additional Estimates Statements*.

Our overall focus is on providing accurate estimates and achieving a balanced financial outcome.

KEY RESULTS IN 2007–08

Key results for our departmental resources included:

- **An operating surplus** of \$10.9 million. This included savings realised on APEC and lower than budgeted depreciation due to the opening balance of non-financial assets being lower than anticipated when the budget was prepared.

- **Net equity decreased** by \$21.6 million, to \$39.2 million. The decrease is primarily a result of recognising a provision for the return of approximately \$24.7 million of unused APEC funding.

We received an unqualified audit report on the 2007–08 financial statements from the Australian National Audit Office.

DEPARTMENTAL FINANCES

When the 2007–08 Budget was prepared, we expected to receive and spend \$140.7 million in the year. The actual income recognised of \$162.9 million is \$22.2 million higher as a result of funding received through the Additional Estimates and Supplementary Estimates processes, changes arising from the Administrative Arrangement Orders (AAOs) and increased revenue from independent sources.

As a result of restructuring under the AAOs, the Department assumed responsibility for the Privacy and Freedom of Information Policy Branch from the Attorney General's Department and the Office of Work and Family from the Department of Families, Housing, Community Services and Indigenous Affairs. The Department relinquished responsibility for the Campaign Advertising Special Account and AUSPIC to the Department of Finance and Deregulation and the Office of Climate Change to the newly formed Department of Climate Change.

The Department finished the year with a surplus of \$10.9 million. Savings realised on APEC accounted for \$1.9 million of the surplus, with a further \$3.5 million relating to proceeds from the sale of APEC assets. The remaining underspend of \$5.5 million was primarily a result of depreciation expense being less than budgeted. This occurred as the opening balance of non-financial assets was lower than anticipated at the time the budget was prepared.

ADMINISTERED FINANCES

The department originally budgeted for expense of \$14.0 million in 2007–08, including grants, suppliers and other expenses we administer on behalf of the Australian Government. A small increase in expenses was funded at Additional Estimates relating to accommodation costs for the former Governors-General.

As a result of restructuring under the AAOs, the Department relinquished responsibility for the Media Commissions Special Account to the

Department of Finance and Deregulation. This was the primary reason for actual expenses and financial assets decreasing since last financial year.

Non-financial assets have remained constant across years and reflect the Lodge and Kirribilli House. The Governors-General pension scheme makes up 94 percent of the administered liability balance.

Details of trends in administered finances are provided in Figure 8.3 below.

Figure 8.1: PM&C outputs and administered programs in 2007–08

	2007–08 Budget ^(a) \$m	2007–08 Actual \$m	Variance
OUTPUT GROUP 1			
1.1 Economic and industry policy	17.4	18.4	6%
OUTPUT GROUP 2			
2.1 Social policy	17.8	17.6	1%
OUTPUT GROUP 3			
3.1 International policy	4.4	4.6	5%
3.2 National security policy	18.7	18.1	-3%
Administered item—			
National counter-terrorism committee	0.1	0.1	0%
3.3 APEC taskforce	65.0	63.1	-3%
OUTPUT GROUP 4			
4.1 Cabinet support	8.2	8.4	2%
4.2 Machinery of government	10.1	10.6	5%
Administered item—			
Compensation and legal expenses	0.4	-	-
National Australia Day Council	2.4	2.4	0%
4.3 Government communications ^(b)	3.0	2.2	-27%
4.4 Support to official establishments	0.8	0.8	0%

Figure 8.1: PM&C outputs and administered programs in 2007–08 (continued)

	2007–08 Budget ^(a) \$m	2007–08 Actual \$m	Variance
Administered item—			
Prime Minister's official residences	1.8	1.6	-11%
4.5 Support for ministerial offices	2.2	2.4	9%
Administered item—			
Support to designated and former Governors-General ^(d)	1.2	1.7	42%
4.6 Ceremonial and hospitality	3.6	3.6	0%
Administered item—			
State occasions and official visits	3.1	2.1	-32%
Australia 2020 Summit ^(c)	-	2.2	-
TOTAL DEPARTMENTAL EXPENSE	151.2	152.0	1%
Less resources available to be used	4.8	13.8	188%
Plus operating surplus	-	10.9	-
Net cost to government (appropriation)	146.4	149.1	2%
TOTAL ANNUAL ADMINISTERED APPROPRIATION	9.0	7.8	-13%
Plus other expense	2.5	1.4	-44%
Total administered operating expense	11.5	9.2	-20%
AVERAGE STAFFING LEVELS	526	505	-4%

a) Full year budget, including additional estimates.

b) The AAO of 3 December 2007 transferred the media buying function to the Department of Finance and Deregulation.

c) Prior year funding was received in the 2008–09 Budget for the Australia 2020 Summit.

d) Budget excludes non-cash items, i.e. interest on the Governors-General pension scheme.

Note: Figures in the table are rounded. Discrepancies between totals and sums of components are due to rounding.

There has been a significant change from 2006–07 in the department's financial position with a 40 percent increase in liabilities, representing a return of equity to government, causing a 32 percent decrease in net equity.

A return to government of approximately \$24.9 million will be paid in 2008–09. This represents unused operating and capital funding for APEC of \$24.7 million and unused operating

funding for the Australia 2020 Summit of \$0.2 million.

Our departmental cash and receivables at 30 June 2008 of \$52.7 million is adequate to cover liabilities of \$48.4 million.

Details of trends in departmental finances are provided in Figure 8.2 below.

Figure 8.2: Trends in departmental finances

		2007–08 \$m	2006–07 \$m	Change from last year
Revenue from government		149.1	136.1	+10%
Other revenues		13.8	11.2	+23%
TOTAL INCOME		162.9	147.3	+11%
Employee expenses		58.5	63.0	-10%
Supplier expenses		78.6	83.4	-6%
Other expenses		14.9	8.7	+69%
TOTAL EXPENSES		152.0	155.1	-3%
OPERATING RESULT		10.9	(7.8)	+>100%
Financial assets	A	54.6	59.1	-8%
Non-financial assets	B	33.0	35.1	-5%
Liabilities	C	48.4	33.4	+40%
NET ASSETS = A + B - C		39.2	60.8	-32%

Figure 8.3: Trends in administered finances

	2007–08 \$m	2006–07 \$m	Change from last year
TOTAL INCOME	8.5	9.0	-6%
Grant expenses	2.4	2.3	+4%
Supplier expenses	4.9	7.8	-37%
Other expenses	1.9	1.8	+6%
TOTAL EXPENSES	9.2	11.9	-23%
Financial assets	0.7	3.0	-77%
Non-financial assets	42.0	42.0	0%
Liabilities	12.9	13.1	-2%

UNDERSTANDING OUR FINANCIAL STATEMENTS

The content and format of our financial statements is prescribed by the Minister for Finance and Deregulation under the *Financial Management and Accountability Act 1997*. Our departmental statements include:

- **An income statement:** This shows our income and expenses on an accrual basis.
- **A balance sheet:** This details our assets and liabilities, as well as the amount of the Australian Government's equity at year-end.
- **A statement of cash flows:** This shows where the cash we used during the year came from, and how we used it.
- **A statement of changes in equity:** This shows how the Australian Government equity we hold has changed due to changes in asset valuations, accumulated surpluses and capital transactions.

Administered items are detailed in the accompanying schedules and further information is provided in the explanatory notes. Information on related topics is available elsewhere in this report as follows:

- Procurement policies and practices (chapter 7),
- Consultancies (chapter 7), and
- Payments for market research and advertising (chapter 7).


STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2008 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed



Terry Moran AO
Secretary

 August 2008



Kym Partington
Chief Financial Officer

 August 2008



INDEPENDENT AUDITOR'S REPORT

To the Prime Minister

Scope

I have audited the accompanying financial statements of the Department of the Prime Minister and Cabinet for the year ended 30 June 2008, which comprise: a statement by the Secretary and Chief Financial Officer; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedules of Commitments, Contingencies and Administered Items; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

The Responsibility of the Secretary for the Financial Statements

The Secretary of the Department of the Prime Minister and Cabinet is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department of the Prime Minister and Cabinet's

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considers internal control relevant to the Department of the Prime Minister and Cabinet's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of the Prime Minister and Cabinet's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Department of the Prime Minister and Cabinet's Secretary, as well as evaluating the overall presentation of the financial statements.

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


Independence

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

Auditor's Opinion

In my opinion, the financial statements of the Department of the Prime Minister and Cabinet:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of the Prime Minister and Cabinet's financial position as at 30 June 2008 and its financial performance and cash flows for the year then ended.


Ian McPhee
Auditor-General

Canberra

28 August 2008

FINANCIAL STATEMENT CONTENTS

INCOME STATEMENT

for the year ended 30 June

	Notes	2008 \$'000	2007 \$'000
INCOME			
Revenue			
Revenue from Government	3A	149,118	136,081
Sale of goods and rendering of services	3B	9,018	2,923
Commission	3C	2,960	2,893
Total revenue		161,096	141,897
Gains			
Resources received free of charge	3D	1,696	5,398
Reversal of previous asset write downs	3E	107	-
Total gains		1,803	5,398
Total Income		162,899	147,295
EXPENSES			
Employee benefits	4A	58,504	63,010
Suppliers	4B	78,612	83,390
Grants	4C	5,875	2,542
Depreciation and amortisation	4D	4,383	5,781
Write down and impairment of assets	4E	3,539	353
Losses from asset sales	4F	1,107	-
Total Expenses		152,020	155,076
Surplus (Deficit)		10,879	(7,781)
Surplus (Deficit) attributable to the Australian Government		10,879	(7,781)

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

BALANCE SHEET

as at 30 June

	Notes	2008 \$'000	2007 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	5A	1,429	774
Receivables	5B	52,508	57,319
Accrued revenue	5C	620	965
Total financial assets		54,557	59,058
Non-financial assets			
Infrastructure, plant and equipment	6A, 6B	31,439	33,434
Intangibles	6C, 6D	491	1,012
Prepayments	6E	978	678
Total non-financial assets		32,908	35,124
Assets held for sale	6F	156	-
Total Assets		87,621	94,182
LIABILITIES			
Payables			
Suppliers	7A	4,903	14,288
Other	7B	273	1,354
Total payables		5,176	15,642
Provisions			
Employees	7C	16,375	16,951
Other	7D	26,871	805
Total provisions		43,246	17,756
Total Liabilities		48,422	33,398
Net Assets		39,199	60,784
EQUITY			
Parent Entity Interest			
Contributed equity		13,098	38,955
Reserves		6,736	4,557
Retained surplus/(accumulated deficit)		19,365	17,272
Total Parent Entity Interest		39,199	60,784
Total Equity		39,199	60,784
Current assets		55,691	59,736
Non-current assets		31,930	34,446
Current liabilities		44,834	30,799
Non-current liabilities		3,588	2,599

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

STATEMENT OF CHANGES IN EQUITY

as at 30 June

	Retained Earnings		Asset Revaluation Reserves		Contributed Equity/ Capital		Total Equity	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	17,272	24,725	4,557	2,899	38,955	17,479	60,784	45,103
Balance carried forward from previous period		(27)	(50) ⁴	-	-	11	(469)	(16)
Adjustment for errors	(419) ¹							
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjusted opening balance	16,853	24,698	4,507	2,899	38,955	17,490	60,315	45,087
Income and expenses								
Revaluation adjustment	-	355	2,229 ⁸	1,658	-	-	2,229	2,013
Sub-total income and expenses recognised directly in equity	-	355	2,229	1,658	-	-	2,229	2,013
Surplus (Deficit) for the period	10,879	(7,781)	-	-	-	-	10,879	(7,781)
Total income and expenses	10,879	(7,426)	2,229	1,658	-	-	13,108	(5,768)
Transactions with owners								
Distributions to owners								
Returns on capital	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	(1,058) ⁵	-	(1,058)	-
Returns of capital	-	-	-	-	(24,918) ⁹	-	(24,918)	-
Restructuring	(8,252) ²	-	-	-	(153) ⁶	-	(8,405)	-
Returns of contributed equity	(115) ³	-	-	-	-	-	(115)	-
Contributions by Owners								
Appropriations (equity injections)	-	-	-	-	272 ⁷	21,465	272	21,465
Restructuring	-	-	-	-	-	-	-	-

Sub-total transactions with owners									
Transfers between equity components									
Closing balance at 30 June	19,365	17,272	6,736	4,557	13,098	38,955	39,199	60,784	
Closing balance attributable to the Australian Government	19,365	17,272	6,736	4,557	13,098	38,955	39,199	60,784	
	(8,367)	-	-	-	(25,857)	21,465	(34,224)	21,465	

Notes

1. On 18 July 2007 the department received funding from AusAid that was incorrectly recognised as revenue in the 2006–07 financial reporting period. This adjustment reinstates the remaining unearned revenue liability of \$419,328 and allows progressive recognition of the revenue as it is earned.
2. As a result of the machinery of government changes the net assets recorded in the Campaign Advertising Special Account were transferred to the Department of Finance and Deregulation.
3. In 2007–08, \$115,163 of departmental assets were reclassified as Administered assets.
4. Adjustment to the value of assets recorded at 30 June 2007.
5. Represents the return of non-special public money from the Services for other Entities and Trust Moneys Special Account.
6. As a result of the machinery of government changes, prior year appropriations and liabilities have been transferred between affected agencies for functions transferred in/out of the agency.
7. Represents equity injections appropriated at Additional Estimates 2007–08.
8. Revaluation increment of the leasehold fitout at One National Circuit (refer note 6A for further details) partially offset by an adjustment to makegood asset.
9. \$24.7 million of unspent APEC funding and \$0.2 million of unspent Australia 2020 Summit funding to be returned to the Budget.

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

CASH FLOW STATEMENT

for the year ended 30 June

	Notes	2008 \$'000	2007 \$'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		8,903	3,572
Appropriations		143,552	115,475
Commission		3,127	2,093
GST received		7,819	8,453
Cash drawn from special account		1,058	-
Total cash received		164,459	129,593
Cash used			
Employees		59,080	60,040
Suppliers		95,856	74,739
Grants		6,049	2,797
Total cash used		160,985	137,576
Net cash from (used by) operating activities	9	3,474	(7,983)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of infrastructure, plant and equipment		349	-
Total cash received		349	-
Cash used			
Purchase of infrastructure, plant and equipment		2,382	29,631
Purchase of intangibles		-	470
Total cash used		2,382	30,101
Net cash from (used by) investing activities		(2,033)	(30,101)
FINANCING ACTIVITIES			
Cash received			
Appropriations - contributed equity		272	21,465
Total cash received		272	21,465
Cash used			
Dividends paid		-	-
Return of contributed equity		-	-
Cash paid from special account		1,058	-
Total cash used		1,058	-
Net cash from (used by) financing activities		(786)	21,465
Net increase (decrease) in cash held		655	(16,619)
Cash and cash equivalents at the beginning of the reporting period		774	17,393
Cash and cash equivalents at the end of the reporting period	5A	1,429	774

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

SCHEDULE OF COMMITMENTS

as at 30 June

	2008 \$'000	2007 \$'000
BY TYPE		
Commitments receivable		
GST recoverable on commitments	(9,842)	(12,541)
Rental income	(195)	(62)
Other	(140)	(24)
Total commitments receivable	(10,177)	(12,627)
Capital commitments		
Leasehold improvements	218	3,164
Total capital commitments	218	3,164
Other commitments		
Operating leases	90,862	106,675
Other commitments	17,750	28,110
Total other commitments	108,612	134,785
Net commitments by type	98,653	125,322
BY MATURITY		
Commitments receivable		
One year or less	(1,746)	(2,905)
From one to five years	(3,169)	(3,533)
Over five years	(5,262)	(6,189)
Total commitments receivable	(10,177)	(12,627)
Capital commitments		
One year or less	218	3,164
From one to five years	-	-
Over five years	-	-
Total capital commitments	218	3,164
Operating lease commitments		
One year or less	6,613	9,220
From one to five years	26,374	29,377
Over five years	57,875	68,078
Total operating lease commitments	90,862	106,675
Other commitments		
One year or less	10,564	18,627
From one to five years	7,186	9,483
Over five years	-	-
Total other commitments	17,750	28,110
Net commitments by maturity	98,653	125,322

The above schedule should be read in conjunction with the accompanying notes
 NB: Commitments are GST inclusive where relevant.

General description of leasing arrangements**Leases for office accommodation**

Office accommodation lease payments are subject to periodic increases in accordance with the rent review provisions of the lease. The lease for One National Circuit commenced in 2006–07 for a period of 15 years.

Agreements for the provision of motor vehicles to senior executive officers

No contingent rentals exist. There are no renewal or purchase options available to the department for motor vehicle leases.

Contingent liabilities and assets

The department is not aware of any contingent liabilities or assets as at signing date that would require disclosure in the Financial Statements. There were no contingent liabilities or assets reported in 2006–07.

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

SCHEDULE OF ADMINISTERED ITEMS

	Notes	2008 \$'000	2007 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT			
<i>for the year ended 30 June</i>			
REVENUE			
Non-taxation revenue			
Commission	14A	8,481	8,752
Total non-taxation revenue		8,481	8,752
Total revenues administered on behalf of Government		8,481	8,752
GAINS			
Personal benefits - gain on actuarial assessment	14B	-	270
Total gains administered on behalf of Government		-	270
Total income administered on behalf of Government		8,481	9,022
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT			
<i>for the year ended 30 June</i>			
Employee benefits	15A	1,001	918
Suppliers	15B	4,937	7,800
Personal benefits	15C	747	715
Grants	15D	2,370	2,302
Depreciation	15E	178	155
Write down and impairment of assets	15F	-	4
Total expenses administered on behalf of Government		9,233	11,894

continued

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

SCHEDULE OF ADMINISTERED ITEMS (CONTINUED)

	Notes	2008 \$'000	2007 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT			
<i>as at 30 June</i>			
Financial assets			
Cash and cash equivalents	16A	-	21
Receivables	16B	41	830
Accrued revenue	16C	1	2,119
Administered investments	16D	715	-
Total financial assets		757	2,970
Non-financial assets			
Land and buildings	16E, 16G	40,902	40,919
Infrastructure, plant and equipment	16F, 16G	1,082	1,026
Other	16H	30	25
Total non-financial assets		42,014	41,970
Total assets administered on behalf of Government		42,771	44,940
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT			
<i>as at 30 June</i>			
Payables			
Suppliers	17A	336	374
Personal benefits	17A	163	88
Other	17A	15	94
Total payables		514	556
Provisions			
Employees	17B	163	178
Personal benefits	17B, 17D	12,118	12,128
Make good provision	17B	81	81
Total provisions		12,362	12,387
Other			
Unearned revenue	17C	-	107
Total other		-	107
Total liabilities administered on behalf of Government		12,876	13,050

continued

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

SCHEDULE OF ADMINISTERED ITEMS (CONTINUED)

	2008	2007
Notes	\$'000	\$'000
ADMINISTERED CASH FLOWS		
<i>for the year ended 30 June</i>		
OPERATING ACTIVITIES		
Cash received		
Commission	9,375	7,464
Other - GST received	30	117
Other	-	110
Total cash received	9,405	7,691
Cash used		
Employees	1,025	929
Grants	2,370	2,302
Personal benefits	744	784
Suppliers	5,216	9,863
Total cash used	9,355	13,878
Net cash flows from (used by) operating activities	50	(6,187)
INVESTING ACTIVITIES		
Cash received		
Other	-	-
Total cash received	-	-
Cash used		
Purchase of property, plant and equipment	-	18
Total cash used	-	18
Net cash flows from (used by) investing activities	-	(18)
FINANCING ACTIVITIES		
Cash received		
Cash received from special account	1,058	-
Total cash received	1,058	-
Cash used		
Dividends	-	-
Return of equity	-	-
Total cash used	-	-
Net cash flows from (used by) financing activities	1,058	-
Net Increase (decrease) in cash held	1,108	(6,205)

continued

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

SCHEDULE OF ADMINISTERED ITEMS (CONTINUED)

	Notes	2008 \$'000	2007 \$'000
Cash and cash equivalents at the beginning of the reporting period	16A	21	1
Cash from Official Public Account for:			
- Appropriations		8,242	9,920
- Special accounts		2,783	3,950
		11,025	13,870
Cash to Official Public Account for:			
- Appropriations		(1,707)	(519)
- Special accounts		(10,447)	(7,126)
		(12,154)	(7,645)
Cash and cash equivalents at the end of the reporting period	16A	-	21

continued

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

SCHEDULE OF ADMINISTERED ITEMS (CONTINUED)

	2008 \$'000	2007 \$'000
ADMINISTERED COMMITMENTS		
<i>as at 30 June</i>		
BY TYPE		
Commitments receivable		
GST recoverable on commitments	(129)	(365)
Total commitments receivable	(129)	(365)
Other commitments		
Operating leases	1,390	775
Other commitments	30	3,241
Total other commitments	1,420	4,016
Net commitments by type	1,291	3,651
BY MATURITY		
Commitments receivable		
One year or less	(42)	(320)
From one to five years	(87)	(45)
Over five years	-	-
Total commitments receivable	(129)	(365)
Operating lease commitments		
One year or less	431	275
From one to five years	959	500
Over five years	-	-
Total operating lease commitments	1,390	775
Other commitments		
One year or less	30	3,241
From one to five years	-	-
Over five years	-	-
Total other commitments	30	3,241
Net commitments by maturity	1,291	3,651

NB: Commitments are GST inclusive where relevant.

General description of leasing arrangements

Operating leases comprise leases of office accommodation for the former Governors-General. Lease payments are subject to periodic increase in accordance with the rent review provisions of the lease.

Administered contingent assets and liabilities

The department is not aware of any administered contingent liabilities or assets as at signing date that would require disclosure in the Financial Statements. There were no administered contingent liabilities or assets reported in 2006–07.

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

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Objectives of the department

The department is an Australian Public Service organisation.

The department is structured to meet one outcome - *sound and well coordinated government policies, programmes and decision making processes*, which is delivered through four output groups.

The department's activities contributing to this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenue and expenses controlled or incurred by the department in its own right. Administered activities involve the management or oversight by the department, on behalf of the Government, of items controlled or incurred by the Government.

The department's activities are identified under the following output groups:

- Output Group 1.1: Economic and industry policy;
- Output Group 1.2: Social policy;
- Output Group 1.3: International and national security policy; and
- Output Group 1.4: Support services for government operations.

The department conducts the following administered activities:

- National Counter-Terrorism Committee (NCTC);
- Australian Government's grant of funding to the National Australia Day Council (NADC);
- maintenance of the Prime Minister's official residences of The Lodge and Kirribilli House in consultation with the Official Establishments Trust and heritage agencies;
- provision of allowances and support to designated and former Governors-General; and
- state occasions and official visits program.

The continued existence of the department in its present form and with its present programs is dependent on government policy and on continuing appropriations by the Parliament for the department's administration and programs.

1.2 Basis of preparation of the financial report

The financial statements and notes are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The financial statements and notes have been prepared in accordance with:

- *Finance Minister's Orders for Financial Reporting (FMOs)* for reporting periods ending on or after 1 July 2007; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The financial report has been prepared on an accrual basis and is in accordance with historical cost convention, except for certain assets 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 report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the department or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrealised are reported in the Schedule of Commitments and Contingencies.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the income statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at **Note 1.21**.

1.3 Significant accounting judgments and estimates

In the process of applying the accounting policies listed in this note, the department has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer. The department's administered buildings are unique and may in fact realise more or less in the market.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 Statement of compliance

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. The following new standard is applicable to the current reporting period:

AASB 7 *Financial Instruments: Disclosures* is effective for reporting periods beginning on or after 1 January 2007 (the 2007–08 financial year) and amends the disclosure requirements for financial instruments. In general, AASB 7 requires greater disclosure than that previously required. Associated with the introduction of AASB 7 a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]. These changes have no financial impact but will affect the disclosure presented in future financial reports.

The following new standards, amendments to standards or interpretations for the current financial year have no material financial impact on the department.

- 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and Erratum: Proportionate Consolidation*
- 2007-5 *Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]*
- 2007-7 *Amendments to Australian Accounting Standards*
- UIG Interpretation 10 Interim Financial Reporting and Impairment
- UIG Interpretation 11 AASB 2 – *Group and Treasury Share Transactions* and 2007-1 *Amendments to Australian Accounting Standards arising from AASB Interpretation 11*
- UIG Interpretation 1003 Australian Petroleum Resource Rent Tax
- AASB 101 *Presentation of Financial Statements (issued October 2006)*
- AASB 1048 *Interpretation and Application of Standards*
- ERR Erratum *Proportionate Consolidation [AASB 101, AASB 107, AASB 121, AASB 127, Interpretation 113]*

Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

- AASB Interpretation 12 *Service Concession Arrangements* and 2007-2 *Amendments to Australian Accounting Standards arising from AASB Interpretation 12*
- AASB 8 *Operating Segments* and 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*
- 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*
- AASB Interpretation 13 *Customer Loyalty Programmes*
- AASB Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- AASB 3 *Business Combinations*
- AASB 101 *Presentation of Financial Statements (issued September 2007)*
- AASB 123 *Borrowing Costs*
- AASB 127 *Consolidated and Separate Financial Statements*
- AASB 1004 *Contributions*
- AASB 1050 *Administered Items*
- AASB 1051 *Land Under Roads*
- AASB 1052 *Disaggregated Disclosures*

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- AASB 2007-2 *Amendments to Australian Accounting Standards arising from AASB Interpretation 12* [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]
- AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*
- AASB 2007-9 *Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31* [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137]
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations* [AASB 2]
- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation* [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2]
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]
- AASB 2008-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities* [AASB 124]
- UIG Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
- UIG Interpretation 4 *Determining Whether an Arrangement Contains a Lease*
- UIG Interpretation 129 *Service Concession Arrangements Disclosures*
- UIG Interpretation 1038 *Contributions by Owners Made To Wholly-Owned Public Sector Entities*

Other

The following standards and interpretations have been issued but are not applicable to the operations of the department.

AASB 1049 Financial Reporting of General Government Sectors by Governments

AASB 1049 specifies the reporting requirements for the General Government Sector, and therefore has no effect on the department's financial statements.

1.5 Revenue

Revenue from government

Amounts appropriated for departmental output appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when the department 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.

Other types of revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer;

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- The seller retains no managerial involvement nor effective control over the goods;
- The revenue and transaction costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to the department.

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; and
- The probable economic benefits with the transaction will flow to the department.

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 provision for bad and doubtful debts. Collectability of debts is reviewed at balance date.

Provisions are made when collectability of the debt is no longer probable.

Commission – Campaign Advertising Special Account

Revenue is derived through the imposition of a 1.5 per cent levy on all government campaign advertising (does not include party political campaigning). The government communication unit was abolished and the aggregated media buying function was transferred to the Department of Finance and Deregulation in 2007. Details of the restructuring of administrative arrangements are provided at note 1.7 and note 8B.

1.6 Gains

Resources received free of charge

Resources received free of charge are recognised as gains 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.

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 agency or authority as a consequence of a restructuring of administrative arrangements (refer to note 1.7).

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Sale of assets

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

1.7 Transactions with the government as owner

Equity injections

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

Restructuring of administrative arrangements

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

Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend.

1.8 Grants

The department applies a uniform policy for all grants. 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. A commitment is recorded when the Government enters into an agreement to make these grants but services have not been performed or criteria satisfied. Where grants moneys are paid in advance of performance or eligibility, a prepayment is recognised.

1.9 Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance date 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.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

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 the department is estimated to be less than the annual entitlement for sick leave.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The leave liabilities are calculated on the basis of employees' remuneration, including the department'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 previous work of the Australian Government Actuary and the short hand method defined in the Finance Minister's Orders. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

Provision is made for separation and redundancy benefit payments at the time that a detailed formal plan for the terminations has been developed and the employees affected have been informed of the redundancies.

As at 30 June 2008 the provision for separation and redundancy was nil (nil in 2006–07).

Superannuation

Staff of the department are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

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 by the Department of Finance and Deregulation as an administered item.

The department makes employer contributions to the Employee Superannuation Scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the department's employees. The department accounts for the contributions as if they were contributions to defined contribution plans.

From 1 July 2005, new employees are eligible to join the PSSap scheme.

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

1.10 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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. The department had no finance leases as at 30 June 2008 (nil in 2006–07).

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

1.11 Borrowing costs

All borrowing costs are expensed as incurred.

1.12 Cash and cash equivalents

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.13 Financial assets

The department classifies its financial assets in the following categories:

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

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- have been acquired principally for the purpose of selling in the near future;
- are a part of an identified portfolio of financial instruments that the agency manages together and has a recent actual pattern of short-term profit-taking; or
- are derivatives that are not designated and effective as a hedging instrument.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in profit for the period.

Where a reliable fair value cannot be established for unlisted investments in equity instruments, cost is used. The department has no such instruments.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

- Financial assets held at amortised cost - If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the income statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- Available-for-sale financial assets - If there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the income statement.
- Available-for-sale financial assets (held at cost) - If there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.14 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.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables

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).

1.15 Contingent assets and liabilities

Contingent liabilities and contingent assets are not recognised in the balance sheet 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 settlement is greater than remote.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.16 Financial guarantee contracts

Financial guarantee contracts are accounted for in accordance with AASB 139. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137.

1.17 Acquisition of assets

Assets are recorded at cost on acquisition except as 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 revenues 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 amounts at which they were recognised in the transferor Agency's accounts immediately prior to the restructuring.

1.18 Property, plant and equipment**Asset recognition threshold**

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than 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 'makegood' provisions in accommodation leases for former Governors-General taken up by the department. These costs are included in the value of the departmental and administered property, plant and equipment with a corresponding provision for the 'makegood'.

Revaluations

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

Asset class	Fair value measured at:
Land	Market selling price
Buildings exc. Leasehold improvements	Market selling price
Leasehold improvements	Depreciated replacement cost
Plant & equipment	Market selling price
Heritage and cultural assets	Market selling price

Note that the only land and buildings held by the department relate to administered assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Following initial recognition at cost, property plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that 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 basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through surplus and deficit. Revaluation decrements for a class of assets are recognised directly through surplus and deficit except to the extent that they reverse a previous revaluation increment for that class.

Revaluations are undertaken annually and are conducted by an independent qualified valuer. Formal valuations for all assets are undertaken every three years (most recent being 2006–07) and a desk top valuation for all assets in the other years. In 2007–08, the Australian Valuation Office was engaged to provide a formal valuation of the leasehold improvements at the Department's main office at One National Circuit, Barton, Canberra. All other assets were subject to a desk top valuation.

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

Heritage assets

The formal revaluation of "Kirribilli House" Kirribilli NSW and "The Lodge" Canberra ACT undertaken by Preston Rowe Paterson NSW Pty Ltd in May 2007 resulted in the reclassification of the properties as heritage assets and the useful life of the assets revised to 100 years.

Kirribilli House and (Kirribilli House) Garden and Grounds are listed on Local, State, National and Commonwealth Heritage Listings.

The Lodge, including garden and grounds, are listed on National and Commonwealth Heritage Listings.

Depreciation

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the department 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

	2007–08	2006–07
Departmental assets		
Leasehold improvements	lease term	lease term
Plant and Equipment	4 to 10 years	4 to 10 years
Administered assets		
Buildings on freehold land	100 years	100 years
Plant and equipment	4 to 50 years	4 to 50 years

Leasehold improvements were revalued to fair value at 30 June 2008. The components making up the asset have been separately identified and depreciation rates revised for future reporting periods to reflect the remaining useful lives.

Impairment

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. All assets were assessed for impairment at 30 June 2008.

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.

Assets held for sale

Two groups of assets were classified as held for sale at 30 June 2008. The first group related to residual APEC assets awaiting sale which were adjusted to reflect recoverable amounts. The second group of assets related to desktop computers owned by the department awaiting disposal as a result of the refresh of desktop computers. No impairment adjustments were required on reclassification of desktop computers as held for sale as the carrying amounts of these assets did not exceed their recoverable amounts.

1.19 Intangibles

The department's intangible assets comprise internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the department's software are 4 to 5 years (2006–07: 4 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2008.

1.20 Taxation

The Agency is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

1.21 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related notes.

Except where otherwise 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.

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 classified as administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. 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 the department on behalf of the government and reported as such in the statement of cash flows, in the schedule of administered items and in the administered reconciliation table. The schedule of administered items largely reflects the government's transactions, through the department with parties outside the government.

Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by the department on behalf of the Australian Government.

Commission - Media Commissions Special Account

Administered revenue is derived from a four per cent levy on all government campaign advertising (excluding party political advertising) and 1.5 per cent on government non-campaign advertising. Funds are used to transfer media commissions through the central advertising system to advertising agencies. Revenue is recognised on receipt of confirmation of placement of advertisements with advertising agencies. It is recognised at its nominal amount due less any provision for bad or doubtful debts. Collectability of debts is reviewed at balance date. Allowances are made when collection of the debt is judged to be less rather than more likely. The government communication unit was abolished and the aggregated media buying function was transferred to the Department of Finance and Deregulation in 2007. Details of the restructuring of administrative arrangements are provided at note 1.7 and note 8B.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Former Governors-General allowances

The department has administrative responsibility for the payment of allowances (pensions) to former Governors-General. The liability in relation to these allowances is based on actuarial assessments. The allowance was adjusted in 2007–08 as a result of an actuarial review by the Australian Government Actuary. Disclosures relating to the allowances are made at Note 17D.

Administered Investments - National Australia Day Council

An administered investment is recognised for the first time in 2007–08 in relation to the National Australia Day Council. The National Australia Day Council's primary activities are the promotion of national pride, active citizenship and the observance and celebration of Australia Day; administration of the Australian of the Year awards, which include awards for the Young Australian of the Year, the Senior Australian of the Year and Australia's Local Hero; distribution of grants to State/Territory Australia Day Councils and provision of recommendations and advice to the Australian Government on all matters relating to year-round national pride activities.

The administered investment in the National Australia Day Council is measured at fair value as at 30 June 2008. Fair value has been taken to be the net assets of the National Australia Day Council as at balance date.

NOTE 2: EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date that impact on the ongoing structure or financial activities of the department.

NOTE 3: INCOME

	2008 \$'000	2007 \$'000
Revenue		
NOTE 3A: REVENUE FROM GOVERNMENT		
Appropriations:		
Departmental outputs	149,118	136,081
Total revenue from Government	149,118	136,081
NOTE 3B: SALES OF GOODS AND RENDERING OF SERVICES		
Sale of goods	349	109
Rendering of services - related entities	3,123	1,935
Rendering of services - external entities	5,546	879
Total sale of goods and rendering of services	9,018	2,923
NOTE 3C: COMMISSION		
Campaign Advertising Special Account	2,960	2,893
Total commissions revenue	2,960	2,893
Gains		
NOTE 3D: RESOURCES RECEIVED FREE OF CHARGE		
Seconded staff	1,155	1,266
ANAO audit fee	200	164
Other resources received free of charge	341	3,968
Total other gains	1,696	5,398
Note 3E: Reversal of previous asset write downs		
Reversals of previous asset write downs	107	-
Total reversals of previous asset write-downs	107	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 4: EXPENSES

	2008	2007
	\$'000	\$'000
NOTE 4A: EMPLOYEE BENEFITS		
Wages and salaries	44,461	47,814
Superannuation	7,433	7,885
Leave and other entitlements	6,352	6,706
Separations and redundancies		-
Other	258	605
Total employee benefits	58,504	63,010
NOTE 4B: SUPPLIERS		
Provision of goods - related entities	2,980	3,869
Provision of goods - external entities	34,273	44,492
Rendering of services - related entities	2,567	2,088
Rendering of services - external entities	29,517	24,015
Operating lease rentals:		
Minimum lease payments	8,972	8,528
Workers compensation premium	303	398
Total supplier expenses	78,612	83,390
NOTE 4C: GRANTS		
Private Sector: Non-profit organisations	5,875	2,542
Total grants	5,875	2,542
NOTE 4D: DEPRECIATION AND AMORTISATION		
<i>Depreciation:</i>		
Infrastructure, plant and equipment	3,991	5,172
Total depreciation	3,991	5,172
<i>Amortisation:</i>		
Computer software	392	609
Total amortisation	392	609
Total depreciation and amortisation	4,383	5,781

continued

NOTE 4: EXPENSES (CONTINUED)

	2008	2007
	\$'000	\$'000
NOTE 4E: WRITE-DOWN AND IMPAIRMENT OF ASSETS		
Asset write-downs from:		
Impairment on financial instruments	-	96
Impairment on APEC infrastructure, plant and equipment	2,308	57
Impairment on other infrastructure, plant and equipment	1,231	200
Total write-down and impairment of assets	3,539	353
NOTE 4F: LOSSES FROM ASSET SALES		
APEC infrastructure, plant and equipment	1,089	-
Other infrastructure, plant and equipment	18	-
Total losses from asset sales	1,107	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 5: FINANCIAL ASSETS

	2008	2007
	\$'000	\$'000
NOTE 5A: CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	1,429	774
Total cash and cash equivalents	1,429	774
NOTE 5B: RECEIVABLES		
Goods and services	939	1,874
Appropriation receivable for existing outputs	51,237	54,291
Commission - Campaign Advertising Special Account	-	284
GST receivable from the Australian Taxation Office	334	986
Total trade and other receivables (gross)	52,510	57,435
Less allowance for doubtful debts:		
Goods and services	(2)	(107)
Other Trust Moneys Special Account	-	(9)
Total trade and other receivables (net)	52,508	57,319
Receivables are represented by:		
Current	52,508	56,428
Non-current	-	891
Total trade and other receivables (net)	52,508	57,319
All trade and other receivables are current liabilities		
Receivables are aged as follows:		
Not overdue	52,096	55,277
Overdue by:		
less than 30 days	203	1,151
30 to 60 days	120	579
61 to 90 days	1	298
more than 90 days	90	130
Total receivables (gross)	52,510	57,435
The allowance for doubtful debts is aged as follows:		
Not overdue	-	-
Overdue by:		
less than 30 days	-	-
30 to 60 days	-	-
61 to 90 days	-	-
more than 90 days	(2)	(116)
Total allowance for doubtful debts	(2)	(116)

continued

NOTE 5: FINANCIAL ASSETS (CONTINUED)

Reconciliation of the allowance for doubtful debts:

Movements in relation to 2008

	Goods and services 2008 \$'000	Special account 2008 \$'000	Total 2008 \$'000
Opening balance	(107)	(9)	(116)
Amounts written off	-	-	-
Amounts recovered and reversed	105	-	105
Amounts transferred as part of administrative arrangements orders	-	9	9
Increase/decrease recognised in net surplus	-	-	-
Closing balance	(2)	-	(2)

Movements in relation to 2007

	Goods and services 2007 \$'000	Special account 2007 \$'000	Total 2007 \$'000
Opening balance	(20)	-	(20)
Amounts written off	-	-	-
Amounts recovered and reversed	-	-	-
Increase/decrease recognised in net surplus	(87)	(9)	(96)
Closing balance	(107)	(9)	(116)

	2008 \$'000	2007 \$'000
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NOTE 5C: ACCRUED REVENUE

Campaign Advertising Special Account	-	795
Departmental	620	170
Total accrued revenue	620	965

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 6. NON-FINANCIAL ASSETS

	2008	2007
	\$'000	\$'000
NOTE 6A: INFRASTRUCTURE, PLANT AND EQUIPMENT		
Infrastructure, plant and equipment:		
Gross carrying value (at fair value)	30,878	33,225
Accumulated depreciation	(1,390)	(702)
Work in progress	1,951	911
Total infrastructure, plant and equipment (non-current)	31,439	33,434

All revaluations of non-current assets are conducted in accordance with the revaluation policy stated at Note 1. In 2007–08, the department engaged the services of two independent valuers. The Australian Valuation Office was engaged to value the department's leasehold fitout at One National Circuit, Barton, Canberra. Preston Rowe Paterson (PRP) were separately engaged to perform a desktop valuation of all remaining assets.

The revaluation of the department's leasehold fitout at One National Circuit resulted in a revaluation increment of \$2,228,511 (2007: carried at cost). PRP reviewed the carrying amounts of all other assets and concluded that carrying amounts are suitably representative of fair value.

NOTE 6. NON-FINANCIAL ASSETS (CONTINUED)

NOTE 6B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

TABLE A - Reconciliation of the opening and closing balances of infrastructure, plant and equipment (2007–08)	Total \$'000
As at 1 July 2007	
Gross book value	33,225
Accumulated depreciation/amortisation	(702)
opening balance adjustment	(65)
Net book value 1 July 2007	32,458
Additions:	
Purchases	2,821
Movements:	
Gross revaluation increment/(decrement)	2
Revaluation - write back of accumulated depreciation	2,160
Movements in makegood	269
Depreciation/amortisation expense	(3,991)
Impairments recognised in the operating result	(127)
Assets moved to held for sale	(156)
Disposals:	
From disposal of entities or operations (including restructuring)	(4,991)
Other disposals	-
Disposal depreciation	1,043
Net book value 30 June 2008	29,488
Net book value as of 30 June 2008 represented by:	
Gross book value	30,878
Accumulated depreciation/amortisation and impairment	(1,390)
	29,488

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 6. NON-FINANCIAL ASSETS (CONTINUED)**NOTE 6B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

TABLE A - Reconciliation of the opening and closing balances of infrastructure, plant and equipment (2006–07)	Total \$'000
As at 1 July 2006	
Gross book value	24,044
Accumulated depreciation/amortisation	(16,874)
Net book value 1 July 2006	7,170
Additions:	
Purchases	28,784
Movements:	
Gross revaluation increment/(decrement)	(10,246)
Revaluation - write back of accumulated depreciation	13,127
Reduction in make good	(18)
Depreciation/amortisation expense	(5,172)
Disposals:	
Other disposals	(10,404)
Disposal depreciation	9,282
Net book value 30 June 2007	32,523
Net book value as of 30 June 2007 represented by:	
Gross book value	33,225
Accumulated depreciation/amortisation and impairment	(702)
	32,523

	2008 \$'000	2007 \$'000
NOTE 6C: INTANGIBLES		
Computer software at cost:		
Internally developed - in use	1,762	1,792
Purchased	2,652	3,347
Total computer software	4,414	5,139
Accumulated amortisation	(3,923)	(4,127)
Total intangibles (non-current)	491	1,012

No indicators of impairment were found for intangible assets.

NOTE 6. NON-FINANCIAL ASSETS (CONTINUED)

NOTE 6D: ANALYSIS OF INTANGIBLES

Table B: Reconciliation of the opening and closing balances of intangibles (2007–08)	Computer software internally developed	Computer software purchased	Total
	\$'000	\$'000	\$'000
As at 1 July 2007			
Gross book value	1,792	3,347	5,139
Accumulated amortisation	(1,231)	(2,896)	(4,127)
Opening balance correction	7	-	7
Net book value 1 July 2007	568	451	1,019
Additions:			
Purchase/Internally developed	-	270	270
Movements:			
Amortisation	(135)	(258)	(393)
Impairments recognised in the operating result	-	-	-
Disposals:			
Gross value	(37)	(1,011)	(1,048)
Amortisation	16	627	643
Net book value 30 June 2008	412	79	491
Net book value as of 30 June 2008 represented by:			
Gross book value	1,762	2,652	4,414
Accumulated amortisation	(1,350)	(2,573)	(3,923)
	412	79	491

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 6. NON-FINANCIAL ASSETS (CONTINUED)**NOTE 6D: ANALYSIS OF INTANGIBLES (CONTINUED)**

Table B: Reconciliation of the opening and closing balances of intangibles (2006–07)	Computer software internally developed	Computer software purchased	Total
	\$'000	\$'000	\$'000
As at 1 July 2006			
Gross book value	1,733	3,093	4,826
Accumulated amortisation	(1,064)	(2,572)	(3,636)
Net book value 1 July 2006	669	521	1,190
Additions:			
Purchase/Internally developed	59	368	427
Movements:			
Amortisation	(167)	(442)	(609)
Impairments recognised in the operating result	-	-	-
Disposals:			
Gross value	-	(114)	(114)
Depreciation	-	118	118
Net book value 30 June 2007	561	451	1,012
Net book value as of 30 June 2007 represented by:			
Gross book value	1,792	3,347	5,139
Accumulated amortisation	(1,231)	(2,896)	(4,127)
	561	451	1,012

	2008	2007
	\$'000	\$'000
NOTE 6E: PREPAYMENTS		
Prepayments	978	678
Total other non-financial assets	978	678

No indicators of impairment were found for other non-financial assets.

NOTE 6F: ASSETS HELD FOR SALE		
APEC assets	55	-
Desktop computers	101	-
Total assets held for sale	156	-

NOTE 7: LIABILITIES

	2008	2007
	\$'000	\$'000
NOTE 7A: SUPPLIERS		
Trade creditors	4,903	14,288
Total supplier payables	4,903	14,288
Supplier payables represented by:		
Current	4,903	14,288
Non-current	-	-
Total supplier payables	4,903	14,288
Settlement is usually made net 30 days.		

NOTE 7B: OTHER		
Unearned revenue	241	1,233
Other payables	32	121
Total other payables	273	1,354
All other payables are current liabilities.		

Note 7C: Employees		
Salaries and wages	495	486
Leave	14,463	16,465
Superannuation	-	-
Separations and redundancies	-	-
Other	1,417	-
Total employee provisions	16,375	16,951
Employee provisions are represented by:		
Current	14,739	15,157
Non-current	1,636	1,794
Total employee provisions	16,375	16,951

The classification of current liabilities includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of reporting date. Employee provisions expected to be settled in twelve months from the reporting date are \$8,449,926 (2007: \$8,747,150), and in excess of one year \$7,925,013 (2007: \$8,203,773).

NOTE 7D: OTHER		
Provision for return of APEC funding	24,704	-
Provision for return of Australia 2020 Summit funding	214	-
Make good provision	281	83
Lease liability	1,672	722
Total other provisions	26,871	805
Provisions for return of funding are current liabilities. All other provisions are non-current liabilities.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 7: LIABILITIES (CONTINUED)

	Make good provision	Lease liability	Total
	\$'000	\$'000	\$'000
Carrying amount 1 July 2007	83	722	805
Additional provisions made	183	950	1,133
Amounts used	-	-	-
Amounts reversed	-	-	-
Unwinding of discount or change in discount rate	15	-	15
Closing balance 2008	281	1,672	1,953

NOTE 8: RESTRUCTURING

Note 8A: Departmental restructuring

2007–08

As a result of a restructuring of administrative arrangements, the department assumed responsibility for the Privacy & Freedom of Information Policy Branch (received from Attorney General's Department) and the Office of Work and Family (received from the Department of Families, Housing, Community Services and Indigenous Affairs). The Department relinquished responsibility for the Campaign Advertising Special Account and AUSPIC to the Department of Finance and Deregulation, and the Office of Climate Change to the newly formed Department of Climate Change.

2006–07

As a result of the Administrative Arrangements Orders of 20 January 2007, the department relinquished responsibility for the Office of Water Resources to the Department of the Environment and Water Resources.

In respect of functions relinquished, the net book values of assets and liabilities transferred by the department for no consideration and recognised as at the date of transfer were:

	2008 \$'000	2007 \$'000
Total assets assumed	515	-
Total liabilities assumed	(556)	-
Net assets assumed	(41)	-
Total asset relinquished	8,580	(341)
Total liabilities relinquished	(298)	341
Net assets relinquished	8,282	-
Net increase (decrease) in net assets	(8,323)	-

PRIVACY AND FREEDOM OF INFORMATION POLICY BRANCH

Revenue

Recognised by the Department of the Prime Minister & Cabinet	623	-
Recognised by the Attorney General's Department	746	-
Total Revenue	1,369	-

Expense

Recognised by the Department of the Prime Minister & Cabinet	635	-
Recognised by the Attorney General's Department	746	-
Total Expense	1,381	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 8: RESTRUCTURING (CONTINUED)

	2008 \$'000	2007 \$'000
OFFICE OF WATER RESOURCES		
Revenue		
Recognised by the Department of the Prime Minister & Cabinet	-	937
Recognised by the Department of Environment and Water Resources	-	1,874
Total Revenue	-	2,811
Expense		
Recognised by the Department of the Prime Minister & Cabinet	-	937
Recognised by the Department of Environment and Water Resources	-	1,842
Total Expense	-	2,779
OFFICE OF WORK AND FAMILY		
Revenue		
Recognised by the Department of the Prime Minister & Cabinet	1,603	-
Recognised by the Dept of Families, Housing, Community Services & Indigenous Affairs	257	-
Total Revenue	1,860	-
Expense		
Recognised by the Department of the Prime Minister & Cabinet	547	-
Recognised by the Dept of Families, Housing, Community Services & Indigenous Affairs	257	-
Total Expense	804	-
CAMPAIGN ADVERTISING SPECIAL ACCOUNT		
Revenue		
Recognised by the Department of the Prime Minister & Cabinet	2,960	-
Recognised by the Dept of Finance & Deregulation	512	-
Total Revenue	3,472	-
Expense		
Recognised by the Department of the Prime Minister & Cabinet	402	-
Recognised by the Dept of Finance & Deregulation	276	-
Total Expense	678	-

NOTE 8: RESTRUCTURING (CONTINUED)

	2008	2007
	\$'000	\$'000
OFFICE OF CLIMATE CHANGE		
Revenue		
Recognised by the Department of the Prime Minister & Cabinet	1,023	-
Recognised by the Dept of Climate Change	6,273	-
Total Revenue	7,296	-
Expense		
Recognised by the Department of the Prime Minister & Cabinet	1,175	-
Recognised by the Dept of Climate Change	6,273	-
Total Expense	7,448	-
AUSPIC		
Revenue		
Recognised by the Department of the Prime Minister & Cabinet	175	-
Recognised by the Dept of Finance & Deregulation	260	-
Total Revenue	435	-
Expense		
Recognised by the Department of the Prime Minister & Cabinet	290	-
Recognised by the Dept of Finance & Deregulation	239	-
Total Expense	529	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 8: RESTRUCTURING (CONTINUED)**Note 8B: Administered restructuring****2007–08**

As a result of a restructuring of administrative arrangements, the Department relinquished responsibility for the Media Commissions Special Account to the Department of Finance and Deregulation.

2006–07

There was no administered restructuring for the year ended 30 June 2007.

In respect of functions relinquished, the net book values of assets and liabilities transferred by the department for no consideration and recognised as at the date of transfer were:

	2008 \$'000	2007 \$'000
Total assets assumed	-	-
Total liabilities assumed	-	-
Net assets assumed	-	-
Total asset relinquished	23,383	-
Total liabilities relinquished	-	-
Net assets relinquished	23,383	-
Net increase (decrease) in net assets	(23,383)	-

Departmental revenue and expense for the full year for the functions relinquished are as follows:

Media Commissions Special Account**Revenue**

Recognised by the Department of the Prime Minister & Cabinet	8,481	-
Recognised by the Department of Finance & Deregulation	2,175	-
Total Revenue	10,656	-

Expense

Recognised by the Department of the Prime Minister & Cabinet	1,371	-
Recognised by the Department of Finance & Deregulation	6,775	-
Total Expense	8,146	-

NOTE 9: CASH FLOW RECONCILIATION

	2008	2007
	\$'000	\$'000

Reconciliation of cash and cash equivalents as per balance sheet to cash flow statement

Report cash and cash equivalents as per:

Cash flow statement	1,429	774
Balance sheet	1,429	774
Difference	-	-

Reconciliation of operating result to net cash from operating activities

Operating result	10,879	(7,781)
Depreciation/amortisation	4,383	5,781
Net write down of non-financial assets	3,539	353
Net loss (gain) on disposal of assets	1,107	-
Proceeds from sales of infrastructure, plant and equipment	(349)	-
Gain from reversal of asset write down	(107)	-
Net GST received	(1,938)	-
Cash drawn from special accounts	1,058	-
(Increase)/decrease in net receivables and accrued revenue	(4,913)	(20,489)
(Increase)/decrease in other non-financial assets	(300)	3
Increase/(decrease) in suppliers payable	(9,376)	9,116
Increase/(decrease) in other payables	109	1,341
Increase/(decrease) in employee provisions	374	2,970
Increase/(decrease) in other provisions	-	723
Increase/(decrease) in unearned revenue	(992)	-
Net cash from/(used by) operating activities	3,474	(7,983)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 10: CONTINGENT LIABILITIES AND ASSETS**Quantifiable contingencies**

The department is not aware of any quantifiable contingent liabilities or assets as at signing date that would require disclosure in the financial statements.

Unquantifiable contingencies

The department is not aware of any unquantifiable contingent liabilities or assets as at signing date that would require disclosure in the financial statements.

Administered contingent liabilities and assets**Quantifiable contingencies**

The department is not aware of any quantifiable administered contingent liabilities or assets as at signing date that would require disclosure in the Financial Statements.

Unquantifiable contingencies

The department is not aware of any unquantifiable administered contingent liabilities or assets as at signing date that would require disclosure in the Financial Statements.

There were no administered contingent liabilities or assets reported in 2006–07.

NOTE 11: IMPACT OF THE APEC TASKFORCE ON THE INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Departmental (excluding APEC Taskforce) \$'000	APEC Taskforce \$'000	Total \$'000
INCOME			
Revenue			
Revenue from Government	84,026	65,092	149,118
Sale of goods and rendering of services	5,899	3,119	9,018
Commission	2,960	-	2,960
Total revenue	92,885	68,211	161,096
Gains			
Resources received free of charge	1,355	341	1,696
Reversal of previous asset write downs	107	-	107
Total gains	1,462	341	1,803
Total Income	94,347	68,552	162,899
EXPENSES			
Employee benefits	50,623	7,881	58,504
Suppliers	27,500	51,112	78,612
Grants	5,875	-	5,875
Depreciation and amortisation	3,662	721	4,383
Write down and impairment of assets	1,231	2,308	3,539
Losses from asset sales	18	1,089	1,107
Total Expenses	88,909	63,111	152,020
Surplus (Deficit) attributable to the Australian Government	5,438	5,441	10,879

Notes:

1. The APEC Taskforce is funded on a no-win/no-loss basis, any surplus funds will be returned to the Official Public Account (OPA) following completion of the project. A provision has been recognised for the return of equity estimated at \$24,704,025. This includes \$21,294,794 in operating and \$3,409,231 in capital funds.
2. The majority of APEC assets have been disposed of as at 30 June 2008, with the balance to be disposed in the 2008–09 financial year. The recoverable amount of these assets is reported in note 6F as assets held for sale. As a result, the impact of the APEC Taskforce on the department's balance sheet is mostly confined to cash held at OPA.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 12: EXECUTIVE REMUNERATION

	2008	2007
The number of senior executives who received or were due to receive total remuneration of \$130,000 or more:		
\$130,000 to \$144,999	4	2
\$145,000 to \$159,999	4	4
\$160,000 to \$174,999	2	13
\$175,000 to \$189,999	2	14
\$190,000 to \$204,999	6	5
\$205,000 to \$219,999	9	2
\$220,000 to \$234,999	1	5
\$235,000 to \$249,999	1	2
\$250,000 to \$264,999	4	-
\$265,000 to \$279,999	2	1
\$280,000 to \$294,999	2	1
\$295,000 to \$309,999	-	1
\$310,000 to \$324,999	2	-
\$325,000 to \$339,999	1	1
\$340,000 to \$354,999	1	-
\$475,000 to \$489,999	-	1
Total	41	52

The aggregate amount of total remuneration of senior executives shown above.	8,901,671	10,373,038
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The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above.	-	-
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Under the Finance Minister's Orders remuneration includes wages and salaries; allowances; accrued leave; performance pay; superannuation; cost of motor vehicles; housing; other allowances and FBT included in remuneration agreements. Reimbursements of out-of-pocket expenses and amounts paid in relation to work performed wholly or mainly outside Australia are excluded from remuneration.

NOTE 13: FINANCIAL INSTRUMENTS

	2008	2007
	\$'000	\$'000
NOTE 13A: CATEGORIES OF FINANCIAL INSTRUMENTS		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	1,429	774
Goods and services receivable	939	1,874
Commissions receivable	-	284
Accrued revenue	620	965
Carrying amount of financial assets	2,988	3,897
Financial Liabilities		
At amortised cost		
Suppliers	4,903	14,288
Unearned income	241	1,233
Other payables	-	121
Carrying amount of financial liabilities	5,144	15,641
NOTE 13B: NET INCOME AND EXPENSE FROM FINANCIAL ASSETS		
Loans and receivables		
Impairment	-	96
Net gain/(loss) loans and receivables	-	96
Net gain/(loss) from financial assets	-	96
NOTE 13C: FAIR VALUE OF FINANCIAL INSTRUMENTS		

The fair value of financial instruments are the same as their carrying amounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 13: FINANCIAL INSTRUMENTS (CONTINUED)**13D: CREDIT RISK**

The Department is exposed to minimal credit risk as loans and receivables are comprised of cash, goods and services receivable, commissions receivable and accrued revenue. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of these outstanding receivables: 2008: \$939,109 (2007: \$2,041,429). The Department has assessed the risk of the default on payment and has allocated the following amounts to an allowance for doubtful debts account. 2008: \$1,965 (2007: \$115,951).

The Department manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship.

The Department holds no collateral to mitigate against credit risk.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2008 \$'000	Not past due nor impaired 2007 \$'000	Past due or impaired 2008 \$'000	Past due or impaired 2007 \$'000
Loans and receivables				
Cash and cash equivalents	1,429	774	-	-
Trade and other receivables	525	-	414	1,874
Commissions receivable	-	284	-	-
Accrued revenue	620	965	-	-
Total	2,574	2,023	414	1,874

Ageing of financial assets that are past due but not impaired for 2008

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Cash and cash equivalents	na	na	na	na	-
Trade and other receivables	203	120	1	90	414
Commissions receivable	na	na	na	na	-
Accrued revenue	na	na	na	na	-
Total	203	120	1	90	414

Ageing of financial assets that are past due but not impaired for 2007

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Cash and cash equivalents	na	na	na	na	-
Trade and other receivables	1,151	579	298	130	2,158
Commissions receivable	na	na	na	na	-
Accrued revenue	na	na	na	na	-
Total	1,151	579	298	130	2,158

NOTE 13: FINANCIAL INSTRUMENTS (CONTINUED)**NOTE 13E: LIQUIDITY RISK**

The Department's financial liabilities are trade creditors, unearned revenue and other payables. The exposure to liquidity risk is based on the notion that the Department will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to the Department (e.g. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The following tables illustrate the maturities for financial liabilities

	On demand 2008 \$'000	within 1 year 2008 \$'000	1 to 5 years 2008 \$'000	> 5 years 2008 \$'000	Total 2008 \$'000
Other Liabilities					
Suppliers	-	4,903	-	-	4,903
Unearned revenue	-	241	-	-	241
Other payables	na	na	na	na	na
Total	-	5,144	-	-	5,144

	On demand 2007 \$'000	within 1 year 2007 \$'000	1 to 5 years 2007 \$'000	> 5 years 2007 \$'000	Total 2007 \$'000
Other Liabilities					
Suppliers	-	14,288	-	-	14,288
Unearned revenue	-	1,233	-	-	1,233
Other payables	-	121	-	-	121
Total	-	15,642	-	-	15,642

The Department is appropriated funding from the Australian Government. The Department manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Department has policies in place to ensure timely payments are made when due and has no past experience of default.

NOTE 13F: MARKET RISK

The Department holds basic financial instruments that do not expose the Department to certain market risks. The Department is not exposed to 'Interest risk', 'Currency risk' or 'Other price risk'.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 14: INCOME ADMINISTERED ON BEHALF OF GOVERNMENT

	2008	2007
	\$'000	\$'000
Revenue		
Non-taxation revenue		
<hr/>		
NOTE 14A: COMMISSION		
External entities - Media Commissions Special Account	8,481	8,752
Total commissions	8,481	8,752
<hr/>		
Gains		
<hr/>		
NOTE 14B: GAINS		
Personal benefits - gain on actuarial assessment	-	270
Total gains	-	270

NOTE 15: EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT

	2008 \$'000	2007 \$'000
Expenses		
NOTE 15A: EMPLOYEE BENEFITS		
Wages and salaries	698	639
Superannuation	112	102
Leave and other entitlements	191	177
Total employee benefits	1,001	918
NOTE 15B: SUPPLIERS		
Rendering of services - external entities	4,617	7,475
Operating lease rentals - minimum lease payments	320	325
Total suppliers	4,937	7,800
NOTE 15C: PERSONAL BENEFITS		
Former Governors-General pension scheme - interest	747	715
Total personal benefits	747	715
NOTE 15D: GRANTS		
Private sector - non-profit organisations	2,370	2,302
Total grants	2,370	2,302
NOTE 15E: DEPRECIATION		
Buildings	57	69
Infrastructure, plant and equipment	121	86
Total depreciation	178	155
NOTE 15F: WRITE DOWN AND IMPAIRMENT OF ASSETS		
Impairment of financial instruments	-	3
Impairment of infrastructure, plant and equipment	-	1
Total write-down and impairment of assets	-	4

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 16: ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT

	2008 \$'000	2007 \$'000
Financial assets		
NOTE 16A: CASH AND CASH EQUIVALENTS		
Cash at Bank	-	21
Total cash and cash equivalents	-	21
NOTE 16B: RECEIVABLES		
Commission	-	702
Other	14	3
GST receivables from ATO	30	128
Total receivables (gross)	44	833
Less allowance for doubtful debts:		
Other	(3)	(3)
Total receivables (net)	41	830
Receivables are aged as follows:		
Not overdue	39	735
Overdue by:		
less than 30 days	2	84
30 to 60 days	-	-
61 to 90 days	-	3
more than 90 days	-	11
Total receivables (net)	41	833
The allowance for doubtful debts is aged as follows:		
Not overdue	-	-
Overdue by:		
less than 30 days	-	-
30 to 60 days	-	-
61 to 90 days	-	-
more than 90 days	3	3
Total allowance for doubtful debts	3	3

**NOTE 16: ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT
(CONTINUED)**

Reconciliation of the allowance for doubtful debts:

Movement in relation to 2008

	Other Receivables 2008 \$'000	Total 2008 \$'000
Opening balance	3	3
Amounts written off	-	-
Amounts recovered and reversed	-	-
Increase/decrease recognised in net surplus	-	-
Closing balance	3	3

Movements in relation to 2007

	Other Receivables 2007 \$'000	Total 2007 \$'000
Opening balance	3	3
Amounts written off	-	-
Amounts recovered and reversed	-	-
Increase/decrease recognised in net surplus	-	-
Closing balance	3	3

Goods and services receivables are with entities external to the Australian Government. Credit terms are net 30 days (2007: 30 days)

	2008 \$'000	2007 \$'000
NOTE 16C: ACCRUED REVENUE		
Accrued revenue	1	2,119
Total accrued revenue	1	2,119
NOTE 16D: OTHER INVESTMENTS		
Equity interest in National Australia Day Council	715	-
Total other financial assets	715	-

The National Australia Day Council is an entity that focuses on the promotion of national pride, active citizenship, the observance and celebration of Australia Day and administration of the Australian of the Year awards. The Department's investment in this entity is measured at fair value as at 30 June 2008. Fair value has been taken to be the net assets of the entity as at balance date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**NOTE 16: ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT
(CONTINUED)**

	2008	2007
	\$'000	\$'000

Non-financial assets**NOTE 16E: LAND AND BUILDINGS**

Land (fair value)	34,700	34,700
Buildings		
fair value	6,259	6,219
accumulated depreciation	(57)	-
Total land and buildings	40,902	40,919

NOTE 16F: INFRASTRUCTURE, PLANT AND EQUIPMENT

Infrastructure, plant and equipment:		
gross book value (at fair value)	1,183	1,028
accumulated depreciation	(101)	(2)
Total infrastructure, plant and equipment	1,082	1,026

All revaluations are conducted in accordance with the revaluation policy stated at Note 1. In 2007–08, independent valuer Preston Rowe Patterson NSW Pty Ltd conducted a desktop valuation of all assets.

NOTE 16G: ANALYSIS OF PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT**Table A - Reconciliation of the opening and closing balances of property, infrastructure, plant and equipment (2007–08)**

	Land	Buildings	Infrastructure plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2007				
Opening gross book value	34,700	6,219	1,028	41,947
Opening accumulated depreciation	-	-	(2)	(2)
<i>Adjustment to gross book value opening balance</i>	-	-	1	1
<i>Adjustment to accumulated depreciation opening balance</i>	-	-	(1)	(1)
Adjusted gross book value	34,700	6,219	1,029	41,948
Adjusted accumulated depreciation	-	-	(3)	(3)
Net book value 1 July 2007	34,700	6,219	1,026	41,945

**NOTE 16: ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT
(CONTINUED)**

Table A - Reconciliation of the opening and closing balances of property, infrastructure, plant and equipment (2006–07) (continued)

	Land	Buildings	Infrastructure plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Additions:				
- by purchase	-	40	126	166
Gross revaluation increment/(decrement)	-	-	-	-
Makegood asset	-	-	28	28
Revaluation - write back of accumulated depreciation	-	-	23	23
Depreciation expense	-	(57)	(121)	(178)
Disposals	-	-	-	-
Disposals accumulated depreciation	-	-	-	-
Net book value 30 June 2008	34,700	6,202	1,082	41,984
Net book value as at 30 June 2008 represented by:				
Gross book value	34,700	6,259	1,183	42,142
Accumulated depreciation	-	(57)	(101)	(158)
Total	34,700	6,202	1,082	41,984
As at 1 July 2006				
Gross book value	28,000	6,719	1,345	36,064
Accumulated depreciation/amortisation	-	(2,758)	(786)	(3,544)
Net book value 1 July 2006	28,000	3,961	559	32,520
Additions:				
- by purchase	-	-	18	18
Gross revaluation increment/(decrement)	6,700	(500)	(248)	5,952
Revaluation - write back of accumulated depreciation	-	2,827	796	3,623
Depreciation expense	-	(69)	(86)	(155)
Disposals	-	-	(87)	(87)
Disposals accumulated depreciation	-	-	74	74
Net book value 30 June 2007	34,700	6,219	1,026	41,945
Net book value as at 30 June 2007 represented by:				
Gross book value	34,700	6,219	1,028	41,947
Accumulated depreciation	-	-	(2)	(2)
Total	34,700	6,219	1,026	41,945
			2008	2007
			\$'000	\$'000
NOTE 16H: OTHER				
Prepayments			30	25
Total other			30	25

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 17: LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT

	2008	2007
	\$'000	\$'000
NOTE 17A: SUPPLIERS		
Trade creditors	336	374
Personal benefits – former Governors-General allowances (See Note 17D)	163	88
GST payable to ATO	15	94
Total supplier payables	514	556
<i>All creditors are entities that are not part of the Australian Government. Settlement is usually made net 30 days.</i>		
NOTE 17B: PROVISIONS		
Employees		
Salaries and wages	15	8
Employee leave and other entitlements	148	170
Make good provision	81	81
Personal benefits – former Governors-General allowances (See Note 17D)	12,118	12,128
Total provisions	12,362	12,387
Provisions are represented by:		
Current	1,395	1,048
Non-current	10,967	11,339
Total provisions	12,362	12,387
NOTE 17C: OTHER		
Unearned revenue	-	107
Total other liabilities	-	107

**NOTE 17: LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT
(CONTINUED)**

NOTE 17D: PERSONAL BENEFITS - FORMER GOVERNORS-GENERAL ALLOWANCES

The Governor-General pension scheme is an unfunded defined benefit scheme. It provides a pension benefit on retirement of 60% of the salary payable to the Chief Justice less any other government pensions and surcharge adjustments. The scheme is totally unfunded and members do not contribute towards the cost of benefits. Actuarial gains and losses are not recognised in the income statement but are taken to equity in the year that they occur.

	2008	2007
	\$'000	\$'000

The amounts recognised in the balance sheet are as follows:

Present value of funded obligations	-	-
Fair value of plan assets	-	-
Present value of unfunded obligations	12,118	12,128
Unrecognised past service cost	-	-
Net liability in balance sheet	12,118	12,128
Amounts in balance sheet:		
Liabilities	12,118	12,128
Assets	-	-
Net liability in balance sheet	12,118	12,128

The amounts recognised in the income statement are as follows:

Current service cost	-	-
Interest on obligation	747	715
Expected return on plan assets	-	-
Losses (gains) on curtailments and settlements	-	-
Expense	747	715
Net actuarial losses (gains) recognised in equity	150	(270)

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

Net liability at 1 July	12,128	12,555
Service cost	-	-
Interest cost	747	715
Actuarial losses	150	(270)
Benefits paid	(744)	(784)
Accrued benefit	(163)	(88)
Exchange adjustment	-	-
Net liability at 30 June	12,118	12,128

Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets	-	-
Contributions by employer	744	784
Benefits paid	(744)	(784)
Closing value of plan assets	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**NOTE 17: LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT
(CONTINUED)***Principal actuarial assumptions at the reporting date (expressed as weighted averages):*

	2008	2007
Discount rate at 30 June	6.60%	6.40%
Expected return on plan assets at 30 June	-	-
Future salary increases	4.00%	4.00%
Future pension increases *	4.00%	4.00%

* Pension offsets which are linked to CPI have been assumed to increase at 2.5%

NOTE 18: ADMINISTERED RECONCILIATION TABLE

	2008	2007
	\$'000	\$'000
Opening administered assets less administered liabilities as at 1 July	31,890	18,886
<i>Plus:</i> Administered income	8,481	9,022
<i>Less:</i> Administered expenses	(9,233)	(11,894)
<i>Less:</i> Administered asset acquisitions	-	(18)
Administered transfers to/from Australian Government:		
Appropriation Transfers from OPA:		
Annual appropriations for administered expenses	10,195	11,716
Administered assets and liabilities appropriations	-	1,370
Special appropriations (unlimited)	831	784
Transfers to OPA	(12,154)	(7,540)
Administered revaluations taken to/from reserves		
Asset revaluations	-	5,953
Write back of accumulated depreciation	-	3,624
Disposal of assets	-	(87)
Write back of accumulated depreciation on disposal	-	74
Revaluation of liabilities relating to the Former Governors General allowances	(150)	-
Correction to makegood	54	-
Restructuring	(734)	-
Administered investments	715	-
Closing administered assets less administered liabilities as at 30 June	29,895	31,890

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 19: FINANCIAL INSTRUMENTS

	2008	2007
	\$'000	\$'000
NOTE 19A: CATEGORIES OF FINANCIAL INSTRUMENTS		
Financial assets		
Loans and receivables		
Cash and cash equivalents	-	21
Receivables	14	702
Accrued revenue	1	2,119
	<u>15</u>	<u>2,842</u>
Available for sale financial assets		
Equity interest in - National Australia Day Council	715	-
	<u>715</u>	<u>-</u>
Carrying amount of financial assets	<u>730</u>	<u>2,842</u>
Financial liabilities		
At amortised cost		
Trade creditors	499	462
Unearned income	-	107
Carrying amount of financial liabilities	<u>499</u>	<u>569</u>
NOTE 19B: NET INCOME AND EXPENSE FROM FINANCIAL ASSETS		
Loans and receivables		
Impairment	-	3
Net gain/(loss) loans and receivables	<u>-</u>	<u>3</u>
Net gain/(loss) from financial assets	<u>-</u>	<u>3</u>

Note 19C: Fair value of financial instruments

The fair value of financial instruments are the same as their carrying amounts. The administered investment in the National Australia Day council is measured at fair value as at 30 June 2008. Fair value is based on non-market inputs as the valuation is taken to be the net assets of the National Australia Day Council as at balance date.

NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)

19D: CREDIT RISK

The administered activities of the Department are not exposed to a high level of credit risk as the majority of financial assets are cash and cash equivalents, and trade receivables. The Department manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship.

The Department has assessed the risk of the default on payment and has allocated an allowance for doubtful debts of \$3,000 (2007: \$3,000).

The maximum exposure to credit risk is outlined in the table below.

	2008 \$'000	2007 \$'000
Financial assets		
Loans and receivables		
Cash and cash equivalents	-	21
Receivables	14	702
Accrued revenue	1	2,119
Available for sale financial assets		
Equity interest in - National Australia Day Council	715	-
Total	730	2,842

Credit quality of financial instruments not past due or individually determined as impaired

	Not Past Due Nor Impaired 2008 \$'000	Not Past Due Nor Impaired 2007 \$'000	Past due or impaired 2008 \$'000	Past due or impaired 2007 \$'000
Loans and receivables				
Cash and cash equivalents	-	21	-	-
Receivables	12	604	2	98
Accrued revenue	1	2,119	-	-
Available for sale financial assets				
Equity interest in - National Australia Day Council	715	-	-	-
Total	728	2,744	2	98

Ageing of financial assets that are past due but not impaired for 2008

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Cash and cash equivalents	na	na	na	na	-
Receivables	2	-	-	-	2
Accrued revenue	na	na	na	na	-
Total	2	-	-	-	2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)**Ageing of financial assets that are past due but not impaired for 2007**

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Cash and cash equivalents	na	na	na	na	-
Receivables	84	-	3	11	98
Accrued revenue	na	na	na	na	-
Total	84	-	3	11	98

NOTE 19E: LIQUIDITY RISK

The Department's administered financial liabilities are trade creditors and unearned income. The exposure to liquidity risk is based on the notion that the Department will encounter difficulty in meeting its obligations associated with administered financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to the Department (e.g. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The following tables illustrates the maturities for financial liabilities

	On demand 2008 \$'000	within 1 year 2008 \$'000	1 to 5 years 2008 \$'000	> 5 years 2008 \$'000	Total 2008 \$'000
Other Liabilities					
Trade creditors	-	499	-	-	499
Unearned income	na	na	na	na	-
Total	-	499	-	-	499

	On demand 2007 \$'000	within 1 year 2007 \$'000	1 to 5 years 2007 \$'000	> 5 years 2007 \$'000	Total 2007 \$'000
Other Liabilities					
Trade creditors	-	462	-	-	462
Unearned income	-	107	-	-	107
Total	-	569	-	-	569

The Department's administered activities are appropriated from the Australian Government. The Department manages its budgeted administered funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Department has policies in place to ensure timely payments are made when due and has no past experience of default.

NOTE 19F: MARKET RISK

The Department holds basic financial instruments that do not expose the Department to certain market risks. The Department is not exposed to 'Interest Risk', 'Currency risk' or 'Other price risk'.

NOTE 20: ADMINISTERED INVESTMENTS

The principal activities of the department's administered investments are as follows:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 21: APPROPRIATIONS**Table A: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations**

Particulars	Administered expenses		Departmental outputs		Total	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Balance brought forward from previous period						
Appropriation Act:						
Appropriation Act (No.1) 2007–08	1,696,535	143,985	41,934,318	33,978,795	43,630,853	34,122,780
Appropriation Act (No.1) 2007–2008	8,908,000	8,530,000	134,860,000	120,738,000	143,768,000	129,268,000
Appropriation Act (No.3) 2007–08	33,000	350,000	600,000	-	600,000	-
Appropriation Act (No.5) 2007–08	-	-	10,316,000	15,005,000	10,349,000	15,355,000
Other annual appropriation acts	-	-	-	2,212,000	-	2,212,000
Administered appropriation lapsed (Appropriation Act section 8)	(1,178,260)	-	-	-	(1,178,260)	-
Reductions of appropriations (Appropriation Act section 9)	-	-	-	-	-	-
Advance to the Finance Minister (Appropriation Act section 11)	-	-	-	-	-	-
Comcover receipts (Appropriation Act section 12)	-	-	-	-	-	-
Amounts transferred to Capital	-	-	(903,824)	-	(903,824)	-
FMA Act:						
Refunds credited (FMA section 30)	258,416	-	739,103	476,512	997,519	476,512
Appropriations to take account of recoverable GST (FMAA section 30A)	341,707	297,752	8,139,137	6,371,249	8,480,844	6,669,001
Annotations to 'net appropriations' (FMA section 31)	-	-	8,162,260	3,624,927	8,162,260	3,624,927
Adjustment of appropriations on change of entity function (FMA section 32)	-	-	926,316	(1,873,521)	926,316	(1,873,521)
Total appropriation available for payments	10,059,398	9,321,737	204,773,310	180,532,962	214,832,708	189,854,699
Cash payments made during the year (GST inclusive)	7,812,582	7,625,202	162,337,328	138,598,644	170,149,910	146,223,846
Appropriations credited to Special Accounts (excluding GST)	-	-	-	-	-	-
Balance of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations	2,246,816	1,696,535	42,435,982	41,934,318	44,682,798	43,630,853
Represented by:						
Cash at bank and on hand	-	21,082	1,428,545	774,421	1,428,545	795,503
Cash payable to OPA	-	(18,469)	-	-	-	(18,469)
Receivable - departmental appropriations	-	-	40,635,330	40,354,387	40,635,330	40,354,387
Receivable - GST receivable from the ATO	-	-	372,107	805,510	372,107	805,510
Undrawn, unexpired administered appropriations	2,246,816	1,693,922	-	-	2,246,816	1,693,922
Total	2,246,816	1,696,535	42,435,982	41,934,318	44,682,798	43,630,853

NOTE 21: APPROPRIATIONS (CONTINUED)

Table B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations

Particulars	Operating		Non-operating		Total	
	SPPs		Equity		Administered assets and liabilities	
	2008	2007	2008	2007	2008	2007
Balance brought forward from previous period (Appropriation Acts)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Appropriation Act:						
Appropriation Act (No.2) 2007-08	-	-	13,171,018	-	-	13,171,018
Appropriation Act (No.4) 2007-08	-	-	14,204,000	-	-	14,204,000
Appropriation Act (No.6) 2007-08	-	-	7,261,000	1,370,000	-	8,631,000
Other annual appropriation acts	-	-	-	-	-	-
Administered appropriation lapsed (Appropriation Act section 7 & 8)	-	-	-	-	-	-
Reductions of appropriations (appropriation Act section 11)	-	-	-	-	-	-
Advance to the Finance Minister (Appropriation Act section 12)	-	-	-	-	-	-
Amounts transferred from Operating FMA Act:	-	-	903,824	-	-	903,824
Refunds credited (FMA section 30)	-	-	-	-	-	-
Appropriations to take account of recoverable GST (FMA section 30A)	-	-	137,880	2,643,494	137,000	2,780,494
Adjustment to appropriations on change of entity function (FMA section 32)	-	-	-	-	-	-
Total appropriations available for payments	-	-	9,514,782	37,279,512	1,507,000	38,786,512
Cash payments made during the year (GST inclusive)1	-	-	1,516,682	29,078,434	1,507,000	30,585,434
Appropriations credited to Special Accounts (GST exclusive)	-	-	-	-	-	-
Balance of Authority to Draw Cash from the Consolidated Revenue Fund for Other Than Ordinary Annual Services Appropriations	-	-	7,998,100	8,201,078	-	8,201,078
Represented by:						
Cash at bank and on hand	-	-	-	-	-	-
Appropriation Receivable1	-	-	7,998,100	8,201,078	-	8,201,078
Undrawn, unexpired administered appropriations	-	-	-	-	-	-
Total	-	-	7,998,100	8,201,078	-	8,201,078

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 21: APPROPRIATIONS (CONTINUED)**Table C: Acquittal of authority to draw cash from the consolidated revenue fund - special appropriations (unlimited amount)**

Governor-General Act 1974			
Section 5			
Purpose: To make provision in relation to the payment of allowances for former Governors-General.	Administered expenses		
	Outcome 1		
	2008	2007	
	\$'000	\$'000	
Cash payments made during the year	832	785	
Refunds credited (net) (FMA Act section 30)	-	-	
Total charged to appropriation	832	785	
<i>Estimated Actual</i>	909	895	

Financial Management and Accountability Act 1997			
Section 28(2)			
Purpose: To make repayments required or permitted by law (where no other appropriation exists)	Administered expenses		
	Outcome 1		
	2008	2007	
	\$	\$	
Cash payments made during the year	-	-	
<i>Estimated Actual</i>	-	-	

The special appropriations for: (1) Provision of superannuation surcharge for former Governors-General under s4 (7) of the *Governor-General Act 1974*; and (2) Remuneration and allowances of members of the Parliamentary Commission of Inquiry and for other expenses under s10 of the *Parliamentary Commission of Inquiry (Repeal) Act 1986* were not used during the reporting period or the previous reporting period and are therefore not shown in separate tables.

NOTE 22: SPECIAL ACCOUNTS

Other Trust Moneys (Departmental)	2008	2007
	\$	\$
<i>Legal authority: Financial Management and Accountability Act 1997 section 20</i>		
<i>Purpose: For expenditure of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.</i>		
 <i>This account was abolished and replaced by the Services for Other Entities and Trust Moneys Special Account on the 26th of June 2008.</i>		
This account is non-interest bearing		
Balance carried from previous period	-	-
Appropriation for reporting period	-	-
Costs recovered	-	-
Other receipts	-	-
GST Credits (FMA Act section 30A)	-	-
Total credits	-	-
Payments made to suppliers	-	-
Repayments debited from the special account	-	-
Investments debited from the special account (FMA Act section 39)	-	-
Total debits	-	-
 Balance carried to next period	 -	 -
<i>Represented by:</i>		
Cash - held by the entity	-	-
Cash - transferred to the Official Public Account	-	-
Total balance carried to the next period	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 22: SPECIAL ACCOUNTS (CONTINUED)

Services for other Governments and Non-Agency Bodies Account (Departmental)	2008	2007
	\$	\$

Legal authority: Financial Management and Accountability Act 1997 section 20

Purpose: Funds in this account are used for expenditure in connection with services performed on behalf of other governments and bodies that are not FMA agencies.

This account was abolished and replaced by the Services for Other Entities and Trust Monies Special Account on the 26th of June 2008 and the balance transferred to the Services for Other Entities and Trust Monies Special Account.

This account is non-interest bearing

Balance carried from previous period	1,057,736	1,057,736
Adjustment to balance brought forward	-	-
Appropriation for reporting period	-	-
Costs recovered	-	-
Other receipts	-	-
Funds received from state agencies	-	-
Comcare Recoveries	-	-
GST Credits (FMA Act section 30A)	-	-
Total credits	1,057,736	1,057,736
Payments made to suppliers	-	-
Repayments debited from the special account	-	-
Investments debited from the special account (FMA Act section 39)	-	-
Transfer to Services for Other Entities and Trust Monies Special Account	1,057,736	-
Total Debits	1,057,736	-
Balance carried to next period	-	1,057,736
<i>Represented by:</i>		
Cash - held by the entity	-	-
Cash held in the Official Public Account	-	1,057,736
Total balance carried to the next period	-	1,057,736

NOTE 22: SPECIAL ACCOUNTS (CONTINUED)

Campaign Advertising Special Account (Departmental)	2008	2007
	\$	\$
<i>Legal authority: Financial Management and Accountability Act 1997 section 20</i>		
<i>Purpose: Funds in this account are used for costs associated with the administration of the Central Advertising System; to make repayments to the original contributors, and the capacity to return excess amounts without making a real or notional payment.</i>		
<i>Responsibility for management and reporting of the Campaign Advertising Special Account was transferred to Department of Finance and Deregulation on 11 January 2008 with a cash balance of \$7,562,473.</i>		
This account is non-interest bearing		
Balance carried from previous period	4,652,288	3,523,862
Adjustment to opening balance	26,727	-
Appropriation for reporting period	-	-
Costs recovered	-	-
Other receipts	-	-
Commissions	3,687,456	2,078,426
GST Credits (FMA Act section 30A)	-	-
Total Credits	8,366,471	5,602,288
Payments made to suppliers	6,549	950,000
GST payments	401,616	-
Reimbursements to the Department	395,833	-
Repayments debited from the special account	-	-
Investments debited from the special account (FMA Act section 39)	-	-
Total Debits	803,998	950,000
Balance carried to next period	7,562,473	4,652,288
<i>Represented by:</i>		
Cash - held by the entity	-	-
Cash - transferred to the Official Public Account	7,562,473	4,679,015
Less: Other payables - net GST payable to ATO	-	(26,727)
Total balance transferred to Department of Finance and Deregulation on 11 January 2008	7,562,473	4,652,288

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 22: SPECIAL ACCOUNTS (CONTINUED)

Media Commissions Special Account (Administered)	2008	2007
	\$	\$
<i>Legal authority: Financial Management and Accountability Act 1997 section 20</i>		
<i>Purpose: Funds in this account are used to transfer media commissions through the central advertising system and to reduce the balance without making real or notional payments.</i>		
<i>Responsibility for management and reporting of the Media Commissions Special Account was transferred to Department of Finance and Deregulation on 11 January 2008 with a cash balance of \$21,575,412.</i>		
This account is non-interest bearing		
Balance carried from previous period	13,819,036	10,729,621
Adjustment to opening balance	92,875	-
Appropriation for reporting period	-	-
Costs recovered	-	-
Other receipts	-	-
Commissions	10,446,975	6,735,499
GST Credits (FMA Act section 30A)	-	333,122
Total Credits	24,358,886	17,798,242
Payments made to suppliers	1,803,182	3,979,206
GST payments	895,950	-
Reimbursements to the Department	84,342	-
Repayments debited from the special account	-	-
Investments debited from the special account (FMA Act section 39)	-	-
Total Debits	2,783,474	3,979,206
Balance carried to next period	21,575,412	13,819,036
<i>Represented by:</i>		
Cash - held by the entity	-	-
Cash held in the Official Public Account	21,575,412	13,911,911
Less: Other payables - net GST payable to ATO	-	(92,875)
Total balance transferred to Department of Finance and Deregulation on 11 January 2008	21,575,412	13,819,036

NOTE 22: SPECIAL ACCOUNTS (CONTINUED)

Services for Other Entities and Trust Moneys Special Account (Departmental)	2008	2007
	\$	\$

Legal authority: Financial Management and Accountability Act 1997 section 20

Purpose: This account was created to disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth. The account amalgamates the provisions of the OTM and SOG Special

Accounts, and provides an additional debiting clause to reduce the balance of the SOETM Special Account by amounts that are not Special Public Money.

This account is non-interest bearing

Balance carried from previous period	-	-
Appropriation for reporting period	-	-
Costs recovered	-	-
Other receipts	-	-
Commissions	-	-
GST Credits (FMA Act section 30A)	-	-
Transfer from Services for other Governments and Non-Agency Bodies Special Account	1,057,736	
Total Credits	1,057,736	-
Payments made to the Official Public Account	1,057,736	-
Repayments debited from the special account	-	-
Investments debited from the special account (FMA Act section 39)	-	-
Total Debits	1,057,736	-
Balance carried to next period	-	-
<i>Represented by:</i>		
Cash - held by the entity	-	-
Cash - transferred to the Official Public Account	-	-
Total balance carried to the next period	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 23: REMUNERATION OF AUDITORS

	2008	2007
	\$	\$
Financial statement audit services are provided free of charge to the department. The fair value of the services provided was:	200,000	163,590

No other services were provided by the Auditor-General.

NOTE 24: COMPENSATION AND DEBT RELIEF

	2008	2007
	\$	\$
Act of grace payments		
No payments were made during the reporting period (2007: No payments made).	-	-
Waivers of debt		
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997 (2007: No waivers made).	-	-
Defective administration scheme payments		
No payments were made during the reporting period (2007: No payments made).	-	-
Ex-gratia payments		
No payments were made during the reporting period (2007: No payments made).	-	-
Section 73 of the <i>Public Service Act 1999</i> payments		
No payments were made during the reporting period (2007: No payments made).	-	-

NOTE 25: REPORTING OF OUTCOMES

In 2007–08, the department attributed shared items on the basis of employee expenses. In the comparative year, the department used staff numbers and floor space to determine the attribution of its shared items. The department has moved to an employee expense basis of allocation to support allocation of shared items under the outcome structure to be introduced from 1 July 2008 onwards.

NOTE 25A: NET COST OF OUTCOME DELIVERY

	Outcome 1		Total	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Expenses				
Administered	9,233	11,894	9,233	11,894
Departmental	152,020	155,076	152,020	155,076
Total expenses	161,253	166,970	161,253	166,970
Costs recovered from provision of goods and services to the non-government sector				
Administered	-	-	-	-
Departmental	5,546	988	5,546	988
Total costs recovered	5,546	988	5,546	988
Other external revenue				
Administered	8,481	9,022	8,481	9,022
Departmental	3,309	10,226	3,309	10,226
Total other external revenues	11,790	19,248	11,790	19,248
Net cost/(contribution) of outcome	143,917	146,734	143,917	146,734

Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual budget outcome.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 25: REPORTING OF OUTCOMES (CONTINUED)**NOTE 25B: MAJOR CLASSES OF DEPARTMENTAL REVENUES AND EXPENSES BY OUTPUT GROUPS AND OUTPUTS**

Outcome 1	Output Group 1 Output 1.1		Output Group 1 Total	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<i>Departmental expenses</i>				
Employees	11,821	10,851	11,821	10,851
Suppliers	5,383	9,162	5,383	9,162
Grants	-	-	-	-
Depreciation and amortisation	867	955	867	955
Write down and impairment of assets	291	-	291	-
Losses from asset sales	4	-	4	-
Total departmental expenses	18,366	20,968	18,366	20,968
<i>Funded by:</i>				
Revenues from Government	17,429	21,329	17,429	21,329
Sales of goods and services	2,104	118	2,104	118
Gains - other	73	67	73	67
Total departmental revenue	19,606	21,514	19,606	21,514

Outcome 1	Output Group 2 Output 2.1		Output Group 2 Total	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<i>Departmental expenses</i>				
Employees	11,392	8,685	11,392	8,685
Suppliers	5,124	4,178	5,124	4,178
Grants	-	-	-	-
Depreciation and amortisation	836	629	836	629
Write down and impairment of assets	281	-	281	-
Losses from asset sales	5	-	5	-
Total departmental expenses	17,638	13,492	17,638	13,492
<i>Funded by:</i>				
Revenues from Government	16,799	12,711	16,799	12,711
Sales of goods and services	837	438	837	438
Gains - other	91	253	91	253
Total departmental revenue	17,727	13,402	17,727	13,402

NOTE 25: REPORTING OF OUTCOMES (CONTINUED)

Outcome 1	NOTE 25B: MAJOR CLASSES OF DEPARTMENTAL REVENUES AND EXPENSES BY OUTPUT GROUPS AND OUTPUTS (CONTINUED)									
	Output Group 3 Output 3.1		Output Group 3 Output 3.2		Output Group 3 Output 3.3		Output Group 3 Output 3.3		Output Group 3 Output 3.3	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Departmental expenses</i>										
Employees	2,997	2,857	7,507	5,150	7,881	19,279	18,385	27,286		
Suppliers	1,294	1,366	4,090	4,766	51,112	53,586	56,496	59,718		
Grants	-	-	5,794	2,439	-	-	5,794	2,439		
Depreciation and amortisation	220	253	551	563	721	1,766	1,492	2,582		
Write down and impairment of assets	74	-	185	-	2,308	-	2,567			
Losses from asset sales	1	-	3	-	1,089	-	1,093			
Total departmental expenses	4,586	4,476	18,130	12,918	63,111	74,631	85,827	92,025		
<i>Funded by:</i>										
Revenues from Government	4,419	4,394	16,862	10,854	65,092	60,723	86,373	75,971		
Sales of goods and services	141	29	1,871	435	3,119	613	5,131	1,077		
Gains - other	18	10	1,166	1,023	341	3,968	1,525	5,001		
Total departmental revenue	4,578	4,433	19,899	12,312	68,552	65,304	93,029	82,049		

NOTE 25: REPORTING OF OUTCOMES (CONTINUED)

NOTE 25B: MAJOR CLASSES OF DEPARTMENTAL REVENUES AND EXPENSES BY OUTPUT GROUPS AND OUTPUTS (CONTINUED)														
Outcome 1	Output Group 4 Output 4.1		Output Group 4 Output 4.2		Output Group 4 Output 4.3		Output Group 4 Output 4.4		Output Group 4 Output 4.5		Output Group 4 Output 4.6		Output Group 4 Total	
2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000
<i>Departmental expenses</i>														
Employees	5,384	3,997	6,863	5,469	1,240	3,296	467	359	487	777	2,465	2,290	16,906	16,188
Suppliers	4,684	2,634	3,116	2,790	827	1,958	171	181	1,889	2,180	922	942	11,609	10,685
Grants	-	-	-	-	-	-	82	103	-	-	-	-	82	103
Depreciation and amortisation	378	378	503	496	91	346	34	33	-	171	181	191	1,188	1,615
Write down and impairment of assets	127	-	169	-	31	-	12	-	-	-	61	-	399	-
Losses from asset sales	2	-	2	-	0	-	0	-	-	-	1	-	5	-
Total departmental expenses	10,575	7,009	10,653	8,755	2,189	5,600	766	676	2,376	3,128	3,630	3,423	30,189	28,591
<i>Funded by:</i>														
Revenues from Government	10,786	6,446	10,118	8,263	1,829	4,983	770	812	1,380	2,616	3,635	2,950	28,518	26,070
Sales of goods and services	242	750	323	16	241	506	23	1	1	11	116	6	946	1,290
Commissions - special accounts	-	-	-	-	2,960	2,893	-	-	-	-	-	-	2,960	2,893
Gains - other	46	15	42	32	8	14	3	1	-	7	15	8	114	77
Total departmental revenues	11,074	7,211	10,483	8,311	5,038	8,396	796	814	1,381	2,634	3,766	2,964	32,538	30,331

NOTE 25: REPORTING OF OUTCOMES (CONTINUED)

NOTE 25C: MAJOR CLASSES OF ADMINISTERED REVENUES AND EXPENSES BY OUTCOMES		
Outcome 1	Total Outcome 1	
	2008	2007
	\$'000	\$'000
Administered income		
Commissions - Media Commissions Special Account	8,481	8,752
Sales of goods and services	-	-
Personal benefits - gain on actuarial assessment	-	270
Gains - assets not previously recognised	-	-
Total administered income	8,481	9,022
Administered expenses		
Employee benefits	1,001	918
Suppliers	4,937	7,800
Personal benefits	747	715
Grants	2,370	2,302
Depreciation	178	155
Write down and impairment of assets	-	4
Total administered expenses	9,233	11,894