

05: Financial statements

Agency Resource Statement 2016–17	48
Independent auditor’s report	49
Statement by the accountable authority and Chief Financial Officer	51
Primary financial statements and notes	54

Agency Resource Statement

Table 30: Agency Resource Statement, 2016–17

	Actual Available Appropriation for 2016–17 \$'000	Payments Made 2016–17 \$'000	Balance Remaining 2016–17 \$'000
	(a)	(b)	(a-b)
Ordinary Annual Services¹			
Departmental appropriation ²	185,711	123,925	61,786
Total Ordinary Annual Services	185,711	123,925	61,786
Other services			
Departmental Non-Operating			
Equity injections	150	150	–
Total Other Services	150	150	–
Special Appropriation			
Administered outputs	1,800	1,515	285
Total Special Appropriation	1,800	1,515	285
Total Available Annual Appropriations	187,661	125,590	62,071
Funds Held by CRF			
Opening balance	2,125	–	2,125
Non-appropriation receipts	1,655	–	1,655
Payments	–	1,515	(1,515)
Total Funds Held by CRF	3,780	1,515	2,265
Special Account			
Opening balance	–	–	–
Non-appropriation receipts	2,227	–	2,227
Payments	–	848	(848)
Total Special Account	2,227	848	1,379
Total Net Resourcing for Fair Work Ombudsman and Registered Organisations Commission Entity	193,668	127,953	65,715

1. Appropriation Act (No. 1) 2016–17. This may also include prior-year departmental appropriation and section 74 retained revenue receipts.

2. Includes an amount of \$6.849m in 2016–17 for the departmental capital budget. For accounting purposes, this amount has been designated as 'contributions by owners'.

Table 31: Expenses and Resources for Outcome 1

Outcome 1: Compliance with workplace relations legislation by employees and employers through advice, education and where necessary enforcement.	Budget 2016–17 \$'000	Actual Expenses 2016–17 \$'000	Variation \$'000
	(a)	(b)	(a-b)
Program 1: Education Services and Compliance Activities			
Departmental Expenses			
Departmental appropriation	103,987	112,395	(8,408)
S74 Retained revenue receipts (a)	1,550	2,070	(520)
Expenses not requiring appropriation in the budget year	7,102	8,640	(1,538)
Total for Program 1	112,639	123,105	(10,466)
Total Expenses for Outcome 1	112,639	123,105	(10,466)
		2016–17	
Average staffing level (number)		710	



INDEPENDENT AUDITOR'S REPORT

To the Minister for Employment

Opinion

In my opinion, the financial statements of the Fair Work Ombudsman and Registered Organisations Commission Entity for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Fair Work Ombudsman and Registered Organisations Commission Entity as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Fair Work Ombudsman and Registered Organisations Commission Entity, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

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

Basis for Opinion

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

Accountable Authority's Responsibility for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Peter Kerr
Executive Director
Delegate of the Auditor-General
Canberra
19 September 2017

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Fair Work Ombudsman and Registered Organisations Commission Entity will be able to pay its debts as and when they fall due.



Natalie James
Accountable authority

Russell Thackeray
Chief Financial Officer

19 September 2017

19 September 2017

Contents

Primary financial statements

Statement of Comprehensive Income	54
Statement of Financial Position	56
Statement of Changes in Equity	58
Cash Flow Statement	60
Administered Schedule of Comprehensive Income	62
Administered Schedule of Assets and Liabilities	63
Administered Reconciliation Schedule	64
Administered Cash Flow Statement	65

Notes to the financial statements

	Overview	67
1. Financial Performance		
	1.1 Expenses	68
	1.2 Own-Source Revenue and Gains	70
2. Income and Expenses Administered on Behalf of Government		
	2.1 Administered - Expenses	71
	2.2 Administered - Income	71
3. Financial Position		
	3.1 Financial Assets	72
	3.2 Non-Financial Assets	73
	3.3 Payables	75
	3.4 Other Provisions	76
4. Assets and Liabilities Administered on Behalf of Government		
	4.1 Administered - Financial Assets	77
5. Funding		
	5.1 Appropriations	78
	5.2 Special Accounts	80
	5.3 Net Cash Appropriation Arrangements	80
6. People and Relationships		
	6.1 Employee Provisions	81
	6.2 Key Management Personnel Remuneration	82
	6.3 Related Party Disclosures	82

7. Managing Uncertainties

7.1 Contingent Assets and Liabilities	83
---------------------------------------	----

7.2 Financial Instruments	84
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7.3 Fair Value Measurement	85
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8. Other Information

8.1 Assets Held in Trust	86
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8.2 Restructuring	86
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STATEMENT OF COMPREHENSIVE INCOME for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	75,455	75,109	73,001
Suppliers	1.1B	34,042	35,391	30,836
Grants	1.1C	1,654	1,849	1,800
Depreciation and amortisation	3.2A	11,948	13,924	7,002
Losses from asset sales		6	54	–
Total expenses		123,105	126,327	112,639
LESS:				
Own-Source Income				
Own-source revenue				
Rental income	1.2A	1,140	3,069	1,050
Other income	1.2B	930	1,208	500
Total own-source revenue		2,070	4,277	1,550
Gains				
Other gains	1.2C	–	292	100
Total gains		–	292	100
Total own-source income		2,070	4,569	1,650
Net cost of services		(121,035)	(121,758)	(110,989)
Revenue from Government	1.2D	112,395	107,995	103,987
Deficit		(8,640)	(13,763)	(7,002)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		–	–	–
Total other comprehensive income		–	–	–
Total comprehensive loss attributable to the Australian Government		(8,640)	(13,763)	(7,002)

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

Original budget reflects the figures presented in the 2016–17 Portfolio Budget Statements.

Budget variance commentary

Statement of Comprehensive Income for the Fair Work Ombudsman and Registered Organisations Commission Entity (FWOROCE)

Employee benefits and suppliers

FWOROCE was required to undertake additional functions following the MYEFO budget round under the Increased Protection for Vulnerable Workers and Working Holiday Makers measures, resulting in higher expenditure being incurred against the original budget.

The Registered Organisations Commission (ROC) was established on 1 May 2017 and brought additional expenditure not included in the FWO's original budget.

Depreciation

Greater than anticipated costs associated with internally developed software and the decision to accelerate depreciation of some leasehold improvements late in 2015–16 resulted in higher depreciation costs than anticipated in the budget.

Revenue from Government

Additional funding of \$6.181 million was allocated to FWOROCE during the MYEFO budget round under the Increased Protection for Vulnerable Workers and Working Holiday Makers measures.

The ROC was established on 1 May 2017 and brought additional funding not included in the FWO's original budget.

STATEMENT OF FINANCIAL POSITION as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	3.1A	1,868	2,142	2,973
Trade and other receivables	3.1B	61,982	62,486	59,256
Total financial assets		63,850	64,628	62,229
Non-financial assets				
Land and buildings (leasehold improvements)	3.2	12,495	13,161	14,166
Property, plant and equipment	3.2	2,496	2,410	3,101
Intangibles	3.2	11,551	13,170	9,405
Prepayments		1,081	974	1,785
Total non-financial assets		27,623	29,715	28,457
Total assets		91,473	94,343	90,686
LIABILITIES				
Payables				
Suppliers	3.3A	10,908	9,948	10,439
Other payables	3.3B	5,240	5,858	–
Total payables		16,148	15,806	10,439
Provisions				
Employee provisions	6.1A	21,346	21,831	20,822
Other provisions	3.4	2,093	3,179	7,719
Total provisions		23,439	25,010	28,541
Total liabilities		39,587	40,816	38,980
Net assets		51,886	53,527	51,706
EQUITY				
Contributed equity		98,384	91,385	98,384
Reserves		5,776	5,776	5,776
Retained earnings (accumulated deficit)		(52,274)	(43,634)	(52,454)
Total equity		51,886	53,527	51,706

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

Original Budget reflects the figures presented in the 2016–17 PBS.

Budget variance commentary

Statement of Financial Position for FWOROCE

Cash and cash equivalents

The amount of cash held was lower than forecast in the budget due to lower payments being made and held in bank accounts operated by FWOROCE's contracted property manager awaiting distribution as lease or property maintenance payments.

Trade and other receivables

The balance of undrawn appropriation was higher than the budgeted figure. This is a result of the lower cash amount required to fund FWOROCE's operations and reflects the operating result for the financial year before depreciation.

Non-financial assets

The net value of leasehold improvements was lower than budget due to the decision in late 2015–16 to accelerate depreciation of a number of office accommodation fitouts. The higher than budget intangibles figure reflects the increased capital investment in systems over the last 18 months, which was not anticipated in the budget papers.

Prepayments

Lower than expected software support payments made in advance have reduced prepayments at year end.

Other payables

A number of new property leases were entered into where significant lease incentives were provided by the property owners. These incentives are recorded as liabilities and released as an offset against expenditure over the term of the relevant lease.

Other provisions

A reduction in the provision for onerous leases following an adjustment during the finalisation of the 2015–16 financial statements.

STATEMENT OF CHANGES IN EQUITY for the period ended 30 June 2017

Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY			
Opening Balance			
Balance carried forward from previous period	91,385	81,574	91,385
Opening balance	91,385	81,574	91,385
Comprehensive Income			
Contributions by owners			
Equity injection - Appropriations	150	-	150
Departmental capital budget	6,849	9,811	6,849
Total transactions with owners	6,999	9,811	6,999
Closing balance as at 30 June	98,384	91,385	98,384
ASSET REVALUATION RESERVE			
Opening Balance			
Balance carried forward from previous period	5,776	5,776	5,776
Opening balance	5,776	5,776	5,776
Comprehensive Income			
Revaluation	-	-	-
Total comprehensive income	-	-	-
Closing balance as at 30 June	5,776	5,776	5,776
RETAINED EARNINGS			
Opening Balance			
Balance carried forward from previous period	(43,634)	(29,871)	(45,452)
Opening balance	(43,634)	(29,871)	(45,452)
Comprehensive Income			
Surplus/(Deficit) for the period	(8,640)	(13,763)	(7,002)
Total comprehensive income	(8,640)	(13,763)	(7,002)
Closing balance as at 30 June	(52,274)	(43,634)	(52,454)
TOTAL EQUITY			
Opening Balance			
Balance carried forward from previous period	53,527	57,479	51,709
Opening balance	53,527	57,479	51,709
Comprehensive Income			
Surplus/(Deficit) for the period	(8,640)	(13,763)	(7,002)
Total comprehensive income	(8,640)	(13,763)	(7,002)
Transactions with owners			
Contributions by owners			
Equity injection - Appropriations	150	-	150
Departmental capital budget	6,849	9,811	6,849
Total transactions with owners	6,999	9,811	6,999
Closing balance as at 30 June	51,886	53,527	51,706

The above statement should be read in conjunction with the accompanying notes.
Original Budget reflects the figures presented in the 2016–17 PBS.

Accounting policy

Equity injections

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

Restructuring of administrative arrangements

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

Budget variance commentary

Surplus/(Deficit) for the period

Expenditure levels did not increase to match the additional funding that was allocated to FWOROCE during the MYEFO budget round under the Increased Protection for Vulnerable Workers and Working Holiday Makers measures, resulting in a lower deficit against the original budget.

Amounts expended by the ROC were also lower than the funding transfer into FWOROCE, adding to the lower deficit for the year.

CASH FLOW STATEMENT for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		110,059	112,366	103,772
Sales of goods and rendering of services		2,086	4,376	1,050
Net goods and services tax (GST) received		3,563	4,133	-
Other		-	292	500
Total cash received		115,708	121,167	105,322
Cash used				
Employees		75,138	74,974	73,276
Suppliers		35,607	31,116	31,537
Section 74 receipts transferred to Official Public Account (OPA)		5,036	6,272	1,000
Total cash used		115,781	112,362	105,813
Net cash from (used by) operating activities		(73)	8,805	(491)
INVESTING ACTIVITIES				
Cash used				
Purchase of non-financial assets		9,755	16,272	6,508
Total cash used		9,755	16,272	6,508
Net cash used by investing activities		(9,755)	(16,272)	(6,508)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		9,554	6,636	6,999
Total cash received		9,554	6,636	6,999
Net cash from financing activities		9,554	6,636	6,999
Net increase in cash held		(274)	(831)	-
Cash and cash equivalents at the beginning of the reporting period		2,142	2,973	2,973
Cash and cash equivalents at the end of the reporting period	3.1A	1,868	2,142	2,973

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

Original Budget reflects the figures presented in the 2016–17 PBS.

Budget variance commentary

Operating Activities

Appropriations

Additional funding of \$6.181 million was allocated to FWOROCE during the MYEFO budget round under the Increased Protection for Vulnerable Workers and Working Holiday Makers measures, resulting in higher cash receipts for the year.

The ROC was established on 1 May 2017 and also brought additional receipts not included in the FWO's original budget.

Employees and suppliers

FWOROCE was required to undertake additional functions following the MYEFO budget round under the Increased Protection for Vulnerable Workers and Working Holiday Makers measures, resulting in higher expenditure being incurred against the original budget.

The ROC was established on 1 May 2017 and brought additional expenditure not included in the FWO's original budget.

Section 74 receipts

Variation from the budgeted section 74 receipts was due to receipts for reimbursements of expenditure such as paid parental leave and leave balances of staff transferred, are not able to be estimated accurately at the time of producing the PBS.

Investing activities

Purchase of non-financial assets

Higher than planned expenditure on non-financial assets was the result of delays in the finalisation of the accommodation fit-out in the new Hobart office, late invoicing for new desktops and project delays for a number of new internally generated software systems.

Contributed equity

A greater amount of funds were required to be drawn from cash reserves to fund the additional non-financial asset purchases.

ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME for the period ended 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget \$
NET COST OF SERVICES				
Expenses				
Write-down and impairment of assets	2.1	2,311,626	622,056	-
Total expenses		2,311,626	622,056	-
LESS:				
Income				
Non-taxation revenue				
Fees and fines	2.2A	5,152,228	3,606,100	300,000
Total revenue		5,152,228	3,606,100	300,000
Net contribution by services		2,840,602	2,984,044	300,000
Surplus		2,840,602	2,984,044	300,000
OTHER COMPREHENSIVE INCOME				
Total Other Comprehensive Income		-	-	-
Total Comprehensive Income		2,840,602	2,984,044	300,000

These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 *Commonwealth Entities Financial Statements Guide*.

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

Original Budget reflects the figures presented in the 2016–17 PBS.

Budget variance commentary

Write down and impairment of assets

The assessment of recoverability of the penalties awarded by the courts against employers and directors of employing entities has resulted in the impairment of the administered debtors established to recognise the court penalties. The amount of unrecoverable court penalties are unable to be accurately estimated when budgets are developed.

Fees and fines

The quantum of penalties handed down by the courts where FWOROCE has brought forward successful litigations are unable to be accurately estimated at the time of establishing budgets.

ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES as at 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget \$
ASSETS				
Financial assets				
Trade and other receivables	4.1A	2,529,798	2,364,530	1,698,000
Other financial assets	4.1B	912,680	956,610	251,000
Total financial assets		3,442,478	3,321,140	1,949,000
Total assets administered on behalf of Government		3,442,478	3,321,140	1,949,000
LIABILITIES				
Total liabilities administered on behalf of Government		-	-	-
Net assets		3,442,478	3,321,140	1,949,000

These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 *Commonwealth Entities Financial Statements Guide*.

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

Original Budget reflects the figures presented in the 2016–17 PBS.

Budget variance commentary

Trade and other receivables

The quantum of penalties handed down by the courts where FWOROCE has brought forward successful litigations are unable to be accurately estimated at the time of establishing budgets. FWOROCE has been successful in achieving higher penalties than expected during the financial year.

Other financial assets

Penalties handed down by the courts post the end of the financial year are required to be accrued into the financial statements up to the signing date. The quantum of these penalties are unable to be accurately estimated at the time of establishing budgets. Higher penalties than anticipated have been handed down.

ADMINISTERED RECONCILIATION SCHEDULE as at 30 June 2017

	2017 \$	2016 \$
Opening assets less liabilities as at 1 July	3,321,140	1,949,145
Net (cost of)/contribution by services		
Income	5,152,228	3,606,100
Expenses	(2,311,626)	(622,056)
Transfers to/from Australian Government:		
Transfers to OPA	(2,695,264)	(1,501,549)
Transfers to OPA by other agencies	(24,000)	(110,500)
Closing assets less liabilities as at 30 June	3,442,478	3,321,140

These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 *Commonwealth Entities Financial Statements Guide*.

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

Accounting policy

Administered cash transfers to and from the OPA

Revenue collected by the agency for use by the Government rather than the agency is administered revenue. Collections are transferred to the OPA maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the agency on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

ADMINISTERED CASH FLOW STATEMENT for the period ended 30 June 2017

	2017 \$	2016 \$
Notes		
OPERATING ACTIVITIES		
Cash received		
Interest	-	-
Fines	2,695,264	1,501,549
Total cash received	2,695,264	1,501,549
Net cash from operating activities	2,695,264	1,501,549
Net increase in cash held	2,695,264	1,501,549
Cash and cash equivalents at the beginning of the reporting period	-	-
Cash from the OPA		
Appropriations	-	-
Cash to the OPA		
Administered accounts	(2,695,264)	(1,501,549)
Cash and cash equivalents at the end of the reporting period	-	-

These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 *Commonwealth Entities Financial Statements Guide*.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ending 30 June 2017

Overview

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the PGPA Act.

The financial statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2016
- Australian Accounting Standards and Interpretations–Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets which are reported at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

New Australian Accounting Standards

Adoption of new Australian Accounting Standard Requirements

All new, revised, amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the agency's financial statements.

Taxation

The agency is exempt from all forms of taxation except fringe benefits tax (FBT) and GST.

Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events After the Reporting Date

Departmental

No significant events have occurred after the reporting date that are likely to affect either the ongoing structure or financial activities of the agency.

Administered

No significant events have occurred after the reporting date that are likely to affect either the ongoing structure or financial activities of the agency.

1. Financial Performance

This section analyses the financial performance of FWOROCE for the year ended 2017.

1.1 Expenses

	2017 \$'000	2016 \$'000
1.1A: Employee Benefits		
Wages and salaries	53,723	50,887
Superannuation:		
Defined contribution plans	6,877	5,911
Defined benefit plans	3,814	4,525
Leave and other entitlements	9,485	11,380
Separation and redundancies	1,143	1,996
Other employee expenses	413	410
Total employee benefits	75,455	75,109

Accounting policy

Accounting policies for employee related expenses are contained in the People and Relationships section (p. 81).

1.1B: Suppliers

Goods and services supplied or rendered

Contractors	9,149	7,814
Legal fees	3,011	2,626
Property outgoings	2,526	2,830
Travel	2,503	2,348
Training	820	839
Telecommunications	968	1,630
Software support and maintenance	1,453	1,059
Consultants	1,080	689
Other	3,824	4,477
Total goods and services supplied or rendered	25,334	24,312
Goods supplied	1,203	1,224
Services rendered	24,131	23,088
Total goods and services supplied or rendered	25,334	24,312

Other suppliers

Operating lease rentals	7,105	9,326
Workers compensation expenses	1,603	1,753

1.1 Expenses *(continued)*

	2017 \$'000	2016 \$'000
Total other suppliers	8,708	11,079
Total suppliers	34,042	35,391

Leasing commitments

The FWOROCE in its capacity as lessee holds office accommodation leases for varying periods up to ten years. Lease payments are subject to increases as specified in the leases. These increases are a combination of fixed annual adjustments and periodic movements to reflect market rates.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	8,107	9,120
Between 1 to 5 years	29,352	20,802
More than 5 years	20,292	13,250
Total operating lease commitments	57,751	43,172

Accounting policy

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

1.1C: Grants

Grants to private sector entities	1,654	1,849
Total grants	1,654	1,849

1.2 Own-Source Revenue and Gains

	2017 \$'000	2016 \$'000
Own-Source Revenue		
1.2A: Rental Income		
Operating lease rentals	1,140	3,069
Total rental income	1,140	3,069

Subleasing rental income commitments

The FWOROCE in its capacity as lessor sublets office accommodation leases for varying periods up to ten years. Lease receipts are subject to increases as specified in the leases/memorandum of understandings. These increases are a combination of fixed annual adjustments and periodic movements to reflect market rates.

Commitments for sublease rental income receivables are as follows:

Within 1 year	460	828
Between 1 to 5 years	704	821
More than 5 years	92	-
Total sublease rental income commitments	1,256	1,649

1.2B: Other Income

Resources received free of charge - audit fees	77	77
Other income	853	1,131
Total other income	930	1,208

1.2C: Other Gains

Other—gains from make-good	-	292
Total other gains	-	292

Accounting policy

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 these resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government entity as a consequence of a restructuring of administrative arrangements.

Gains from make-good

Gains from make-good are recognised either when FWOROCE exits a lease for which FWOROCE has been absolved of its make-good obligation or when the costs incurred are less than the provision for make-good.

1.2D: Revenue from Government

Appropriations		
Departmental appropriations	112,395	107,995
Total revenue from Government	112,395	107,995

Accounting policy

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the agency 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.

Funding received or receivable from non-corporate Commonwealth entities (appropriated to the non-corporate Commonwealth entity as a corporate Commonwealth entity payment item for payment to this entity) is recognised as Revenue from Government by the corporate Commonwealth entity unless the funding is in the nature of an equity.

2. Income and Expenses Administered on Behalf of Government

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

2.1 Administered—Expenses

	2017 \$	2016 \$
Write-Down and Impairment of Assets		
Impairment of financial instruments	2,311,626	622,056
Total write-down and impairment of assets	2,311,626	622,056

Accounting policy

Litigations undertaken by the agency may result in penalties being handed down by the courts against employers and directors of the employing entity. These penalties are held as administered debtors in the accounts of the agency. An assessment of the recoverability of the debt is carried out by the agency's debt recovery section and if a debt is deemed to not be recoverable, a provision is established against the debtor and that associated cost is expensed.

These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 *Commonwealth Entities Financial Statements Guide*.

2.2 Administered - Income

	2017 \$	2016 \$
Revenue		

Accounting policy

All administered revenues are revenues relating to ordinary activities performed by the agency on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual agency that oversees distribution of the funds as directed.

2.2A Fees and Fines

Court-awarded penalties	4,720,018	3,219,498
Infringement notices	432,210	386,602
Total fees and fines	5,152,228	3,606,100

Accounting policy

Revenue comprises court-awarded penalties relating to breaches of either the *Workplace Relations Act 1996* or the Fair Work Act. This revenue is recognised at the nominal amount due less any impairment allowance. The collectability of debts is reviewed at each reporting date by the agency's Legal Branch. Impairment allowances are made when some doubt exists as to the collectability of the debt.

These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 *Commonwealth Entities Financial Statements Guide*.

3. Financial Position

This section analyses the FWOROCE assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

3.1 Financial Assets

	2017 \$'000	2016 \$'000
3.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	679	936
Cash held by contracted agents	1,189	1,206
Total cash and cash equivalents	1,868	2,142
3.1B: Trade and Other Receivables		
Goods and services receivable		
Goods and services	153	483
Total goods and services receivables	153	483
Appropriations receivables		
Appropriation receivable	61,297	61,516
Total appropriations receivables	61,297	61,516
Other receivables		
GST receivable from the Australian Taxation Office	384	328
Other	148	159
Total other receivables	532	487
Total trade and other receivables	61,982	62,486
No provision for impairment is provided for as at balance date.		
Credit terms for goods and services were within 30 days (2016: 30 days).		

Accounting policy

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. 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 the end of each reporting period.

3.2 Non-Financial Assets

3.2: Reconciliation of Opening and Closing Balances of Property, Plant and Equipment and Intangibles

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2017

	Land and buildings (leasehold improvements) \$'000	Property, plant and equipment \$'000	Intangibles (computer software) ¹ \$'000	Total \$'000
As at 1 July 2016				
Gross book value	20,057	4,431	28,809	53,297
Accumulated depreciation and amortisation	(6,896)	(2,021)	(15,639)	(24,556)
Total as at 1 July 2016	13,161	2,410	13,170	28,741
Additions				
Purchase	4,706	1,151	-	5,857
Internally generated	-	-	3,898	3,898
Depreciation and amortisation	(5,372)	(1,059)	(5,517)	(11,948)
Disposals				
Other	-	(6)	-	(6)
Total as at 30 June 2017	12,495	2,496	11,551	26,542
Total as at 30 June 2017 represented by				
Gross book value	24,763	5,086	32,687	62,536
Accumulated depreciation, amortisation and impairment	(12,268)	(2,590)	(21,136)	(35,994)
Total as at 30 June 2017 represented by	12,495	2,496	11,551	26,542

1. The carrying amount of computer software comprises internally generated software.

No indicators of impairment were found for land and buildings (leasehold improvements). The agency will continue to review its land and buildings (leasehold improvements) holdings to ensure suitable levels of office space are leased and any opportunities for rationalisation are taken. This may result in some leases not being renewed when they expire. However, the agency has no plans to reduce its presence in capital cities or regional locations.

The FWOROCE has six properties that have leasehold improvements where the lease is due for renewal or cessation within the next 12 months. The total net book value of the leasehold improvements for these properties was \$0.297 million as at 30 June 2017.

No indicators of impairment were found for property, plant and equipment and intangibles.

No other property, plant and equipment and intangibles are expected to be sold or disposed of within the next 12 months.

Accounting policy

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 income at their fair value at the date of acquisition, unless acquired as a consequence of the 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's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of land and buildings (leasehold improvements), and property, plant and equipment are recognised initially at cost in the statement of financial position, 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 'make-good' provisions in property leases taken up by the agency where there exists an obligation to restore the property to its original condition at the end of the lease term. These costs are included in the value of the agency's land and buildings (leasehold improvements) assets with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, land and buildings (leasehold improvements), and property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended 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 reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

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.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the agency using, in all cases, the straight-line method of depreciation. Land and buildings (leasehold improvements) are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements and the unexpired period of the lease.

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

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

	2017	2016
Leasehold improvements	Lesser of term and useful life	Lesser of term and useful life
Plant and equipment	5 years	5 years
Computer equipment	3–8 years	3–8 years

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal 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 agency were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

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

Intangibles

The agency's intangible assets comprise internally developed software and purchased 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 agency's software are three years (2015–16: three years).

All software assets were assessed for indications of impairment as at 30 June 2017.

3.3 Payables

	2017 \$'000	2016 \$'000
3.3A: Suppliers		
Trade creditors and accruals	8,951	8,047
Operating lease rentals	1,957	1,901
Total suppliers	10,908	9,948
Settlement is usually made net 30 days.		
3.3B: Other Payables		
Salaries and wages	593	280
Lease incentives	4,647	5,578
Total other payables	5,240	5,858

3.4 Other Provisions

3.4: Other Provisions

	Provisions for Restoration \$'000	Provision for Onerous leases \$'000	Total \$'000
As at 1 July 2016	–	3,179	3,179
Additional provisions made	200	(1,286)	(1,086)
Amounts used	–	–	–
Total as at 30 June 2017	200	1,893	2,093

The agency currently has one (2016: nil) agreement for the leasing of premises which has a provision requiring the agency to restore the premises to its original condition at the conclusion of the lease.

The agency has a number of agreements for the leasing of office accommodation which are surplus to its requirements. The agency has made a provision to reflect the present value of the expected costs to be incurred that are in excess of the economic benefit expected to be derived from these leases.

4. Assets and Liabilities Administered on Behalf of Government

This section analyses the financial performance of FWOROCE for the year ended 2017.

4.1 Administered—Financial Assets

4.1A: Trade and Other Receivables

	2017 \$	2016 \$
Other receivables		
Court-awarded penalties	4,933,207	3,517,269
Total trade and others receivables (gross)	4,933,207	3,517,269
Less Impairment allowance		
Other receivables—Court-awarded penalties	(2,403,409)	(1,152,739)
Total trade and others receivables (net)	2,529,798	2,364,530

All receivables are expected to be settled within 12 months.

Reconciliation of the Impairment Allowance

Movements in relation to 2017

	Other receivables \$
As at 1 July 2016	(1,152,739)
Amounts written off	1,060,956
Increase recognised in net surplus	(2,311,626)
Total as at 30 June 2017	(2,403,409)

Accounting policy

Receivables

Where receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised through profit or loss. Administered receivables represents debts owed to the agency by employers, workers and organisations as a result of court-awarded penalties.

	2017 \$	2016 \$
4.1B: Other Financial Assets		
Accrued revenue	912,680	956,610
Total other financial assets	912,680	956,610

All other financial assets are expected to be settled within 12 months.

These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 *Commonwealth Entities Financial Statements Guide*.

5. Funding

This section identifies the FWOROCE funding structure.

5.1 Appropriations

5.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriation for 2017

	Annual Appropriation ¹ \$'000	Adjustments to Appropriation ² \$'000	Total appropriation \$'000	Appropriation Applied in 2017 (current and prior Years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	110,168	7,263	117,431	115,095	2,336
Capital Budget ⁴	6,849	–	6,849	9,404	(2,555)
Equity Injections	150	–	150	150	–
Total departmental	117,167	7,263	124,430	124,649	(219)

Notes

- Appropriations reduced under Appropriation Acts (No. 1,3,5) 2016–17: sections 10, 11 and 12 and under Appropriation Acts (No. 2,4,6) 2016–17: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.
- Adjustments to Appropriation in 2016–17 comprised PGPA Act section 74 receipts of \$5.036 million and section 75 transfers of \$2.227 million.
- The variance between total appropriation and appropriation applied in 2017 relates to payments funded from unspent prior year appropriation items.
- Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3, 5). They form part of ordinary annual services, and are not separately identified in the appropriation acts.

Annual Appropriation for 2016

	Annual Appropriation ¹ \$'000	Adjustments to Appropriation ² \$'000	Total appropriation \$'000	Appropriation Applied in 2016 (current and prior Years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	107,995	6,272	114,267	118,571	(4,304)
Capital Budget ⁴	9,811	–	9,811	6,704	3,107
Equity	–	–	–	–	–
Total departmental	117,806	6,272	124,078	125,275	(1,197)

- Appropriations reduced under Appropriation Acts (No. 1,3,5) 2015–16: sections 10, 11 and 12 and under Appropriation Acts (No. 2,4,6) 2015–16: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. The variance between total appropriation and appropriation applied in 2015 relates to payments funded from unspent prior year appropriation items.
- Adjustments to Appropriation in 2015–16 comprised PGPA Act section 74 receipts of \$6.272 million.
- The variance between total appropriation and appropriation applied in 2016 relates to payments funded from unspent prior year appropriation items.
- DCB's are appropriated through Appropriation Acts (No. 1, 3, 5). They form part of ordinary annual services, and are not separately identified in the appropriation acts.

5.1 Appropriations *(continued)*

5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

Departmental

	2017 \$'000	2016 \$'000
Appropriation Act (No. 1) 2015–16	–	59,289
Appropriation Act (No. 1) - Capital Budget (DCB) 2015–16	–	4,369
Appropriation Act (No. 1) 2016–17	48,473	–
Appropriation Supply Act (No. 1) - 2016–17	6,697	–
Appropriation Act (No 3) 2016–17	6,181	–
Appropriation Act (No. 1) - Capital Budget (DCB) 2016–17	1,814	–
Total	63,165	63,658

Unspent appropriation includes cash and cash equivalents on hand at 30 June.

5.1C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation Applied	
			2017 \$'000	2016 \$'000
Fair Work Act 2009 s559(4) Administered	Unlimited	To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and apart from this section there is no specific appropriation for the repayment.	1,515	450
Total special			1,515	450

5.2 Special Accounts

	ROC Special Account ¹	
	2017 \$'000	2016 \$'000
Balance brought forward from previous period	-	-
Increases	2,227	-
Total increases	2,227	-
Available for payments	2,227	-
Decreases	848	-
Total decreases	848	-
Total balance carried to the next period	1,379	-
Balance represented by:		
Cash held in the agency bank account	-	-
Cash held in the OPA	1,379	-
Total balance carried forward to next period	1,379	-

1. Appropriation: PGPA Act, section 80.

Establishing Instrument: Fair Work (Registered Organisations) Amendment Act 2016, section 329EA.

Purpose: Paying or discharging the costs, expenses and other obligations incurred by the Commonwealth in the performance of the Commissioner's functions.

5.3 Net Cash Appropriation Arrangements

	2017 \$'000	2016 \$'000
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations¹	3,308	161
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(11,948)	(13,924)
Total comprehensive loss - as per the Statement of Comprehensive Income	(8,640)	(13,763)

1. From 2010–11, the Australian Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payments for capital expenditure is required.

6. People and Relationships

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

6.1 Employee Provisions

	2017 \$'000	2016 \$'000
6.1A: Employee Provisions		
Leave	21,327	20,398
Separations and redundancies	-	1,410
Other	19	23
Total employee provisions	21,346	21,831

Accounting policy

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

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for personal leave as all personal leave is non-vesting and the average personal leave taken in future years by employees of the agency is estimated to be less than the annual entitlement for personal leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the agency'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 estimate of the present value of the long service leave liability takes into account attrition rates and pay increases through promotion and inflation using the shorthand method prescribed in the FRR.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. The agency recognises a provision for termination benefits when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The agency's staff are members of either the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS Accumulation Plan (PSSap) or other superannuation funds held outside the Australian Government.

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

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

The agency makes employer contributions to the employee's defined benefit superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. The agency accounts for the contributions as if they were contributions to defined contribution plans.

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

Accounting judgements and estimates

In the process of applying the accounting policies listed in this note, the agency has made the following judgements that have significant impact on the amounts recorded in the financial statements. The Australian Government shorthand method has been used to estimate the present value of long service leave liabilities. This involves the estimation of salary growth rates, discount rates, the probability of leave vesting and the amount of leave expected to be settled in service.

6.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Minister for Employment, the Chief Executive, members of the Executive Committee and the Registered Organisations Commissioner. Key management personnel remuneration is reported in the table below:

	2017 \$'000	2016 \$'000
Short-term employee benefits	3,110	2,658
Post-employment benefits	526	436
Other long-term employee benefits	395	320
Termination benefits	–	63
Total key management personnel remuneration expenses¹	4,031	3,477

Notes: The total number of senior management personnel that are included in the above table are 15 (2016: 12).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

6.3 Related Party Disclosures

Related party relationships:

The entity is an Australian Government controlled entity. Related parties to this entity are Key Management Personnel including the Portfolio Minister and Executive.

Transactions with related parties:

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

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no related party transactions to be separately disclosed.

7. Managing Uncertainties

This section analyses how the agency manages financial risks within its operating environment.

7.1 Contingent Assets and Liabilities

7.1A Contingent Assets and Liabilities

Unquantifiable contingencies

The agency has provided an indemnity to the Reserve Bank of Australia (the Bank) against any loss or damage arising from any error, mistake, fraud or negligence resulting from the Bank acting in good faith on instructions given to it by the agency and/or due to any failure by the agency to observe any of its obligations in respect to its banking arrangements.

The likelihood of any payment being required under the indemnity is remote and unquantifiable.

Accounting policy

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the likelihood of settlement is greater than remote.

7.1B: Administered—Contingent Assets and Liabilities

Quantifiable Administered Contingencies

At 30 June 2017, the agency has no quantifiable administered contingent assets (2016: nil).

At 30 June 2017, the agency has no quantifiable administered contingent liabilities (2016: nil).

Unquantifiable Administered Contingencies

At 30 June 2017, the agency is currently involved in litigation against 101 entities and while the probability of success is high in these matters, it is not possible to accurately estimate the value of any penalties that may be imposed by the courts (2016: 92).

At 30 June 2017, the agency has no unquantifiable administered contingent liabilities (2016: nil).

7.2 Financial Instruments

	2017 \$'000	2016 \$'000
7.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	1,868	2,142
Goods and services receivables	153	483
Other receivables	148	159
Total loans and receivables	2,169	2,784
Total financial assets	2,169	2,784
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	10,908	9,948
Total financial liabilities measured at amortised cost	10,908	9,948
Total financial liabilities	10,908	9,948

The agency has no net income or expenses from financial instruments.

Accounting policy

Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The agency only holds financial assets of loans and receivables. Financial assets are recognised and derecognised upon trade date.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an impairment allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method.

Suppliers 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).

7.3 Fair Value Measurement

Accounting policy

The fair value of non-financial assets has been taken to be the market value of similar assets.

The agency's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all controlled assets is considered their highest and best use.

The agency procured valuation services from Rodney Hyman Asset Services (RHAS) Pty Ltd for the 2013–14 financial year and relied on valuation models provided by RHAS. RHAS provided written assurance to the agency that the valuation models developed are in accordance with AASB 13.

7.3: Fair Value Measurement

	Fair value measurements at the end of the reporting period	
	2017 \$	2016 \$
Non-financial assets		
Land and buildings (leasehold improvements)	12,495	13,161
Property, plant and equipment	2,496	2,410
Total fair value measurements of assets in the Statement of Financial Position	14,991	15,571

8. Other information

8.1 Assets Held in Trust

8.1A: Assets Held in Trust

Monetary assets

For the receipt of monies temporarily held in trust or otherwise for the benefit of a person other than the Commonwealth and to repay amounts where an Act or other law requires or permits the repayment of an amount received

	2017 \$	2016 \$
Monetary Assets		
As at 1 July	2,124,690	2,388,302
Receipts	1,655,260	186,464
Payments	(1,514,526)	(450,076)
Total monetary assets held in trust as at 30 June	2,265,424	2,124,690

The values above are at fair value.

These amounts are rounded to the nearest dollar, as required by the Resource Management Guide No. 125 *Commonwealth Entities Financial Statements Guide*.

8.2 Restructuring

	ROC ¹	
	2017 \$'000	2016 \$'000
FUNCTIONS ASSUMED		
Assets recognised		
Total assets recognised	-	-
Liabilities recognised		
Employees leave liabilities	466	-
Total liabilities recognised	466	-
Net liabilities recognised²	(466)	-

1. The functions associated with the regulation of registered organisations were assumed from the FWC on 1 May 2017 with the establishment of the ROC.

2. The net assets/(liabilities) transferred from the FWC were \$465,993.

The ROC was established under the *Fair Work (Registered Organisations) Amendment Act 2016* and assumed the investigation, enforcement, advice and assistance responsibilities in relation to registered organisations previously undertaken within the FWC. Staff involved in carrying out these functions were transferred from the FWC under a Machinery of Government change.

The legislation also provided for the establishment of the position of Registered Organisations Commissioner.

The ROC operates as an independent regulatory body for operational purposes under the governance of the Registered Organisations Commissioner. For PGPA Act purposes, the ROC forms part of the FWOROCE, with the Fair Work Ombudsman as the accountable authority.

The costs incurred by the FWC in carrying out the functions that were transferred for the financial year to 30 April 2017 was \$3.165 million.