

Section 5: Financial statements

Victorian Health Promotion Foundation 2019–20

Board member's, accountable officer's and chief finance and accounting officer's declaration

The attached financial statements for the Victorian Health Promotion Foundation (VicHealth) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes presents fairly the financial transactions during the year ended 30 June 2020 and financial position of VicHealth at 30 June 2020.


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

We authorise the attached financial statements for issue on this day.



Mr Nick Green OAM
Chair of the Board

Melbourne
26 August 2020



Dr Sandro Demaio
Accountable Officer

Melbourne
26 August 2020



Mr Paul Crapper
Chief Finance and Accounting Officer

Melbourne
26 August 2020



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of the Victorian Health Promotion Foundation

Opinion	<p>I have audited the financial report of the Victorian Health Promotion Foundation (the foundation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • board member's, accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the foundation as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the foundation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the foundation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board are responsible for assessing the foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>
Other Information	<p>The Board of the foundation are responsible for the Other Information, which comprises the information in the foundation's annual report for the year ended 30 June 2020, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>

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Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is 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 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 this financial report.

As part of an audit in accordance with the Australian 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 report, 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 foundation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board'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 foundation'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 report 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 foundation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board 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.

MELBOURNE
3 September 2020



Travis Derricott
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

for the financial year ended 30 June 2020

	Notes	2020 (\$'000)	2019 (\$'000)
Income from transactions			
Appropriations and grants	2.1	41,272	40,505
Interest and other income	2.2	119	222
Total income		41,391	40,727
Expenses from transactions			
Employee expenses	3.1 (a)	8,719	7,603
Other employee expenses	3.1 (b)	1,221	1,229
Depreciation and amortisation	3.1 (c)	619	77
Grants and funding	3.1 (d)	28,392	28,819
Operating costs	3.1 (e)	2,447	3,186
Total expenses		41,398	40,914
Net result for the year		(7)	(187)
Comprehensive result for the year	8.1	(7)	(187)

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

Balance sheet

as at 30 June 2020

	Notes	2020 (\$'000)	2019 (\$'000)
Assets			
Current assets			
Cash and cash equivalents	4.1	6,354	6,960
Receivables	4.2	755	696
Prepayments		266	348
Total current assets		7,375	8,004
Non-current assets			
Property, plant and equipment	5.1	517	38
Intangible assets	5.2	882	63
Total non-current assets		1,399	101
Total assets		8,774	8,105
Current liabilities			
Payables	6.1	1,149	1,100
Borrowings	6.1	450	-
Provisions: employee benefits	6.2	1,416	1,244
Total current liabilities		3,015	2,344
Non-current liabilities			
Provisions: employee benefits	6.2	296	291
Total non-current liabilities		296	291
Total liabilities		3,311	2,635
Net assets		5,463	5,470
Equity			
Accumulated surplus/(deficit)		5,284	5,273
Reserves	8.2	179	197
Total equity		5,463	5,470

The balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

for the financial year ended 30 June 2020

	Equity at 1 July 2019 (\$'000)	Transfer of reserves (\$'000)	Total comprehensive result (\$'000)	Equity at 30 June 2020 (\$'000)
2020				
Accumulated surplus/(deficit)	5,273	18	(7)	5,284
Reserves	197	(18)	-	179
Total equity	5,470	-	(7)	5,463

	Equity at 1 July 2018 (\$'000)	Transfer of reserves (\$'000)	Total comprehensive result (\$'000)	Equity at 30 June 2019 (\$'000)
2019				
Accumulated surplus/(deficit)	5,084	376	(187)	5,273
Reserves	573	(376)	-	197
Total equity	5,657	-	(187)	5,470

The statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement

for the financial year ended 30 June 2020

	Notes	2020 (\$'000)	2019 (\$'000)
Cash flows from operating activities			
Receipts			
Receipts from Government		41,376	40,512
Receipts from other entities		44	35
Interest received		75	179
Goods and Services Tax (paid to)/refund from the ATO		2,881	2,880
Total receipts		44,376	43,606
Payments			
Payment of grants and funding		(31,028)	(27,720)
Payments to suppliers and employees		(12,485)	(15,849)
Total payments		(43,513)	(43,569)
Net cash flow provided by/(used in) operating activities	8.3	863	37
Cash flows from investing activities			
Payments for non-financial assets		(888)	(68)
Net cash flows provided by/(used in) investing activities		(888)	(68)
Cash flows from financing activities			
Cash outflow for leases		(581)	-
Net cash flow provided by/(used in) financing activities		(581)	-
Net increase/(decrease) in cash and cash equivalents		(606)	(31)
Cash and cash equivalents at the beginning of the financial year		6,960	6,991
Cash and cash equivalents at the end of the financial year	4.1	6,354	6,960

Note:

- (a) VicHealth has recognised cash payments for the principal portion of right of use lease payments as financing activities. Cash payments for the interest portion as operating activities.

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

Notes to the financial statements

for the year ended 30 June 2020

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Notes to the financial statements

for the year ended 30 June 2020

Note 1. Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Victorian Health Promotion Foundation (VicHealth) for the period ended 30 June 2020. The purpose of the report is to provide users with information about VicHealth's stewardship of resources entrusted to it.

1.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of *AASB 101 Presentation of Financial Statements*.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SDs) authorised by the Assistant Treasurer.

The Victorian Health Promotion Foundation (VicHealth) is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to not-for-profit entities under the AASs.

The annual financial statements were authorised for issue by the Board of VicHealth on 26 August 2020.

1.2 Reporting entity

The financial statements relate to VicHealth as an individual reporting entity. Its principal address is:

VicHealth
15–31 Pelham Street
Carlton VIC 3053

VicHealth was established under the *Tobacco Act 1987*. A description of the nature of VicHealth's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

1.3 Basis of accounting preparation and measurement

Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, and consequently that the substance of the underlying transactions or other events is reported.

The accounting policies in this report have been applied in preparing the financial statements for the year ended 30 June 2020, and the comparative information presented in these financial statements for the year ended 30 June 2019.

Going concern

The going concern basis was used to prepare the financial statements.

Currency

These financial statements are presented in Australian dollars, the functional and presentation currency of VicHealth.

Rounding

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Minor discrepancies in tables between totals and sum of components are due to rounding.

Accrual basis of accounting

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items; that is, they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Notes to the financial statements

for the year ended 30 June 2020

Note 1. Summary of significant accounting policies (cont'd)

Accounting estimates

In the application of AASs, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision, and future periods, if the revision affects both current and future periods. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to:

- the fair value of plant and equipment (refer to note 5.1)
- assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount (refer to note 6.2).

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as an operating cash flow.

Commitments for expenditure and contingent assets and liabilities are presented on a gross basis.

Notes to the financial statements

for the year ended 30 June 2020

Note 2. Income from transactions

2.1 Appropriation and grants

	2020 (\$'000)	2019 (\$'000)
General appropriation	41,168	40,223
Grants and special purpose funding	104	282
Total appropriation and grants	41,272	40,505

Revenue recognition

Change in accounting policies – AASB 15 & 1058

From 1 July 2019 income is recognised in accordance with AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities (except for income that arises from sources covered by other standards). The adoption of these new accounting standards has not resulted in significant changes to the recognition of revenue for VicHealth.

AASB 15 Revenue from Contracts with Customers: Revenue shall be recognised when there is satisfaction of a performance obligation by transferring of a promised good or service to a customer. Recognition occurs as the asset is transferred when or as the customer obtains control of that asset.

AASB 1058 Income of Not-for-Profit Entities: Applies to transactions where the consideration to acquire an asset is significantly less than fair value, principally to enable a Not-for-Profit Entity to further its objectives. For transactions within the scope of AASB 1058 income is recognised immediately.

In accordance with FRD 121 Transitional requirements on the application of AASB 15 Revenue from contracts with customers and FRD 122 Transitional requirements on the application of AASB 1058 Income of Not-for-Profit Entities VicHealth has applied the modified retrospective method with the cumulative effect of initially applying these standards against the opening retained earnings. However, no retrospective adjustment to retained earnings was required. Comparative information has not been restated.

Unearned income at reporting date is reported as income received in advance. Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

Income is recognised for each of VicHealth's major activities as follows:

Appropriation income

Appropriated income becomes controlled, and is recognised by VicHealth when it is appropriated from the consolidated fund by the Victorian Parliament, and applied to the purposes defined under the relevant Appropriations Act and working agreement with the Department of Health and Human Services.

General appropriations relate to monies paid to VicHealth under section 32 of the *Tobacco Act 1987*.

Grants and special purpose funding

Other grants relate to miscellaneous funding and/or grants to deliver specific programs from other organisations.

Special purpose funding relates to funding to deliver specific programs from the Federal or State Government.

Grants and other transfers of income are recognised as income in accordance with AASB 15 where there is an enforceable contract with the customer and the conditions are sufficiently specific to enable determination if the conditions have been satisfied. Where sufficiently specific performance obligations do not exist, revenue is recognised upon receipt in line with AASB 1058.

Notes to the financial statements

for the year ended 30 June 2020

Note 2. Income from transactions (cont'd)

2.2 Interest and other income

	2020 (\$'000)	2019 (\$'000)
Interest income	75	174
Other income	44	48
Total interest and other income	119	222

Interest income

Interest income includes interest received on bank term deposits. Interest income is recognised on a time-proportionate basis that considers the effective yield on the financial asset.

Other income

Other income represents fees and charges from miscellaneous services. Income is recognised to the extent that it is probable that the economic benefits will flow to VicHealth and the income can be reliably measured at fair value.

Notes to the financial statements

for the year ended 30 June 2020

Note 3. Expenses from transactions

3.1 Expenses

	2020 (\$'000)	2019 (\$'000)
(a) Employee expenses		
Salaries, wages and leave payments	8,719	7,603
Total employee expenses	8,719	7,603
(b) Other employee expenses		
Agency and temporary staff	249	296
Board and committee members fees	108	126
Fringe benefits tax	28	47
Superannuation	765	697
WorkCover premium	60	63
Relocation expenses	11	-
Total other employee expenses	1,221	1,229
(c) Depreciation and amortisation		
Depreciation		
Office equipment	23	50
Office equipment – Right of Use	22	-
Fixtures and fittings	4	5
Motor vehicles	5	-
Buildings – Right of Use	563	-
Total depreciation	617	55
Amortisation – IT software	2	22
Total depreciation and amortisation	619	77
(d) Grants and funding		
General purpose grants and funding	27,712	28,035
Program support expenses	680	784
Total grants and other expense transfers	28,392	28,819
(e) Operating costs		
Audit and legal fees	164	117
Consultancy fees	646	895
Employee development and wellbeing	140	326
General administration	134	180
Information, communications and technology systems	980	745
Occupancy costs	368	923
Lease interest – Right of Use Assets	15	-
Total operating costs	2,447	3,186

Notes to the financial statements

for the year ended 30 June 2020

Note 3. Expenses from transactions (cont'd)

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Employee expenses

Employee expenses include: wages and salaries, board and committee fees, leave entitlements, fringe benefits tax, work-cover premiums, and superannuation expenses. The name and details of the major employee superannuation funds and contributions made by VicHealth are outlined in Note 3.2.

Depreciation

Depreciation is calculated on a straight-line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

Depreciation is provided on property, plant and equipment. Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Assets with a cost of more than \$2,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

The following are estimated useful lives for non-current assets on which the depreciation charges are based for both current and prior years:

- office equipment: 3–5 years
- office furniture: 10 years
- fixtures and fittings: 10 years
- motor vehicles: 6 years
- buildings (Right-of-Use): 1–2 years.

Amortisation

Intangible assets with a cost of more than \$2,000 are capitalised. Amortisation is allocated to intangible assets with finite useful lives on a straight-line basis over the asset's useful life. Amortisation begins when the asset is available for use; when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the asset concerned is tested as to whether its carrying value exceeds its recoverable amount.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Intangible assets with finite useful lives are amortised over two to five years in both the current and prior years.

Grants and funding

Grants and funding to third parties (other than contributions to owners) are recognised as an expense in the reporting period in which they are paid or payable. These relate to funding and other agreements for delivery of health promotion programs and campaigns and direct implementation costs.

They include transactions made to sporting organisations, local government, not-for-profit organisations, universities and community groups.

Program support expenses

Non-grant costs attributable to supporting the delivery of health promotion programs, campaigns and associated activities.

Operating costs

Operating costs generally represent the day-to-day running costs incurred in normal operations and include such things as:

- *Audit and legal fees:* Fees paid or payable to the Victorian Auditor-General's Office for the audit of these financial statements, costs incurred for the provision of internal audit services and associated activities and costs associated with the provision of legal advice for funding, contract and employment related matters.
- *Consultancy costs:* Provision of expertise and advice.
- *General administration:* Costs incurred due to the administration of VicHealth such as legal, marketing and advertising, printing and stationery.
- *Information, communications and technology systems:* Rental costs for IT equipment, non-capitalised IT hardware and software purchases, licence fees and associated services, support and maintenance.
- *Occupancy costs:* Costs associated with the lease of the office building and the associated outgoings.

Notes to the financial statements

for the year ended 30 June 2020

Note 3. Expenses from transactions (cont'd)

3.2 Superannuation

	Paid contribution for the year	
	2020 (\$'000)	2019 (\$'000)
(a) Defined benefit plan		
ESS Super New Scheme	10	9
Total defined benefit plan	10	9
(b) Defined contribution plan		
VicSuper	273	254
Hesta	83	59
UniSuper	42	36
Australian Super	74	70
First State	56	40
Rest Superannuation	25	15
Host Plus Super	22	2
Macquarie Super Manager	22	18
Other	158	194
Total defined contribution plan	755	688
Total superannuation contributions	765	697

Employees of VicHealth are entitled to receive superannuation benefits and VicHealth contributes to both the defined benefit and defined contribution plans.

Defined contribution superannuation plans

In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Contributions to defined contribution superannuation plans are expensed when incurred. VicHealth pays superannuation contributions in accordance with the superannuation guarantee legislation.

Defined benefit superannuation plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by VicHealth to the superannuation plans in respect of the services of current VicHealth staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice. The defined benefit plans provide benefits based on years of service and final average salary.

Notes to the financial statements

for the year ended 30 June 2020

Note 4. Financial assets

4.1 Cash and cash equivalents

	2020 (\$'000)	2019 (\$'000)
Cash on hand	8	4
Cash at bank	6,287	6,545
Bank deposits at call	59	411
Total cash and cash equivalents	6,354	6,960

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call, term deposits and highly liquid investments with an original maturity of 3 months or less, which are held for meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Notes to the financial statements

for the year ended 30 June 2020

Note 4. Financial assets (cont'd)

4.2 Receivables

	2020 (\$'000)	2019 (\$'000)
(a) Contractual		
Debtors	8	113
Accrued income	-	3
Total contractual receivables	8	116
(b) Statutory		
GST credits receivable	747	580
Total statutory receivables	747	580
Total receivables	755	696

Receivables consist of:

- Contractual receivables, which consists of debtors in relation to goods and services and accrued investment income; and
- Statutory receivables, which predominantly includes amounts owing from the Goods and Services Tax (GST) input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as financial assets at amortised cost. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost less any accumulated impairment.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with *AASB 136 Impairment of Assets*.

VicHealth assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired.

Ageing analysis of receivables

All contractual receivables are not past due and not impaired as at 30 June 2020 and 30 June 2019.

Nature and extent of risk arising from receivables

Refer to Note 7.1 (b) for the nature and extent of credit risk arising from contractual receivables.

Notes to the financial statements

for the year ended 30 June 2020

Note 5. Non-financial assets

5.1 Property, plant and equipment

5.1 (a) Property, plant and equipment schedule

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2020 (\$'000)	2019 (\$'000)	2020 (\$'000)	2019 (\$'000)	2020 (\$'000)	2019 (\$'000)
Office equipment	483	483	476	454	7	29
Office equipment Right-of-Use	38		22		16	
Office furniture	19	19	19	19	-	-
Fixtures and fittings	83	831	826	822	5	9
Motor vehicles	66	52	6	52	60	-
Buildings Right-of-Use	992	-	563	-	429	-
Total	2,429	1,385	1,912	1,347	517	38

Valuation and measurement

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

Depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned. Refer to Note 3.1 for details of the depreciation policy.

There were no changes in valuation techniques throughout the period to 30 June 2020.

For all assets measured at fair value, the current use is considered the highest and best use. There have been no transfers between levels during the period.

Revaluations of non-current physical assets

Non-current physical assets are measured at fair value in accordance with FRD 103H non-current physical assets. In accordance with FRD 103H, VicHealth's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required. Based on the short-term nature of assets held by VicHealth, no assets were assessed as requiring revaluation.

Right of Use Assets acquired

From 1 July 2019 accounting for Right of Use Assets (and a lease liability) is recognised in accordance with AASB 16 Leases. VicHealth recognised Right of Use Building and Plant & Equipment that were previously recognised as operating Lease expenses. In accordance with FRD 123 Transitional requirements on the application of AASB 16 Leases the Right of Use Asset has been recognised equal to the lease liability which has been measured at the present value of the remaining lease payments. Comparative information has not been restated and no adjustment to the opening balance of retained earnings is required.

Notes to the financial statements

for the year ended 30 June 2020

Note 5. Non-financial assets (cont'd)

Valuation hierarchy

Consistent with AASB 13 Fair Value Measurement, VicHealth determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, VicHealth has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Where applicable, VicHealth determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Vehicles

VicHealth acquires new vehicles and at times disposes of them before completion of their economic life. The process of acquisition, use and disposal in the market is managed by VicHealth who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying value (depreciated cost).

Office equipment, furniture and fixtures and fittings

Office equipment, furniture and fixtures and fittings is held at carrying value (depreciated cost). When office equipment, furniture and fixtures and fittings is specialised in use, such that it is rarely sold other than as part of a going concern, the depreciated replacement cost is used to estimate the fair value. Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying value.

Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time. Based on the above assessment, all property, plant and equipment held by VicHealth is deemed to be valued under Level 3 as at 30 June 2020 and at 30 June 2019.

Impairment of non-financial assets

Apart from intangible assets with indefinite useful lives, all other non-financial assets are assessed annually for indications of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an expense except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that same class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Notes to the financial statements

for the year ended 30 June 2020

Note 5. Non-financial assets (cont'd)

5.1 (b) Property, plant and equipment reconciliation

2020	Office equipment (\$'000)	Office equipment ROU (\$'000)	Office furniture (\$'000)	Fixtures and fittings (\$'000)	Motor vehicles (\$'000)	Buildings ROU (\$'000)	Total (\$'000)
Fair value							
Opening balance	483	-	19	831	52	-	1,385
Additions	-	38	-	-	66	992	1,096
Disposals	-	-	-	-	(52)	-	(52)
Fair value closing balance	483	38	19	831	66	992	2,429
Accumulated depreciation							
Opening balance	454	-	19	822	52	-	1,347
Depreciation	22	22	-	4	6	563	617
Disposals	-	-	-	-	(52)	-	(52)
Accumulated depreciation closing balance	476	22	19	826	6	563	1,912
Written-down value	7	16	-	5	60	429	517
2019							
Fair value							
Opening balance	477	-	19	831	52	-	1,379
Additions	6	-	-	-	-	-	6
Transfers	-	-	-	-	-	-	-
Fair value closing balance	483	-	19	831	52	-	1,385
Accumulated depreciation							
Opening balance	404	-	19	817	52	-	1,292
Depreciation	50	-	-	5	-	-	55
Accumulated depreciation closing balance	454	-	19	822	52	-	1,347
Written-down value	29	-	-	9	-	-	38

Notes to the financial statements

for the year ended 30 June 2020

Note 5. Non-financial assets (cont'd)

5.2 Intangible assets

5.2 (a) Intangible assets – Gross carrying amount and accumulated amortisation

	2020 (\$'000)	2019 (\$'000)
Intangible produced assets – IT software	1,342	1,342
Less accumulated amortisation	(1,342)	(1,340)
	-	2
Intangible Non-Produced Assets – Core ICT systems replacement work in progress	882	61
Less accumulated amortisation	-	-
	882	61
Total intangible assets	882	63

5.2 (b) Intangible assets – Reconciliation of the carrying amount by class of asset

	IT Software (\$'000)	Work in progress (\$'000)	Total (\$'000)
Balance at 1 July 2018	24	-	24
Additions	-	61	61
Amortisation (Note 3.1)	(22)	-	(22)
Balance at 1 July 2019	2	61	63
Additions	-	821	821
Amortisation (Note 3.1)	(2)	-	(2)
Balance at 30 June 2020	-	882	882

Notes to the financial statements

for the year ended 30 June 2020

Note 5. Non-financial assets (cont'd)

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance relating to computer software and development costs (where applicable).

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost, less accumulated amortisation and accumulated impairment losses. Refer to Note 3.1 for details of VicHealth's amortisation policy.

Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to VicHealth.

Impairment of intangible assets

Intangible assets are tested annually for impairment (i.e. whether their carrying value exceeds their recoverable amount, and so require write-downs) and whenever there is an indication that the asset may be impaired. All other assets are assessed annually for indications of impairment, except for financial assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Notes to the financial statements

for the year ended 30 June 2020

Note 6. Liabilities and commitments

6.1 Payables and borrowings

	2020 (\$'000)	2019 (\$'000)
(a) Contractual payables		
Trade creditors	404	358
Accrued wages and salaries	216	134
Grants payable	419	414
Accrued expenses	86	166
Total contractual payables	1,125	1,072
(b) Statutory payables		
GST/PAYG payable	-	13
Superannuation payable	24	15
Total statutory payables	24	28
Total payables	1,149	1,100
(c) Contractual borrowings		
Right of Use Lease Liabilities	450	-
Total borrowings	450	-

Payables consist of:

Contractual payables

These consist predominantly of accounts payable representing liabilities for grants, goods and services provided to VicHealth prior to the end of the financial year that are unpaid and arise when VicHealth becomes obliged to make future payments in respect of the purchase of those goods and services or provision of grant conditions.

The normal credit terms for accounts payable are usually net 30 days.

Contractual payables are initially recognised at fair value, and then subsequently carried at amortised cost.

Statutory payables

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract. Statutory payables (such as GST and fringe benefits tax payable) are paid by the relevant legislative due date.

Contractual borrowings

This consists of Lease liabilities for Right of Use Assets in accordance with AASB16 Leases and consists of:

- Right of use Asset – Buildings: This represents the capitalisation of the VicHealth office tenancy leases.
- Right of use asset – Office Equipment: This represents the capitalisation of a photocopier lease.

Notes to the financial statements

for the year ended 30 June 2020

Note 6. Liabilities and commitments (cont'd)

6.2 Provisions: Employee benefits

	2020 (\$'000)	2019 (\$'000)
Current provisions		
Annual leave	642	483
Long service leave	643	645
On-costs Annual leave	65	49
On-costs Long service leave	66	67
Total current provisions	1,416	1,244
Current employee benefits		
Expected to be utilised within 12 months	747	608
Expected to be utilised after 12 months	669	636
Total current employee benefits	1,416	1,244
Non-current provisions		
Long service leave	269	264
On-costs	27	27
Total non-current provisions	296	291
Total provisions	1,712	1,535
Movement in employee benefits		
Opening balance	1,535	1560
Settlement made during the year	(817)	(1,012)
Provision made during the year	994	987
Balance at end of year	1,712	1,535

Reconciliation of movement in on-cost provision

	2020 (\$'000)
Opening balance	143
Additional provisions recognised	101
Reductions arising from payments/other sacrifices of future economic benefits	(83)
Unwind of discount and effect of changes in the discount rate	(3)
Closing balance	158
Current	131
Non-current	27

Notes to the financial statements

for the year ended 30 June 2020

Note 6. Liabilities and commitments (cont'd)

Provisions

Provisions are recognised when VicHealth has a present obligation, the sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows using a discount rate that reflects the time value of money and risks specific to the provision.

Employee benefits

Provision is made for benefits accruing to employees in respect of annual leave, time in lieu and long service leave for services rendered to the reporting date.

Annual leave and time in lieu

Liabilities for annual leave, purchased leave and time in lieu are recognised in the provision for employee benefits as current liabilities as VicHealth does not have an unconditional right to defer settlement of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for annual leave and time in lieu are measured at:

- present value – component that VicHealth does not expect to wholly settle within 12 months
- undiscounted value – component that VicHealth expects to wholly settle within 12 months.

Long service leave

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability – unconditional LSL (representing seven or more years of continuous service) is disclosed in the notes to the financial statements as a current liability even where VicHealth does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value – component that VicHealth does not expect to wholly settle within 12 months
- undiscounted value – component that VicHealth expects to wholly settle within 12 months.

Non-current liability – conditional LSL (representing less than seven years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

Consideration is given to the expected future wage and salary levels, experience of employee departure and periods of service. Expected future payments are discounted using interest rates of Commonwealth Government guaranteed securities in Australia.

On-costs

Employee benefit on-costs, such as worker's compensation premium and superannuation are recognised separately from provisions for employee benefits.

Notes to the financial statements

for the year ended 30 June 2020

Note 6. Liabilities and commitments (cont'd)

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note at their nominal value and are inclusive of the goods and services tax (GST) payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

6.3 (a) Expenditure commitments

The following commitments have not been recognised as liabilities in the financial statements.

	2020 (\$'000)	2019 (\$'000)
Expenditure commitments		
No longer than 1 year	13,328	17,104
Longer than 1 year and not longer than 5 years	15,547	7,124
Total	28,875	24,228

VicHealth has entered into certain agreements for funding of grants for multiple years. The payment of future years' instalments of these grants is dependent on the funded organisation meeting specified accountability requirements and the continued availability of funds from the Government. Additionally, VicHealth enters into multi-year contracts for the purchase of various goods and/or services.

Notes to the financial statements

for the year ended 30 June 2020

Note 6. Liabilities and commitments (cont'd)

6.3 (b) Change in accounting policies – AASB 16 Leases

VicHealth has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

On adoption of AASB 16, VicHealth recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117.

Impacts on financial statements

On transition to AASB 16, VicHealth recognised \$1.016 million of right-of-use assets and \$1.016 million of lease liabilities.

When measuring lease liabilities, VicHealth discounted lease payments using its incremental borrowing rate at 1 July 2019.

	1 July 2019
Total operating lease commitments disclosed at 30 June 2019	1,183
Discounted using the incremental borrowing rate at 1 July 2019	(167)
Finance lease liabilities as at 1 July 2019	1,016

Impact on balance sheet due to the adoption of AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards at 1 July 2019:

Balance sheet	Notes	Before new accounting standards Opening 1 July 2019	Impact of new accounting standards – AASB 16	After new accounting standards Opening 1 July 2019
Total current assets		8,004	-	8,004
Total non-current assets		101	1,016	1,117
Total assets		8,105	1,016	9,121
Payables and contract liabilities		1,100	-	1,100
Borrowings		-	1,016	1,016
Other liabilities		1,535	-	1,535
Total liabilities		2,635	1,016	3,651
Accumulated surplus/(deficit)		5,273	-	5,273
Other reserves		197	-	197
Total equity		5,470	-	5,470

Notes to the financial statements

for the year ended 30 June 2020

Note 7. Risk, contingencies and valuation uncertainties

7.1 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of VicHealth's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in *AASB 132 Financial Instruments: Presentation*.

VicHealth's principal financial instruments comprise:

- cash and cash equivalents
- receivables (excluding statutory receivables)
- payables (excluding statutory payables).

The main purpose in holding financial instruments is to prudentially manage VicHealth's financial risks within the organisation's policy parameters.

Categories of financial instruments

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by VicHealth to collect the contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment. VicHealth recognises the following assets in this category:

- cash and deposits; and
- receivables (excluding statutory receivables).

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

The loans and receivables category includes cash and deposits, term deposits with maturity greater than 3 months, trade receivables, loans and other receivables, but not statutory receivables.

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

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all of VicHealth's contractual payables, borrowings, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

Notes to the financial statements

for the year ended 30 June 2020

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

7.1 (a) Categorisation of financial instruments

The carrying amounts of VicHealth's contractual financial assets and liabilities by category are set out as follows.

2020	Financial assets at amortised cost (\$'000)	Financial liabilities at amortised cost (\$'000)	Total (\$'000)
Contractual financial assets			
Cash and cash equivalents	6,354	-	6,354
<i>Receivables</i>			
Debtors	8	-	8
Other receivables	-	-	-
Total financial assets¹	6,362	-	6,362
Financial liabilities			
Payables	-	1,125	1,125
Borrowings (Right of Use)	-	450	450
Total financial liabilities¹	-	1,575	1,575
2019			
Contractual financial assets			
Cash and cash equivalents	6,960	-	6,960
<i>Receivables⁽¹⁾</i>			
Debtors	113	-	113
Other receivables	3	-	3
Total financial assets¹	7,076	-	7,076
Financial liabilities			
Payables	-	1,072	1,072
Total financial liabilities¹	-	1,072	1,072

Note:

(1) The carrying amount excludes statutory receivables (i.e. GST receivable and DHHS receivable) and statutory payables (i.e. Revenue in Advance and DHHS payable).

Notes to the financial statements

for the year ended 30 June 2020

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

7.1 (b) Credit risk

Credit risk arises from the contractual financial assets of VicHealth, which comprises cash and deposits and non-statutory receivables. VicHealth's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to VicHealth. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with VicHealth's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than Government, VicHealth has limited credit risk due to limited dealings with entities external to the Victorian or Commonwealth Government.

In addition, VicHealth does not engage in high risk hedging for its financial assets and mainly obtains financial assets with variable interest rates. Consistent with directions from the State Government, VicHealth's policy is to deal with financial institutions with high credit ratings.

Provision of impairment for financial assets is calculated based on past experience, and current and expected changes in client credit ratings. Objective evidence includes financial difficulties of the debtor, default payments and debts which are more than 90 days overdue.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents VicHealth's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The following table outlines the credit quality of contractual financial assets that are neither past due nor impaired.

	Government agencies (AAA credit rating) (\$'000)	Financial institutions (AA credit rating) (\$'000)	Other (no credit rating) (\$'000)	Total (\$'000)
2020				
Cash and cash equivalents	-	6,346	8	6,354
Contractual receivables	-	-	8	8
Total	-	6346	16	6,362
2019				
Cash and cash equivalents	-	6,956	4	6,960
Contractual receivables	-	-	116	116
Total	-	6,956	120	7,076

Notes to the financial statements

for the year ended 30 June 2020

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

7.1 (c) Ageing of financial assets

All financial assets are not past due and not impaired as at 30 June 2020 and 30 June 2019.

7.1 (d) Liquidity risk

Liquidity risk is the risk that VicHealth would be unable to meet its financial obligations as and when they fall due. VicHealth's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. VicHealth manages its liquidity risk as follows:

- careful maturity planning of its financial obligations based on forecasts of future cash flows maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- holding investments and other contractual financial assets that are readily tradeable in the financial markets.

It operates under the Government's fair payment policy of settling financial obligations generally within 30 days.

VicHealth's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The following table discloses the contractual maturity analysis for VicHealth's contractual financial liabilities.

	Carrying amount (\$'000)	Nominal amount (\$'000)	Maturity dates			
			Less than 1 month (\$'000)	1-3 months (\$'000)	3 months to 1 year (\$'000)	1-5 years (\$'000)
2020						
Contractual payables	1,125	1,125	1,125	-	-	-
Borrowings (Right of Use)	450	450	50	100	300	-
Total	1,573	1,576	1,173	100	300	-
2019						
Contractual payables	1,072	1,072	1,034	27	11	-
Total	1,072	1,072	1,034	27	11	-

Notes to the financial statements

for the year ended 30 June 2020

Note 7. Risk, contingencies and valuation
uncertainties (cont'd)

7.1 (e) Market risk

VicHealth's exposure to market risk is primarily through interest rate risk. VicHealth has an insignificant exposure to currency risk and other market risks.

VicHealth does not hold any interest-bearing financial liabilities, therefore has nil exposure to interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

VicHealth has minimal exposure to cash flow interest rate risks through its cash and deposits at call, as these assets are held in variable interest rate accounts. Receivables are non-interest bearing.

Notes to the financial statements

for the year ended 30 June 2020

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are outlined in the following table.

			Interest rate exposure		
	Weighted average interest rate (%)	Carrying amount (\$'000)	Fixed interest rate (\$'000)	Variable interest rate (\$'000)	Non-interest bearing (\$'000)
2020					
Financial assets					
Cash and deposits	1.7	6,354	-	6,346	8
Contractual receivables	-	8	-	-	8
Total financial assets		6,362	-	6,351	11
Financial liabilities					
Contractual payables	-	1,125	-	-	1,125
Borrowings (Right of Use)	2.1	450	450	-	-
Total financial liabilities		1,575	450	-	1,125
			Interest rate exposure		
	Weighted average interest rate (%)	Carrying amount (\$'000)	Fixed interest rate (\$'000)	Variable interest rate (\$'000)	Non-interest bearing (\$'000)
2019					
Financial assets					
Cash and deposits	1.5	6,960	-	5,941	1,019
Contractual receivables	-	-	-	-	-
Total financial assets		6,960	-	5,941	1,019
Financial liabilities					
Contractual payables	-	1,072	-	-	1,072
Total financial liabilities		1,072	-	-	1,072

Notes to the financial statements

for the year ended 30 June 2020

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

7.1 (f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, VicHealth believes the following movement is 'reasonably possible' over the next 12 months: a parallel shift of +1% and -1% in market interest rates (AUD).

The table below discloses the impact on net operating result and equity for each category of financial instrument held by VicHealth at year-end as presented to key management personnel, if the below movements were to occur.

VicHealth's sensitivity to interest rate risk is considered low and is outlined in the following table.

		-100 basis points	+100 basis points	-100 basis points	+100 basis points
2020	Carrying amount (\$'000)	Net result (\$'000)	Net result (\$'000)	Equity (\$'000)	Equity (\$'000)
Financial assets					
Cash and cash deposits	6,354	(64)	64	(64)	64
Receivables	8	-	-	-	-
Total financial assets	6,362	(64)	64	(64)	64
Financial liabilities					
Payables	1,125	-	-	-	-
Borrowings (Right of Use)	450	(5)	5	(5)	(5)
Total financial liabilities	1,575	-	-	-	-
2019					
Financial assets					
Cash and cash deposits	6,960	(90)	90	(90)	90
Receivables	116	-	-	-	-
Total financial assets	7,076	(90)	90	(90)	90
Financial liabilities					
Payables	1,072	-	-	-	-
Total financial liabilities	1,072	-	-	-	-

Notes to the financial statements

for the year ended 30 June 2020

Note 7. Risk, contingencies and valuation uncertainties (cont'd)

7.1 (g) Fair value

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- Level 1 – the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market prices
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly
- Level 3 – the fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

VicHealth considers that the carrying amount of financial assets and financial liabilities recorded in the financial report to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

Notes to the financial statements

for the year ended 30 June 2020

Note 8. Other disclosures

8.1 Comprehensive result for the year by funding source

	Notes	2020 (\$'000)	2019 (\$'000)
(a) Funding from general appropriation			
General appropriation and other income			
General appropriation income	2.1	41,168	40,223
Interest and other income	2.2	119	222
Expenses from transactions		(41,321)	(40,235)
Net surplus/(deficit) from general appropriation and other income		(34)	210
(b) Funding from grants and special purpose funding			
Income from externally funded programs			
External grants and special purpose funding	2.1	104	282
Expenses from transactions		(77)	(679)
Net surplus/(deficit) from externally funded programs		27	(397)
Comprehensive result for the year		(7)	(187)

The comprehensive result for the year includes a deficit of \$0.034m from general appropriation funding activities offset by a surplus of \$0.027m from special purpose funded activities, resulting in a net deficit comprehensive result for the year of \$0.07m.

Notes to the financial statements

for the year ended 30 June 2020

Note 8. Other disclosures (cont'd)

8.2 Reserves

	2020 (\$'000)	2019 (\$'000)
Externally funded programs reserve		
Bystanders for Primary Prevention Program	68	100
Water Fountains Initiative	-	45
Sport Participation Research Project	111	52
Total externally funded programs reserve	179	197

VicHealth periodically receives special appropriations or other grants to deliver specific programs. As at balance date unspent

funds are allocated to a reserve to ensure these funds are quarantined for their intended purpose.

8.3 Reconciliation of net result for the period to net cash flows from operating activities

	2020 (\$'000)	2019 (\$'000)
Net result for the period	(7)	(187)
Non-cash movements		
Depreciation and amortisation	619	77
Movements in assets and liabilities		
(Increase)/decrease in receivables	(58)	(109)
(Increase)/decrease in prepayments	82	(100)
Increase/(decrease) in payables	49	401
Increase/(decrease) in income received in advance	-	(20)
Increase/(decrease) in provisions	178	(25)
Net cash flows from/(used in) operating activities	863	37

Notes to the financial statements

for the year ended 30 June 2020

Note 8. Other disclosures (cont'd)

8.4 Responsible persons

8.4 (a) Responsible persons appointments

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Responsible Minister

The Hon. Jenny Mikakos MP Minister for Health	1/7/2019 – 30/06/2020
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Governing Board

Mr Nick Green OAM Chair: 7/04/2020 – 30/06/2020	1/07/2019 – 30/06/2020
Ms Fiona McCormack – Chair	1/07/2019 – 06/04/2020
Ms Sarah Connolly MP	14/08/2019 – 30/06/2020
Dr Sally Fawkes	1/07/2019 – 30/06/2020
Ms Catherine Harding	1/03/2020 – 30/06/2020
Mr Ben Hartung	1/07/2019 – 30/09/2019
Mr Andy Meddick MP	14/08/2019 – 30/06/2020
Dr Bridie O'Donnell	1/07/2019 – 30/06/2020
Ms Peggy O'Neal AO	1/01/2020 – 30/06/2020
Ms Veronica Pardo	1/07/2019 – 30/06/2020
Prof Anna Peeters	1/07/2019 – 30/06/2020
Ms Stella Smith	1/07/2019 – 30/06/2020
Ms Bridget Vallence MP	14/08/2019 – 30/06/2020
Mr Stephen Walter	1/07/2019 – 30/06/2020
Ms Sheena Watt	1/07/2019 – 30/06/2020

Accountable Officer

Dr Lyn Roberts AO	1/07/2019 – 22/09/2019
Dr Sandro Demaio	23/09/2019 – 30/06/2020

Notes to the financial statements

for the year ended 30 June 2020

Note 8. Other disclosures (cont'd)

8.4 (b) Responsible persons remuneration

The remuneration received or receivable by responsible persons is disclosed as follows:

	2020 (\$'000)	2019 (\$'000)
Total amount	406	503
Income band	No.	No.
\$0 – 9,999	9	5
\$ 10,000 – 19,999	6	7
\$ 80,000 – 89,999	1	-
\$ 110,000 – 119,999	-	1
\$ 210,000 – 219,999	1	-
\$ 260,000 – 269,999	-	1
Total numbers	17	14

Remuneration of board members is prescribed by Governor in Council. The Parliamentary members of the Board received no remuneration for their services on the VicHealth Board.

The compensation detailed above excludes the salaries and benefits the Responsible Ministers receive. The Ministers' remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported in the financial statements of the Parliamentary Services.

As Accountable Officer for the period 1 July 2019 to 22 September 2019, Dr Lyn Roberts AO was remunerated as a consultant. Accordingly, Dr Roberts' remuneration of \$81,600 is disclosed as Consulting expenditure under operating costs in the Operating Statement within the reporting period.

Notes to the financial statements

for the year ended 30 June 2020

Note 8. Other disclosures (cont'd)

8.5 Remuneration of executives

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. During the reporting period a number of employees acted in Executive Officer positions following employee resignations and/or parental leave. The remuneration in the following table only relates to their remuneration payable in their role as an Executive Officer.

Category	2020 (\$'000)	2019 (\$'000)
Salaries and other short-term benefits	808	824
Post-employment benefits	76	71
Other long-term benefits	8	18
Termination benefits	70	-
Total remuneration	962	913
Total number of executive officers	7	6
Total annualised employee equivalent⁽ⁱ⁾	5	5

Note:

- (i) Annualised employee equivalent is based on 38 ordinary hours per week over the reporting period. The variance between number of executive officers and annualised employee equivalent is reflective of resignations during the year.

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

- *Salaries and other short-term employee benefits* include amounts such as superannuation entitlements and other retirement benefits paid or payable on a discrete basis when employment has ceased.
- *Post-employment benefits* include amounts such as superannuation entitlements and other retirement benefits paid or payable on a discrete basis when employment has ceased.
- *Other long-term benefits* include long service leave, other long-service benefits or deferred compensation.
- *Termination benefits* include termination of employment payments including leave payments.

Notes to the financial statements

for the year ended 30 June 2020

Note 8. Other disclosures (cont'd)

8.6 Related parties

VicHealth is a wholly owned and controlled entity of the State of Victoria. Related parties of VicHealth include:

- all key management personnel and their close family members; and
- all Cabinet Ministers and their close family members
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

8.6 (a) Key management personnel

Key management personnel (KMP) of VicHealth include the Portfolio Ministers and Cabinet Ministers, VicHealth Board Members and Chief Executive Officer as determined by VicHealth.

Category	2020 (\$'000)	2019 (\$'000)
Salaries and other short-term benefits	381	472
Post-employment benefits	25	26
Other long-term benefits	-	5
Total remuneration	406	503

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided in exchange for services rendered, as described and in Note 8.4 Responsible Persons and Note 8.5 Remuneration of Executives.

Notes to the financial statements

for the year ended 30 June 2020

Note 8. Other disclosures (cont'd)

8.6 (b) Transactions with key management personnel and other related parties

Given the breadth and depth of State Government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission.

The *Tobacco Act* stipulates that VicHealth has a representational Board member composition, consequently there is an increased likelihood of related party transactions as Board members often are either employed or serve on Boards of organisations that VicHealth transacts with.

During the reporting period, related parties of key management personnel were awarded contracts on terms and conditions equivalent for those that prevail in arm's length transactions under VicHealth's Grant-making and Procurement policies and guidelines, including management of conflicts of interest.

All other transactions that may have occurred with key management personnel and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed if they are considered of interest to users of the financial report in making and evaluating decisions about the allocation of scarce resources.

The transactions (generally related to awarding of grants and funding) with key management personnel is outlined in the following table:

Key management personnel/transaction	2020 (\$'000)	2019 (\$'000)
Centre for Australian Progress of which Ms Sheena Watt ⁽ⁱ⁾ served as a Board member	-	6
Deakin University of which Dr Lyn Roberts AO ⁽ⁱⁱ⁾ served as a Council Member	185	574
Deakin University of which Prof. Anna Peeters served as an employee	185	-
Edinburgh Cricket Club of which Prof. Anna Peeters served as an Executive Committee member	1	-
Hockey Australia of which Mr Ben Hartung ⁽ⁱⁱⁱ⁾ served as General Manager	-	25
KPMG of which Catherine Harding ^(iv) served as an employee	22	-
Latrobe University of which Ms Sally Fawkes served as an employee	1,213	1,362
Vicsport of which Ms Catherine Harding ^(iv) served as a Board member	452	-
Western Bulldogs Football Club of which Ms Jerril Rechter ^(v) served as a Board member	279	197

Note:

- (i) Ms Watt commenced as a VicHealth Board member on 4 September 2018.
- (ii) Dr Roberts AO served as Interim CEO of VicHealth from 18 March 2019 to 23 September 2019.
- (iii) Mr Hartung completed his tenure at Hockey Australia in December 2018.
- (iv) Ms Harding commenced as a VicHealth Board member on 1 March 2020.
- (v) Ms Rechter commenced as Western Bulldogs Football Club director on 24 January 2018 and resigned as VicHealth CEO on 15 March 2019.

Notes to the financial statements

for the year ended 30 June 2020

Note 8. Other disclosures (cont'd)

Significant transactions with government-related entities

During the financial period VicHealth funding received or receivable from government-related entity transactions were:

Entity	2020 (\$'000)	2019 (\$'000)
Department of Health and Human Services – Appropriation	41,168	40,223
Department of Health and Human Services – Special Purpose Grant	-	182
Department of Premier and Cabinet – Special Purpose Grant	45	100
Department of Jobs, Precincts and Regions – Special Purpose Grant	59	-

8.7 Ex-gratia payments

There were no ex-gratia payments made during the reporting period (2019: nil).

8.8 Remuneration of auditors

The payments made to the Victorian Auditor-General's Office during the reporting period are listed in the following table:

	2020 (\$'000)	2019 (\$'000)
Audit and review of the financial statements	24	23

8.9 Economic support

VicHealth is wholly dependent on the continued financial support of the State Government and the Department of Health and Human Services (DHHS). VicHealth's 4-year service agreement with DHHS expired in June 2019 and was renewed for a further 4 years expiring in June 2023. VicHealth's budget is required to be submitted to the Minister for Health for approval annually, as per the requirements of the *Tobacco Act 1987*.

8.10 Events subsequent to balance date

There have been no events that have occurred subsequent to 30 June 2020 which would, in the absence of disclosure, cause the financial statements to become misleading.

Notes to the financial statements

for the year ended 30 June 2020

8.11 Issued but not yet effective Australian accounting and reporting pronouncements

Certain new and revised accounting standards and interpretations have been issued but are not effective for the 2019–20 reporting period. These accounting standards, as listed below, have not been applied to these Financial Statements:

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 17 <i>Insurance Contracts</i>	The new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contracts, that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard currently does not apply to the not-for-profit public sector entities.	1 January 2021	The assessment has indicated that there will be no significant impact on the public sector.
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	This Standard principally amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 January 2020	The standard is not expected to have a significant impact on the public sector.
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022. However, ED 301 has been issued with the intention to defer application to 1 January 2023.	The standard is not expected to have a significant impact on the public sector.

Notes to the financial statements

for the year ended 30 June 2020

Note 8. Other disclosures (cont'd)

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2019–20 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business.*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework.*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform.*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.*
- AASB 2019-4 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements.*
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.*
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).*
- *Conceptual Framework for Financial Reporting.*¹

¹ To be applied by For-Profit private sector entities. Application by other For-Profit entities is optional.

Section 6: Disclosure index

Annual reports are required to contain a disclosure index to assist in identifying the extent of compliance with statutory disclosure and other requirements.

Note: This Disclosure Index consists of two pages and is not required to be completed by denominational hospitals.

The annual report of VicHealth is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	Page 7
FRD 22H	Purpose, functions, powers and duties	Page 7
FRD 22H	Initiatives and key achievements	Page 7
FRD 22H	Nature and range of services provided	Page 7
Management and structure		
FRD 22H	Organisational structure	Page 25
Financial and other information		
FRD 10A	Disclosure index	Page 88
FRD 11A	Disclosure of ex-gratia expenses	Page 85
FRD 21C	Responsible person and executive officer disclosures	Page 80, 81, 82, 83
FRD 22H	Application and operation of <i>Protected Disclosure 2012</i>	Page 40
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	Page 40
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	Page 40
FRD 22H	Details of consultancies over \$10,000	Page 38
FRD 22H	Details of consultancies under \$10,000	Page 38
FRD 22H	Employment and conduct principles	Page 34
FRD 22H	Information and communication technology expenditure	Page 39
FRD 22H	Major changes or factors affecting performance	Page 19
FRD 22H	Operational and budgetary objectives and performance against objectives	Page 16
FRD 22H	Summary of the entity's environmental performance	Page 40
FRD 22H	Significant changes in financial position during the year	Page 19
FRD 22H	Statement on National Competition Policy	Page 40
FRD 22H	Subsequent events	Page 19
FRD 22H	Summary of the financial results for the year	Page 18
FRD 22H	Additional information available on request	Page 40
FRD 22H	Workforce data disclosures including a statement on the application of employment and conduct principles	Page 36
FRD 25D	Local Jobs Disclosures	Page 40
FRD 29C	Workforce data disclosures	Page 36
FRD 103H	Non-financial physical assets	Page 60
FRD 110A	Cash flow statements	Page 49
FRD 112D	Defined benefit superannuation obligations	Page 57

Legislation	Requirement	Page reference
SD 5.2.3	Declaration in report of operations	Page 6
SD 3.7.1	Risk management framework and processes	Page 41
Other requirements under Standing Directions 5.2		
SD 5.2.2	Declaration in financial statements	Page 43
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 43, 51
SD 5.2.1(a)	Compliance with Ministerial Directions	Page 51
Legislation		
<i>Freedom of Information Act 1982</i>		Page 40
<i>Protected Disclosure Act 2012</i>		Page 40
<i>Local Jobs Disclosures</i>		Page 40
<i>Building Act 1993</i>		Page 40
<i>Financial Management Act 1994</i>		Page 51