



INDEPENDENT AUDITOR'S REPORT

To the Minister for Justice

I have audited the accompanying annual financial statements of the Australian Federal Police for the year ended 30 June 2016, which comprise:

- Statement by the Commissioner 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 comprising a Summary of Significant Accounting Policies and other explanatory information.

Opinion

In my opinion, the financial statements of the Australian Federal Police:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Federal Police as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Commissioner's Responsibility for the Financial Statements

The Commissioner of the Australian Federal Police 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 and the rules made under that Act and is also responsible for such internal control as the Commissioner 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Australian National Audit Office



Clea Lewis

Executive Director

Delegate of the Auditor-General

Canberra

8 September 2016

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Statement by the Commissioner and the Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Andrew Colvin APM OAM
Commissioner

8. September 2016



Peter Gunning
Chief Financial Officer

8 September 2016

Statement of comprehensive income

for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Actual 2015 \$'000	Original Budget ¹ \$'000	Variance ² \$'000
NET COST OF SERVICES					
Expenses					
Employee benefits	3A, 12A(i)	900,233	869,949	862,072	38,161
Supplier	3B	423,762	435,940	414,716	9,046
Depreciation and amortisation	6D,E	93,533	98,722	102,291	(8,758)
Finance costs		486	540	532	(46)
Write-down and impairment of assets	3C	1,084	27,948	-	1,084
Grants		1,886	1,704	-	1,886
Other expenses		583	1,540	-	583
Total expenses		1,421,567	1,436,343	1,379,611	41,956
Own-source income					
Own-source revenue					
Sale of goods and rendering of services		266,325	266,883	262,624	3,701
Other revenue		4,453	2,279	588	3,865
Total own-source revenue		270,778	269,162	263,212	7,566
Gains					
Resources received free of charge		5,555	5,640	5,640	(85)
Other gains	12A(ii)	15,569	587	-	15,569
Total gains		21,124	6,227	5,640	15,484
Total own-source income		291,902	275,389	268,852	23,050
Net cost of services		(1,129,665)	(1,160,954)	(1,110,759)	(18,906)
Revenue from government		1,006,033	1,060,560	1,013,143	(7,110)
Deficit attributable to the Australian Government		(123,632)	(100,394)	(97,616)	(26,016)
Other comprehensive income					
Items not subject to subsequent reclassification to net cost of services					
Changes in asset revaluation surplus		-	137	-	-
Total other comprehensive income		-	137	-	-
Total comprehensive loss attributable to the Australian Government	10	(123,632)	(100,257)	(97,616)	(26,016)

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

¹ The original budget is from the 2015–16 Portfolio Budget Statement (PBS) (unaudited).

² The variance between the actual and original budgeted amount for 2015–16. Explanation of major variances are presented in Note 12A.

Statement of financial position

as at 30 June 2016	Notes	Actual 2016	Actual 2015	Original Budget ¹	Variance ²
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Cash and cash equivalents	5A	23,618	8,517	7,818	15,800
Trade and other receivables	5C,12A(iii)	257,489	344,062	334,033	(76,544)
Accrued revenue		6,628	3,590	6,922	(294)
Total financial assets		287,735	356,169	348,773	(61,038)
Non-financial assets					
Land and buildings	6A,12A(iv)	314,701	310,840	355,094	(40,393)
Property, plant and equipment	6B,12A(v)	125,501	128,022	107,320	18,181
Intangibles	6C,12A(vi)	36,511	40,319	53,868	(17,357)
Inventories		6,768	7,321	7,416	(648)
Prepayments		20,481	20,825	21,466	(985)
Total non-financial assets		503,962	507,327	545,164	(41,202)
Total assets		791,697	863,496	893,937	(102,240)
LIABILITIES					
Payables					
Suppliers	7A,12A(vii)	64,493	87,392	84,741	(20,248)
Other payables	7B,12A(viii)	16,686	43,653	37,983	(21,297)
Total payables		81,179	131,045	122,724	(41,545)
Provisions					
Employee provisions	8	290,316	274,238	303,558	(13,242)
Restoration provisions		14,857	15,452	15,958	(1,101)
Staff relocations provisions		3,414	4,111	1,652	1,762
Total provisions		308,587	293,801	321,168	(12,581)
Total liabilities		389,766	424,846	443,892	(54,126)
Net assets		401,931	438,650	450,045	(48,114)
EQUITY					
Contributed equity		951,783	864,870	966,913	(15,130)
Reserves		92,926	92,926	92,789	137
Accumulated deficit		(642,778)	(519,146)	(609,657)	(33,121)
Total equity		401,931	438,650	450,045	(48,114)

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

¹ The original budget is from the 2015–16 Portfolio Budget Statement (PBS) (unaudited).

² The variance between the actual and original budgeted amount for 2015–16. Explanation of major variances are presented in Note 12A.

Statement of changes in equity

for the year ended 30 June 2016

	Accumulated deficit	Revaluation reserves	Contributed equity/capital	Total equity
	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000
Opening balance, 1 July 2015	(519,146)	92,926	864,870	438,650
Comprehensive income				
Deficit for the period	(123,632)	-	-	(123,632)
Total comprehensive income	(123,632)	-	-	(123,632)
Transactions with owners				
Distributions to owners				
Returns of contributed equity ¹	-	-	(14,076)	(14,076)
Contributions by owners				
Equity adjustment ²	-	-	15,411	15,411
Equity injection – appropriations	-	-	48,911	48,911
Departmental capital budget	-	-	36,667	36,667
Total transactions with owners	-	-	86,913	86,913
Closing balance attributable to the Australian Government, 30 June 2016	(642,778)	92,926	951,783	401,931

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

1. Returns of contributed equity in 2015–16: \$7.076m of Appropriation Act (No.1 DCB) 2015–16 and \$7.000m of Appropriation Act (No.2) 2015–16 has been permanently quarantined prior to 30 June 2016 under section 51 of the PGPA Act, constituting a permanent loss of control. These amounts do not form part of the appropriation receivable at Note 5C; as these amounts have not been formally reduced by law they are included in the balance in Note 11B.

2. In 2015 \$15.411m of Appropriation Act (No.2) 2014–15 was recorded as a return of contributed equity under s. 51 of the PGPA Act. Following advice from Department of Finance the amount has now been reinstated as an equity injection in 2015-16. This amount forms part of the appropriation receivable at Note 5; and is included in the balance in Note 11B.

for the year ended 30 June 2015

	Accumulated deficit	Revaluation reserves	Contributed equity/capital	Total equity
	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000
Opening balance, 1 July 2014	(418,752)	92,789	770,050	444,087
Comprehensive income				
Other comprehensive income	-	137	-	137
Deficit for the period	(100,394)	-	-	(100,394)
Total comprehensive income	(100,394)	137	-	(100,257)
Transactions with owners				
Distributions to owners				
Returns of contributed equity ³	-	-	(23,817)	(23,817)
Contributions by owners				
Equity injection – appropriations	-	-	83,430	83,430
Departmental capital budget	-	-	35,207	35,207
Total transactions with owners	-	-	94,820	94,820
Closing balance attributable to the Australian Government, 30 June 2015	(519,146)	92,926	864,870	438,650

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

3. Returns of contributed equity in 2014–15:

- \$18.291m of Appropriation Act (No.2) 2014–15 has been permanently quarantined under section 51 of the PGPA Act, constituting a permanent loss of control. This amount does not form part of the appropriation receivable at Note 5C; however, as these amounts have not been formally reduced, by law, prior to 30 June 2015, they are included in the balance in Note 11B; and
- \$5.526m of Appropriation Act (No.2) 2010–11 was been formally reduced by law through Omnibus Repeal Day (Autumn 2014) Act 2014. This amount does not form part of the appropriation receivable at Note 5C; and is not included in the balance of the unspent annual appropriation in Note 11B.

Cash flow statement

for the year ended 30 June 2016

	Notes	Actual 2016	Actual 2015	Original Budget ¹	Variance ²
Operating activities					
Cash received					
Appropriations		1,379,686	1,318,859	1,261,467	118,219
Sales of goods and rendering of services		272,709	270,544	263,665	9,044
GST received		40,445	38,921	32,333	8,112
Other	12A(ii)	14,637	-	588	14,049
Total cash received		1,707,477	1,628,324	1,558,053	149,424
Cash used					
Employees	12A(i)	912,506	882,534	848,748	63,758
Suppliers		478,991	457,400	440,377	38,614
Receipts to Official Public Account (OPA)		294,931	280,525	264,253	30,678
Grant payments		1,886	1,704	-	1,886
Total cash used		1,688,314	1,622,163	1,553,378	134,936
Net cash from operating activities	5B	19,163	6,161	4,675	14,488
Investing activities					
Cash received					
Proceeds from sale of property, plant and equipment	12A(v)	244	271	-	244
Total cash received		244	271	-	244
Cash used					
Purchase of property, plant and equipment	12A(v)	40,171	42,247	27,279	12,892
Purchase of land and buildings	12A(iv)	49,194	64,736	68,740	(19,546)
Purchase of intangibles	12A(vi)	11,474	18,800	15,775	(4,301)
Total cash used		100,839	125,783	111,794	(10,955)
Net cash (used by) investing activities		(100,595)	(125,512)	(111,794)	11,199
Financing activities					
Cash received					
Contributed equity		50,880	87,367	70,452	(19,572)
Departmental capital budget funding	11A	45,653	32,683	36,667	8,986
Total cash received		96,533	120,050	107,119	(10,586)
Net cash from financing activities		96,533	120,050	107,199	(10,586)
Net increase in cash held		15,101	699	-	15,101
Cash and cash equivalents at the beginning of the period		8,517	7,818	7,818	699
Cash and cash equivalents at the end of the period	5A	23,618	8,517	7,818	15,800

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

1 The original budget is from the 2015–16 Portfolio Budget Statement (PBS) (unaudited).

2 The variance between the actual and original budgeted amount for 2015–16. Explanation of major variances are presented in Note 12A.

Administered schedule of comprehensive income

for the year ended 30 June 2016

		Actual 2016 \$'000	Actual 2015 \$'000	Original Budget ¹ \$'000	Variance ² \$'000
	Notes				
NET COST OF SERVICES					
Expenses					
Consultants and contractors		570	602		
General and office		2,470	1,300		
Grants		-	184		
Impairment of trade and other receivables		23	215		
Infrastructure for other jurisdictions		776	7,959		
Operational expenses		570	604		
Police equipment for other jurisdictions		7,011	5,898		
Training		1,709	1,089		
Travel		1,091	429		
Total expenses	12B(i)	14,220	18,280	17,145	(2,925)
Income					
Non-taxation revenue					
Court fees, fines and penalties		172	477		
Exhibits and seizures		1,176	1,273		
Other – income		16	22		
Total non-taxation revenue	12B(ii)	1,364	1,772	40,524	(39,160)
Net cost of services		12,856	16,508	(23,379)	36,235
Total comprehensive deficit		(12,856)	(16,508)	23,379	(36,235)

The above schedule should be read in conjunction with the accompanying notes. All assets and liabilities are related to Outcome 1.

¹ The original budget is from the 2015–16 Portfolio Budget Statement (PBS) (unaudited).

² The variance between the actual and original budgeted amount for 2015–16. Explanation of major variances are presented in Note 12B.

Administered schedule of assets and liabilities

as at 30 June 2016

	Notes	Actual 2016 \$'000	Actual 2015 \$'000	Original Budget ¹ \$'000	Variance ² \$'000
Assets					
Cash and cash equivalents		4	1,816		
Receivables:					
Receivable - GST from Australian Taxation Office		26	34		
Receivable - Court fees, fines and penalties		1,447	1,438		
Less: impairment allowance (court fees, fines and penalties)		(1,348)	(1,325)		
Total assets administered on behalf of government		129	1,963	208	(79)
Liabilities					
Suppliers ³		1,255	3,713		
Total liabilities administered on behalf of government		1,255	3,713	1,610	(355)
Net (liabilities)		(1,126)	(1,750)	(1,402)	276

The above schedule should be read in conjunction with the accompanying notes. All assets and liabilities are related to Outcome 1.

¹ The original budget is from the 2015–16 Portfolio Budget Statement (PBS) (unaudited).

² The variance between the actual and original budgeted amount for 2015–16. Explanation of major variances are presented in Note 12B.

³ Settlement is usually made within 7 days.

Administered reconciliation schedule

	Actual 2016 \$'000	Actual 2015 \$'000
for the year ended 30 June 2016		
Opening net liabilities as at 1 July	(1,750)	(1,402)
Net cost of services		
Income	1,364	1,772
Expenses	(14,220)	(18,280)
Total net cost of services	(12,856)	(16,508)
Transfers (to)/from Australian Government Appropriation transfers through Official Public Account (OPA):		
Annual appropriations	15,831	18,018
Transfers to OPA	(2,351)	(1,858)
Total transfers (to)/from Australian Government	13,480	16,160
Closing net liabilities as at 30 June	(1,126)	(1,750)

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

Administered cash flow statement

for the year ended 30 June 2016

	Actual 2016 \$'000	Actual 2015 \$'000	Original Budget ¹ \$'000	Variance ² \$'000
Operating activities				
Cash received				
Court fees, fines and penalties	163	258		
Exhibits and seizures	1,176	1,273		
Other – income	16	22		
Net GST received	202	132		
Total cash received	1,557	1,685	41,021	(39,464)
Cash used				
Suppliers	16,654	15,951		
GST paid	194	119		
Total cash used	16,848	16,070	17,642	794
Net cash flows (used by) operating activities	(15,291)	(14,385)	23,379	38,670
Net (decrease) in cash held by the Commonwealth	(15,291)	(14,385)		
Cash at the beginning of the reporting period	1,816	41		
Cash from Official Public Account				
Appropriations	15,831	18,018		
Cash to Official Public Account				
Cash received	(1,356)	(1,560)		
Appropriations	(761)	(166)		
GST	(235)	(132)		
Cash at the end of the reporting period	4	1,816		

The above schedule should be read in conjunction with accompanying notes. All assets and liabilities are related to Outcome 1.

¹ The original budget is from the 2015–16 Portfolio Budget Statement (PBS) (unaudited). The budget statement information has been reclassified and presented on a consistent basis with the corresponding financial statement.

² The variance between the actual and original budgeted amount for 2015–16. Explanation of major variances are presented in Note 12B.

Note 1: Overview

1.1 Objectives of the Australian Federal Police

The Australian Federal Police (AFP) is an Australian Government controlled entity. It is a not-for-profit entity. The objectives of the AFP are to enforce Commonwealth criminal law and protect Commonwealth and national interests from crime in Australia and overseas. In order to achieve these objectives, the AFP is structured to meet two outcomes:

Outcome 1: Reduced criminal and security threats to Australia's collective economic and societal interests through co-operative policing services

Outcome 2: A safe and secure environment through policing activities on behalf of the Australian Capital Territory Government

The continued existence of the AFP in its present form, and with its present programs, is dependent on government policy and on continued funding by parliament for the AFP's administration and programs.

AFP activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the AFP in its own right. Administered activities involve the management or oversight by the AFP, on behalf of the government, of items controlled or incurred by the government.

The following two programs relate to Outcome 1:

- Program 1.1 Federal Policing and National Security
- Program 1.2 International Police Assistance

The following program relates to Outcome 2:

- Program 2.1 ACT Community Policing

The AFP conducts administered activities on behalf of the government under the following programs:

- Program 1.1 Federal Policing and National Security
- Program 1.2 International Police Assistance

1.2 Basis of preparation of the financial statements

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

The financial statements have been prepared in accordance with:

- *Public Governance Performance and Accountability (Financial Reporting) Rule 2015*; and
- Australian Accounting Standards and Interpretations 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 and liabilities 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.

Unless an alternative treatment is specifically required by an accounting standard or the Financial Reporting Rule, assets and liabilities are recognised in the Statement of financial position when and only when it is probable that future economic benefits will flow to the AFP or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard.

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

1.3 Significant accounting judgements and estimates

The AFP has made estimates and judgements with respect to the calculation of employee provisions and the methods used to assess the fair value of assets. These estimates and judgements are outlined at the relevant note.

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

Note 1: Overview (cont.)

1.4 New Australian Accounting Standards

Adoption of new Australian Accounting Standards requirements

- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* applies from 1 July 2016; however, it has been adopted earlier than the application date at 30 June 2015. The standard exempts not-for-profit entities from the disclosure of quantitative information about the significant unobservable inputs used in fair value measurements and the sensitivity of certain fair value measurements to changes in unobservable inputs. This standard has resulted in no longer disclosing fair value measurement in the form of a specific note disclosure.

Future Australian Accounting Standards requirements

- AASB 124 *Related Parties* applies from 1 July 2016. This standard is not expected to have any material impact upon the AFP statements, but will involve a new disclosure. Processes are being implemented to capture related party transactions and to obtain positive confirmation from all related parties that related party transactions have been declared should they exist.
- AASB 9 *Financial Instruments* applies from 1 January 2017. This standard is not expected to have a material impact upon the AFP statements; however, it may result in changes to the AFP's methodology with respect to assessment of credit risk, associated provisions and losses.
- AASB 15 *Revenue from Contracts with Customers* applies from 1 January 2017. This standard is not expected to have any material impact upon the AFP statements; however, it may result in changes to revenue recognition with respect to AFP own-source income.

1.5 Transactions with the Government as Owner

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 AFP 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.

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions under s51 PGPA Act) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

1.6 Taxation

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

Revenues, expenses, assets and liabilities are recognised net of GST except:

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

1.7 Financial instruments

The AFP's financial instruments are measured on a fair value basis. Interest-earning financial assets and liabilities are measured using the effective interest rate method. The carrying amount of all financial instruments in the Statement of financial position approximates fair value. Financial instruments held by the AFP carry minimal credit, liquidity and market risk.

1.8 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 below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards. Administered items are presented on blue background.

Revenue collected by the AFP for use by the government rather than the AFP is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under parliamentary appropriation on behalf of the government. These transfers to and from the OPA are adjustments to the administered cash held by the AFP on behalf of the government and reported as such in the Administered cash flow statement and in the Administered reconciliation schedule.

Note 1: Overview (cont.)

1.8 Reporting of administered activities (cont.)

Administered revenue

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

The AFP recognises revenue from fees and fines when these become payable as determined by the courts and the relevant jurisdiction notifies the AFP. Revenue from exhibits and seizures is recognised when received when it becomes payable as determined by the courts as advised by the AFP case manager.

Administered 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 the Administered schedule of comprehensive income.

Administered impairment allowance

The AFP recognises impairment related to the probability of recovering fees and fines by reference to an actuarial assessment prepared for the AFP as at 30 June 2016.

1.9 Contingent liabilities and contingent assets

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

The AFP has contingent liabilities in respect of legal claims. The amounts are immaterial or unquantifiable at 30 June.

The AFP had no administered contingent liabilities or contingent assets at 30 June.

Unquantifiable contingencies

The AFP has unquantifiable contingencies in relation to a contract that existed at 30 June 2016. Negotiations are in progress and more detailed information has not been disclosed for this reason.

If a matter prosecuted by the AFP is defended successfully, the court may order that the AFP meet certain costs incurred by the defence.

If a matter is being litigated by the AFP and assets are restrained under the *Proceeds of Crime Act 1987* or the *Proceeds of Crime Act 2002*, the AFP gives an undertaking against potential damages caused to the person(s) whose assets have been restrained. If the proceeds of crime action is unsuccessful, damages may be awarded against the AFP. In addition cost orders may be made against the AFP if a proceeds of crime action is unsuccessful. Costs awarded are met from the AFP or client organisations' annual appropriations. Damages may be covered by ComCover where ComCover assesses that the liability is covered by the AFP's insurance policy.

Although costs and damages may be awarded against the AFP from time to time, the AFP is unable to declare an estimate of liabilities not recognised nor undertakings due to the uncertainty of the outcome of matters but, more particularly, due to the sensitivity of the information related to matters still before the courts.

Note 2: Events after the reporting period

No significant events have occurred since the reporting date requiring disclosure in the financial statements.

Note 3: Expenses

Note 3A: Employee benefits expense

	2016 \$'000	2015 \$'000
Wages and salaries	617,963	621,609
Superannuation ¹ :		
Defined contribution plans	48,020	43,784
Defined benefit plans	66,825	66,189
Leave and other entitlements	142,703	121,583
Separation and redundancies	10,557	4,450
Other employee expenses	14,165	12,334
Total employee benefits expense	900,233	869,949

1. The AFP's employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or a nominated superannuation fund. The CSS and PSS are defined benefit plans for the Australian Government. All other superannuation funds are accumulation plans.

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 AFP makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the government. The AFP accounts for the contributions as if they were contributions to defined contribution plans.

Note 3B: Supplier expenses

	2016 \$'000	2015 \$'000
Supplier expenses – goods and services		
Communications and IT	39,445	39,951
Consultant and contractor services	43,046	36,298
General and office	23,537	24,700
Travel	29,296	41,688
Staff and recruitment	46,577	47,043
Vehicle expenses	4,977	6,213
Postage and freight	2,666	3,357
Operational	56,225	62,629
Training	10,233	12,842
Building and accommodation	34,371	31,419
Total supplier expenses – goods and services	290,373	306,140
Breakdown of supplier expenses		
Goods supplied	32,820	41,599
Services rendered	257,553	264,541
Total goods and services supplied or rendered	290,373	306,140

Note 3: Expenses (cont.)

Note 3B: Supplier expenses (cont.)	2016	2015
Supplier expenses – other	\$'000	\$'000
Operating lease rentals in connection with external parties:		
Minimum lease payments	102,513	99,275
Contingent rent expenses	246	594
Workers compensation expenses	30,024	29,854
Other supplier expenses	606	77
Total supplier expenses - other	133,389	129,800
Total supplier expenses	423,762	435,940

Recognition and measurement of operating lease payments: payments are expensed on the basis which is representative of the pattern of benefits derived from the leased assets. Lease incentives are recognised as other payables and amortised over the period of the lease on a straight line basis. Future minimum lease payments for operating leases are disclosed at note 7A.

Note 3C: Write-down and impairment of assets	2016	2015
	\$'000	\$'000
Impairment from trade and other receivables	46	15,053
Impairment of buildings	-	1,134
Impairment of property, plant and equipment	924	1,260
Impairment of intangibles	114	10,501
Total write-down and impairment of assets	1,084	27,948

Note 4: Regulatory charging summary

The AFP undertakes national police checks that are cost-recovered, as outlined in Schedule 2 of the Australian Federal Police Regulations 1979. Expense and income associated with this activity is outlined below.

	2016	2015
	\$'000	\$'000
Expense – departmental	19,279	18,457
Revenue – departmental	23,419	22,755

Note 5: Financial assets

Note 5A: Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Cash in special accounts	2,426	2,551
Cash on hand	100	128
Cash at bank	21,092	5,838
Total cash and cash equivalents	23,618	8,517

Note 5B: Cash flow reconciliation

	2016	2015
	\$'000	\$'000
Reconciliation of cash and cash equivalents per Statement of financial position to Cash flow statement	\$'000	\$'000
Cash and cash equivalents as per:		
Cash flow statement	23,618	8,517
Statement of financial position	23,618	8,517
Discrepancy	-	-

Reconciliation of net cost of services to net cash from operating activities

Net cost of services	(1,129,665)	(1,160,954)
Revenue from government	1,006,033	1,060,560
Adjustment for non-cash items		
Depreciation/amortisation	93,533	98,722
Net write-down of non-financial assets	1,038	12,895
Gain on disposal of assets	(244)	(203)
Asset recognition	(567)	(216)
Movement in capital accruals recognised in payables	9,300	(1,282)
Movement in restoration provision revaluation recognised in equity	-	137
Movement in restoration provision recognised in income statement	(595)	(1,123)

Movements in assets/liabilities

Assets

(Increase)/decrease in net receivables	76,958	(10,624)
(Increase)/decrease in inventories	551	95
(Increase)/decrease in prepayments	344	(591)
(Increase)/decrease in accrued revenue	(3,038)	4,131

Liabilities

(Decrease)/increase in employee provisions	16,078	(10,153)
(Decrease)/increase in supplier payables	(22,899)	14,582
(Decrease)/increase in other payables	(26,967)	(3,587)
(Decrease)/increase in other provisions	(697)	3,772

Net cash from operating activities

19,163	6,161
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Note 5: Financial assets (cont.)

Note 5C: Trade and other receivables

Recognition and measurement of receivables for goods and services receivables: are initially recognised at the nominal amounts due, less any impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Allowances for impairment are made when collectability of the debt is no longer probable. All trade receivables are expected to be recovered in no more than 12 months. Credit terms for goods and services were 30 days (2015: 30 days).

	2016 \$'000	2015 \$'000
Goods and services receivable		
Total goods and services receivables	7,817	23,403
Appropriation receivable		
- for ordinary services	176,096	255,818
- for departmental capital budget	-	45,818
- for equity projects	52,260	16,062
- for Special Accounts	5,500	4,500
Total appropriations receivables	233,856	322,198
Other receivables		
- GST receivable from the Australian Taxation Office	3,793	5,229
- Comcare	12,286	7,114
- other	294	1,265
Total other receivables	16,373	13,608
Total trade and other receivables (gross)	258,046	359,209
Less impairment allowance for goods and services	(557)	(15,147)
Total trade and other receivables (net)	257,489	344,062
Ageing of trade and other receivables (gross):		
Not overdue	255,164	357,947
Overdue by:		
0 to 30 days	885	261
31 to 60 days	259	128
61 to 90 days	203	88
More than 90 days	1,535	785
Total receivables (gross)	258,046	359,209
Reconciliation of the impairment allowance account		
	2016 \$'000	2015 \$'000
Opening balance, 1 July	15,147	491
Amounts written off	(46)	(398)
Amounts recovered and reversed	(14,544)	1
Increase recognised in net cost of services	-	15,053
Closing balance, 30 June	557	15,147

Note 6: Property, plant, equipment and intangibles

Recognition and measurement of assets: assets are recorded at cost on acquisition, except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Recognition thresholds are:

- Purchases of property, plant and equipment are recognised initially at cost except for purchases costing less than \$2,000;
- Land and buildings are recognised initially at cost except for purchases costing less than \$5,000;
- Purchased intangible assets are recognised initially at cost for purchases costing more than \$10,000 and internally developed software is recognised at cost for purchases costing more than \$25,000.

All asset purchases below these thresholds are expensed in the year of acquisition. Where assets cost less than the threshold and form part of a group of similar items which are significant in total, they are recognised as assets.

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 AFP where there exists an obligation to restore the property to its original condition. These costs are included in the value of the AFP's leasehold improvements with a corresponding provision for the make good recognised.

Revaluations

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

Key judgement: the valuation basis for each class of assets is as follows:

- land – fair value based on market value of similar properties
- buildings and leasehold improvements – depreciated replacement cost due to no active market for custom-built assets
- other property, plant and equipment – measured at market selling price for assets unless a market does not exist. In these circumstances depreciated replacement cost is applied. Valuation is determined by an independent valuer.

Fair values for each class of asset are determined via a formal revaluation that is undertaken once every three years. The AFP tests the valuation model as an internal management review at least once every 12 months to ensure there are no material differences. The last formal revaluation occurred at 30 June 2014.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation surplus except to the extent that it reverses 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.

Impairment and derecognition

All assets were assessed for impairment at 30 June 2016. 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. Where assets were no longer used by the AFP, these have been written down during the financial year. These are described in Note 6D/E as write-down and impairment recognised in the net cost of services.

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

Depreciation and amortisation expense

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to AFP using the straight-line method of depreciation. Depreciation and amortisation rates have been applied to each class of asset based on the following useful lives:

Buildings on freehold land	6 to 30 years
Buildings on leasehold land	6 to 30 years
Leasehold improvements	15 years or Lease term
Other property, plant and equipment	3 to 10 years
Software assets	1 to 15 years

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.

Note 6: Property, plant, equipment and intangibles (cont.)

Note 6A: Land and buildings	2016 \$'000	2015 \$'000
Land		
Land at fair value	2,000	2,000
Total land	2,000	2,000
Buildings on freehold land		
Buildings on freehold land at fair value	20,130	20,117
Accumulated depreciation	(2,107)	(1,134)
Total buildings on freehold land	18,023	18,983
Buildings on leasehold land		
Work in progress	3,253	72,991
Fair value	112,651	30,326
Accumulated depreciation	(7,058)	(3,935)
Total buildings on leasehold land	108,846	99,382
Leasehold improvements		
Work in progress	4,558	5,966
Fair value	243,263	219,920
Accumulated depreciation	(61,989)	(35,411)
Total leasehold improvements	185,832	190,475
Total land and buildings	314,701	310,840

No indicators of impairment were found for land and buildings as at 30 June 2016.
No land and buildings are held for sale as at 30 June 2016.

Note 6B: Property, plant and equipment	2016 \$'000	2015 \$'000
Other property, plant and equipment:		
Work in progress	16,642	16,699
Fair value	212,101	171,752
Accumulated depreciation	(103,242)	(60,429)
Total property, plant and equipment	125,501	128,022

No indicators of impairment were found for property, plant and equipment as at 30 June 2016.
No property, plant and equipment are held for sale as at 30 June 2016.

Note 6C: Intangibles	2016 \$'000	2015 \$'000
Computer software		
Internally developed – in progress	13,126	11,323
Internally developed – in use	69,291	75,254
Purchased	31,741	48,702
Accumulated amortisation	(77,647)	(94,960)
Total computer software	36,511	40,319
Total intangibles	36,511	40,319

The AFP's intangibles comprise internally developed and externally acquired software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

All software assets were assessed for indications of impairment as at 30 June 2016. There were no indicators of impairment (2015: indicators were present at 30 June 2015, as a result the asset was impaired by \$10.182m).

No intangibles are held for sale as at 30 June 2016.

Note 6: Property, plant, equipment and intangibles (cont.)

Note 6D: Reconciliation of the opening and closing balances of property, plant and equipment, 2016

	Land	Buildings on freehold land	Buildings on leased land	Leasehold improvements	Total land and buildings	Other property, plant and equipment	Total PPE
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2015							
Gross book value	2,000	20,117	103,317	225,886	351,320	188,451	539,771
Accumulated depreciation and impairment	-	(1,134)	(3,935)	(35,411)	(40,480)	(60,429)	(100,909)
Net book value, 1 July 2015	2,000	18,983	99,382	190,475	310,840	128,022	438,862
Additions:							
Purchased or internally developed	-	13	23,267	23,684	46,964	35,848	82,812
Assets not previously recognised	-	-	-	-	-	567	567
Write-down and impairment recognised in net cost of services	-	-	(93)	-	(93)	(831)	(924)
Depreciation/amortisation	-	(973)	(3,362)	(28,053)	(32,388)	(48,641)	(81,029)
Reclassifications	-	-	(10,348)	(274)	(10,622)	10,554	(68)
Disposals:							
Sales	-	-	-	-	-	(18)	(18)
Net book value, 30 June 2016	2,000	18,023	108,846	185,832	314,701	125,501	440,202
Net book value as of 30 June 2016 represented by:							
Gross book value	2,000	20,131	115,904	247,821	385,856	228,743	614,599
Accumulated depreciation and impairment	-	(2,108)	(7,058)	(61,989)	(71,155)	(103,242)	(174,397)
Net book value, 30 June 2016	2,000	18,023	108,846	185,832	314,701	125,501	440,202

Note 6D: Reconciliation of the opening and closing balances of property, plant and equipment, 2015

	Land	Buildings on freehold land	Buildings on leased land	Leasehold improvements	Total land and buildings	Other property, plant and equipment	Total PPE
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2014							
Gross book value	2,000	19,868	54,173	212,258	288,299	149,819	438,118
Accumulated depreciation and impairment	-	(162)	(741)	(7,171)	(8,074)	(8,224)	(16,298)
Net book value, 1 July 2014	2,000	19,706	53,432	205,087	280,225	141,595	421,820
Additions:							
Purchased or internally developed	-	-	51,208	13,577	64,785	42,981	107,766
Assets not previously recognised	-	-	-	-	-	216	216
Write-down and impairment recognised in net cost of services	-	-	(1,134)	-	(1,134)	(1,260)	(2,394)
Depreciation/amortisation	-	(972)	(3,872)	(28,444)	(33,288)	(53,691)	(86,979)
Reclassifications	-	249	(252)	255	252	(1,751)	(1,499)
Disposals:							
Sales	-	-	-	-	-	(68)	(68)
Net book value, 30 June 2015	2,000	18,983	99,382	190,475	310,840	128,022	438,862
Net book value as of 30 June 2015 represented by:							
Gross book value	2,000	20,117	103,317	225,886	351,320	188,451	539,771
Accumulated depreciation and impairment	-	(1,134)	(3,935)	(35,411)	(40,480)	(60,429)	(100,909)
Net book value, 30 June 2015	2,000	18,983	99,382	190,475	310,840	128,022	438,862

Note 6 - Property, plant, equipment and intangibles (cont.)

Note 6E: Intangibles reconciliation of opening and closing balance, 30 June 2016

	Computer software internally developed \$'000	Computer software purchased \$'000	Total intangibles \$'000
Gross book value	86,577	48,702	135,279
Accumulated amortisation and impairment	(62,301)	(32,659)	(94,960)
Opening net book value, 1 July 2015	24,276	16,043	40,319
Additions:			
Purchased or internally developed	7,499	1,243	8,742
Write-down and impairment recognised in net cost of services	(17)	(97)	(114)
Depreciation/amortisation	(6,050)	(6,454)	(12,504)
Reclassifications	(908)	976	68
Closing net book value, 30 June 2016	24,800	11,711	36,511
Net book value as of 30 June 2016 represented by:			
Gross book value	82,417	31,741	114,158
Accumulated amortisation and impairment	(57,617)	(20,030)	(77,647)
Closing net book value, 30 June 2016	24,800	11,711	36,511

Note 6E: Intangibles reconciliation of opening and closing balance, 30 June 2015

	Computer software internally developed \$'000	Computer software purchased \$'000	Total intangibles \$'000
As at 1 July 2014			
Gross book value	100,760	41,936	142,696
Accumulated amortisation and impairment	(58,357)	(29,221)	(87,578)
Net book value, 1 July 2014	42,403	12,715	55,118
Additions:			
Purchased or internally developed	14,731	5,706	20,437
Write-down and impairment recognised in net cost of services	(10,500)	(1)	(10,501)
Depreciation/amortisation	(6,570)	(5,173)	(11,743)
Reclassifications	(1,312)	2,796	1,484
Disposals:			
Other	(14,476)	-	(14,476)
Net book value, 30 June 2015	24,276	16,043	40,319
Net book value as of 30 June 2015 represented by:			
Gross book value	86,577	48,702	135,279
Accumulated amortisation and impairment	(62,301)	(32,659)	(94,960)
Net book value, 30 June 2015	24,276	16,043	40,319

Note 7: Payables

Note 7A: Supplier payables

Recognition and measurement of supplier and other payables: payables are carried at the amount owing to parties for goods and services provided, which is usually the invoice amount. Settlement is usually made within 7 days (2015: 7 days).

	2016	2015
	\$'000	\$'000
Trade creditors and accruals	43,786	67,981
Operating lease rentals	20,707	19,411
Total supplier payable	64,493	87,392
Breakdown of suppliers payable		
- amount of supplier payable expected to be settled in no more than 12 months	55,460	70,042
- amount of supplier payable expected to be settled in more than 12 months	9,033	17,350
Total suppliers payable	64,493	87,392

Operating lease commitments

The AFP leases a number of properties and motor vehicles under operating leases. The majority of leases are in their initial term, with an option to renew after that date. Property lease payments increase annually in accordance with the relevant lease agreement, which is either fixed rate or CPI.

	2016	2015
	\$'000	\$'000
As at 30 June, the future minimum lease payments under non-cancellable leases were as follows:		
Less than one year	90,131	96,930
Between one and five years	270,795	233,495
More than five years	260,734	344,126
Total operating lease commitments	621,660	674,551

Capital commitments

The AFP has entered into contracts to purchase equipment, intangibles, leasehold fit-outs and buildings that are currently under construction. Some contracts contain a termination clause as part of the contract. Value of these contracts 2016: \$3.196m (2015: \$26.658m). At 30 June, the AFP intends to fully exercise these contracts.

	2016	2015
	\$'000	\$'000
As at 30 June, the future minimum payments under non-cancellable contracts were as follows:		
Less than one year	4,370	33,720
Between one and five years	34	16
Total capital commitments	4,404	33,736

Note 7B: Other payables

	2016	2015
	\$'000	\$'000
Wages and salaries	6,672	30,465
Superannuation	412	3,903
Separations and redundancies	1,531	2,599
Unearned income	8,060	6,621
Other payables	11	65
Total other payables	16,686	43,653

Breakdown of other payables

- amount of other payables expected to be settled in no more than 12 months	16,056	43,188
- amount of supplier payable expected to be settled in more than 12 months	630	465
Total other payables	16,686	43,653

Note 8: Employee provisions

Recognition and measurement of employee benefits: employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if there is a present legal obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The leave liabilities are annual and long service leave. The 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 AFP's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

Employee provisions due within twelve months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Employee provisions which are expected to be settled beyond 12 months (commonly long service leave), are discounted to present value using market yields on the 10-year government bond rate.

Key estimate:
Employee provisions which are expected to be settled beyond 12 months required management judgement and independent actuarial assessment of key assumptions, including, but not limited to:
- future salaries and wages increases;
- future on-cost rates; and
- period of service and attrition. Refer also to note 1.3.

	2016 \$'000	2015 \$'000
Leave	289,613	273,873
Redundancy	632	238
Other	71	127
Total employee provisions	290,316	274,238
Breakdown of employee provisions		
- amount of employee provisions expected to be settled in no more than 12 months	77,636	74,388
- amount of employee provisions expected to be settled in more than 12 months	212,680	199,850
Total employee provisions	290,316	274,238

Note 9: Senior management personnel remuneration

Senior management are the AFP Commissioner and Senior Executive Service (SES) officers who were employed in these positions during the financial year. The total number of individuals included in the table below is 82 (2015: 85).

	2016 \$	2015 \$
Short-term employee benefits		
Salary	15,570,965	15,022,377
Performance bonus	-	1,245,860
Employee benefits ¹	340,614	757,891
Relocation and deployment benefits ²	1,870,433	1,489,606
Other allowances ³	140,832	176,371
Total short-term employee benefits	17,922,844	18,692,105
Post-employment benefits		
Superannuation	2,873,420	2,925,458
Total post-employment benefits	2,873,420	2,925,458
Other long-term benefits		
Annual leave accrued	1,958,748	1,860,142
Long-service leave	1,469,810	1,832,943
Total other long-term benefits	3,428,558	3,693,085
Termination benefits		
Termination benefits	2,131,492	328,298
Total termination benefits	2,131,492	328,298
Total senior management personnel remuneration expenses	26,356,314	25,638,946

1. Employee benefits include vehicle costs, representation costs and SES financial advice allowance.

2. Relocation and deployment benefits include international and domestic accommodation, meal allowances, overseas allowances, transfer allowances, leave fares, spouse travel, international utilities, medical and insurance benefits associated with deployment.

3. Other allowances include parking and health and fitness allowances.

Note 10: Net cash appropriation arrangements

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

	2016 \$'000	2015 \$'000
Total comprehensive income (loss) less depreciation/amortisation expenses	(33,393)	(4,779)
Depreciation/amortisation expenses previously funded through revenue appropriation ¹	(90,239)	(95,478)
Total comprehensive income (loss) - per the Statement of comprehensive income	(123,632)	(100,257)

1. The depreciation/amortisation expense per the Statement of comprehensive income is \$93.533m (2015:\$98.722m). The amount presented above is reduced by \$3.294m (2015: \$3.244m), representing the depreciation/amortisation expense funded by the ACT Government for Outcome 2.

Note 11: Appropriations

Note 11A: Annual appropriations ('recoverable ex GST')

	2016 \$'000	2015 \$'000
Departmental appropriation – ordinary annual services		
Annual appropriation – ordinary annual services ¹	1,013,143	1,060,670
Annual appropriation – departmental capital budget ¹	36,667	35,207
PGPA – Section 74 transfers	293,931	280,525
Total appropriation	1,343,741	1,376,402
Appropriation applied ordinary annual services (current and prior years)	(1,424,750)	(1,352,070)
Payments for non-financial assets (current and prior years)	(45,653)	(32,683)
Total appropriation applied	(1,470,403)	(1,384,753)
Variance²	(126,662)	(8,351)

1. Departmental appropriations include appropriations which have been reduced (by permanent quarantine) by the following amounts due to decisions of government:

- \$7.780m – Appropriation Act (No.1) 2015–16
- \$7.076m – Appropriation Act (No.1 DCB) 2015–16
- \$1.590m – Appropriation Act (No.1) 2014–15

The permanent quarantine under section 51 of the PGPA Act constitutes a permanent loss of control. These amounts do not form part of the appropriation receivable balance at note 5C, however as the amounts have not been formally reduced (by law) they will remain in the unspent appropriation balance at 11B.

2. The variance in the 2015-16 financial year represents appropriation drawn from prior year years to fund payments made in the 2015-16, including liabilities at 30 June 2015.

	2016 \$'000	2015 \$'000
Departmental other services – equity		
Annual appropriation – equity ³	48,911	83,430
Total Appropriation	48,911	83,430
Appropriation applied (current and prior years)	(50,881)	(87,365)
Variance⁴	(1,970)	(3,935)

3. Equity appropriations include appropriations which have been reduced (by permanently quarantine) by the following amounts

- \$7.000m – Appropriation Act (No.2) 2015–16
- \$2.880m – Appropriation Act (No.2) 2014–15

The permanent quarantine under section 51 of the PGPA Act constitutes a permanent loss of control. These amounts do not form part of the appropriation receivable balance at note 5C, however as the amounts have not been formally reduced by law they will remain in the unspent appropriation balance at 11B.

4. The variance in the 2015–16 and the 2014–15 financial year was primarily due to capital purchases funded by prior year equity appropriations.

Note 11: Appropriations (cont.)

Note 11A: Annual appropriations ('recoverable ex GST') (cont.)

	2016 \$'000	2015 \$'000
Administered ordinary annual services		
Annual appropriation ⁸	17,145	18,275
Total appropriation	17,145	18,275
Appropriation applied (current and prior years)	(16,427)	(15,950)
Variance⁹	718	2,325

8. Appropriation Act (No.1) 2015–16 includes \$2.631m, that was permanently quarantined under section 51 of the PGPA Act constituting a permanent loss of control, however these amounts have not been formally reduced by law.

9. The variance in 2015–16 represents appropriation drawn from prior years to pay administered liabilities at 30 June in 2015. The variance in 2014–15 financial year represents undrawn appropriation required for the payment of liabilities at year end.

Note 11B: Unspent annual appropriations ('recoverable ex GST')

	2016 \$'000	2015 \$'000
Departmental		
Appropriation Act (No. 1) 2013–14 ¹	1,345	1,345
Appropriation Act (No. 4) 2013–14	-	3,510
Appropriation Act (No. 1) – Capital Budget (DCB) – Non Operating – 2014–15	-	16,062
Appropriation Act (No. 1) 2014–15 ¹	1,590	215,004
Appropriation Act (No. 2) 2014–15 ¹	19,244	60,599
Appropriation Act (No. 3) 2014–15	-	41,703
Appropriation Act (No. 1) 2014–15 – Cash on hand / at bank	-	5,956
Appropriation Act (No. 1) – Capital Budget (DCB) – Non Operating – 2015–16 ¹	7,076	-
Appropriation Act (No. 1) 2015–16 ¹	182,506	-
Appropriation Act (No. 2) 2015–16 ¹	42,896	-
Appropriation Act (No. 1) 2015–16 – Cash on hand / at bank	21,182	-
Total departmental	275,839	344,179
Administered		
Appropriation Act (No. 1) 2014–15 ¹	202	1,380
Appropriation Act (No. 3) 2014–15	203	715
Appropriation Act (No. 1) 2014–15 – Cash on hand / at bank	-	1,816
Appropriation Act (No. 1) 2015–16 ¹	3,994	-
Appropriation Act (No. 1) 2015–16 – Cash on hand / at bank	4	-
Total administered	4,403	3,911

1. The following amounts are included in unspent annual appropriations, as the amounts have not been formally reduced (by law). They will be disclosed in this note until the appropriation lapses. They do not form part of the appropriation receivable balance at note 5C.

- \$1.345m – Appropriation Act (No.1) 2013–14
- \$1.590m – Appropriation Act (No.1) 2014–15
- \$2.880m – Appropriation Act (No.2) 2014–15
- \$7.780m – Appropriation Act (No.1) 2015–16
- \$7.076m – Appropriation Act (No.1 DCB) 2015–16
- \$7.000m – Appropriation Act (No.2) 2015–16
- \$0.202m – Administered Appropriation Act (No.1) 2014–15
- \$2.631m – Administered Appropriation Act (No.1) 2015–16

At 30 June 2016 the AFP recognised revenue and a receivable 'existing programs' at Note 5 of \$1.371m for a no win / no loss arrangement to cover additional FBT expense related to living away from home allowance. This met the formal recognition criteria under section 51 of the PGPA Act; however, as the appropriation had not been formally appropriated by law, it is not represented in Note 11B (2015: receivable of \$0.701m).

Note 12: Budget reporting and major budget variances

The Statement of comprehensive income, the Statement of financial position and the Cash flow statement provide a comparison of the original budget as presented in the 2015–16 Portfolio Budget Statements (PBS) to the 2015–16 actual outcome. No comparison has been provided for the Statement of changes in equity as major changes between the PBS and the actual outcome are explained by movements in the Statement of comprehensive income and the Statement of financial position.

Note 12A: Departmental major budget variances for 2016

(i) Employee benefit expense (Schedule of comprehensive income) and (Cash flow statement)

Employee benefit expense for 2015–16 was \$900.233m, \$38.161m higher than the budget estimate of \$862.072m.

· The budget was based on a lower number of staff and the operational environment at the time. The heightened security threat environment and operational requirements during the year has resulted in additional activities and higher employee numbers; and

· The budget did not include the impact of a \$12.551m accounting adjustment due to an unanticipated decrease in the bond rate at 30 June 2016.

(ii) Other gains (Schedule of comprehensive income) and (Cash flow statement)

Other gains for 2015–16 were \$15.569m, the budget estimate was nil. The gain is largely due to the recovery of impaired debts from previous financial years.

(iii) Trade and other receivables (Statement of financial position)

Trade and other receivables for 2015–16 were \$257.489m, \$76.544m lower than the budget estimate of \$334.033m. The variance is due to drawing down of prior year appropriations in the current financial year for capital and funding the deficit.

(iv) Land and buildings (Statement of financial position) and (Cash flow statement)

Land and buildings were \$314.701m, \$30.393m lower than the budget estimate of \$334.033m. The variance is due to delays in schedules of capital projects and classification of a large component of a capital project under property, plant and equipment, which was budgeted under land and buildings.

(v) Property, plant and equipment (Statement of financial position) and (Cash flow statement)

Property, plant and equipment was \$125.501m, \$18.181m higher than the budget estimate of \$107.320m. The variance is due to classification of a large component of a capital project under property, plant and equipment, which was budgeted under land and buildings.

(vi) Intangibles (Statement of financial position) and (Cash flow statement)

Intangibles were \$36.511m, \$17.357m lower than the budget estimate of \$53.868m. The budget did not include the impact of the disposal of elements of a major operating systems project at 30 June 2015.

(vii) Supplier payables (Statement of financial position)

Supplier payables were \$64.493m at 30 June 2016, \$20.248m lower than the budget estimate of \$84.741m. The variance is due to reduced operational and capital accruals, and payables compared to prior financial year.

(viii) Other payables (Statement of financial position)

Other payables were \$16.686m at 30 June 2016, \$21.297m lower than the budget estimate of \$37.983m. The budget was based on an incorrect assumption relating to the number of days of accrued salary at 30 June 2016.

Note 12B: Administered major budget variances for 2016

(i) Total expenses (Administered schedule of comprehensive income) (Administered cash flow statement)

Supplier expenses were \$14.220m, \$2.925m lower than the budget estimate of \$17.145m. The lower expenses largely relate to a government decision to return Overseas Development Assistance of \$2.631m during the year.

(ii) Other income (Administered schedule of comprehensive income) (Administered cash flow statement)

Other income for 2015–16 was \$0.016m, \$40.508m lower than the budget estimate of \$40.524m. The lower revenue relates to the 'partial cost recovery of airport policing' budget measure announced in the 2012–13 budget for which legislation has not been enacted.

Note 13: Reporting of outcomes

Note 13A: Net cost of outcome delivery

Outcomes 1 and 2 are described in Note 1.1. Net costs shown include intra-governmental costs that are eliminated in calculating the actual outcome.

	Outcome 1		Outcome 2		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Departmental						
Expenses	(1,260,234)	(1,276,306)	(161,333)	(160,037)	(1,421,567)	(1,436,343)
Own-sourced income	130,943	115,287	160,959	160,102	291,902	275,389
Administered						
Expenses	(14,220)	(18,280)	-	-	(14,220)	(18,280)
Income	1,364	1,772	-	-	1,364	1,772
Net contribution/(cost) of outcome delivery	(1,142,147)	(1,177,527)	(374)	65	(1,142,521)	(1,177,462)

Note 13B: Major classes of departmental expenses, income, assets and liabilities by outcome

Outcomes 1 and 2 are described in Note 1.1. Net costs shown include intra-governmental costs that were eliminated in calculating the actual outcome.

	Outcome 1		Outcome 2		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Expenses						
Employee benefits	794,284	764,691	105,949	105,258	900,233	1,436,343
Supplier	372,675	385,644	51,087	50,296	423,762	435,940
Depreciation and amortisation	90,239	95,478	3,294	3,244	93,533	98,722
Grants	1,344	1,085	542	619	1,886	1,704
Other	1,692	29,408	461	620	2,153	30,028
Total	1,260,234	1,276,306	161,333	160,037	1,421,567	1,436,343
Own-source income						
Revenue from government	1,006,033	1,060,560	-	-	1,006,033	1,060,560
Sales of goods and services	110,676	112,091	155,649	154,792	266,325	266,883
Other	20,267	3,196	5,310	5,310	25,577	8,506
Total	1,136,976	1,175,847	160,959	160,102	1,297,935	1,335,949
Assets						
Cash and cash equivalents	23,537	8,503	81	14	23,618	8,517
Trade and other receivables	233,621	319,508	23,868	24,554	257,489	344,062
Other financial assets	6,628	3,529	-	61	6,628	3,590
Land and buildings	311,394	307,244	3,307	3,596	314,701	310,840
Property, plant and equipment	118,148	118,932	7,353	9,090	125,501	128,022
Intangibles	33,656	39,021	2,855	1,298	36,511	40,319
Inventories	6,315	6,702	453	619	6,768	7,321
Other non-financial assets	20,481	20,825	-	-	20,481	20,825
Total	753,780	824,264	37,917	39,232	791,697	863,496
Liabilities						
Suppliers	63,523	86,492	970	900	64,493	87,392
Other payables	15,883	39,843	803	3,810	16,686	43,653
Employee provisions	257,671	243,296	32,645	30,942	290,316	274,238
Other provisions	17,475	18,828	796	735	18,271	19,563
Total	354,552	388,459	35,214	36,387	389,766	424,846

Note 14: Special accounts (recoverable ex GST)

The AFP has one special account that contains the receipt of monies temporarily held in trust or otherwise for the benefit of a person other than the Commonwealth, for the payment of monies in connection with services performed on behalf of other governments and non-agency bodies and for expenditure related to providing secretariat support in relation to the detection and prevention of money laundering in the Asia–Pacific region and carrying out activities that are incidental to this purpose.

Services for Other Entities and Trust Moneys Account (SOETM) ¹	2016	2015
	\$'000	\$'000
Balance brought forward from previous period	46,089	45,909
Increases		
Appropriation credited to special account	1,512	1,522
Departmental receipts (AIPM ² and APG ³)	12,024	11,673
Other receipts	33,951	56,127
Total increases	47,487	69,322
Decreases		
Departmental payments (AIPM and APG)	(12,661)	(11,968)
Other payments	(40,081)	(57,174)
Total decreases	(52,742)	(69,142)
Balance carried to next period and represented by:	40,834	46,089
Cash – held by the agency	2,436	2,561
Cash – held by the agency on trust	32,898	39,028
Monies – held by the OPA	5,500	4,500
Total balance carried to the next period	40,834	46,089

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

Establishing Instrument: *Financial Management and Accountability (Establishment of Special Account for Australian Federal Police) Determination 2011/03*. Date established: 17 May 2011.

2. Accounting for the Australian Institute of Police Management (AIPM)

The purpose of the AIPM is to provide executive development and education services to Australasian police forces. The AIPM is hosted by the AFP. It also reports on its performance to a Board of Control that is comprised of police Commissioners from Australia and New Zealand.

The AIPM operates within the corporate governance framework of the AFP and the AFP's policies apply in all aspects of the AIPM's functions. All staff at the AIPM are staff members of the AFP and the operations of the AIPM are partly funded from AFP annual departmental appropriations. The AFP has effective control of the AIPM and therefore AIPM transactions are consolidated into the financial statements of the AFP.

AIPM transactions are contained within the special account, 'Services for Other Entities and Trust Moneys Account', in addition to being consolidated within the AFP financial statements. As a special account, AIPM funds can only be used for the purpose specified.

3. Accounting for the Asia–Pacific Group (APG) on Money Laundering

The purpose of the APG on Money Laundering is to facilitate the adoption, implementation and enforcement of internationally accepted anti-money-laundering and anti-terrorist-financing standards. The APG is hosted by the AFP. It also reports on its performance to the members of the APG.

The APG operates within the corporate governance framework of the AFP and the AFP's policies apply in all aspects of the APG's functions. All staff members are staff members of the AFP. The AFP has effective control of the APG and therefore APG transactions are consolidated into the financial statements of the AFP.

APG transactions are contained within the special account, 'Services for Other Entities and Trust Moneys Account', in addition to being consolidated within the AFP financial statements. As a special account, APG funds can only be used for the purpose specified.