



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Justice

#### Opinion

In my opinion, the financial statements of the Australian Federal Police for the year ended 30 June 2017:

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

The financial statements of the Australian Federal Police, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Commissioner and Chief Finance Officer;
- Statement of comprehensive income;
- Statement of financial position;
- Statement of changes in equity;
- Cash flow statement;
- Administered schedule of comprehensive income;
- Administered schedule of assets and liabilities;
- Administered reconciliation schedule;
- Administered cash flow statement; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

#### Basis for Opinion

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

#### Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Australian Federal Police the Commissioner is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Commissioner 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.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Clea Lewis

Executive Director

Delegate of the Auditor-General

Canberra

7 September 2017

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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 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Andrew Colvin APM OAM  
Commissioner

7 September 2017



Peter Gunning  
Chief Financial Officer

7 September 2017

## Statement of comprehensive income

for the year ended 30 June 2017

	Notes	Actual 2017 \$'000	Actual 2016 \$'000	Original Budget <sup>1</sup> \$'000	Variance <sup>2</sup> \$'000
<b>NET COST OF SERVICES</b>					
<b>Expenses</b>					
Employee benefits	1.1A	848,587	900,233	853,854	(5,267)
Suppliers	1.1B	442,509	423,762	416,313	26,196
Depreciation and amortisation	2.2A	88,780	93,533	91,381	(2,601)
Finance costs		391	486	453	(62)
Write-down and impairment of assets	1.1C	3,048	1,084	-	3,048
Grants		2,093	1,886	-	2,093
Other expenses		948	583	-	948
<b>Total expenses</b>		<b>1,386,356</b>	<b>1,421,567</b>	<b>1,362,001</b>	<b>24,355</b>
<b>Own-source income</b>					
<b>Own-source revenue</b>					
Sale of goods and rendering of services	1.2A	271,954	266,325	263,376	8,578
Other revenue	1.2A	3,797	4,453	581	3,216
<b>Total own-source revenue</b>		<b>275,751</b>	<b>270,778</b>	<b>263,957</b>	<b>11,794</b>
<b>Gains</b>					
Resources received free of charge	1.2B	5,555	5,555	5,640	(85)
Sales of assets	1.2B	219	244	-	219
Other gains	1.2B	1,445	15,325	-	1,445
<b>Total gains</b>		<b>7,219</b>	<b>21,124</b>	<b>5,640</b>	<b>1,579</b>
<b>Total own-source income</b>		<b>282,970</b>	<b>291,902</b>	<b>269,597</b>	<b>13,373</b>
<b>Net cost of services</b>		<b>(1,103,386)</b>	<b>(1,129,665)</b>	<b>(1,092,404)</b>	<b>(10,982)</b>
Revenue from government	4.1A	1,021,343	1,006,033	1,005,058	16,285
<b>Deficit attributable to the Australian Government</b>		<b>(82,043)</b>	<b>(123,632)</b>	<b>(87,346)</b>	<b>5,303</b>
<b>Other comprehensive income</b>					
Items not subject to subsequent reclassification to net cost of services					
Revaluation of Property, plant and equipment		30,828	-	-	30,828
<b>Total other comprehensive income</b>		<b>30,828</b>	<b>-</b>	<b>-</b>	<b>30,828</b>
<b>Total comprehensive loss attributable to the Australian Government</b>		<b>(51,215)</b>	<b>(123,632)</b>	<b>(87,346)</b>	<b>36,131</b>

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

<sup>1</sup> The original budget is from the 2016–17 Portfolio Budget Statement (PBS) (unaudited).<sup>2</sup> The variance between the actual and original budgeted amount for 2016–17. Explanation of major variances are presented in Note 5.1.

## Primary statements

## Statement of financial position

as at 30 June 2017		Actual	Actual	Original	
	Notes	2017	2016	Budget <sup>1</sup>	Variance <sup>2</sup>
		\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2.1A	17,702	23,618	8,517	9,185
Trade and other receivables	2.1B	303,125	257,489	242,207	60,918
Accrued revenue		5,071	6,628	3,590	1,481
<b>Total financial assets</b>		<b>325,898</b>	<b>287,735</b>	<b>254,314</b>	<b>71,584</b>
<b>Non-financial assets</b>					
Land and buildings	2.2A	349,387	314,701	410,299	(60,912)
Property, plant and equipment	2.2A	138,433	125,501	87,077	51,356
Intangibles	2.2A	38,409	36,511	32,993	5,416
Inventories		5,652	6,768	7,321	(1,669)
Prepayments		23,011	20,481	22,093	918
<b>Total non-financial assets</b>		<b>554,892</b>	<b>503,962</b>	<b>559,783</b>	<b>(4,891)</b>
<b>Total assets</b>		<b>880,790</b>	<b>791,697</b>	<b>814,097</b>	<b>66,693</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	2.3A	85,059	64,493	84,677	382
Other payables	2.3B	20,645	16,686	7,025	13,620
<b>Total payables</b>		<b>105,704</b>	<b>81,179</b>	<b>91,702</b>	<b>14,002</b>
<b>Provisions</b>					
Employee provisions	3.1	289,001	290,316	288,017	984
Other provisions	2.4	31,648	18,271	18,813	12,835
<b>Total provisions</b>		<b>320,649</b>	<b>308,587</b>	<b>306,830</b>	<b>13,819</b>
<b>Total liabilities</b>		<b>426,353</b>	<b>389,766</b>	<b>398,532</b>	<b>27,821</b>
<b>Net assets</b>		<b>454,437</b>	<b>401,931</b>	<b>415,565</b>	<b>38,872</b>
<b>EQUITY</b>					
Contributed equity		1,055,504	951,783	1,044,523	10,981
Reserves		123,754	92,926	92,927	30,827
Accumulated deficit		(724,821)	(642,778)	(721,885)	(2,936)
<b>Total equity</b>		<b>454,437</b>	<b>401,931</b>	<b>415,565</b>	<b>38,872</b>

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

<sup>1</sup> The original budget is from the 2016–17 Portfolio Budget Statement (PBS) (unaudited).

<sup>2</sup> The variance between the actual and original budgeted amount for 2016–17. Explanation of major variances are presented in Note 5.1.

## Statement of changes in equity

for the year ended 30 June 2017

	Actual 2017 \$'000	Actual 2016 \$'000	Original Budget <sup>1</sup> \$'000	Variance <sup>2</sup> \$'000
<b>CONTRIBUTED EQUITY</b>				
Opening balance carried forward from previous period	951,783	864,870	936,372	15,411
Transactions with owners				
<i>Distributions to owners</i>				
Returns of contributed equity	(15,500)	(14,076)	-	(15,500)
<i>Contributions by owners</i>				
Equity adjustments				
Equity injection - Appropriations	89,649	48,911	78,579	11,070
Departmental capital budget	29,572	36,667	29,572	-
Total transactions with owners	103,721	86,913	108,151	(4,430)
Closing balance as at 30 June	1,055,504	951,783	1,044,523	10,981
<b>RETAINED EARNINGS</b>				
Opening balance carried forward from previous period	(642,778)	(519,146)	(634,539)	(8,239)
Comprehensive income				
(Deficit) for the period	(82,043)	(123,632)	(87,346)	5,303
Total comprehensive income	(82,043)	(123,632)	(87,346)	5,303
Closing balance as at 30 June	(724,821)	(642,778)	(721,885)	(2,936)
<b>ASSET REVALUATION RESERVE</b>				
Opening balance carried forward from previous period	92,926	92,926	92,927	(1)
Comprehensive income				
Other comprehensive income	30,828	-	-	30,828
Total comprehensive income	30,828	-	-	30,828
Closing balance as at 30 June	123,754	92,926	92,927	30,827
<b>TOTAL EQUITY</b>	<b>454,437</b>	<b>401,931</b>	<b>415,565</b>	<b>38,872</b>

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

<sup>1</sup> The original budget is from the 2016–17 Portfolio Budget Statement (PBS) (unaudited).

<sup>2</sup> The variance between the actual and original budgeted amount for 2016–17. Explanation of major variances are presented in Note 5.1.

### Equity Injections

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

## Primary statements

## Cash flow statement

for the year ended 30 June 2017

	Notes	Actual 2017 \$'000	Actual 2016 \$'000	Original Budget <sup>1</sup> \$'000	Variance <sup>2</sup> \$'000
<b>Operating activities</b>					
<i>Cash received</i>					
Appropriations		1,285,508	1,379,686	1,280,385	5,123
Sales of goods and rendering of services		269,366	272,709	257,137	12,229
Net GST received		33,841	40,445	31,116	2,725
Other		-	14,637	581	(581)
<b>Total cash received</b>		<b>1,588,715</b>	<b>1,707,477</b>	<b>1,569,219</b>	<b>19,496</b>
<i>Cash used</i>					
Employees		851,406	912,506	860,830	(9,424)
Suppliers		461,555	478,991	449,789	11,766
Section 74 receipts transferred to Official public account (OPA)		275,958	294,931	254,565	21,393
Grant payments		2,093	1,886	-	2,093
<b>Total cash used</b>		<b>1,591,012</b>	<b>1,688,314</b>	<b>1,565,184</b>	<b>25,828</b>
<b>Net cash from/ (used by) operating activities</b>		<b>(2,297)</b>	<b>19,163</b>	<b>4,035</b>	<b>(6,332)</b>
<b>Investing activities</b>					
<i>Cash received</i>					
Proceeds from sale of property, plant and equipment		264	244	-	264
<b>Total cash received</b>		<b>264</b>	<b>244</b>	<b>-</b>	<b>264</b>
<i>Cash used</i>					
Purchase of property, plant and equipment		46,043	40,171	19,789	26,254
Purchase of land and buildings		34,898	49,194	94,458	(59,560)
Purchase of intangibles		8,962	11,474	9,179	(217)
<b>Total cash used</b>		<b>89,903</b>	<b>100,839</b>	<b>123,426</b>	<b>(33,523)</b>
<b>Net cash (used by) investing activities</b>		<b>(89,639)</b>	<b>(100,595)</b>	<b>(123,426)</b>	<b>33,787</b>
<b>Financing activities</b>					
<i>Cash received</i>					
Contributed equity & capital budget funding		56,448	50,880	89,819	(33,371)
Departmental capital budget funding		29,572	45,653	29,572	-
<b>Total cash received</b>		<b>86,020</b>	<b>96,533</b>	<b>119,391</b>	<b>(33,371)</b>
<b>Net cash from financing activities</b>		<b>86,020</b>	<b>96,533</b>	<b>119,391</b>	<b>(33,371)</b>
Net increase in cash held		(5,916)	15,101	-	(5,916)
Cash and cash equivalents at the beginning of the period		23,618	8,517	8,517	15,101
<b>Cash and cash equivalents at the end of the period</b>	2.1A	<b>17,702</b>	<b>23,618</b>	<b>8,517</b>	<b>9,185</b>

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

<sup>1</sup> The original budget is from the 2016–17 Portfolio Budget Statement (PBS) (unaudited).

<sup>2</sup> The variance between the actual and original budgeted amount for 2016–17. Explanation of major variances are presented in Note 5.1.

## Administered schedule of comprehensive income

for the year ended 30 June 2017	Actual 2017 \$'000	Actual 2016 \$'000	Original Budget <sup>1</sup> \$'000	Variance <sup>2</sup> \$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Consultants and contractors	13	570	-	-
General and office	1,894	2,470	-	-
Impairment of trade and other receivables	10	23	-	-
Infrastructure for other jurisdictions	750	776	-	-
Operational expenses	211	570	-	-
Police equipment for other jurisdictions <sup>3</sup>	6,510	7,011	-	-
Training	1,642	1,709	-	-
Travel	714	1,091	-	-
<b>Total expenses</b>	<b>11,744</b>	<b>14,220</b>	<b>12,116</b>	<b>(372)</b>
<b>Income</b>				
Non-taxation revenue				
Court fees, fines and penalties	165	172	-	-
Exhibits and seizures	386	1,176	-	-
Other income	23	16	-	-
<b>Total non-taxation revenue</b>	<b>574</b>	<b>1,364</b>	<b>41,740</b>	<b>(41,166)</b>
<b>Net cost of services</b>	<b>11,170</b>	<b>12,856</b>	<b>(29,624)</b>	<b>40,794</b>
<b>Total comprehensive deficit</b>	<b>(11,170)</b>	<b>(12,856)</b>	<b>29,624</b>	<b>(40,794)</b>

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

<sup>1</sup> The original budget is from the 2016–17 Portfolio Budget Statement (PBS) (unaudited).

<sup>2</sup> The variance between the actual and original budgeted amount for 2016–17. Explanation of major variances are presented in Note 5.1.

<sup>3</sup> Police equipment for other jurisdictions is for amounts gifted to international police jurisdictions which are not cost recovered.

## Administered primary schedules

## Administered schedule of assets and liabilities

as at 30 June 2017	Actual 2017 \$'000	Actual 2016 \$'000	Original Budget <sup>1</sup> \$'000	Variance <sup>2</sup> \$'000
<b>ASSETS</b>				
Financial assets				
Cash and cash equivalents	-	4	1,816	(1,816)
Receivable - GST from Australian Taxation Office	6	26	-	6
Receivable - Court fees, fines and penalties	1,465	1,447	147	1,318
Less: impairment allowance (court fees, fines and penalties)	(1,358)	(1,348)	-	(1,358)
<b>Total financial assets</b>	<b>113</b>	<b>129</b>	<b>1,963</b>	<b>(1,850)</b>
<b>Total assets administered on behalf of government</b>	<b>113</b>	<b>129</b>	<b>1,963</b>	<b>(1,850)</b>
<b>Liabilities</b>				
Payables				
Suppliers <sup>3</sup>	1,089	1,255	1,009	80
Other payables	10	-	-	10
<b>Total liabilities administered on behalf of government</b>	<b>1,099</b>	<b>1,255</b>	<b>1,009</b>	<b>90</b>
<b>Net liabilities</b>	<b>(986)</b>	<b>(1,126)</b>	<b>954</b>	<b>(1,940)</b>

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

<sup>1</sup> The original budget is from the 2016–17 Portfolio Budget Statement (PBS) (unaudited).

<sup>2</sup> The variance between the actual and original budgeted amount for 2016–17. Explanation of major variances are presented in Note 5.1.

<sup>3</sup> Settlement is usually made within 7 days.

## Administered reconciliation schedule

for the year ended 30 June 2017	Actual 2017 \$'000	Actual 2016 \$'000
<b>Opening net liabilities as at 1 July</b>	<b>(1,126)</b>	<b>(1,750)</b>
Net cost of services		
Income	574	1,364
Expenses	(11,744)	(14,220)
<b>Total net cost of services</b>	<b>(11,170)</b>	<b>(12,856)</b>
Transfers (to)/from Australian Government		
Appropriation transfers through OPA:		
Annual appropriations	13,346	15,831
Transfers to OPA	(2,036)	(2,351)
<b>Total transfers (to)/from Australian Government</b>	<b>11,310</b>	<b>13,480</b>
<b>Closing net liabilities as at 30 June</b>	<b>(986)</b>	<b>(1,126)</b>

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

Administered primary schedules

## Administered cash flow statement

for the year ended 30 June 2017

	Actual 2017 \$'000	Actual 2016 \$'000	Original Budget <sup>1</sup> \$'000	Variance <sup>2</sup> \$'000
<b>Operating activities</b>				
<i>Cash received</i>				
Court fees, fines and penalties	147	163	-	-
Exhibits and seizures	382	1,176	-	-
Other – income	23	16	-	-
Net GST received	20	202	-	-
<b>Total cash received</b>	<b>572</b>	<b>1,557</b>	<b>42,237</b>	<b>(41,665)</b>
<i>Cash used</i>				
Suppliers	11,886	16,848	-	-
<b>Total cash used</b>	<b>11,886</b>	<b>16,848</b>	<b>12,663</b>	<b>(777)</b>
<b>Net cash flows from / (used by) operating activities</b>	<b>(11,314)</b>	<b>(15,291)</b>	<b>29,574</b>	<b>(40,888)</b>
Net (decrease) in cash held by the Commonwealth	(11,314)	(15,291)	29,574	(40,888)
Cash at the beginning of the reporting period	4	1,816	4,096	(4,092)
<i>Cash from Official Public Account</i>				
Appropriations	13,346	15,831	12,116	1,230
<i>Cash to Official Public Account</i>				
Cash received	-	(1,356)	(41,740)	41,740
Appropriations	(1,867)	(761)	-	(1,867)
GST	(169)	(235)	-	(169)
<b>Cash at the end of the reporting period</b>	<b>-</b>	<b>4</b>	<b>4,046</b>	<b>(4,046)</b>

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

<sup>1</sup> The original budget is from the 2016–17 Portfolio Budget Statement (PBS) (unaudited). The budget statement information has been reclassified and presented on a consistent basis with the corresponding financial statement.

<sup>2</sup> The variance between the actual and original budgeted amount for 2016–17. Explanation of major variances are presented in Note 5.1.

Notes to and forming part of the financial statements

## Overview

### Basis of preparation of the financial statements

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

The financial statements have been prepared in accordance with:

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

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except 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 FRR, 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.

### 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. All assets and liabilities are held at fair value. 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.

### New Australian Accounting Standards

#### *Adoption of new Australian Accounting Standards requirements*

- AASB 124 *Related Parties* applies from 1 July 2016. This is the first time adoption and as such no comparative information has been provided.

### 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.

### 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 shaded blue background.

## Overview (con't)

### *Administered Cash Transfers to and from the Official Public*

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.

## Events after the reporting period

### Departmental

No significant events have occurred since the reporting date requiring disclosure in the financial statements. The creation of the Home Affairs portfolio incorporating AFP was announced on 18 July 2017, whilst there will likely be changes in Ministerial reporting lines, there will be little or no impact on AFP financial statements through announcements made.

### Administered

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

Notes to and forming part of the financial statements

## Note 1.1: Expenses

### Note 1.1A: Employee benefits expense

	2017 \$'000	2016 \$'000
Wages and salaries	600,429	617,963
Superannuation <sup>1</sup> :		
Defined contribution plans	49,787	48,020
Defined benefit plans	66,753	66,825
Leave and other entitlements	119,321	142,703
Separation and redundancies	654	10,557
Other employee expenses	11,643	14,165
<b>Total employee benefits expense</b>	<b>848,587</b>	<b>900,233</b>

### Note 1.1A: Accounting policy

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 1.1B: Supplier expenses

	2017 \$'000	2016 \$'000
<b>Supplier expenses – goods and services</b>		
Operational	58,310	56,225
Consultant and contractor services	46,810	43,046
Staff and recruitment	46,293	46,577
Communications and IT	41,439	39,445
Building and accommodation	35,675	34,371
Travel	29,174	29,296
General and office	27,683	23,537
Training	10,246	10,233
Vehicle expenses	4,689	4,977
Postage and freight	3,377	2,666
<b>Total supplier expenses – goods and services</b>	<b>303,696</b>	<b>290,373</b>
<b>Breakdown of supplier expenses</b>		
Goods supplied	46,797	32,820
Services rendered	256,899	257,553
<b>Total goods and services supplied or rendered</b>	<b>303,696</b>	<b>290,373</b>

**Note 1.1: Expenses (cont.)****Note 1.1B: Supplier expenses (cont.)**

	2017	2016
	\$'000	\$'000
Supplier expenses – other		
Operating lease rentals in connection with external parties:		
Minimum lease payments	103,240	102,513
Contingent rent expenses	197	246
Workers compensation expenses	35,368	30,024
Other supplier expenses	8	606
<b>Total supplier expenses - other</b>	<b>138,813</b>	<b>133,389</b>
<b>Total supplier expenses</b>	<b>442,509</b>	<b>423,762</b>

**Note 1.1B: Accounting policy***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.

**Leasing commitments***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.

	2017	2016
	\$'000	\$'000
As at 30 June, the future minimum lease payments under non-cancellable leases were		
Less than one year	88,744	90,131
Between one and five years	297,450	270,795
More than five years	213,599	260,734
<b>Total operating lease commitments</b>	<b>599,793</b>	<b>621,660</b>

**Note 1.1C: Write-down and impairment of assets**

	2017	2016
	\$'000	\$'000
Impairment from trade and other receivables	42	46
Impairment of buildings	666	-
Impairment of property, plant and equipment	1,072	924
Impairment of intangibles	1,268	114
<b>Total write-down and impairment of assets</b>	<b>3,048</b>	<b>1,084</b>

**Note 1.1D: 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*. Expenses and income associated with this activity is outlined below.

	2017	2016
	\$'000	\$'000
Expenses – departmental	18,983	19,279
Revenue – departmental	23,405	23,419

Notes to and forming part of the financial statements

## Note 1.2: Own-Source Revenue and Gains

### Note 1.2A: Revenue

	2017	2016
	\$'000	\$'000
Sale of goods	712	808
Rendering of services:		
Police services	233,517	223,895
Other services	37,725	41,622
Other revenue	3,797	4,453
<b>Total revenue</b>	<b>275,751</b>	<b>270,778</b>

### Note 1.2A: Accounting policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the AFP retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the AFP.

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

The revenue is recognised when:

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

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

### Note 1.2B: Gains

	2017	2016
	\$'000	\$'000
Resources received free of charge	5,555	5,555
Sales of assets:		
Proceeds from sales of assets	264	273
Carrying value of assets sold	(45)	(29)
Other gains	1,445	15,325
<b>Total gains</b>	<b>7,219</b>	<b>21,124</b>

### Note 1.2B: Accounting policy

#### Resources Received Free of Charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge includes Australian National Audit Office audit fees of \$0.245m (2016: \$0.245m) for AFP's financial statements and \$5.310m (2016: \$5.310m) for ACT Policing Facilities received free of charge from the ACT Government.

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

#### Sale of Assets

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

## Note 2.1: Financial Assets

### Note 2.1A: Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Cash in special accounts	4,803	2,426
Cash on hand	106	100
Cash at bank	12,793	21,092
<b>Total cash and cash equivalents</b>	<b>17,702</b>	<b>23,618</b>

### Note 2.1B: Trade and other receivables

	2017	2016
	\$'000	\$'000
Goods and services receivable	\$'000	\$'000
- goods and services receivable	14,387	7,817
<b>Total goods and services receivables</b>	<b>14,387</b>	<b>7,817</b>
Appropriation receivable		
- for ordinary services	187,389	176,096
- for equity projects	69,961	52,260
- for Special Accounts	6,000	5,500
<b>Total appropriations receivables</b>	<b>263,350</b>	<b>233,856</b>
Other receivables		
- GST receivable from the Australian Taxation Office	4,729	3,793
- Comcare	20,998	12,286
- other	136	294
<b>Total other receivables</b>	<b>25,863</b>	<b>16,373</b>
<b>Total trade and other receivables (gross)</b>	<b>303,600</b>	<b>258,046</b>
Less impairment allowance for goods and services	(475)	(557)
<b>Total trade and other receivables (net)</b>	<b>303,125</b>	<b>257,489</b>

### Note 2.1B: Accounting policy

All trade receivables are expected to be recovered in no more than 12 months. Credit terms for goods and services were 30 days (2016: 30 days). 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.

#### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method.

Receivables for goods and services, are recognised at the nominal amounts due, less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Reconciliation of the impairment allowance	2017	2016
	\$'000	\$'000
<b>Opening balance, 1 July</b>	<b>557</b>	<b>15,147</b>
Amounts written off	(9)	-
Amounts recovered and reversed	(115)	(14,544)
Increase/(Decrease) recognised in net cost of services	42	(46)
<b>Closing balance, 30 June</b>	<b>475</b>	<b>557</b>

Notes to and forming part of the financial statements

## Note 2.2: Non-Financial Assets

### Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

	Land \$'000	Buildings \$'000	Leasehold improve- ments \$'000	Total land and buildings \$'000	Other property, plant and equipment \$'000	Intangible Assets - Computer software \$'000	Total Non- Financial Assets \$'000
As at 1 July 2016							
Gross book value	2,000	136,035	247,821	385,856	228,743	114,158	728,757
Accumulated depreciation and	-	(9,166)	(61,989)	(71,155)	(103,242)	(77,647)	(252,044)
<b>Net book value, 1 July 2016</b>	<b>2,000</b>	<b>126,869</b>	<b>185,832</b>	<b>314,701</b>	<b>125,501</b>	<b>36,511</b>	<b>476,713</b>
Additions:							
Purchased or internally developed	-	2,404	39,457	41,861	49,893	11,371	103,125
Assets not previously recognised	-	-	-	-	46	-	46
Revaluations recognised in other comprehensive income	400	14,683	14,318	29,401	8,775	-	38,176
Write-down and impairment recognised in net cost of services	-	(666)	-	(666)	(1,072)	(1,268)	(3,006)
Depreciation/amortisation	-	(6,772)	(29,229)	(36,001)	(42,514)	(10,265)	(88,780)
Reclassifications	-	(109)	200	91	(2,151)	2,060	-
Disposals:							
Sales	-	-	-	-	(45)	-	(45)
<b>Net book value, 30 June 2017</b>	<b>2,400</b>	<b>136,409</b>	<b>210,578</b>	<b>349,387</b>	<b>138,433</b>	<b>38,409</b>	<b>526,229</b>
Net book value as of 30 June 2017 represented by:							
Gross book value	2,400	136,409	210,578	349,387	138,433	111,110	598,930
Accumulated depreciation and impairment	-	-	-	-	-	(72,701)	(72,701)
<b>Net book value, 30 June 2017</b>	<b>2,400</b>	<b>136,409</b>	<b>210,578</b>	<b>349,387</b>	<b>138,433</b>	<b>38,409</b>	<b>526,229</b>

The carrying amount of computer software included purchase software \$26.636m and internally generated software \$11.773m.

#### 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, the value of these contracts 2017: \$49.739m (2016: \$3.196m). At 30 June, the AFP intends to fully exercise these contracts.

	2017 \$'000	2016 \$'000
As at 30 June, the future minimum payments under non-cancellable contracts were as follows:		
Less than one year	48,955	4,370
Between one and five years	19,030	34
More than five years	-	-
<b>Total capital commitments</b>	<b>67,985</b>	<b>4,404</b>

### Note 2.2A: Accounting policy

#### Assets under construction (AUC)

AUC are included in all asset classes in 2.2A except for Land. Assets under construction (AUC) are initially recorded at acquisition cost. They include expenditure to date on various capital projects carried as AUC. AUC projects are reviewed annually for indicators of impairment and all AUC older than 12 months at reporting date is externally revalued to fair value. Prior to rollout into service, the accumulated AUC balance is reviewed to ensure accurate capitalisation of built and purchased assets.

## Note 2.2: Non-Financial Assets (con't)

### Note 2.2A: Accounting policy (con't)

#### *Make good*

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.

#### *Asset Recognition thresholds*

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.

Asset class	Threshold
Land and Buildings	\$5,000
Property, Plant and Equipment	\$2,000
Intangibles - Purchased	\$10,000
Intangibles - Internally developed	\$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.

#### *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 AFP has adopted a 3 year revaluation cycle. 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 2017.

Valuations were conducted by registered and independent valuers. In 2017 the AFP used Australian Valuation Services to conduct its revaluation. Revaluations were conducted on all tangible assets, including those under construction.

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.

#### *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.

Where possible a market approach was used through examination of similar assets. Revaluations were conducted on the following basis:

Asset Class	Valuation Technique
Land	Market valuation
Buildings	Depreciation replacement cost
Leasehold improvements	Depreciation replacement cost
Property, plant & equipment	Depreciation replacement cost and market valuation

Notes to and forming part of the financial statements

## Note 2.2: Non-Financial Assets (con't)

### Note 2.2A: Accounting policy (cont')

#### *Impairment and derecognition*

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. Where assets were no longer used by the AFP, these have been written down during the financial year.

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

#### *Intangible Assets*

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

#### *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	10 to 40 years
Buildings on leasehold land	4 to 60 years
Leasehold improvements	15 years or lease term
Other property, plant and equipment	1 to 30 years
Software assets	2 to 18 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.

#### *Inventories*

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Inventories acquired at no cost or nominal consideration are initially measured at current replacement cost at the date of acquisition. Inventory held by the AFP includes uniforms and goods held for distribution.

**Note 2.3: Payables****Note 2.3A: Supplier payables**

	2017 \$'000	2016 \$'000
Trade creditors and accruals	62,149	43,786
Operating lease rentals	22,910	20,707
<b>Total supplier payable</b>	<b>85,059</b>	<b>64,493</b>

**Note 2.3B: Other payables**

	2017 \$'000	2016 \$'000
Wages and salaries	6,292	6,672
Superannuation	819	412
Separations and redundancies	-	1,531
Unearned income	13,484	8,060
Other payables	50	11
<b>Total other payables</b>	<b>20,645</b>	<b>16,686</b>

**Note 2.3: Accounting policy**

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 (2016: 7 days).

**Note 2.4: Other provisions**

	Provision for restoration obligations \$'000	Provision for settlements \$'000	Provision for relocations \$'000	Total \$'000
<b>As at 1 July 2016</b>	<b>14,857</b>	<b>-</b>	<b>3,414</b>	<b>18,271</b>
Additional provisions made	2,119	3,000	4,512	9,631
Amounts used	(520)	-	(2,092)	(2,612)
Provisions not realised	(518)	-	(863)	(1,381)
Revaluation	7,348	-	-	7,348
Unwinding of discount	391	-	-	391
<b>Total as at 30 June 2017</b>	<b>23,677</b>	<b>3,000</b>	<b>4,971</b>	<b>31,648</b>

**Note 2.4A: Accounting policy****Provisions**

Provisions are recognised when the AFP has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the unwinding of the discount or change in the discount rates is recognised in the Statement of comprehensive income.

**Provision for legal settlement**

The AFP provision for legal settlements includes a provision for legal claims made against the AFP which the AFP believes it will have to settle.

**Provision for relocations**

Staff relocations are payments which staff are entitled to for relocating but are yet to fully claim.

**Provision for restoration obligations**

The provision for restoration obligations relates to leased accommodation where the AFP is required to restore the premises upon termination of the lease. The original estimates for future costs associated with restoration obligations are determined by independent valuation and discounted to their present value. The original provisions are adjusted for changes in expected future cost and the discount rate.

The AFP has 34 (2016: 35) agreements for leases of premises which have provisions requiring the AFP to restore the premises to their original condition at the conclusion of the lease. The AFP has made a provision to reflect the present value of this obligation.

Notes to and forming part of the financial statements

## Note 3.1: Employee provisions

	2017	2016
	\$'000	\$'000
Leave	288,951	289,613
Redundancy	-	632
Other	50	71
<b>Total employee provisions</b>	<b>289,001</b>	<b>290,316</b>
Breakdown of employee provisions		
- amount of employee provisions expected to be settled in no more than 12 months	76,685	77,636
- amount of employee provisions expected to be settled in more than 12 months	212,316	212,680
<b>Total employee provisions</b>	<b>289,001</b>	<b>290,316</b>

### Note 3.1: Accounting policy

#### *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.

#### *Leave*

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. AFP is currently undertaking Enterprise Agreement negotiations.

#### *Employee provision*

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.

#### *Superannuation*

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.

#### *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; and
- discounted to present value using market yields on 10 year government bonds.

### Note 3.2: Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the AFP. The AFP has determined the key management personnel to be the members of the Executive Leadership Committee.

Key management personnel remuneration is reported in the table below. Included are those who have acted in any of the above mentioned roles deemed as key management personnel or who have departed prior to reporting date.

	2017
	\$'000
Short-term employee benefits	2,569
Post-employment benefits	448
Other long-term employee benefits	285
Termination benefits	278
<b>Total key management personnel remuneration expenses<sup>1</sup></b>	<b>3,580</b>

The total number of key management personnel included in the above table is 11.

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

### Note 3.3: Related Party Disclosures

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

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

Notes to and forming part of the financial statements

## Note 4.1: Appropriations

### Note 4.1A: Revenue from government

	2017	2016
	\$'000	\$'000
Departmental appropriations	1,021,343	1,006,033
<b>Total revenue from government</b>	<b>1,021,343</b>	<b>1,006,033</b>

### Note 4.1B: Accounting policy

#### *Revenue from government*

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

### Note 4.1B: Annual appropriations ('recoverable GST exclusive')

#### *Annual Appropriations for 2017*

	Annual appropriation <sup>1</sup>	Section 74 receipts	Total appropriation	Appropriation applied in 2017 (current and prior years)	Variance <sup>2</sup>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental</b>					
Ordinary annual services	1,021,774	275,958	1,297,732	(1,294,301)	3,431
Capital budget <sup>3</sup>	29,572	-	29,572	(29,572)	-
Other services					
Equity injections	89,649	-	89,649	(56,448)	33,201
<b>Total departmental</b>	<b>1,140,995</b>	<b>275,958</b>	<b>1,416,953</b>	<b>(1,380,321)</b>	<b>36,632</b>
<b>Administered</b>					
Ordinary annual services	12,116	-	12,116	(11,931)	185
<b>Total administered</b>	<b>12,116</b>	<b>-</b>	<b>12,116</b>	<b>(11,931)</b>	<b>185</b>

1. There have been no permanent reductions to current year appropriations, however, during the year a prior year appropriation was reduced (by permanent quarantine) due to a decision of government:

- \$15.500m - Appropriation Act (No. 2) 2014–15

- \$0.310m – Administered Appropriation Act (No.1) 2015–16

The permanent quarantine under section 51 of the PGPA Act constitutes a permanent loss of control. This amount does not form part of the appropriation receivable balance at note 2.1B, however this amount has not been formally reduced (by law) it will remain in the unspent appropriation balance at Note 4.1C.

2. The variance in the 2016–17 financial year represents current year appropriation greater than amount drawn.

3. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

**Note 4.1: Appropriations (cont.)****Note 4.1B: Annual appropriations (cont.) ('recoverable GST exclusive')***Annual Appropriations for 2016*

	Annual appropriation <sup>1</sup> \$'000	Section 74 receipts <sup>2</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance <sup>3</sup> \$'000
<b>Departmental</b>					
Ordinary annual services	1,013,143	293,931	1,307,074	(1,424,750)	(117,676)
Capital budget <sup>4</sup>	36,667	-	36,667	(45,653)	(8,986)
Other services					
Equity injections <sup>5</sup>	48,911	-	48,911	(50,881)	(1,970)
Loans	-	-	-	-	-
<b>Total departmental</b>	<b>1,098,721</b>	<b>293,931</b>	<b>1,392,652</b>	<b>(1,521,284)</b>	<b>(128,632)</b>
<b>Administered</b>					
Ordinary annual services <sup>6</sup>	17,145	-	17,145	(16,427)	718
<b>Total administered</b>	<b>17,145</b>	<b>-</b>	<b>17,145</b>	<b>(16,427)</b>	<b>718</b>

1. Departmental appropriations include appropriations which have been reduced (by permanent quarantine) by the following
- \$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 2.1C, however as the amounts have not been formally reduced (by law) they will remain in the unspent appropriation balance at 4.1C.

2. Represents section 74 funds received by the AFP.

3. The variance in the 2015–16 financial year represents appropriation drawn from prior years to fund payments made in 2015–16, including liabilities.

The variance in administered appropriations for 2015–16 represents 2015-16 appropriation greater than amount drawn.

4. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1,3,5). They form part of the ordinary annual services, and are not separately identified in the Appropriation Acts. The variance for capital budgets in the 2015–16 financial year was primarily due to capital purchases funded by prior year capital appropriations.

5. Equity appropriations include appropriations which have been reduced (by permanently quarantine) by the following amounts due to decisions of government:

- \$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 2.1C, however as the amounts have not been formally reduced by law they will remain in the unspent appropriation balance at 4.1B.

6. 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.

Notes to and forming part of the financial statements

## Note 4.1: Appropriations (cont.)

<b>Note 4.1C: Unspent annual appropriations</b> ('recoverable ex GST')	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Departmental</b>		
Appropriation Act (No. 1) 2013–14 <sup>1</sup>	1,345	1,345
Appropriation Act (No. 1) 2014–15 <sup>1</sup>	1,590	1,590
Appropriation Act (No. 2) 2014–15 <sup>1</sup>	18,380	19,244
Appropriation Act (No. 1) – Capital Budget (DCB) – Non Operating – 2015–16 <sup>1</sup>	7,076	7,076
Appropriation Act (No. 1) 2015–16 <sup>1</sup>	7,780	182,506
Appropriation Act (No. 2) 2015–16 <sup>1</sup>	13,744	42,896
Appropriation Act (No. 1) 2015–16 – Cash on hand / at bank	-	21,182
Appropriation Act (No. 1) 2016–17	169,733	-
Appropriation Act (No. 2) 2016–17	53,983	-
Appropriation Act (No. 3) 2016–17	16,716	-
Appropriation Act (No. 4) 2016–17	9,234	-
Appropriation Act (No. 1) 2016–17 – Cash on hand / at bank	12,889	-
<b>Total departmental</b>	<b>312,470</b>	<b>275,839</b>
<b>Administered</b>		
Appropriation Act (No. 1) 2014–15	202	202
Appropriation Act (No. 3) 2014–15	-	203
Appropriation Act (No. 1) 2015–16	2,941	3,994
Appropriation Act (No. 1) 2015–16 – Cash on hand / at bank	-	4
Appropriation Act (No. 1) 2016–17	<b>1,469</b>	-
<b>Total administered</b>	<b>4,612</b>	<b>4,403</b>

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 2.1B.

- \$1.345m – Appropriation Act (No.1) 2013–14
- \$1.590m – Appropriation Act (No.1) 2014–15
- \$18.380m – 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
- \$2.941m – Administered Appropriation Act (No.1) 2015–16

At 30 June 2017 the AFP recognised revenue and a receivable 'existing programs' at Note 2.1B of \$0.940m 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 this note (2016: receivable of \$1.371m).

## Note 4.2: 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.

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Total comprehensive income (loss) less depreciation/amortisation expenses	<b>3,624</b>	<b>(33,393)</b>
Movement in revaluation reserve	<b>30,828</b>	-
Depreciation/amortisation expenses previously funded through revenue appropriation <sup>1</sup>	<b>(85,667)</b>	<b>(90,239)</b>
<b>Total comprehensive income (loss) - per the Statement of comprehensive income</b>	<b>(51,215)</b>	<b>(123,632)</b>

1. The depreciation/amortisation expense per the Statement of comprehensive income is \$88.780m (2016:\$93.533m). The amount presented above has been reduced by \$3.113m (2016: \$3.294m), representing the depreciation/amortisation expense funded by the ACT Government for Outcome 2.

**Note 4.3: Special accounts** (recoverable exclusive 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) <sup>1</sup>	2017	2016
	\$'000	\$'000
<b>Balance brought forward from previous year</b>	<b>40,834</b>	<b>46,089</b>
<b>Increases</b>		
Appropriation credited to special account	1,507	1,512
Departmental receipts (AIPM <sup>2</sup> and APG <sup>3</sup> )	12,810	12,024
Other receipts	43,244	33,951
<b>Total increases</b>	<b>57,561</b>	<b>47,487</b>
<b>Decreases</b>		
Departmental payments (AIPM and APG)	(11,441)	(12,661)
Other payments	(22,850)	(40,081)
<b>Total decreases</b>	<b>(34,291)</b>	<b>(52,742)</b>
<b>Balance carried to next year and represented by:</b>	<b>64,104</b>	<b>40,834</b>
Cash – held by the agency	4,813	2,436
Cash – held by the agency on trust	53,291	32,898
Monies – held by the OPA	6,000	5,500
<b>Total balance carried to the next year</b>	<b>64,104</b>	<b>40,834</b>

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.

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

AIPM and 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, AIPM and APG funds can only be used for the purpose specified.

Notes to and forming part of the financial statements

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## Note 4.4: Contingent liabilities and assets

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

The AFP has contingent liabilities in respect of legal claims. The amounts are still under negotiation, the remainder are 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 potential underpayment of employee on costs resulting from interpretations of Enterprise Agreements.

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

Any contingencies that may arise relating to compensation matters are covered by AFP's insurance providers Comcare and Comcover.

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 5.1: 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 2016–17 Portfolio Budget Statements (PBS) to the 2016–17 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 5.1A: Departmental major budget variances for 2017

- (i) Suppliers (Statement of comprehensive income) and (Cash flow statement)

Suppliers for 2016–17 were \$442.509m, \$26.196m higher than the budget estimate of \$416.313m. The variance is due to an additional \$24.353m provided in Additional Estimates and increase across supplier expense categories.

- (ii) Revenue from Government (Statement of comprehensive income) and (Cash flow statement)

Revenue from Government for 2016–17 was \$1,021.343m, \$16.285m higher than the budget estimate of \$1,005.058m. Departmental appropriation was increased to reflect additional funding provided at Additional Estimates of \$15.374m and budget adjustments of \$0.911m.

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

Trade and other receivables for 2016–17 were \$303.125m, \$60.918m higher than the budget estimate of \$242.207m. The variance is due to an increase in capital appropriation receivable from unspent funding received for large capital projects including funding provided at Additional Estimates.

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

Land and buildings were \$349.387m, \$60.912m lower than the budget estimate of \$410.299m. The variance is due to delays in the schedule of capital projects as well as the budgeted capital expenditure for property, plant and equipment being classified as land and buildings.

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

Property, plant and equipment was \$138.433m, \$51.356m higher than the budget estimate of \$87.077m. The variance is due to an asset revaluation increment of \$8.775m as at 30 June 2017, and the budgeted capital expenditure for property, plant and equipment being classified as land and buildings.

- (vi) Reserves (Statement of financial position) and (Statement of changes in equity)

Reserves were \$123.754m, \$30.828m higher than the budget estimate of \$92.927m. The budget did not include the impact of the asset revaluation of \$30.828m.

### Note 5.1B: Administered major budget variances for 2017

- (i) Non-taxation revenue (Administered schedule of comprehensive income) (Administered cash flow statement)

Non-taxation revenue for 2016–17 was \$0.574m, \$41.166m lower than the budget estimate of \$41.740m. The lower revenue relates to the decision by Government to not proceed with the 2012-13 Budget measure *Partial cost recovery of community policing at airports*.