



INDEPENDENT AUDITOR'S REPORT

To the Minister for Home Affairs

Opinion

In my opinion, the financial statements of the Australian Federal Police for the year ended 30 June 2018:

- (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 2018 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 2018 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.

Other Information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The 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
5 October 2018


Table of contents

Statement by the Commissioner and Chief Financial Officer	151
Departmental financial statements	
Statement of comprehensive income	152
Statement of financial position	153
Statement of changes in equity	154
Cash flow statement	155
Administered financial schedules	
Administered schedule of comprehensive income	156
Administered schedule of assets and liabilities	157
Administered reconciliation schedule	157
Administered cash flow statement	158
Notes to and forming part of the financial statements	
Overview	159
Events after the reporting period	160
Note 1.1: Expenses	161
Note 1.2: Own-source revenue and gains	163
Note 2.1: Financial assets	164
Note 2.2: Non-financial assets	165
Note 2.3: Payables	168
Note 2.4: Other provisions	168
Note 3.1: Employee provisions	169
Note 3.2: Key management personnel remuneration	170
Note 3.3: Related party disclosures	170
Note 3.4: Prior year restatement	170
Note 4.1: Appropriations	171
Note 4.2: Net cash appropriation arrangements	173
Note 4.3: Special accounts	174
Note 4.4: Contingent liabilities and contingent assets	175
Note 5.1: Budget reporting and major budget variances	176

Statement by the Commissioner and the Chief Financial Officer


In our opinion, the attached financial statements for the year ended 30 June 2018 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

5 October 2018



Peter Gunning
Chief Financial Officer

5 October 2018

Primary statements

Statement of comprehensive income

for the period ended 30 June 2018

	Notes	Actual 2018 \$'000	Actual 2017 ¹ \$'000	Original Budget ² \$'000	Variance ³ \$'000
NET COST OF SERVICES					
Expenses					
Employee benefits	1.1A	877,165	850,807	852,496	24,669
Suppliers	1.1B	463,594	442,509	420,867	42,727
Depreciation and amortisation	2.2A	83,819	88,780	101,756	(17,937)
Finance costs		541	391	-	541
Write-down and impairment of assets	1.1C	2,743	3,048	-	2,743
Grants		1,679	2,093	-	1,679
Other expenses		837	948	-	837
Total expenses		1,430,378	1,388,576	1,375,119	55,259
Own-source income					
Own-source revenue					
Sale of goods and rendering of services	1.2A	273,693	271,954	256,001	17,692
Other revenue	1.2A	1,361	3,797	271	1,090
Total own-source revenue		275,054	275,751	256,272	18,782
Gains					
Resources received free of charge	1.2B	5,916	5,555	5,640	276
Sales of assets	1.2B	900	219	-	900
Other gains	1.2B	3,241	1,445	-	3,241
Total gains		10,057	7,219	5,640	4,417
Total own-source income		285,111	282,970	261,912	23,199
Net cost of services		(1,145,267)	(1,105,606)	(1,113,207)	(32,060)
Revenue from government	4.1A	1,016,001	1,021,343	1,017,013	(1,012)
Deficit attributable to the Australian Government		(129,266)	(84,263)	(96,194)	(33,072)
Other comprehensive income					
Items not subject to subsequent reclassification to net cost of services					
Revaluation of property, plant and equipment ⁴		717	30,828	-	717
Total other comprehensive income		717	30,828	-	717
Total comprehensive loss attributable to the Australian Government		(128,549)	(53,435)	(96,194)	(32,355)

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

¹ Adjusted 2016-17 figures. Refer to Note 3.4.

² The original budget is from the 2017-18 Portfolio Budget Statement (PBS) (unaudited).

³ The variance between the actual and original budgeted amount for 2017-18. Explanation of major variances are presented in Note 5.1.

⁴ Amounts impacting the revaluation reserve in the current year reflect timing delays in processing entries for 30 June 2017.

Statement of financial position

as at 30 June 2018	Notes	Actual 2018 \$'000	Actual 2017 ¹ \$'000	Original Budget ² \$'000	Variance ³ \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	2.1A	15,595	17,702	8,617	6,978
Trade and other receivables	2.1B	279,463	303,125	207,183	72,280
Accrued revenue		6,421	5,071	6,623	(202)
Total financial assets		301,479	325,898	222,423	79,056
Non-financial assets					
Land and buildings	2.2A	336,469	349,387	384,333	(47,864)
Property, plant and equipment	2.2A	217,839	138,433	120,033	97,806
Intangibles	2.2A	63,808	38,409	78,019	(14,211)
Inventories		6,092	5,652	6,771	(679)
Prepayments		23,980	23,011	21,729	2,251
Total non-financial assets		648,188	554,892	610,885	37,303
Total assets		949,667	880,790	833,308	116,359
LIABILITIES					
Payables					
Suppliers	2.3A	120,655	85,059	52,651	68,004
Other payables	2.3B	26,134	20,645	17,715	8,419
Total payables		146,789	105,704	70,366	76,423
Provisions					
Employee provisions	3.1	322,154	311,336	272,334	49,820
Other provisions	2.4	31,425	31,648	18,871	12,554
Total provisions		353,579	342,984	291,205	62,374
Total liabilities		500,368	448,688	361,571	138,797
Net assets		449,299	432,102	471,737	(22,438)
EQUITY					
Contributed equity		1,201,250	1,055,504	1,203,064	(1,814)
Reserves		124,471	123,754	92,927	31,544
Accumulated deficit		(876,422)	(747,156)	(824,254)	(52,168)
Total equity		449,299	432,102	471,737	(22,438)

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

¹ Adjusted 2016-17 figures. Refer to Note 3.4.

² The original budget is from the 2017–18 Portfolio Budget Statement (PBS) (unaudited).

³ The variance between the actual and original budgeted amount for 2017–18. Explanation of major variances are presented in Note 5.1.

Primary statements

Statement of changes in equity

for the year ended 30 June 2018

	Actual 2018 \$'000	Actual 2017 ¹ \$'000	Original Budget ² \$'000	Variance ³ \$'000
CONTRIBUTED EQUITY				
Opening balance carried forward from previous period	1,055,504	951,783	1,071,004	(15,500)
Transactions with owners				
<i>Distributions to owners</i>				
Returns of contributed equity	(4,091)	(15,500)	-	(4,091)
<i>Contributions by owners</i>				
Equity injection - appropriations	75,323	89,649	57,546	17,777
Departmental capital budget ⁴	74,514	29,572	74,514	-
Total transactions with owners	145,746	103,721	132,060	13,686
Closing balance as at 30 June	1,201,250	1,055,504	1,203,064	(1,814)
RETAINED EARNINGS				
Opening balance				
Opening balance carried forward from previous period	(747,156)	(642,778)	-	-
Adjustment for prior year restatement	-	(20,115)	-	-
Adjusted opening balance	(747,156)	(662,893)	(728,060)	(19,096)
Comprehensive income				
(Deficit) for the period	(129,266)	(84,263)	(96,194)	(33,072)
Total comprehensive income	(129,266)	(84,263)	(96,194)	(33,072)
Closing balance as at 30 June	(876,422)	(747,156)	(824,254)	(52,168)
ASSET REVALUATION RESERVE				
Opening balance carried forward from previous period	123,754	92,926	92,927	30,827
Comprehensive income				
Other comprehensive income	717	30,828	-	717
Total comprehensive income⁵	717	30,828	-	717
Closing balance as at 30 June	124,471	123,754	92,927	31,544
TOTAL EQUITY	449,299	432,102	471,737	(22,438)

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

¹ Adjusted 2016-17 figures. Refer to Note 3.4.

² The original budget is from the 2017-18 Portfolio Budget Statement (PBS) (unaudited).

³ The variance between the actual and original budgeted amount for 2017-18. Explanation of major variances are presented in Note 5.1.

⁴ Decisions of Government provided the AFP \$12.318m in funding at 2017-18 MYEFO through a departmental capital offset.

Under AASB Interpretation 1038 – Contributions by Owners Made to Wholly-Owned Public Sector Entities this reallocation constitutes a redesignation of equity to operating revenue, which cannot occur, and thus the funding remains an equity injection in the financial statements.

⁵ Amounts impacting the revaluation reserve in the current year reflect timing delays in processing entries for 30 June 2017.

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.

Cash flow statement

for the period ended 30 June 2018

	Notes	Actual 2018 \$'000	Actual 2017 \$'000	Original Budget ¹ \$'000	Variance ² \$'000
Operating activities					
<i>Cash received</i>					
Appropriations		1,300,468	1,285,508	1,335,788	(35,320)
Sales of goods and rendering of services		274,304	269,366	255,902	18,402
Net GST received		41,416	33,841	27,645	13,771
Other		31,551	-	271	31,280
Total cash received		1,647,739	1,588,715	1,619,606	28,133
<i>Cash used</i>					
Employees		872,232	851,406	890,108	(17,876)
Suppliers		487,480	461,555	422,563	64,917
Section 74 receipts transferred to Official public account (OPA)		286,747	275,958	261,834	24,913
Grant payments		1,679	2,093	-	1,679
Total cash used		1,648,138	1,591,012	1,574,505	73,633
Net cash from/ (used by) operating activities		(399)	(2,297)	45,101	(45,500)
Investing activities					
<i>Cash received</i>					
Proceeds from sale of property, plant and equipment		957	264	-	957
Total cash received		957	264	-	957
<i>Cash used</i>					
Purchase of property, plant and equipment		100,107	46,043	183,215	(83,108)
Purchase of land and buildings		24,443	34,898	-	24,443
Purchase of intangibles		34,461	8,962	-	34,461
Total cash used		159,011	89,903	183,215	(24,204)
Net cash (used by) investing activities		(158,054)	(89,639)	(183,215)	25,161
Financing activities					
<i>Cash received</i>					
Contributed equity		98,241	56,448	138,114	(39,873)
Departmental capital budget funding		58,105	29,572	-	58,105
Total cash received		156,346	86,020	138,114	18,232
Net cash from financing activities		156,346	86,020	138,114	18,232
Net increase in cash held		(2,107)	(5,916)	-	(2,107)
Cash and cash equivalents at the beginning of the period		17,702	23,618	8,617	9,085
Cash and cash equivalents at the end of the period	2.1A	15,595	17,702	8,617	6,978

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

¹ The original budget is from the 2017–18 Portfolio Budget Statement (PBS) (unaudited).² The variance between the actual and original budgeted amount for 2017–18. Explanation of major variances are presented in Note 5.1.

Administered primary schedules

Administered schedule of comprehensive income

for the year ended 30 June 2018

	Actual 2018 \$'000	Actual 2017 \$'000	Original Budget ¹ \$'000	Variance ² \$'000
NET COST OF SERVICES				
Expenses				
Consultants and contractors	212	13	-	-
General and office	766	1,894	-	-
Grants	293	-	-	-
Impairment of trade and other receivables	-	10	-	-
Infrastructure for other jurisdictions	750	750	-	-
Operational expenses	212	211	-	-
Police equipment for other jurisdictions ³	10,549	6,510	-	-
Training	2,153	1,642	-	-
Travel	1,138	714	-	-
Total expenses	16,073	11,744	16,077	(4)
Income				
Non-taxation revenue				
Court fees, fines and penalties	331	165	-	-
Exhibits and seizures	90	386	-	-
Other income	4	23	-	-
Total non-taxation revenue	425	574	-	425
Net cost of services	15,648	11,170	16,077	(429)
Total comprehensive deficit	(15,648)	(11,170)	(16,077)	429

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

¹ The original budget is from the 2017-18 Portfolio Budget Statement (PBS) (unaudited).

² The variance between the actual and original budgeted amount for 2017-18. Explanation of major variances are presented in Note 5.1.

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

Administered schedule of assets and liabilities

as at 30 June 2018	Actual 2018 \$'000	Actual 2017 \$'000	Original Budget ¹ \$'000	Variance ² \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	644	-	4	640
Receivable - GST from Australian Taxation Office	17	6	-	17
Receivable - Other	114	-	-	114
Receivable - court fees, fines and penalties	1,370	1,465	125	1,245
Less: impairment allowance (court fees, fines and penalties)	(1,290)	(1,358)	-	(1,290)
Total financial assets	855	113	129	726
Non-financial assets				
Prepayments	112	-	-	112
Total non-financial assets	112	-	-	112
Total assets administered on behalf of government	967	113	129	838
Liabilities				
Payables				
Suppliers ³	1,310	1,089	527	783
Other payables	-	10	-	-
Total liabilities administered on behalf of government	1,310	1,099	527	783
Net liabilities	(343)	(986)	(398)	55

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 2017–18 Portfolio Budget Statement (PBS) (unaudited).

² The variance between the actual and original budgeted amount for 2017–18. Explanation of major variances are presented in Note 5.1.

³ Settlement is usually made within 7 days.

Administered reconciliation schedule

for the year ended 30 June 2018	Actual 2018 \$'000	Actual 2017 \$'000
Opening net liabilities as at 1 July	(986)	(1,126)
Net cost of services		
Income	425	574
Expenses	(16,073)	(11,744)
Total net cost of services	(15,648)	(11,170)
Transfers (to)/from Australian Government		
Appropriation transfers through OPA:		
Annual appropriations	20,318	13,346
Transfers to OPA	(4,028)	(2,036)
Total transfers (to)/from Australian Government	16,290	11,310
Closing net liabilities as at 30 June	(343)	(986)

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 2018

	Actual	Actual	Original	
	2018	2017	Budget ¹	Variance ²
	\$'000	\$'000	\$'000	\$'000
Operating activities				
<i>Cash received</i>				
Court fees, fines and penalties	244	147	-	-
Exhibits and seizures	90	382	-	-
Other – income	4	23	-	-
Net GST received	-	20	96	-
Total cash received	338	572	96	242
<i>Cash used</i>				
Suppliers	15,861	11,886	16,173	-
Prepayments	112	-	-	-
GST paid	11	-	-	-
Total cash used	15,984	11,886	16,173	(189)
Net cash flows from / (used by) operating activities	(15,646)	(11,314)	(16,077)	431
Net (decrease) in cash held by the Commonwealth	(15,646)	(11,314)	(16,077)	431
Cash at the beginning of the reporting period	-	4	4	(4)
<i>Cash from Official Public Account</i>				
Appropriations	20,318	13,346	16,077	4,241
<i>Cash to Official Public Account</i>				
Appropriations	(4,024)	(1,867)	-	(4,024)
GST	(4)	(169)	-	(4)
Cash at the end of the reporting period	644	-	4	640

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 2017–18 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 2017–18. Explanation of major variances are presented in Note 5.1.

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 methods used to assess the fair value of assets and the calculation of employee provisions. 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

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

No accounting standard has been adopted earlier than the application date as stated in the standard.

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.

Notes to and forming part of the financial statements

Overview (con't)

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.

Administered cash transfers to and from the Official Public Account

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.

Administered

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

Note 1.1: Expenses

Note 1.1A: Employee benefits expense

	2018	2017 ¹
	\$'000	\$'000
Wages and salaries	607,718	600,429
Superannuation:		
Defined contribution plans	49,599	50,804
Defined benefit plans	68,494	67,956
Leave and other entitlements	131,944	119,321
Separation and redundancies	7,924	654
Other employee expenses	11,486	11,643
Total employee benefits expense	877,165	850,807

¹ Adjusted 2016-17 figures. Refer to Note 3.4.

Note 1.1A: Accounting policy

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

	2018	2017
	\$'000	\$'000
Supplier expenses – goods and services		
Operational	44,969	58,310
Consultant and contractor services	58,756	46,810
Staff and recruitment	41,653	46,293
Communications and IT	48,630	41,439
Building and accommodation	40,172	35,675
Travel	37,847	29,174
General and office	29,003	27,683
Training	13,466	10,246
Vehicle expenses	2,751	4,689
Postage and freight	2,589	3,377
Total supplier expenses – goods and services	319,836	303,696

Notes to and forming part of the financial statements

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

	2018	2017
Supplier expenses – other	\$'000	\$'000
Operating lease rentals in connection with external parties:		
Minimum lease payments	105,579	103,240
Contingent rent expenses	251	197
Workers compensation expenses	37,924	35,368
Other supplier expenses	4	8
Total supplier expenses - other	143,758	138,813
Total supplier expenses	463,594	442,509

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.

	2018	2017
As at 30 June, the future minimum lease payments under non-cancellable leases were	\$'000	\$'000
Less than one year	99,248	88,744
Between one and five years	293,378	297,450
More than five years	166,491	213,599
Total operating lease commitments	559,117	599,793

Note 1.1C: Write-down and impairment of assets

	2018	2017
	\$'000	\$'000
Impairment from trade and other receivables	77	42
Impairment of buildings	1,473	666
Impairment of property, plant and equipment	506	1,072
Impairment of intangibles	687	1,268
Total write-down and impairment of assets	2,743	3,048

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.

	2018	2017
	\$'000	\$'000
Expenses – departmental	19,305	18,983
Revenue – departmental	25,912	23,405

Note 1.2: Own-source revenue and gains

Note 1.2A: Revenue

	2018	2017
	\$'000	\$'000
Sale of goods	39	712
Rendering of services:		
Police services	232,643	233,517
Other services	41,011	37,725
Other revenue	1,361	3,797
Total revenue	275,054	275,751

Note 1.2A: Accounting policy

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

	2018	2017
	\$'000	\$'000
Resources received free of charge	5,916	5,555
Sales of assets:		
Proceeds from sales of assets	957	264
Carrying value of assets sold	(57)	(45)
Other gains	3,241	1,445
Total gains	10,057	7,219

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 (2017: \$0.245m) for AFP's financial statements and \$5.624m (2017: \$5.310m) for ACT Policing facilities and legal services 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.

Notes to and forming part of the financial statements

Note 2.1: Financial assets**Note 2.1A: Cash and cash equivalents**

	2018	2017
	\$'000	\$'000
Cash in special accounts	4,655	4,803
Cash on hand	99	106
Cash at bank	10,841	12,793
Total cash and cash equivalents	15,595	17,702

Note 2.1B: Trade and other receivables

	2018	2017
	\$'000	\$'000
Goods and services receivable	\$'000	\$'000
- goods and services receivable	16,857	14,387
Total goods and services receivables	16,857	14,387
Appropriation receivable		
- for ordinary services	201,487	187,389
- for equity projects	47,043	69,961
- for special accounts	6,500	6,000
Total appropriations receivables	255,030	263,350
Other receivables		
- GST receivable from the Australian Taxation Office	7,686	4,729
- Comcare	374	20,998
- other	66	136
Total other receivables	8,126	25,863
Total trade and other receivables (gross)	280,013	303,600
Less impairment allowance for goods and services	(550)	(475)
Total trade and other receivables (net)	279,463	303,125

Note 2.1B: Accounting policy

All trade receivables are expected to be recovered in less than 12 months. Credit terms for goods and services are 30 days (2017: 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	2018	2017
	\$'000	\$'000
Opening balance, 1 July 2017	475	557
Amounts written off	-	(9)
Amounts recovered and reversed	(2)	(115)
Increase/(decrease) recognised in net cost of services	77	42
Closing balance, 30 June 2018	550	475

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 2017							
Gross book value	2,400	136,409	210,578	349,387	138,433	111,110	598,930
Accumulated depreciation and amortisation	-	-	-	-	-	(72,701)	(72,701)
Net book value, 1 July 2017	2,400	136,409	210,578	349,387	138,433	38,409	526,229
Additions:							
Purchased or internally developed	-	3,291	17,655	20,946	127,405	29,397	177,748
Revaluations recognised in other comprehensive income	-	-	647	647	34	-	681
Write-down and impairment recognised in net cost of services	-	(1,473)	-	(1,473)	(506)	(687)	(2,666)
Depreciation/amortisation	-	(4,859)	(29,356)	(34,215)	(40,602)	(9,002)	(83,819)
Reclassifications	-	(128)	1,305	1,177	(6,868)	5,691	-
Disposals:							
Other	-	-	-	-	(57)	-	(57)
Net book value, 30 June 2018	2,400	133,240	200,829	336,469	217,839	63,808	618,116
Net book value as of 30 June 2018 represented by:							
Gross book value	2,400	138,100	229,362	369,862	258,349	138,976	767,187
Accumulated depreciation and amortisation	-	(4,860)	(28,533)	(33,393)	(40,510)	(75,168)	(149,071)
Net book value, 30 June 2018	2,400	133,240	200,829	336,469	217,839	63,808	618,116

The carrying amount of computer software included purchase of software of \$23.7m and internally generated software of \$40.1m.

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 for 2018: \$29.607m (2017: \$49.739m). At 30 June, the AFP intends to fully exercise these contracts.

	2018 \$'000	2017 \$'000
As at 30 June, the future minimum payments under non-cancellable contracts were:		
Less than one year	42,737	48,955
Between one and five years	1,548	19,030
More than five years	-	-
Total capital commitments	44,285	67,985

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.

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.

Revaluations were conducted by registered and independent valuers at 30 June 2017 by Australian Valuation Services. Revaluations were conducted on all tangible assets, including those under construction.

The AFP tests the valuation model as an internal management review at least once every 12 months to ensure there are no material differences.

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

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 2018. 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.

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 20 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.

Software is amortised on a straight-line basis over its estimated useful life. The useful life of AFP's software is 2 to 20 years.

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.

Notes to and forming part of the financial statements

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

	2018 \$'000	2017 \$'000
Trade creditors and accruals	92,513	62,149
Operating lease rentals	28,142	22,910
Total supplier payable	120,655	85,059

Note 2.3B: Other payables

	2018 \$'000	2017 \$'000
Wages and salaries	9,220	6,292
Superannuation	898	819
Separations and redundancies	3,301	-
Unearned income	12,697	13,484
Other payables	18	50
Total other payables	26,134	20,645

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 (2017: 7 days).

Note 2.4: Other provisions

	Provision for restoration obligations \$'000	Provision for settlements \$'000	Provision for relocations \$'000	Total \$'000
As at 1 July 2017	23,677	3,000	4,971	31,648
Additional provisions made	877	500	3,925	5,302
Amounts used	(510)	-	(2,160)	(2,670)
Provisions not realised	(361)	-	(2,999)	(3,360)
Revaluation	(36)	-	-	(36)
Unwinding of discount	541	-	-	541
Total as at 30 June 2018	24,188	3,500	3,737	31,425

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 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 41 (2017: 34) 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.

Provision for legal settlement

The AFP provision for legal settlements includes 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.

Note 3.1: Employee provisions

	2018 \$'000	2017 ¹ \$'000
Leave	297,638	288,951
Underpayment of superannuation	24,466	22,335
Other	50	50
Total employee provisions	322,154	311,336
Breakdown of employee provisions		
- amount of employee provisions expected to be settled in less than 12 months	104,089	99,020
- amount of employee provisions expected to be settled in more than 12 months	218,065	212,316
Total employee provisions	322,154	311,336

¹ Adjusted 2016-17 figures. Refer to Note 3.4 for the adjustment and accounting policy in relation to the superannuation provision.

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.

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 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.

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.

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.

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, including any member whom has acted for 30 days or more continuous. 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.

	2018	2017
	\$'000	\$'000
Short-term employee benefits	2,811	2,569
Post-employment benefits	455	448
Other long-term employee benefits	290	285
Termination benefits	-	278
Total key management personnel remuneration expenses¹	3,556	3,580

The total number of key management personnel included in the above table is 11 including 2 acting in management positions (2017: 11 including 3 acting in management positions).

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.

Note 3.4: Prior year restatement

Provision

The prior period error relates to unpaid superannuation entitlements on certain allowances. An estimate of the associated cost has been recognised in the opening balances for 2016-17 to the extent applicable to earlier years.

	Reported 2016-17 \$'000	Correction \$'000	Restated 2016-17 \$'000
Employee Benefits expense	848,587	2,220	850,807
Employee Provision	289,001	22,335	311,336
Opening Equity	642,778	20,115	662,893
Closing Equity	724,821	22,335	747,156

The provision is based on management's assessment of the range of potential outcomes taking into account independent advice. While the AFP believes it has adopted a conservative position, the estimate is subject to uncertainty such that the final outcome may be lower or higher than the amount reported as at 30 June 2018.

Note 4.1: Appropriations

Note 4.1A: Revenue from government

	2018 \$'000	2017 \$'000
Departmental appropriations	1,016,001	1,021,343
Total revenue from government	1,016,001	1,021,343

Note 4.1A: 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 and unspent appropriations

	2018 \$'000	2017 \$'000
Annual Appropriations		
Opening unspent appropriation balance	312,470	275,839
Annual appropriation - operating ¹	1,017,013	1,021,774
Annual appropriation - capital budget ²	74,514	29,572
Annual appropriation - equity injection	75,323	89,649
PGPA Act Section 74 receipts	286,747	275,958
Total appropriation available	1,766,067	1,692,792
Appropriation applied (current and prior years)	1,480,579	1,380,322
Closing unspent appropriation balance	285,488	312,470
Balance comprises appropriations as follows:		
Appropriation Act (No. 1) 2013–14 ³	-	1,345
Appropriation Act (No. 1) 2014–15 ³	-	1,590
Appropriation Act (No. 2) 2014–15 ³	-	18,380
Appropriation Act (No. 1) – Capital Budget (DCB) – Non Operating – 2015–16 ¹	7,076	7,076
Appropriation Act (No. 1) 2015–16 ¹	7,780	7,780
Appropriation Act (No. 2) 2015–16 ¹	7,000	13,744
Appropriation Act (No. 1) 2016–17	-	169,733
Appropriation Act (No. 2) 2016–17	18,279	53,983
Appropriation Act (No. 3) 2016–17	-	16,716
Appropriation Act (No. 4) 2016–17	1,500	9,234
Appropriation Act (No. 1) 2017–18 ¹	201,559	-
Appropriation Act (No. 1) – Capital Budget (DCB) – Non Operating – 2017–18 ¹	4,091	-
Appropriation Act (No. 2) – Equity Injection – 2017–18	14,038	-
Appropriation Act (No. 4) – Equity Injection – 2017–18	13,227	-
Appropriation – Cash on hand / at bank	10,938	12,889
Total unspent appropriation	285,488	312,470

All amounts are GST exclusive

1. The following amounts are included in unspent annual appropriations, as the amounts have not been formally reduced (by law). They have been reduced by permanent quarantine under section 51 of the PGPA Act which constitutes a permanent loss of control. They are included in this note, however do not form part of the appropriation receivable balance at note 2.1B.

- \$7.076m – Appropriation Act (No.1) - Capital Budget (DCB) 2015-16
- \$7.780m – Appropriation Act (No.1) 2015-16
- \$7.000m – Appropriation Act (No.2) 2015-16
- \$0.160m – Appropriation Act (No.1) 2017–18
- \$4.091m – Appropriation Act (No.1) Capital Budget (DCB) 2017–18

Notes to and forming part of the financial statements

At 30 June 2018 the AFP recognised revenue and a receivable 'existing programs' at Note 2.1B of \$0.088m 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 (2017: receivable of \$0.940m).

2. 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.

Decisions of Government provided the AFP \$12.318m in funding at 2017-18 MYEFO through a departmental capital offset. Under AASB Interpretation 1038 – Contributions by Owners Made to Wholly-Owned Public Sector Entities this reallocation constitutes a redesignation of equity to operating revenue, which cannot occur, and thus the funding remains an equity injection in the financial statements and this note.

3. The following prior year balances have lapsed:

- \$1.345m - Appropriation Act (No. 1) 2013-14
- \$1.590m - Appropriation Act (No. 1) 2014-15
- \$18.380m - Appropriation Act (No. 2) 2014-15

Note 4.1C: Annual and unspent administered appropriations

	2018 \$'000	2017 \$'000
Opening unspent appropriation balance	4,612	4,403
Annual appropriation - operating ¹	16,077	12,116
Total available appropriation	20,689	16,519
Appropriation applied (current and prior years)	16,266	11,907
Closing unspent appropriation balance	4,423	4,612
Balance comprises appropriations as follows:		
Appropriation Act (No. 1) 2014-15 ²	-	202
Appropriation Act (No. 1) 2015-16	2,941	2,941
Appropriation Act (No. 1) 2016-17	383	1,469
Appropriation Act (No. 1) 2017-18	455	-
Appropriation – Cash on hand / at bank	644	-
Total unspent appropriation - ordinary annual services	4,423	4,612

All amounts are GST exclusive

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.

- \$2.941m – Administered Appropriation Act (No.1) 2015-16
- \$0.383m – Administered Appropriation Act (No.1) 2016-17

2. The following prior year balances have lapsed:

- \$0.202m – Administered Appropriation Act (No.1) 2014-15

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.

	2018	2017
	\$'000	\$'000
Total comprehensive income (loss) less depreciation/amortisation expenses ¹	(48,259)	1,404
Movement in revaluation reserve	717	30,828
Depreciation/amortisation expenses not funded through revenue appropriation ¹	(81,007)	(85,667)
Total comprehensive income (loss) - per the Statement of comprehensive income	(128,549)	(53,435)

1. The comprehensive income (loss) per the Statement of comprehensive income is (\$45.448m) (2017: \$4.517m). The depreciation/amortisation expense per the Statement of comprehensive income is \$83.819m (2017:\$88.780m). The amount presented above for these two items has been reduced by \$2.812m (2017: \$3.113m), representing the depreciation/amortisation expense funded by the ACT Government for Outcome 2.

Notes to and forming part of the financial statements

Note 4.3: Special accounts

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	2018 \$'000	2017 \$'000
Balance brought forward from previous year	64,104	40,834
Increases		
Appropriation credited to special account	1,490	1,507
Departmental receipts (AIPM ² and APG ³)	12,109	12,810
Other receipts	39,357	43,244
Total increases	52,956	57,561
Decreases		
Departmental payments (AIPM and APG)	(13,255)	(11,441)
Other payments	(53,099)	(22,850)
Total decreases	(66,354)	(34,291)
Balance carried to next year and represented by:	50,706	64,104
Cash – held by the agency	4,657	4,813
Cash – held by the agency on trust	39,549	53,291
Monies – held by the OPA	6,500	6,000
Total balance carried to the next year	50,706	64,104

All amounts are GST exclusive

1. Appropriation: Public Governance, Performance and Accountability Act

Establishment 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 is 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.

Note 4.4: Contingent liabilities and contingent 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 superannuation resulting from interpretations of Enterprise Agreements and other employee arrangements. A contingency has been disclosed as an obligation has not yet been determined and uncertainty exists in determining any potential liability.

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 2017-18 Portfolio Budget Statements (PBS) to the 2017-18 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 2018

(i) Suppliers (statement of comprehensive income) and (cash flow statement)

Supplier expenses were \$463.594m, \$42.727m higher than the budget estimate of \$420.867m. The variance is due to an additional \$5.627m provided in Additional Estimates, costs relating to increased sale of goods and services and an increase across most supplier expense categories.

(ii) Trade and other receivables (statement of financial position)

Trade and other receivables were \$279.463m, \$72.280m higher than the budget estimate of \$207.183m. This is due to the increase in Supplier Payables and Other Payables which impacted Appropriation Receivable.

(iii) Land and buildings (statement of financial position) and (cash flow statement)

Land and buildings were \$336.469m, \$47.864m lower than the budget estimate of \$384.333m. The variance is due to the 2016-17 asset revaluation, variances in depreciation estimates and less assets purchased in this category than the original profile.

(iv) Property, plant and equipment (statement of financial position) and (cash flow statement)

Property, plant and equipment was \$217.839m, \$97.806m higher than the budget estimate of \$120.033m. The variance is due to the 2016-17 asset revaluation, variances in depreciation estimates and more assets purchased in this category than the original profile.

(v) Suppliers payable (statement of financial position) and (cash flow statement)

Suppliers payable were \$120.655m, \$68.004m higher than the budget estimate of \$52.651m. The variance is due to significant project expenses accrued at the end of the year including for capital projects in progress.

(vi) Employee provisions (statement of financial position) and (cash flow statement)

Employee provisions were \$322.154m, \$49.820m higher than the budget estimate of \$272.334m. The variance is due to the impact of enterprise agreement pay rises, higher than anticipated staffing levels and the recognition of a provision for unpaid employee on costs relating to superannuation on certain allowances.