



INDEPENDENT AUDITOR'S REPORT

To the Minister for Home Affairs

Opinion

In my opinion, the financial statements of the Australian Federal Police ('the Entity') for the year ended 30 June 2019:

- (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 Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

- Statement by the Commissioner and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes 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 Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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 2019 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 Entity, the Commissioner is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Commissioner is also responsible for such internal control as the Commissioner determines is necessary to enable the preparation 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 ability of the Entity 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, as applicable, matters related to going concern 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

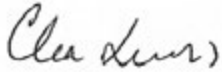
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 the Accountable Authority 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
11 October 2019

Table of contents

Statement by the Commissioner and Chief Financial Officer	140
Departmental financial statements	
Statement of comprehensive income	141
Statement of financial position	142
Statement of changes in equity	143
Cash flow statement	144
Administered financial schedules	
Administered schedule of comprehensive income	145
Administered schedule of assets and liabilities	146
Administered reconciliation schedule	146
Administered cash flow statement	147
Notes to and forming part of the financial statements	
Overview	148
Events after the reporting period	149
Note 1.1: Expenses	150
Note 1.2: Own-source revenue and gains	152
Note 2.1: Financial assets	153
Note 2.2: Non-financial assets	154
Note 2.3: Payables	157
Note 2.4: Other provisions	157
Note 3.1: Employee provisions	158
Note 3.2: Key management personnel remuneration	159
Note 3.3: Related party disclosures	159
Note 3.4: Prior year restatement	159
Note 4.1: Appropriations	160
Note 4.2: Net cash appropriation arrangements	161
Note 4.3: Special accounts	162
Note 4.4: Contingent liabilities and contingent assets	163
Note 4.5: Aggregate assets and liabilities	163
Note 5.1: Budget reporting and major budget variances	164

Statement by the Commissioner and the Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2019 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.



Reece P Kershaw APM
Commissioner

11 October 2019



Darren Box
Chief Financial Officer

11 October 2019

Statement of comprehensive income

for the period ended 30 June 2019

	Notes	Actual 2019 \$'000	Actual 2018 ¹ \$'000	Original Budget ² \$'000	Variance ³ \$'000
NET COST OF SERVICES					
Expenses					
Employee benefits	1.1A	924,083	880,036	882,994	41,089
Suppliers	1.1B	475,338	463,594	452,983	22,355
Depreciation and amortisation	2.2A	93,459	83,819	109,543	(16,084)
Finance costs		565	541	-	565
Write-down and impairment of other assets	1.1C	8,593	2,743	-	8,593
Grants		3,197	1,679	-	3,197
Other expenses		910	837	-	910
Total expenses		1,506,145	1,433,249	1,445,520	60,625
Own-source income					
Own-source revenue					
Sale of goods and rendering of services		284,066	273,693	282,446	1,620
Other revenue		1,514	1,361	241	1,273
Total own-source revenue	1.2A	285,580	275,054	282,687	2,893
Gains					
Resources received free of charge	1.2B	6,114	5,916	5,555	559
Gains from sale of assets	1.2B	952	900	-	952
Other gains	1.2B	797	3,241	-	797
Total gains		7,863	10,057	5,555	2,308
Total own-source income		293,443	285,111	288,242	5,201
Net cost of services		(1,212,702)	(1,148,138)	(1,157,278)	(55,424)
Revenue from government	4.1A	1,103,344	1,016,001	1,051,233	52,111
Deficit attributable to the Australian Government		(109,358)	(132,137)	(106,045)	(3,313)
Other comprehensive income					
Items not subject to subsequent reclassification to net cost of services					
Revaluation of property, plant and equipment ⁴		-	717	-	-
Items subject to subsequent reclassification to net cost of services					
Total other comprehensive income		-	717	-	-
Total comprehensive loss attributable to the Australian Government		(109,358)	(131,420)	(106,045)	(3,313)

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

¹ Adjusted 2017-18 figures. Refer to Note 3.4.² The original budget is from the 2018–19 Portfolio Budget Statement (PBS) (unaudited).³ The variance between the actual and original budgeted amount for 2018–19. Explanation of major variances are presented in Note 5.1.⁴ Amounts impacting the revaluation reserve in the prior year reflect timing delays in processing entries for 30 June 2017.

Primary statements

Statement of financial position

as at 30 June 2019	Notes	Actual 2019 \$'000	Actual 2018 ¹ \$'000	Original Budget ² \$'000	Variance ³ \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	2.1A	21,467	15,595	8,701	12,766
Trade and other receivables	2.1B	287,315	279,463	224,564	62,751
Accrued revenue		5,570	6,421	5,070	500
Total financial assets		314,352	301,479	238,335	76,017
Non-financial assets					
Land and buildings	2.2A	364,372	336,469	390,246	(25,874)
Property, plant and equipment	2.2A	180,014	217,839	160,800	19,214
Intangibles	2.2A	82,083	63,808	91,362	(9,279)
Inventories		6,399	6,092	5,653	746
Prepayments		29,478	23,980	24,297	5,181
Total non-financial assets		662,346	648,188	672,358	(10,012)
Total assets		976,698	949,667	910,693	66,005
LIABILITIES					
Payables					
Suppliers	2.3A	100,927	120,655	70,847	30,080
Other payables	2.3B	18,586	26,134	18,433	153
Total payables		119,513	146,789	89,280	30,233
Provisions					
Employee provisions	3.1	397,594	363,535	303,747	93,847
Other provisions	2.4	31,499	31,425	32,563	(1,064)
Total provisions		429,093	394,960	336,310	92,783
Total liabilities		548,606	541,749	425,590	123,016
Net assets		428,092	407,918	485,103	(57,011)
EQUITY					
Contributed equity		1,330,782	1,201,250	1,317,784	12,998
Reserves		124,471	124,471	123,754	717
Accumulated deficit		(1,027,161)	(917,803)	(956,435)	(70,726)
Total equity		428,092	407,918	485,103	(57,011)

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

¹ Adjusted 2017-18 figures. Refer to Note 3.4.

² The original budget is from the 2018–19 Portfolio Budget Statement (PBS) (unaudited).

³ The variance between the actual and original budgeted amount for 2018–19. Explanation of major variances are presented in Note 5.1.

Statement of changes in equity

for the year ended 30 June 2019

	Actual 2019 \$'000	Actual 2018 ¹ \$'000	Original Budget ² \$'000	Variance ³ \$'000
CONTRIBUTED EQUITY				
Opening balance carried forward from previous period	1,201,250	1,055,504	1,188,932	12,318
Transactions with owners				
<i>Distributions to owners</i>				
Returns of contributed equity	-	(4,091)	-	-
<i>Contributions by owners</i>				
Equity injection - appropriations	70,909	75,323	70,229	680
Departmental capital budget	58,623	74,514	58,623	-
Total transactions with owners	129,532	145,746	128,852	680
Closing balance as at 30 June	1,330,782	1,201,250	1,317,784	12,998
RETAINED EARNINGS				
Opening balance				
Opening balance carried forward from previous period	(917,803)	(747,156)	-	-
Adjustment for prior year restatement	-	(38,510)	-	-
Adjusted opening balance	(917,803)	(785,666)	(850,390)	(67,413)
Comprehensive income				
(Deficit) for the period	(109,358)	(132,137)	(106,045)	(3,313)
Total comprehensive income	(109,358)	(132,137)	(106,045)	(3,313)
Closing balance as at 30 June	(1,027,161)	(917,803)	(956,435)	(70,726)
ASSET REVALUATION RESERVE				
Opening balance carried forward from previous period	124,471	123,754	123,754	717
Comprehensive income				
Other comprehensive income	-	717	-	-
Total comprehensive income	-	717	-	-
Closing balance as at 30 June	124,471	124,471	123,754	717
TOTAL EQUITY	428,092	407,918	485,103	(57,011)

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

¹ Adjusted 2017-18 figures. Refer to Note 3.4.

² The original budget is from the 2018–19 Portfolio Budget Statement (PBS) (unaudited).

³ The variance between the actual and original budgeted amount for 2018–19. Explanation of major variances are presented in Note 5.1.

Accounting policy

Equity Injections

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

Primary statements

Cash flow statement

for the period ended 30 June 2019

	Notes	Actual 2019 \$'000	Actual 2018 \$'000	Original Budget ¹ \$'000	Variance ² \$'000
Operating activities					
<i>Cash received</i>					
Appropriations		1,403,641	1,300,468	1,299,503	104,138
Sales of goods and rendering of services		285,884	274,304	280,975	4,909
Net GST received		37,532	41,416	33,264	4,268
Other		2,588	31,551	241	2,347
Total cash received		1,729,645	1,647,739	1,613,983	115,662
<i>Cash used</i>					
Employees		904,083	872,232	878,911	25,172
Suppliers		517,036	487,480	450,840	66,196
Section 74 receipts transferred to Official public account (OPA)		285,403	286,747	280,734	4,669
Grant payments		3,197	1,679	-	3,197
Total cash used		1,709,719	1,648,138	1,610,485	99,234
Net cash from/ (used by) operating activities		19,926	(399)	3,498	16,428
Investing activities					
<i>Cash received</i>					
Proceeds from sale of property, plant and equipment		1,119	957	-	1,119
Total cash received		1,119	957	-	1,119
<i>Cash used</i>					
Purchase of property, plant and equipment		26,675	100,107	154,262	(127,587)
Purchase of land and buildings		67,341	24,443	-	67,341
Purchase of intangibles		30,148	34,461	-	30,148
Total cash used		124,164	159,011	154,262	(30,098)
Net cash (used by) investing activities		(123,045)	(158,054)	(154,262)	31,217
Financing activities					
<i>Cash received</i>					
Contributed equity		59,136	98,241	150,764	(91,628)
Departmental capital budget funding		49,855	58,105	-	49,855
Total cash received		108,991	156,346	150,764	(41,773)
Net cash from financing activities		108,991	156,346	150,764	(41,773)
Net increase in cash held		5,872	(2,107)	-	5,872
Cash and cash equivalents at the beginning of the period		15,595	17,702	8,701	6,894
Cash and cash equivalents at the end of the period	2.1A	21,467	15,595	8,701	12,766

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

¹ The original budget is from the 2018–19 Portfolio Budget Statement (PBS) (unaudited).

² The variance between the actual and original budgeted amount for 2018–19. Explanation of major variances are presented in Note 5.1.

Administered schedule of comprehensive income

for the year ended 30 June 2019

	Actual 2019 \$'000	Actual 2018 \$'000	Original Budget ¹ \$'000	Variance \$'000
NET COST OF SERVICES				
Expenses				
Consultants and contractors	250	212	-	-
General and office	2,818	766	-	-
Grants	-	293	-	-
Impairment loss on financial instruments	17	-	-	-
Infrastructure for other jurisdictions	750	750	-	-
Operational expenses	130	212	-	-
Police equipment for other jurisdictions ²	3,347	10,549	-	-
Training	5,891	2,153	-	-
Travel	1,263	1,138	-	-
Total expenses	14,466	16,073	11,735	2,731
Income				
Non-taxation revenue				
Court fees, fines and penalties	193	331	-	-
Exhibits and seizures	319	90	-	-
Other income	7	4	-	-
Total non-taxation revenue	519	425	-	519
Net cost of services	13,947	15,648	11,735	2,212
Total comprehensive deficit	(13,947)	(15,648)	(11,735)	(2,212)

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

¹ The original budget is from the 2018–19 Portfolio Budget Statement (PBS) (unaudited).

² 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 2019	Actual 2019 \$'000	Actual 2018 \$'000	Original Budget ¹ \$'000	Variance \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	-	644	-	-
Receivable - GST from Australian Taxation Office	4	17	-	4
Receivable - Other	34	114	-	34
Receivable - court fees, fines and penalties	1,343	1,370	113	1,230
Less: impairment allowance (court fees, fines and penalties)	(1,307)	(1,290)	-	(1,307)
Total financial assets	74	855	113	(39)
Non-financial assets				
Prepayments	-	112	-	-
Total non-financial assets	-	112	-	-
Total assets administered on behalf of government	74	967	113	(39)
Liabilities				
Payables				
Suppliers ²	572	1,310	463	109
Other payables	565	-	-	565
Total liabilities administered on behalf of government	1,137	1,310	463	674
Net liabilities	(1,063)	(343)	(350)	(713)

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 2018-19 Portfolio Budget Statement (PBS) (unaudited).

² Settlement is usually made within 7 days.

Administered reconciliation schedule

for the year ended 30 June 2019	Actual 2019 \$'000	Actual 2018 \$'000
Opening net liabilities as at 1 July	(343)	(986)
Net cost of services		
Income	519	425
Expenses	(14,466)	(16,073)
Total net cost of services	(13,947)	(15,648)
Transfers (to)/from Australian Government		
Appropriation transfers through OPA:		
Annual appropriations	15,387	20,318
Transfers to OPA	(2,160)	(4,028)
Total transfers (to)/from Australian Government	13,227	16,290
Closing net liabilities as at 30 June	(1,063)	(343)

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

Administered cash flow statement

for the year ended 30 June 2019

	Actual 2019 \$'000	Actual 2018 \$'000	Original Budget ¹ \$'000	Variance \$'000
Operating activities				
<i>Cash received</i>				
Court fees, fines and penalties	898	244	-	898
Exhibits and seizures	319	90	-	319
Other – income	7	4	-	7
Net GST received	288	-	13	275
Total cash received	1,512	338	13	1,499
<i>Cash used</i>				
Suppliers	15,107	15,973	11,845	3,262
GST paid	275	11	13	262
Total cash used	15,382	15,984	11,858	3,524
Net cash flows from / (used by) operating activities	(13,870)	(15,646)	(11,845)	(2,025)
Net (decrease) in cash held by the Commonwealth	(13,870)	(15,646)	(11,845)	(2,025)
Cash at the beginning of the reporting period	644	-	-	644
<i>Cash from Official Public Account</i>				
Appropriations	15,387	20,318	11,845	3,542
<i>Cash to Official Public Account</i>				
Appropriations	(2,159)	(4,024)	-	(2,159)
GST	(1)	(4)	-	(1)
Cash at the end of the reporting period	-	644	-	-

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 2018–19 Portfolio Budget Statement (PBS) (unaudited). The budget statement information has been reclassified and presented on a consistent basis with the corresponding financial statement.

Overview

Objectives of the Australian Federal Police

The AFP is an Australian Government controlled not-for-profit entity. As Australia's national policing agency, the AFP is a key member of the Australian law enforcement and national security community, leading policing efforts to keep Australians and Australian interests safe, both at home and overseas. This is delivered through the following outcomes:

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

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

The continued existence of the AFP in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for the entity's administration and programs.

AFP's activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the entity in its own right.

Administered activities involve the management or oversight by the entity, on behalf of the Government, of items controlled or incurred by the Government. AFP conducts administered activities on behalf of the Government supporting the objectives of Outcome 1, including international programs.

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.

Overview (con't)

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.

AASB 9 Financial Instruments was effective 1 July 2018. Receivables that were previously classified as *loans and receivables* under AASB 139 are now classified as *Amortised Cost* under AASB 9. There was no remeasurement impact upon application of the new 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.

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.

6

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.

Notes to and forming part of the financial statements

Note 1.1: Expenses

Note 1.1A: Employee benefits expense

	2019 \$'000	2018 ¹ \$'000
Wages and salaries	621,508	608,365
Superannuation:		
Defined contribution plans	56,682	51,823
Defined benefit plans	65,482	68,494
Leave and other entitlements	165,320	131,944
Separation and redundancies	2,685	7,924
Other employee expenses	12,406	11,486
Total employee benefits expense	924,083	880,036

¹ Adjusted 2017-18 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

	2019 \$'000	2018 \$'000
Supplier expenses – goods and services		
Operational	50,759	44,969
Consultant and contractor services	52,787	58,756
Staff and recruitment	45,176	41,653
Communications and IT	53,639	48,630
Building and accommodation	38,619	40,172
Travel	36,761	37,847
General and office	26,845	29,003
Training	11,924	13,466
Vehicle expenses	2,761	2,751
Postage and freight	2,232	2,589
Total supplier expenses – goods and services	321,503	319,836

Note 1.1: Expenses (cont.)

Note 1.1B: Supplier expenses (cont.)

	2019	2018
	\$'000	\$'000
Supplier expenses – other		
Operating lease rentals in connection with external parties:		
Minimum lease payments	110,740	105,579
Contingent rent expenses	327	251
Workers compensation expenses	42,757	37,924
Other supplier expenses	11	4
Total supplier expenses - other	153,835	143,758
Total supplier expenses	475,338	463,594

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.

	2019	2018
	\$'000	\$'000
As at 30 June, the future minimum lease payments under non-cancellable leases were as follows:		
Less than one year	110,019	99,248
Between one and five years	288,187	293,378
More than five years	117,351	166,491
Total operating lease commitments	515,557	559,117

Note 1.1C: Write-down and impairment of assets

	2019	2018
	\$'000	\$'000
Impairment from trade and other receivables	264	77
Impairment of buildings	728	1,473
Impairment of property, plant and equipment ¹	6,806	506
Impairment of intangibles	795	687
Total write-down and impairment of assets	8,593	2,743

¹ Includes adjustment to asset thresholds of \$6.274m as at 30 June 2019.

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.

	2019	2018
	\$'000	\$'000
Expenses – departmental	20,223	19,305
Revenue – departmental	26,838	25,912

Notes to and forming part of the financial statements

Note 1.2: Own-source revenue and gains

Note 1.2A: Revenue

	2019	2018
	\$'000	\$'000
Sale of goods	104	39
Rendering of services:		
Police services	240,832	232,643
Other services	43,130	41,011
Other revenue	1,514	1,361
Total revenue	285,580	275,054

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

	2019	2018
	\$'000	\$'000
Resources received free of charge	6,114	5,916
Sales of assets:		
Proceeds from sales of assets	1,119	957
Carrying value of assets sold	(167)	(57)
Other gains	797	3,241
Total gains	7,863	10,057

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 \$0.255m (2018: \$0.245m) for AFP's financial statements and \$5.859m (2018: \$5.624m) 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.

Note 2.1: Financial assets

Note 2.1A: Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash in special accounts	3,494	4,655
Cash on hand	101	99
Cash at bank	11,372	10,841
Cash - held by the OPA ¹	6,500	-
Total cash and cash equivalents	21,467	15,595

¹ Special account funds held by the OPA are now reported as cash rather than appropriation receivable.

The closing balance of Cash in special accounts does not include amounts held in trust : \$43.088m in 2019 and \$39.549m in 2018. See note 4.3 Special Accounts for more information.

Note 2.1B: Trade and other receivables

	2019 \$'000	2018 \$'000
Goods and services receivable	11,920	16,857
- goods and services receivable		
Total goods and services receivables	11,920	16,857
Appropriation receivable		
- for ordinary services	193,094	201,487
- for equity projects	67,583	47,043
- for special accounts ¹		6,500
Total appropriations receivables	260,677	255,030
Other receivables		
- GST receivable from the Australian Taxation Office	5,155	7,686
- Comcare	9,506	374
- other	823	66
Total other receivables	15,484	8,126
Total trade and other receivables (gross)	288,081	280,013
Less impairment loss allowance	(766)	(550)
Total trade and other receivables (net)	287,315	279,463

¹ Special account funds held by the OPA are now reported as cash rather than appropriation receivable.

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 (2018: 30 days). Receivables are held for the purpose of collecting contractual cash flows and measured at amortised cost using the effective interest method adjusted for any loss allowance.

Financial assets are assessed for impairment at the end of each reporting period based on *Expected Credit Losses*, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses.

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 2018							
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, 1 July 2018	2,400	133,240	200,829	336,469	217,839	63,808	618,116
Additions:							
Purchased or internally developed	-	3,672	35,900	39,572	42,017	28,639	110,228
Assets not previously recognised	-	-	-	-	34	46	80
Revaluations recognised in other comprehensive income	-	-	-	-	-	-	-
Write-down and impairment recognised in net cost of services ¹	-	(537)	(191)	(728)	(6,806)	(795)	(8,329)
Depreciation/amortisation	-	(5,004)	(33,511)	(38,515)	(45,172)	(9,772)	(93,459)
Reclassifications	-	12,167	15,407	27,574	(27,731)	157	-
Disposals:							
Other	-	-	-	-	(167)	-	(167)
Net book value, 30 June 2019	2,400	143,538	218,434	364,372	180,014	82,083	626,469
Net book value as of 30 June 2019 represented by:							
Gross book value	2,400	153,388	280,392	436,180	255,649	160,793	852,622
Accumulated depreciation and amortisation	-	(9,850)	(61,958)	(71,808)	(75,635)	(78,710)	(226,153)
Net book value, 30 June 2019	2,400	143,538	218,434	364,372	180,014	82,083	626,469

¹ Includes adjustment to asset thresholds of \$6.274m as at 30 June 2019.

The carrying amount of computer software included purchase of software of \$31.8m and internally generated software of \$50.1m.

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 2019: \$35.041m (2018:\$29.607m). At 30 June, the AFP intends to fully exercise these contracts.

	2019 \$'000	2018 \$'000
As at 30 June, the future minimum payments under non-cancellable contracts were:		
Less than one year	38,186	42,737
Between one and five years	6,976	1,548
More than five years	-	-
Total capital commitments	45,162	44,285

Note 2.2B: Accounting policy

Assets under construction (AUC)

AUC are included in all asset classes in Note 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 2.2B: 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 - \$5,000
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. Asset thresholds for AFP (ex. APG and AIPM) have been updated to a capitalisation threshold of \$5,000 at 30 June 2019.

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 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.

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

Note 2.2: Non-financial assets (con't)

Note 2.2B: Accounting policy (cont')

Impairment and derecognition

All assets were assessed for impairment at 30 June 2019. 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.

Note 2.3: Payables

Note 2.3A: Supplier payables

	2019	2018
	\$'000	\$'000
Trade creditors and accruals	75,448	92,513
Operating lease rentals	25,479	28,142
Total supplier payable	100,927	120,655

Note 2.3B: Other payables

	2019	2018 ¹
	\$'000	\$'000
Wages and salaries	10,603	9,220
Superannuation	989	898
Separations and redundancies	-	3,301
Unearned income	6,967	12,697
Other payables	27	18
Total other payables	18,586	26,134

¹ Adjusted 2017-18 figures. Refer to Note 3.4 for the adjustment and accounting policy in relation to the overtime payable.

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 (2018: 7 days).

Note 2.4: Other provisions

	Provision for restoration obligations	Provision for settlements	Provision for relocations	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2018	24,188	3,500	3,737	31,425
Additional provisions made	606	-	2,827	3,433
Amounts used	-	-	(1,339)	(1,339)
Provisions not realised	(576)	-	(2,009)	(2,585)
Revaluation	-	-	-	-
Unwinding of discount	565	-	-	565
Total as at 30 June 2019	24,783	3,500	3,216	31,499

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 43 (2018: 41) 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.

Notes to and forming part of the financial statements

Note 3.1: Employee provisions

	2019	2018 ¹
	\$'000	\$'000
Leave	329,771	300,451
Underpayment of superannuation	58,622	55,094
Unpaid overtime	9,151	7,940
Other	50	50
Total employee provisions	397,594	363,535
Breakdown of employee provisions		
- amount of employee provisions expected to be settled in less than 12 months	157,339	142,657
- amount of employee provisions expected to be settled in more than 12 months	240,255	220,878
Total employee provisions	397,594	363,535

¹ Adjusted 2017-18 figures. Refer to Note 3.4 for the adjustment and accounting policy in relation to the superannuation provision and Note 4.4

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.

An actuary review is performed every 3 years. A formal actuarial review was conducted as at 30 June 2019.

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, 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.

	2019	2018
	\$'000	\$'000
Short-term employee benefits	2,463	2,811
Post-employment benefits	394	455
Other long-term employee benefits	64	290
Termination benefits	-	-
Total key management personnel remuneration expenses¹	2,921	3,556

The total number of key management personnel included in the above table is 9 including 2 acting in management positions (2018: 11 including 2 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.

1 key management personnel is included in the Home Affairs KMP remuneration tables, and has been excluded from AFP figures to avoid duplication.

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 employee entitlements, primarily superannuation. An estimate of the associated cost has been recognised in the opening balances for 2017-18 to the extent applicable to earlier years.

	Reported 2017-18 \$'000	Correction \$'000	Restated 2017-18 \$'000
Employee Benefits expense	877,165	2,871	880,036
Employee Provision	322,154	41,381	363,535
Opening Equity	(747,156)	(38,510)	(785,666)
Closing Equity	(876,422)	(41,381)	(917,803)

The provision is based on management's assessment of the range of potential outcomes taking into account independent advice. The estimate is subject to uncertainty such that the final outcome may be lower or higher than the amount reported as at 30 June 2019, as there are several eligibility criteria to be assessed when unpaid entitlements are calculated for each affected employee.

Following clarification on inclusion of entitlements to superannuation previously disclosed as contingent liabilities, the provision has been increased from the error recognised in the prior year.

Notes to and forming part of the financial statements

Note 4.1: Appropriations

Note 4.1A: Revenue from government

	2019	2018
	\$'000	\$'000
Departmental appropriations	1,103,344	1,016,001
Total revenue from government	1,103,344	1,016,001

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

	2019	2018
	\$'000	\$'000
Annual Appropriations		
Opening unspent appropriation balance	285,488	312,470
Annual appropriation - operating ¹	1,100,464	1,017,013
Annual appropriation - capital budget ²	58,623	74,514
Annual appropriation - equity injection	70,909	75,323
PGPA Act Section 74 receipts	281,947	286,747
Total appropriation available	1,797,431	1,766,067
Appropriation applied (current and prior years)	1,523,999	1,480,579
Closing unspent appropriation balance	273,432	285,488
Balance comprises appropriations as follows:		
Appropriation Act (No. 1) – Capital Budget (DCB) – Non Operating – 2015–16 ¹	-	7,076
Appropriation Act (No. 1) 2015–16 ¹	-	7,780
Appropriation Act (No. 2) 2015–16 ¹	-	7,000
Appropriation Act (No. 2) 2016–17	-	18,279
Appropriation Act (No. 4) 2016–17	-	1,500
Appropriation Act (No. 1) 2017–18 ¹	160	201,559
Appropriation Act (No. 1) – Capital Budget (DCB) – Non Operating – 2017–18 ¹	4,091	4,091
Appropriation Act (No. 2) – Equity Injection – 2017–18	8,881	14,038
Appropriation Act (No. 4) – Equity Injection – 2017–18	2,874	13,227
Appropriation Act (No. 1) 2018-19	140,895	-
Appropriation Act (No. 1) – Capital Budget (DCB) – Non Operating – 2018–19 ¹	8,768	-
Appropriation Act (No. 2) 2018-19	46,554	-
Appropriation Act (No. 3) 2018-19	49,231	-
Appropriation Act (No. 4) 2018-19	507	-
Appropriation – Cash on hand / at bank	11,471	10,938
Total unspent appropriation	273,432	285,488

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.

- \$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

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.

3. The following prior year balances have lapsed:

- \$7.076m - Appropriation Act (No. 1 DCB) 2015-16
- \$7.780m - Appropriation Act (No. 1) 2015-16
- \$7.000m - Appropriation Act (No. 2) 2015-16

At 30 June 2019 the AFP recognised revenue and a receivable 'existing programs' at Note 2.1B of \$1.146m for a no win / no loss arrangement to cover additional FBT expense related to living away from home allowance and \$1.821m funding to be received in 2019-20, recognised in 2018-19. 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 (2018: receivable of \$0.088m).

Note 4.1C: Annual and unspent administered appropriations

	2019 \$'000	2018 \$'000
Opening unspent appropriation balance	4,423	4,612
Annual appropriation - operating ¹	15,958	16,077
Total available appropriation	20,381	20,689
Appropriation applied (current and prior years)	16,946	16,266
Closing unspent appropriation balance	3,435	4,423
Balance comprises appropriations as follows:		
Appropriation Act (No. 1) 2015-16		2,941
Appropriation Act (No. 1) 2016-17	-	383
Appropriation Act (No. 1) 2017-18	7	455
Appropriation Act (No. 1) 2018-19	395	-
Appropriation Act (No. 3) 2018-19	2,173	-
Appropriation - Cash on hand / at bank	860	644
Total unspent appropriation - ordinary annual services	3,435	4,423

All amounts are GST exclusive.

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

- \$0.007m - Administered Appropriation Act (No.1) 2017-18

2. The following prior year balances have lapsed:

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

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.

	2019 \$'000	2018 \$'000
Total comprehensive income (loss) less depreciation/amortisation expenses ¹	(18,704)	(51,130)
Movement in revaluation reserve	-	717
Depreciation/amortisation expenses not funded through revenue appropriation ¹	(90,654)	(81,007)
Total comprehensive income (loss) - per the Statement of comprehensive income	(109,358)	(131,420)

1. The comprehensive income (loss) per the Statement of comprehensive income is (\$19.428m) (2018: (\$45.448m)). The depreciation/amortisation expense per the Statement of comprehensive income is \$93.459m (2018: \$83.819m). The amount presented above for these two items has been reduced by \$2.641m (2018: \$2.812m), 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	2019 \$'000	2018 \$'000
Balance brought forward from previous year	50,706	64,104
Increases		
Appropriation credited to special account	2,921	1,490
Departmental receipts (AIPM ² and APG ³)	8,931	12,109
Other receipts	31,928	39,357
Total increases	43,780	52,956
Decreases		
Departmental payments (AIPM and APG)	(13,013)	(13,255)
Other payments	(28,389)	(53,099)
Total decreases	(41,402)	(66,354)
Balance carried to next year and represented by:	53,084	50,706
Cash – held by the agency	3,496	4,657
Cash – held by the agency on trust	43,088	39,549
Monies – held by the OPA	6,500	6,500
Total balance carried to the next year	53,084	50,706

All amounts are GST exclusive.

1. Appropriation: Public Governance, Performance and Accountability Act

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 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 2019 (2018: nil).

Unquantifiable contingencies

The AFP has unquantifiable contingencies in relation to a potential underpayment of employee costs resulting from interpretations of Enterprise Agreements and other employee arrangements. The quantum is indeterminate as the obligation is not considered probable.

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 4.5: Aggregate assets and liabilities

	2019 \$'000	2018 \$'000
Assets expected to be recovered in:		
No more than 12 months	345,587	330,120
More than 12 months	631,111	619,547
Total assets	976,698	949,667
Liabilities expected to be settled in:		
No more than 12 months	283,231	295,589
More than 12 months	265,375	246,160
Total liabilities	548,606	541,749

All administered assets and liabilities are expected to be settled in no more than 12 months.

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 2018-19 Portfolio Budget Statements (PBS) to the 2018-19 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 2019

(i) **Employee benefits (statement of comprehensive income) and (cash flow statement)**

Employee benefit expenses were \$924.083m, \$41.089m higher than the budget estimate of \$882.994m. The variance is due to an additional \$7.695m provided in Additional Estimates, higher than budgeted increase of \$22m to employee provisions relating to bond rate and actuarial review and additional provision for recognition of provision for unpaid employee on costs relating to superannuation on certain allowances.

(ii) **Revenue from government (statement of comprehensive income) and (cash flow statement)**

Revenue from government was \$1,103.344m, \$52.111m higher than the budget estimate of \$1,051.233m. Departmental appropriation was increased to reflect additional funding provided at Additional Estimates of \$49.231m, budget adjustments of \$1.821m and \$1.058m for no win no loss adjustments.

(iii) **Trade and other receivables (statement of financial position)**

Trade and other receivables were \$287.315m, \$62.751m higher than the budget estimate of \$224.564m. This is due to an additional \$15.175m provided in Additional Estimates and \$30m increase in payables which has impacted Appropriation Receivable.

(iv) **Land and buildings (statement of financial position) and (cash flow statement)**

Land and buildings were \$364.372m, \$25.874m lower than the budget estimate of \$390.246m. The variance is due to delays in capital projects, particularly in projects for Perth and Sydney office.

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

Suppliers payable were \$100.927m, \$30.080m higher than the budget estimate of \$70.847m. The variance is due to significant project expenses accrued at the end of the year including for capital projects in progress compared to what was budgeted.

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

Employee provisions were \$397.594m, \$93.847m higher than the budget estimate of \$303.747m. The variance is due to \$25.721m from additional estimates, and \$22m from actuarial reassessment (including bond rate movements). The increase includes the impact of enterprise agreement pay rises, higher than anticipated staffing levels and the recognition of additional provision for unpaid employee on costs relating to superannuation on certain allowances.