





FINANCIAL STATEMENTS

7

Independent Auditor's Report	172
Statement by the Secretary and the Chief Financial Officer	176
Statement of Comprehensive Income	177
Statement of Financial Position	178
Statement of Changes in Equity	179
Statement of Cash Flow	180
Administered Schedule of Comprehensive Income	181
Administered Schedule of Assets and Liabilities	182
Administered Reconciliation Schedule	183
Administered Cash Flow Statement	184
Notes to and Forming Part of the Financial Statements	185



INDEPENDENT AUDITOR'S REPORT

To the President of the Senate and the Speaker of the House of Representatives

Opinion

In my opinion, the financial statements of the Department of Parliamentary Services 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 Department of Parliamentary Services as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Department of Parliamentary Services, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Secretary and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- 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 Department of Parliamentary Services 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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How the audit addressed the matter
<p data-bbox="274 344 698 371">Valuation of Buildings</p> <p data-bbox="274 382 698 447"><i>Refer to Note 4.1A Non-financial assets (Administered) and Note 7.5 Administered – Fair Value Measurement</i></p> <p data-bbox="274 458 698 571">This was an area of focus due to the complexities in the judgements underpinning the calculation of the fair value of buildings, being Parliament House. As at 30 June 2018 buildings were valued at \$2.229 billion.</p> <p data-bbox="274 582 698 771">The valuation is complex due to the unique nature of each building component that comprises Parliament House. Significant judgement is exercised in making the estimation, including, determining the most appropriate valuation methodology to calculate current replacement cost, labour and construction indices, useful lives and assessment of the economic viability of assets.</p>	<p data-bbox="698 344 1114 371">To address the key audit matter, I:</p> <ul data-bbox="698 382 1114 805" style="list-style-type: none"> <li data-bbox="698 382 1114 466">• examined the data sources used in the Department of Parliamentary Services' calculation model for validity and completeness; <li data-bbox="698 477 1114 542">• assessed the appropriateness of the valuation method adopted in the circumstances; <li data-bbox="698 554 1114 675">• evaluated the effectiveness of the assurance framework, including the review and approval process to assess the reasonableness of assumptions and judgements used in calculating the estimated fair value; and <li data-bbox="698 687 1114 805">• assessed the reasonableness of key assumptions, including by comparing key inputs used in the valuation model against comparable external data, where it was available.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Department of Parliamentary Services the Secretary 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 Secretary is also responsible for such internal control as the Secretary 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 Secretary is responsible for assessing the Department of Parliamentary Services' 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 Secretary 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 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.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Mark Vial
Senior Director

Delegate of the Auditor-General

Canberra

3 September 2018

Table of contents

Statement by the Secretary and the Chief Financial Officer	176
Departmental Primary Statements	
Statement of Comprehensive Income	177
Statement of Financial Position	178
Statement of Changes in Equity	179
Statement of Cash Flow	180
Administered Schedule of Comprehensive Income	181
Administered Schedule of Assets and Liabilities	182
Administered Reconciliation Schedule	183
Administered Cash Flow Statement	184
Notes to and Forming Part of the Financial Statements	185
Overview	185–186
1. Financial Performance	187
1.1. Expenses	187
1.2. Own-Source Revenue and Gains	188
2. Income and Expenses Administered on Behalf of Government	189
2.1. Administered—Expenses	189
2.2. Administered—Income	189
3. Financial Position	190
3.1. Financial Assets	190
3.2. Non-Financial Assets	191–194
3.3. Payables	194
4. Assets and Liabilities Administered on Behalf of Government	195
4.1. Administered—Non-Financial Assets	195
5. Funding	197
5.1. Appropriations	197–199
5.2. Net Cash Appropriation Arrangements	199
6. People	200
6.1. Employees	200
6.2. Key Management Personnel Remuneration	201
6.3. Related Party Disclosures	201
6.4. Senior Executive Remuneration	202
7. Managing Uncertainties	203
7.1. Contingent Assets and Liabilities	203
7.2. Financial Instruments	203–204
7.3. Administered—Financial Instruments	204
7.4. Fair Value Measurement	205
7.5. Administered—Fair Value Measurement	206
8. Other Information	207
8.1. Assets Held in Trust	207
8.2. Budget Variance Commentary	207–208

**Department of Parliamentary Services
Financial Statements for the period ended 30 June 2018**

Statement by the Secretary and the Chief Finance 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 Department of Parliamentary Services will be able to pay its debts as and when they fall due.



Signed.....
Robert Stefanic
Secretary

3 September 2018



Signed.....
Nicholas Creagh
Chief Finance Officer

3 September 2018

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2018

		2018	2017	Original Budget 2018
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	86,397	84,180	86,842
Suppliers	1.1B	49,808	47,661	51,814
Depreciation and amortisation	3.2A	22,317	17,239	23,000
Write-down and impairment of assets		446	5	-
Losses from asset sales		95	108	-
Total expenses		159,063	149,193	161,656
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	13,634	10,030	15,442
Other revenue	1.2B	513	263	514
Total own-source revenue		14,147	10,293	15,956
Net cost of services		144,916	138,900	145,700
Revenue from Government – appropriation	5.1A	122,978	118,568	122,700
Deficit attributable to the Australian Government		(21,938)	(20,332)	(23,000)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		688	(22)	-
Total other comprehensive income		688	(22)	-
Total comprehensive loss		(21,250)	(20,354)	(23,000)

The above statement should be read in conjunction with the accompanying notes, including explanation of major variances from budget at Note 8.2.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget 2018 \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	3.1A	1,097	981	574
Trade and other receivables	3.1B	27,763	21,655	24,899
Total financial assets		28,860	22,636	25,473
Non-financial assets				
Information and communication technology	3.2A	42,327	50,283	45,899
Plant and equipment	3.2A	8,427	10,303	9,405
Library collection	3.2A	7,752	6,392	5,835
Computer software	3.2A	28,898	27,134	23,235
Other intangibles	3.2A	9,108	7,679	6,173
Inventories	3.2B	417	520	242
Prepayments		4,811	7,009	6,703
Total non-financial assets		101,740	109,320	97,492
Total assets		130,600	131,956	122,965
LIABILITIES				
Payables				
Trade creditors and accruals		4,250	4,427	5,381
Other payables	3.3A	1,197	1,069	229
Total payables		5,447	5,496	5,610
Provisions				
Employee provisions	6.1B	24,004	23,631	22,524
Total provisions		24,004	23,631	22,524
Total liabilities		29,451	29,127	28,134
Net assets		101,149	102,829	94,831
EQUITY				
Contributed equity		264,108	244,538	262,186
Reserves		20,997	20,309	20,331
Accumulated deficit		(183,956)	(162,018)	(187,686)
Total equity		101,149	102,829	94,831

The above statement should be read in conjunction with the accompanying notes, including explanation of major variances from budget at Note 8.2.

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2018

	Contributed equity		Asset revaluation reserve		Accumulated deficit		Total equity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
CONTRIBUTED EQUITY								
Opening balance								
Balance carried forward from previous period	244,538	222,022	20,309	20,331	(162,018)	(141,686)	102,829	100,667
Adjusted opening balance	244,538	222,022	20,309	20,331	(162,018)	(141,686)	102,829	100,667
Comprehensive income								
Surplus/(deficit) for the period	-	-	-	-	(21,938)	(20,332)	(21,938)	(20,332)
Other comprehensive income	-	-	688	(22)	-	-	688	(22)
Total comprehensive income	-	-	688	(22)	(21,938)	(20,332)	(21,250)	(20,354)
Transactions with owners								
Contributions and distributions by owners								
Departmental capital budget	17,648	22,516	-	-	-	-	17,648	22,516
Return of contributed equity	(822)	-	-	-	-	-	(822)	-
Transfer of assets ¹	2,744	-	-	-	-	-	2,744	-
Total transactions with owners	19,570	22,516	-	-	-	-	19,570	22,516
Closing balance as at 30 June	264,108	244,538	20,997	20,309	(183,956)	(162,018)	101,149	102,829
<i>Budget 30 June 2018</i>								
Opening balance	244,538	222,022	20,331	20,331	(164,686)	(144,987)	100,183	97,366
Total comprehensive income	-	-	-	-	(23,000)	(23,000)	(23,000)	(23,000)
Total transactions with owners	17,648	22,516	-	-	-	-	17,648	22,516
Closing balance	262,186	244,538	20,331	20,331	(187,686)	(167,987)	94,831	96,882

The above statement should be read in conjunction with the accompanying notes, including explanation of major variances from budget at Note 8.2.

¹ Non-financial assets were transferred from the Department of the House of Representatives (\$1.16m), the Department of the Senate (\$0.72m) and the Parliamentary Budget Office (\$0.86m).

Accounting Policy

Departmental Capital Budget

Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in the year in which it was appropriated.

STATEMENT OF CASH FLOWS
for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget 2018 \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		135,250	137,275	122,978
Sale of goods and rendering of services		15,525	10,870	15,865
GST received from ATO		6,037	5,866	5,667
Other		506	666	374
Total cash received		157,318	154,677	144,884
Cash used				
Employees		85,942	82,515	87,120
Suppliers		53,952	55,978	57,764
Section 74 receipts transferred to OPA		16,870	16,210	-
Total cash used		156,764	154,703	144,884
Net cash from operating activities		554	(26)	-
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of plant and equipment		12	38	-
Total cash received		12	38	-
Cash used				
Purchase of property, plant and equipment		8,960	11,606	9,073
Purchase of intangibles		5,190	10,833	8,575
Total cash used		14,150	22,439	17,648
Net cash used by investing activities		(14,138)	(22,401)	(17,648)
FINANCING ACTIVITIES				
Cash received				
Departmental capital budget		13,700	22,834	17,648
Total cash received		13,700	22,834	17,648
Net cash from financing activities		13,700	22,834	17,648
Net increase in cash held		116	407	-
Cash and cash equivalents at the beginning of the reporting period		981	574	574
Cash and cash equivalents at the end of the reporting period	3.1A	1,097	981	574

The above statement should be read in conjunction with the accompanying notes, including explanation of major variances from budget at Note 8.2.

ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME*for the period ended 30 June 2018*

		2018	2017	Original Budget 2018
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Suppliers	2.1A	5,861	7,955	5,346
Depreciation and amortisation	4.1A	37,062	33,855	33,813
Write-down and impairment of assets	2.1B	43	17	-
Total expenses		42,966	41,827	39,159
Income				
Revenue				
Non-taxation revenue				
Donations		1	1	156
Total non-taxation revenue		1	1	156
Total revenue		1	1	156
Gains				
Other gains	2.2A	44	2,781	-
Total gains		44	2,781	-
Total income		45	2,782	156
Net cost of services		42,921	39,045	39,003
Deficit		(42,921)	(39,045)	(39,003)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		84,560	104,784	-
Total other comprehensive income		84,560	104,784	-
Total comprehensive income/(loss)		41,639	65,739	(39,003)

The above statement should be read in conjunction with the accompanying notes, including explanation of major variances from budget at Note 8.2.

ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2018

		2018	2017	Original Budget
	Notes	\$'000	\$'000	2018 \$'000
ASSETS				
Financial assets				
GST receivable		1,494	887	333
Total financial assets		1,494	887	333
Non-financial assets				
Land	4.1A	80,000	80,000	80,000
Buildings	4.1A	2,229,479	2,134,311	2,159,314
Heritage and cultural	4.1A	113,261	112,104	86,730
Other plant and equipment	4.1A	47,363	8,821	6,507
Computer software	4.1A	2,420	686	29
Other intangibles	4.1A	626	263	-
Total non-financial assets		2,473,149	2,336,185	2,332,580
Total assets administered on behalf of Government		2,474,643	2,337,072	2,332,913
LIABILITIES				
Payables				
Trade creditors and accruals		551	724	254
GST funding		1,489	843	367
Total payables		2,040	1,567	621
Total liabilities administered on behalf of government		2,040	1,567	621
Net assets		2,472,603	2,335,505	2,332,292

The above statement should be read in conjunction with the accompanying notes, including explanation of major variances from budget at Note 8.2.

ADMINISTERED RECONCILIATION SCHEDULE*for the period ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000
Opening assets less liabilities as at 1 July		2,335,505	2,223,511
Adjusted opening assets less liabilities		2,335,505	2,223,511
Net (cost of)/contribution by services			
Income		45	2,782
Expenses		(42,966)	(41,827)
Other comprehensive income			
Revaluations transferred to reserves	4.1A	84,560	104,784
Transfers (to)/from Australian Government			
Appropriation transfers from Official Public Account			
Administered assets and liabilities appropriations	5.1C	88,849	38,481
Administered annual appropriations	5.1C	5,994	7,857
Appropriation transfers to OPA			
Administered receipts		-	(83)
Assets Transfer	4.1A	616	-
Closing assets less liabilities as at 30 June		2,472,603	2,335,505

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

ADMINISTERED CASH FLOW STATEMENT
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget 2018 \$'000
OPERATING ACTIVITIES				
Cash received				
GST received from ATO		7,334	2,851	13,064
Donations		1	1	156
Total cash received		7,335	2,852	13,220
Cash used				
Suppliers		13,976	11,136	18,426
Total cash used		13,976	11,136	18,426
Net cash used by operating activities		(6,641)	(8,284)	(5,206)
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		86,752	37,561	126,288
Purchase of computer software		2,097	920	-
Total cash used		88,849	38,481	126,288
Net cash used by investing activities		(88,849)	(38,481)	(126,288)
Net decrease in cash held		(95,490)	(46,765)	(131,494)
Cash from Official Public Account				
Appropriations	5.1C	94,843	46,338	144,714
Total cash from official public account		94,843	46,338	144,714
Cash to official public account				
Appropriations		647	510	(13,220)
Administered receipts		-	(83)	-
Total cash to official public account		647	427	(13,220)
Cash and cash equivalents at the end of the reporting period		-	-	-

The above statement should be read in conjunction with the accompanying notes, including explanation of major variances from budget at Note 8.2.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Overview

Objectives of the Department of Parliamentary Services (DPS)

The Department of Parliamentary Services (the department) is an Australian Commonwealth controlled entity. It is a not-for-profit entity. The department is structured to meet the following outcome:

- Support the functions of Parliament and parliamentarians through the provision of professional services, advice and facilities, and maintain Australian Parliament House.

The continued existence of the department in its present form and with its present programs is dependent on continuing funding by Parliament.

The department's activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the department in its own right. Administered activities involve the management or oversight by the department, on behalf of the Parliament and the Presiding Officers, of items controlled or incurred by the Parliament.

The department conducts the following administered activities on behalf of the Parliament:

- Parliament House Works Program: Effective stewardship of Australian Parliament House, including effectively managing the Australian Parliament House capital works plan, and effectively delivering the Security Upgrade Implementation Plan.

Basis of preparation

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) for reporting periods ending on or after 1 July 2015; 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 are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Basis of accounting

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets at fair value.

All assets have been assessed for impairment at the end of the reporting period, and no impairment indicators exist unless otherwise stated.

New Australian Accounting Standards (AAS)

Adoption of new AAS requirements

During 2017-18, DPS adopted all applicable AAS that became effective during 2017-18. The application of new standards did not materially impact the operations of DPS.

Future AAS requirements

The AASB has issued a number of new standards, amendments to standards and interpretations that are effective for future reporting periods. These new standards are as follows:

- *AASB 9 Financial Instruments* (effective 1 July 2018) applies a single approach for the classification and measurement of financial assets based on cash flow characteristics and the business model used for the management of financial instruments. It also introduces an expected credit loss model for the impairment of financial assets which replaces the incurred loss model used in *AASB 139 Financial Instruments Recognition and Measurement*. DPS does not consider that the application of the new standard will have a material impact on the carrying balance of its financial instruments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- *AASB 15 Revenue from Contracts with Customers* (effective 1 July 2019) requires revenue to be recognised in accordance with the satisfaction of performance obligations under a contract. Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. Certain costs to fulfil a contract or incremental costs of obtaining a contract may qualify for capitalisation under the new standard. A five-step model is applied to determine when to recognise revenue, and at what amount. Additional disclosures are required for qualitative and quantitative information on DPS' contracts with customers, significant judgements and any asset recognised. DPS does not consider that the application of the new standard will have a material impact.
- *AASB 16 Leases* (effective 1 July 2019) will require lessees to recognise a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. DPS has forward year departmental operating lease commitments of \$0.76m (refer to Note 1.1B).

Taxation

The department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

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

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- b) 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, 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.

Prior year adjustments

The following changes have been made to prior year disclosures:

Departmental

- Resources received free of charge in relation to audit fees has been moved from gains to other revenue;
- Public carpark revenue has been moved from other revenue to sale of goods and rendering of services; and
- Rental income has been disclosed as licence revenue under sale of goods and rendering services; and
- A number of notes that were included in the 2016-17 financial statements have been discontinued because they do not provide additional information. These are Other revenue, Prepayments and Other payables.

Administered

- Employee expense has been reclassified to supplier expense to better reflect the nature of the arrangement; and
- A number of notes that were included in the 2016-17 financial statements have been discontinued because they do not provide additional information. These are Employee benefits, Other revenue, Trade and other receivables, Suppliers and Other payables.

Events after the reporting period

There were no subsequent events that had the potential to significantly affect the ongoing structure and financial activities of the department.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Financial Performance

This section analyses the financial performance of the department.

1.1. Expenses

	2018	2017
	\$'000	\$'000
Note 1.1A: Employee Benefits		
Wages and salaries	62,963	60,446
Superannuation		
Defined contribution plans	6,646	5,687
Defined benefit plans	6,624	7,459
Leave and other entitlements	7,844	8,366
Separation and redundancies	1,028	1,037
Other	1,292	1,185
Total employee benefits	86,397	84,180

Accounting Policy

Accounting policies for employee related expenses are contained in Section 6 People.

Note 1.1B: Suppliers

Goods and services supplied or rendered

Contractors and professional services	8,195	7,961
Catering labour hire	5,202	2,797
Information communication and technology	12,690	14,839
Property operating expenses	13,035	12,866
Office equipment and supplies	1,644	1,685
Employee related expenses	2,794	2,809
Cost of goods sold	4,283	2,170
Other	203	150
Total goods and services supplied or rendered	48,046	45,277
Goods supplied	10,250	8,348
Services rendered	37,796	36,929
Total goods and services supplied or rendered	48,046	45,277

Other suppliers

Operating lease rentals	770	768
Workers compensation expenses	992	1,616
Total other suppliers	1,762	2,384
Total suppliers	49,808	47,661

Leasing commitments

The department in its capacity as lessee has leasing agreements for equipment, accommodation and motor vehicles. No contingent rent is payable, the agreements are effectively non-cancellable and some are options for extension but no options for purchase.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	746	839
Between 1 to 5 years	11	725
Total operating lease commitments	757	1,564

All lease payable commitments are disclosed as GST inclusive amounts.

Accounting Policy

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.2. Own-Source Revenue and Gains

	2018	2017
OWN SOURCE REVENUE	\$'000	\$'000

Note 1.2A: Sale of Goods and Rendering of Services

Parliament shop	1,268	1,173
Catering	8,864	5,269
Rendering of other services	1,080	1,303
Licence revenue	2,014	1,900
Public carpark	408	385
Total sale of goods and rendering of services	13,634	10,030

Accounting Policy

Revenue from the sale of goods is recognised when:

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

Revenue from 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 department.

The stage of completion of contracts at the reporting date is determined by reference to:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed; or
- the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Note 1.2B: Other Revenue

Project recovery	280	38
Resources received free of charge - audit fees	199	182
Other	34	43
Total other revenue	513	263

Accounting Policy

Resources Received Free of Charge:

Resources received free of charge are recognised as revenue 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Income and Expenses Administered on Behalf of Government

This section analyses the financial performance of the activities that the department does not control but administers on behalf of the Government.

2.1. Administered – Expenses

Note 2.1A: Suppliers

Goods and services supplied or rendered

Contractors and professional services	486	3,977
Security project administration costs	588	892
Maintenance	4,751	3,086
Information communication and technology	36	-
Total goods and services supplied or rendered	5,861	7,955
Goods supplied	22	114
Services rendered	5,839	7,841
Total goods and services supplied or rendered	5,861	7,955

Note 2.1B: Write-Down and Impairment of Assets

Property, plant and equipment	43	17
Total write-down and impairment of assets	43	17

2.2. Administered – Income

Note 2.2A: Other Gains

Resources received free of charge		
Gifted Artworks	44	5
Asset first recognised ¹	-	2,776
Total other gains	44	2,781

¹ During the comprehensive valuation of the Cultural and Heritage class of assets in the prior year, there were 144 items that met the criteria for recognition as an asset.

Accounting Policy

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

Resources Received Free of Charge:

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position

This section analyses the department's assets used to conduct its operations and the operating liabilities incurred as a result.

Employee related information is disclosed in the People section.

3.1. Financial Assets

	2018	2017
	\$'000	\$'000
Note 3.1A: Cash and Cash Equivalents		
Cash at bank	1,075	961
Cash on hand	<u>22</u>	<u>20</u>
Total cash and cash equivalents	<u>1,097</u>	<u>981</u>
Note 3.1B: Trade and Other Receivables		
Goods and services receivables		
Goods and services	<u>617</u>	<u>1,175</u>
Total goods and services receivables	<u>617</u>	<u>1,175</u>
Appropriations receivables		
Operating funding for existing programs	18,473	14,696
Departmental Capital Budget	<u>7,971</u>	<u>4,023</u>
Total appropriations receivables	<u>26,444</u>	<u>18,719</u>
Other receivables		
GST receivable from ATO	669	1,731
Other	<u>33</u>	<u>30</u>
Total other receivables	<u>702</u>	<u>1,761</u>
Total trade and other receivables (gross)	<u>27,763</u>	<u>21,655</u>

Credit terms for goods and services were within 30 days (2017: 30 days).

Accounting Policy

Trade and Other Receivables

Refer to accounting policy in Note 7.2 Financial Instruments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.2. Non-Financial Assets**Note 3.2A: Reconciliation of the Opening and Closing Balances of Plant and Equipment and Intangibles**

	Plant and Equipment			Intangibles		
	Information and communication technology \$'000	Other plant and equipment \$'000	Library collection \$'000	Computer software \$'000	Other intangibles \$'000	Total \$'000
As at 1 July 2017						
Gross book value	50,283	15,455	7,146	67,128	9,555	149,567
Accumulated depreciation, amortisation and impairment	-	(5,152)	(754)	(39,994)	(1,876)	(47,776)
Total as at 1 July 2017	50,283	10,303	6,392	27,134	7,679	101,791
Additions						
By purchase	6,370	968	1,622	2,451	1,480	12,891
Internally developed	-	-	-	1,259	-	1,259
Transfer from other agencies ¹	-	-	-	2,744	-	2,744
Revaluations recognised in other comprehensive income	-	-	688	-	-	688
Depreciation and amortisation	(14,292)	(2,771)	(528)	(4,253)	(473)	(22,317)
Reclassification	-	-	(422)	-	422	-
Write-offs	-	-	-	(437)	-	(437)
Disposals	(34)	(73)	-	-	-	(107)
Total as at 30 June 2018	42,327	8,427	7,752	28,898	9,108	96,512
Total as at 30 June 2018 represented by						
Gross book value	56,595	16,284	7,752	67,331	11,681	159,643
Accumulated depreciation and amortisation	(14,268)	(7,857)	-	(38,433)	(2,573)	(63,131)
Total as at 30 June 2018	42,327	8,427	7,752	28,898	9,108	96,512

¹ ICT assets were transferred from the Department of the House of Representatives (\$1.16m), Department of the Senate (\$0.72m) and the Parliamentary Budget Office (\$0.86m).

No material indicators of impairment were found for plant and equipment or intangibles. A number of items of plant and equipment and intangibles are expected to be sold or disposed of as part of the ordinary course of business. All revaluations are conducted in accordance with the revaluation policy stated below.

An independent valuation was performed for the Library collection asset class as at 30 June 2018 by Jones Lang LaSalle Advisory Services Pty Ltd and a revaluation increment of \$0.69m was adjusted in the asset revaluation reserve (2016-17: \$0.02m for Information and Communication Technology).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Contractual commitments for the acquisition of plant and equipment and intangible assets

The nature of capital commitments is for the acquisition of plant and equipment and intangible assets.

	2018	2017
	\$'000	\$'000
Commitments are payable as follows:		
Within 1 year	5,079	4,329
Between 1 to 5 years	2,035	3,537
More than 5 years	26	-
Total commitments	7,140	7,866

Plant and equipment and intangible asset commitments payable are GST inclusive amounts.

Accounting Policy

Unless otherwise stated, administered items are accounted for on the same basis and using the same policies as departmental.

Asset recognition

Assets are recognised initially at cost in the statement of financial position except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Purchases costing less than \$2,000 (excluding GST) are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The department's intangibles comprise software and other intangibles (digitised Hansard records and digitised audio visual records). These assets are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

Revaluations – property, plant and equipment and heritage and cultural

Following initial recognition at cost, plant and equipment, land, buildings and heritage and cultural assets are carried at latest valuation less 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 fair value as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. Comprehensive valuations are carried out at least once every three years with the exception of heritage and cultural and other plant and equipment which are once every four years.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed 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 reversed 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 is restated to the revalued amount.

Depreciation and amortisation

Depreciable building, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the department using, in all cases, the straight-line method of depreciation.

Software and other intangibles are amortised on a straight-line basis over their estimated useful lives.

Land and heritage and cultural assets have indefinite useful lives and as such are not depreciated.

Depreciation rates (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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:		
	2018	2017
<u>Departmental</u>		
Information and communication technology	1 – 40 years	1 – 40 years
Other plant and equipment	5 – 30 years	5 – 30 years
Library collection	3 – 30 years	3 – 30 years
Computer software	2 – 14 years	2 – 14 years
Other intangibles	100 years	100 years
<u>Administered</u>		
Land	indefinite	indefinite
Buildings	5 – 200 years	5 – 200 years
Heritage & Cultural	indefinite	indefinite
Other plant and equipment	2 – 47 years	2 – 47 years
Computer software	2 – 14 years	2 – 14 years
Other intangibles	100 years	100 years
<u>Impairment</u>		
All assets were assessed for impairment as at 30 June 2018.		
<u>Derecognition</u>		
An item of any asset class is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.		
Gains or losses from disposal of assets are recognised when control of the asset has been passed to the buyer.		
Judgements and Estimates		
Refer to Note 7.4 Fair Value Measurement (departmental) and Note 7.5 Fair Value Measurement (administered) for the department's judgements and estimates in valuations and inputs of fair value measurement for all asset classes carried at fair value.		

Accounting Policy**Heritage and cultural assets**

The department has a number of stand-alone collections, managed as the Parliament House Art Collection (PHAC) including:

- the rotational collection, consisting largely of contemporary Australian artworks;
- the architectural commissions, consisting of artworks that were commissioned as an integrated part of the architectural design of the building (including commissioned artist-made furniture);
- the historic memorials collection, consisting of historical portraits and paintings of significant events;
- the gift collection, consisting of gifts that have been made to the Parliament;
- the constitutional documents, a group of significant archival documents managed as part of the PHAC; and
- the archive, a range of historic and archival materials about Parliament, the PHAC and the construction of Parliament House.

Heritage and Cultural assets have an indefinite useful life which is maintained through the department's adoption of appropriate curatorial and preservation policies in respect of the PHAC, which are available via the following link:

http://www.aph.gov.au/About Parliament/Parliamentary_departments/department of Parliamentary Services/policies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018	2017
	\$'000	\$'000
Note 3.2B: Inventories		
Inventories held for sale		
Parliament shop	279	271
Catering	138	249
Total inventories held for sale	417	520
Total inventories	417	520

During 2018, \$4.28m of inventory held for sale was recognised as cost of goods sold (2017: \$2.17m), refer to Note 1.1B Suppliers.

No items of inventory were written down during the year.

Accounting Policy

Inventories held for sale are valued at the lower of cost and net realisable value.

3.3. Payables

Note 3.3A: Other Payables		
Wages and salaries	531	458
Superannuation	107	95
Revenue received in advance	71	74
Deposits received/held	320	268
Other	168	174
Total other payables	1,197	1,069

4. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to conduct operations and the liabilities incurred for activities that the department administers on behalf of Government.

4.1. Administered – Non-Financial Assets

Note 4.1A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Property, Plant and Equipment			Intangibles			
	Land \$'000	Buildings \$'000	Heritage and cultural equipment \$'000	Other plant and equipment \$'000	Computer software \$'000	Other intangibles \$'000	Total \$'000
As at 1 July 2017	80,000	2,134,311	112,104	10,949	686	263	2,338,313
Gross book value							
Accumulated depreciation, amortisation and impairment	-	-	-	(2,128)	-	-	(2,128)
Net book value 1 July 2017	80,000	2,134,311	112,104	8,821	686	263	2,336,185
Additions							
By purchase	-	46,518	1,113	39,121	1,734	363	88,849
Gifted assets	-	-	44	-	-	-	44
Revaluations recognised in other comprehensive income	-	84,560	-	-	-	-	84,560
Depreciation and amortisation	-	(35,910)	-	(1,152)	-	-	(37,062)
Transfer from other agencies ¹	-	-	-	616	-	-	616
Disposals	-	-	-	(43)	-	-	(43)
Total as at 30 June 2018	80,000	2,229,479	113,261	47,363	2,420	626	2,473,149
Total as at 30 June 2018 represented by							
Gross book value	80,000	2,229,479	113,261	50,466	2,420	626	2,476,252
Accumulated depreciation and amortisation	-	-	-	(3,103)	-	-	(3,103)
Total as at 30 June 2018	80,000	2,229,479	113,261	47,363	2,420	626	2,473,149

¹ Furniture assets were transferred from the Department of the Senate (\$0.62m).

No material indicators of impairment were found for property, plant and equipment, and intangibles.

A number of items of property, plant and equipment, and intangibles are expected to be sold or disposed of as part of ordinary course of business.

All revaluations were conducted in accordance with the revaluation policy stated below. Independent valuations were performed as at 30 June 2018 by Jones Lang LaSalle Advisory Services Pty Ltd. For 2017-18 financial year, a revaluation increment of \$84.56m for Buildings was adjusted in the assets revaluation reserve (2016-17: \$82.05m for Buildings and \$22.74m for Heritage and Cultural).

Notes to and forming part of the financial statements

Contractual commitments for the acquisition of property, plant and equipment and intangibles

The nature of capital commitments is for the acquisition of property, plant and equipment and intangibles assets.

	2018	2017
	\$'000	\$'000
Commitments are payable as follows:		
Within 1 year	19,580	37,084
Between 1 to 5 years	11,775	4,598
More than 5 years	1,104	-
Total commitments	<u>32,459</u>	<u>41,682</u>

Property, plant and equipment and intangible asset commitments payable are GST inclusive amounts.

Notes to and forming part of the financial statements

5. Funding

This section identifies the department's funding structure.

5.1. Appropriations

	2018	2017
	\$'000	\$'000
Note 5.1A: Annual Appropriations ('Recoverable GST exclusive')		
Departmental appropriation		
Ordinary annual services	122,978	118,568
Capital Budget ¹	17,648	22,516
Section 74 Receipts ²	16,870	10,283
Total appropriation available	157,496	151,367
Appropriation applied	(148,833)	(153,775)
Variance ³	8,663	(2,408)

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

² The departmental operating appropriation is adjusted to include PGPA Act Section 74 receipts.

³ The variance is due to lower capital expenditure as a result of delays in key projects and movements in working capital (prepayments and trade receivables).

Note 5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2018	2017
	\$'000	\$'000
Departmental		
Opening unspent appropriation balance	19,700	22,108
Annual appropriation	157,496	151,367
Lapsed appropriation ¹	(822)	-
Available appropriation	176,374	173,475
Appropriation applied	(148,833)	(153,775)
Closing unspent appropriation	27,541	19,700
Balance comprises of:		
Ordinary annual services	19,570	15,677
Capital Budget	7,971	4,023
Closing unspent appropriation	27,541	19,700
<i>Represented by:</i>		
Appropriation (Parliamentary Departments) Act (No. 1) 2017-18	26,444	-
Appropriation (Parliamentary Departments) Act (No. 1) 2016-17	-	17,897
Appropriation (Parliamentary Departments) Act (No. 1) 2014-15	-	822
Cash on hand/at bank	1,097	981
Total departmental	27,541	19,700

¹ Undrawn amount was ceased under section 14 of *Appropriation (Parliamentary Departments) Act (No. 1) 2014-15*.

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 department 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.

Notes to and forming part of the financial statements

Note 5.1C: Annual Appropriations ('Recoverable GST exclusive')		
	2018	2017
	\$'000	\$'000
Administered appropriation		
Ordinary annual services	5,346	6,993
Assets and liabilities	123,901	40,096
Total appropriation available¹	129,247	47,089
Appropriation applied	(94,843)	(46,257)
Variance²	34,404	832

¹ Administered assets and liabilities are appropriated through *Parliamentary Appropriation Act (No. 1)*. They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

² The variance is primarily due to delays in Security Works.

Note 5.1D: Unspent Annual Appropriations ('Recoverable GST exclusive')		
	2018	2017
	\$'000	\$'000
Administered		
<i>Opening unspent appropriation balance</i>	142,910	142,078
Annual appropriation	129,247	47,089
Lapsed appropriation ¹	(95,540)	-
Available appropriation	176,617	189,167
Appropriation applied	(94,843)	(46,257)
Closing unspent appropriation	81,774	142,910
Balance comprises of:		
Ordinary annual services	3,241	4,489
Assets and liabilities	78,533	138,421
Closing unspent appropriation	81,774	142,910
<i>Represented by:</i>		
Appropriation (Parliamentary Departments) Act (No. 1) 2017-18	81,774	-
Appropriation (Parliamentary Departments) Act (No. 1) 2016-17	-	44,535
Appropriation (Parliamentary Departments) Act (No. 1) 2015-16	-	2,835
Appropriation (Parliamentary Departments) Act (No. 2) 2014-15	-	95,540
Total administered	81,774	142,910

¹ Undrawn amount was ceased under section 14 of *Appropriation (Parliamentary Departments) Act (No. 1) 2014-15*. Funding has been reappropriated as part of the budget process.

Notes to and forming part of the financial statements

Note 5.1E: Disclosure by agent in relation to Annual and Special Appropriations ('Recoverable GST exclusive')

Department of Finance	Relationship	Appropriations applied	
		2018	2017
		\$'000	\$'000
Total receipts	Provision of electorate office	17,666	19,914
Total payments	Information Technology services	(17,666)	(19,914)
Total receipts	Provision of Auspic services	250	250
Total payments		(250)	(250)
Total receipts	Information Technology services for former Prime Ministers	72	78
Total payments		(72)	(78)

5.2. Net Cash Appropriation Arrangements

	2018	2017
	\$'000	\$'000
Deficit attributable to the Australian Government	(21,938)	(20,332)
Unfunded expenses - depreciation and amortisation ¹	22,317	17,239
Net surplus / (deficit) attributable to the Australian Government	379	(3,093)

¹ Commonwealth entities do not receive depreciation funding. Capital budget is provided through equity appropriations in the period when cash payment for capital expenditure is required.

Notes to and forming part of the financial statements

6. People

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

6.1. Employees

Note 6.1A: Employee Benefits

Employee benefits have been reported under the Financial Performance section – Note 1.1A.

2018	2017
\$'000	\$'000

Note 6.1B: Employee Provisions

Annual leave	8,467	7,871
Long service leave	15,537	15,760
Total employee provisions	24,004	23,631

Accounting Policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits due within twelve months of the end of 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.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the department is estimated to be less than the annual entitlement for sick leave.

The leave 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 department's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary (using the short-hand method) as at 30 June 2018. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

The department's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation funds held outside the Commonwealth.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

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 department 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 department accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Notes to and forming part of the financial statements

6.2. Key Management Personnel Remuneration

AASB 124 defines Key Management Personnel (KMP) as those persons having authority and responsibility for planning, directing and controlling the activities of the department, directly or indirectly (excluding those subject to a fee-for-service contract arrangement where the department is not the direct employer).

The department has determined the KMP to be the Presiding Officers, the Secretary, the Parliamentary Librarian, the First Assistant Secretary Building and Security, the Chief Information Officer, the Chief Operating Officer and the Chief Finance Officer.

The KMP remuneration is reported in the table below:

	2018	2017
	\$'000	\$'000
Short-term employee benefits		
Salary	1,595	1,464
Other	19	44
Total short-term employee benefits	<u>1,614</u>	<u>1,508</u>
Post-employment benefits		
Superannuation	262	229
Total post-employment benefits	<u>262</u>	<u>229</u>
Other long-term employee benefits		
Annual leave	114	117
Long-service leave	42	38
Total other long-term employee benefits	<u>156</u>	<u>155</u>
Total key management personnel remuneration expenses¹	<u>2,032</u>	<u>1,892</u>

The total number of KMP included in the above table is 8 individuals (2017: 7 individuals).

¹ The above KMP remuneration does not include the remuneration and other benefits of the Presiding Officers.

The Presiding Officers' remuneration and other benefits are not paid by DPS.

Accounting Policy

The department has included all key management personnel that were in acting arrangements throughout the financial year for a minimum period of three months.

6.3. Related Party Disclosures

Related party relationships:

The department is an Australian Government controlled entity. The related parties to the department are KMP as defined above in Note 6.2 and their close family members and/or controlled or joint controlled entities as well as other Australian Government entities.

Transactions with related parties:

The department undertakes a number of functions on behalf of the Australian Parliament, as detailed in the financial statements. In performing these functions, the department transacts with all other Australian Government controlled entities for normal day-to-day business operations provided under normal terms and conditions. These transactions are considered significant individually to warrant separate disclosure as related party transactions (2016-17: Nil).

Notes to and forming part of the financial statements

6.4. Senior Executive Remuneration

Note 6.4A: Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period

Average annual reportable remuneration ¹	Substantive senior executives No.	2017-18		Average total reportable remuneration \$
		Average Reportable salary ² \$	Average contributed superannuation ³ \$	
Total reportable remuneration (including part-time arrangements)				
\$200,000 and less	4	107,643	19,306	126,948
\$200,001 to \$225,000	3	183,174	30,144	213,319
\$225,001 to \$250,000	5	206,768	37,634	244,402
\$250,001 to \$275,000	3	216,306	36,576	252,882
\$300,001 to \$325,000	2	268,365	48,502	316,867
\$350,001 to \$375,000	1	339,958	32,500	372,458
Total number of substantive senior executives	18			

Average annual reportable remuneration ¹	Substantive senior Executives No.	2016-17		Average total reportable remuneration \$
		Average reportable salary ² \$	Average contributed superannuation ³ \$	
Total remuneration (including part-time arrangements):				
\$200,000 and less	7	77,528	13,678	91,206
\$200,001 to \$225,000	2	179,359	33,684	213,043
\$225,001 to \$250,000	4	199,849	36,156	236,005
\$250,001 to \$275,000	1	223,255	31,285	254,540
\$275,001 to \$300,000	1	249,005	42,874	291,879
\$300,001 to \$325,000	1	255,867	45,919	301,786
\$375,001 to \$400,000	1	355,692	31,798	387,490
Total number of substantive senior executives	17			

¹ As reported in an individual's payment summary.

² The 'Average reportable salary' column is prepared on a cash basis using reportable salary defined as the sum of gross payments (excluding bonuses), reportable fringe benefits (net amount); and reportable employer superannuation contributions.

³ The 'Average contributed superannuation' column is prepared on a cash basis using contributed superannuation.

Note 6.4B: Remuneration Paid to Highly Paid Staff During the Reporting Period

There were no other highly paid employees during the reporting and comparative periods.

Notes to and forming part of the financial statements

7. Managing Uncertainties

This section analyses how the department manages financial risks within its operating environment.

7.1. Contingent Assets and Liabilities

The department does not have any significant quantifiable contingent assets or liabilities, nor does it have any significant unquantifiable contingent assets or liabilities.

Unquantifiable or remote contingent liabilities/assets

In the normal course of business, the department has a number of items that are either unquantifiable or are not considered probable. At the date of this report, the department does not consider the outcome of any such matters likely to have a significant effect on its operations or financial position.

Accounting Policy

Contingent liabilities and contingent 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.

7.2. Financial Instruments

	2018	2017
	\$'000	\$'000
Note 7.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	1,097	981
Trade and other receivables	617	1,175
Total loans and receivables	1,714	2,156
Total financial assets	1,714	2,156
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	4,250	4,427
Total financial liabilities measured at amortised cost	4,250	4,427
Total financial liabilities	4,250	4,427

Accounting Policy

Financial Assets

The department classifies its financial assets in the following categories as loans and receivables.

Financial assets are recognised and derecognised upon trade date.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are held at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Credit terms for goods and services were within 30 days (2017: 30 days).

Effective Interest Method

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

Notes to and forming part of the financial statements

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial assets held at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Effective Interest Method

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

Trade Creditors and Accruals

Settlement was usually made within 30 days.

Trade creditors and accruals are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

7.3. Administered – Financial Instruments

	2018	2017
	\$'000	\$'000
<u>Note 7.3A: Categories of Financial Instruments</u>		
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	551	724
Total financial liabilities measured at amortised cost	551	724
Total financial liabilities	551	724

Notes to and forming part of the financial statements

7.4. Fair Value Measurement

Judgements and Estimates

An annual assessment is undertaken each year to determine whether the carrying amount of the assets is materially different from the fair value, with comprehensive valuations carried out at least once every three to four years depending on asset class. In 2017-18, DPS engaged the services of the Jones Lang LaSalle Advisory Services Pty Ltd (JLL) to conduct a comprehensive valuation of the Library collection asset class and materially review of all other non-financial asset classes.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Information and communications technology and plant and equipment - physical depreciation and obsolescence. Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Current Replacement Cost approach. Depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration. A full comprehensive valuation was undertaken as at 30 June 2017 for ICT and 30 June 2015 for plant and equipment. A materiality review was conducted as at 30 June 2018, with no adjustments necessary.

Library collection - average market price per item. The fair value of the library collection has been determined using the market approach. Estimated average market prices have been applied having regard to the nature and size of the collection. Professional judgement has been used to account for these differing characteristics. A full comprehensive valuation was undertaken as at 30 June 2018.

Note 7.4A: Fair Value Measurements

Fair value measurements at the end of the reporting period		
	2018	2017
Non-financial assets	\$'000	\$'000
Information and communication technology	42,327	50,283
Plant and equipment	8,427	10,303
Library collection	7,752	6,392
Total non-financial assets	58,506	66,978

Notes to and forming part of the financial statements

7.5. Administered – Fair Value Measurement

Judgements and Estimates

An annual assessment is undertaken each year to determine whether the carrying amount of the assets is materially different from the fair value, with comprehensive valuations carried out at least once every three to four years depending on asset class. In 2017-18, DPS engaged the services of the Jones Lang LaSalle Advisory Services Pty Ltd (JLL) to conduct a desktop valuation of the Land and Building asset classes and a materiality review of all other non-financial asset classes as at 30 June 2018.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Land - price per square metre. The fair value of the land asset class has been determined using the market approach. Due to the restricted nature and unique characteristics of land associated with Australian Parliament House (APH) there was insufficient observable market evidence to determine fair value. Reference has been made to sales of land with a limited level of comparability and adjusted by the valuer using professional judgement to take account of the differing characteristics. A full comprehensive valuation was undertaken as at 30 June 2016. A desktop review was conducted as at 30 June 2018, with no adjustments necessary.

Building - replacement cost new. Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Current Replacement Cost (CRC) approach. Under the CRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit / asset obsolescence (accumulated depreciation). The current replacement cost of the Australian Parliament House building has been determined by a Quantity Surveyor. A full comprehensive valuation was undertaken as at 30 June 2016. A desktop review was conducted as at 30 June 2018, with a revaluation adjustment recognised.

Building & plant and equipment - consumed economic benefit / obsolescence of asset. Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the CRC approach. Under the CRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit / asset obsolescence (accumulated Depreciation). Consumed economic benefit / asset obsolescence has been determined based on professional judgment regarding physical, economic and external obsolescence factors relevant to the asset under consideration. A full comprehensive valuation was undertaken as at 30 June 2016 for buildings and 30 June 2015 for plant and equipment. A desktop review of buildings was conducted as at 30 June 2018, with a revaluation adjustment recognised. A materiality review of plant and equipment was conducted as at 30 June 2018, with no adjustments necessary.

Other plant & equipment (furniture) - adjusted market transactions. The fair value of the furniture asset class has been determined using the market approach. Due to the unique characteristics of ministerial furniture assets there was insufficient evidence of directly comparable market transactions to determine fair value. Reference has been made to transactions of furniture assets with limited levels of comparability and adjusted using professional judgement to take account of the differing characteristics. A full comprehensive valuation was undertaken as at 30 June 2015. A materiality review was conducted as at 30 June 2018, with no adjustments necessary.

Heritage and cultural – adjusted market transactions. The fair value of the heritage and cultural asset class has been determined using the market approach. Due to the unique and historic nature of some of the assets in the class, observable market transactions are scarce. Professional judgement was used in determining the fair value. The valuation of the 1297 Inpeximus copy of the Magna Carta was undertaken by a specialist valuer who applied significant professional judgement due to the historic nature of the asset. A full comprehensive valuation was undertaken as at 30 June 2017. A materiality review was conducted as at 30 June 2018, with no adjustments necessary.

Note 7.5A: Fair Value Measurements

Fair value measurements at the end of the reporting period		
	2018	2017
Non-financial Assets	\$'000	\$'000
Land	80,000	80,000
Buildings	2,229,479	2,134,311
Other plant and equipment	47,363	8,821
Heritage and cultural	113,261	112,104
Total non-financial assets	2,470,103	2,335,236

Notes to and forming part of the financial statements

8. Other Information

8.1. Assets Held in Trust

	2018	2017
	\$'000	\$'000
Heritage and cultural asset		
Total value at the beginning of the reporting period	5,500	4,600
Changes in fair value	-	900
Total value at the end of the reporting period	5,500	5,500

Heritage and cultural asset is comprised of a single artwork, Tom Roberts, *Opening of the First Parliament of the Commonwealth of Australia by H.R.H. The Duke of Cornwall and York (Later King George V), May 9, 1901*, 1903, oil on canvas. This item is on loan from the British Royal Collection.

An independent valuation for the above asset was last conducted as at 30 June 2017.

8.2. Budget Variance Commentary

DEPARTMENTAL	
Explanation of major variances	Affected statements and line items
<p>Catering and Events</p> <p>The catering and events function at Australian Parliament House was insourced in December 2016, six months prior to the publication of the 2017-18 Budget. Estimating activity levels of this new function involved considerable assumptions, and in preparing the budget a conservative approach was taken. Actual revenue and actual expenditure were higher than anticipated.</p>	<p>Statement of Comprehensive Income:</p> <ul style="list-style-type: none"> • Own-source income – sale of goods and rendering of services • Expenses – suppliers, in relation to labour hire and cost of goods sold <p>Statement of Cash Flows – Operating activities:</p> <ul style="list-style-type: none"> • Cash received - sale of goods and rendering of services • Cash used – suppliers
<p>Non-Financial Assets</p> <p>The budget for non-financial assets is set with reference to 2015-16 financial results. Other factors contributing to the variances are the following:</p> <p><u>Capital Program of Works</u></p> <p>The purchase of assets was under budget by \$3.50m due to project delays and complexities across a number of material projects. Also, lengthy tender evaluation periods for some larger projects lowered actual expenditure in the 2017-18 financial year.</p> <p><u>Acquisition of Assets</u></p> <p>Non-financial assets were transferred from the Department of the House of Representatives (\$1.16m), the Department of the Senate (\$0.72m) and the Parliamentary Budget Office (\$0.86m).</p>	<p>Statement of Comprehensive Income:</p> <ul style="list-style-type: none"> • Depreciation and amortisation <p>Statement of Financial Position:</p> <ul style="list-style-type: none"> • Financial assets – trade and other receivables • Non-financial assets – information and communication technology • Non-financial assets – other plant and equipment • Non-financial assets – Library collection • Non-financial assets – computer software • Non-financial assets – other intangibles • Equity – contributed equity <p>Statement of Cash Flows – Investing activities:</p> <ul style="list-style-type: none"> • Cash used – purchase of intangibles <p>Statement of Cash Flows – Financing activities:</p> <p>Cash received - Departmental capital budget</p>
<p>Cashflow Recognition</p> <p>DPS disclosed gross receipts and payments of Section 74 receipts in the financial statements' Statement of Cash Flows, whilst net amounts are disclosed in the budget. This has generated variances of the following:</p> <ul style="list-style-type: none"> • Appropriations \$12.27m, and • Section 74 receipts transferred to the OPA \$16.87m. 	<p>Statement of Cash Flows:</p> <ul style="list-style-type: none"> • Appropriations • Section 74 receipts transferred to the OPA

Notes to and forming part of the financial statements

ADMINISTERED	
Explanation of major variances	Affected statements and line items
<p><u>Non-Financial Assets</u> The budget for non-financial assets is set with reference to 2015-16 financial results. Other factors contributing to the variances are the following:</p> <p><u>Valuations:</u> Actual results include impact of asset revaluations conducted at year end for both 2016-17 and 2017-18, which are difficult to predict for budget purposes.</p> <ul style="list-style-type: none"> • Buildings were revalued in 2017-18, increasing their value by \$84.56m • 2016-17 revaluation – increase in the value of buildings by \$82.05m, and • 2016-17 revaluation – increase in the value of heritage and cultural assets by \$22.74m. <p><u>Capital Program of Works:</u> Asset purchases in 2017-18 were \$37.44m underspent against budget due to delays in the Australian Parliament House Security Upgrade project for which a movement of funds request will be made.</p>	<p>Schedule of Comprehensive Income:</p> <ul style="list-style-type: none"> • Other comprehensive income – changes in asset revaluation surplus <p>Schedule of Assets and Liabilities:</p> <ul style="list-style-type: none"> • Buildings • Heritage and cultural • Other plant and equipment <p>Cash Flow Statement – Investing activities:</p> <ul style="list-style-type: none"> • Cash used – purchase of property, plant and equipment <p>Cash Flow Statement – Financing activities:</p> <ul style="list-style-type: none"> • Cash from the Official Public Account

