

Part 4  
Financial statements





## 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 Parliamentary Budget Office for the year ended 30 June 2017:

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

The financial statements of the Parliamentary Budget Office, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Parliamentary Budget Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- 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 Parliamentary Budget Office in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

As the Accountable Authority of the Parliamentary Budget Office the Parliamentary Budget Officer 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 Parliamentary Budget Officer is also responsible for such internal control as the Parliamentary Budget Officer 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 Parliamentary Budget Officer is responsible for assessing the Parliamentary Budget Office's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Parliamentary Budget Officer is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when

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it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

Australian National Audit Office



Clea Lewis  
Executive Director  
Delegate of the Auditor-General  
Canberra  
20 July 2017

## Statement by the Parliamentary Budget Officer and Chief Financial Officer

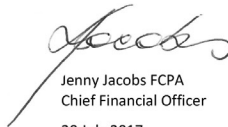
### Certification of financial statements

In our opinion the following financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Phil Bowen PSM FCPA  
Parliamentary Budget Officer  
20 July 2017



Jenny Jacobs FCPA  
Chief Financial Officer  
20 July 2017

## Statement of comprehensive income for the period ended 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget 2017 \$
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	1.4	7,056,146	6,618,514	7,114,000
Supplier	1.5	1,426,001	1,310,934	1,354,000
Depreciation and amortisation	1.8	336,379	272,611	339,000
<b>Total expenses</b>		<b>8,818,526</b>	<b>8,202,059</b>	<b>8,807,000</b>
<b>Own-source income</b>				
<b>Other revenue</b>				
Resources received free of charge	1.6			
Auditor remuneration		52,500	50,000	50,000
Accommodation		288,591	284,000	296,000
<b>Total other revenue</b>		<b>341,091</b>	<b>334,000</b>	<b>346,000</b>
<b>Total own-source income</b>		<b>341,091</b>	<b>334,000</b>	<b>346,000</b>
<b>NET COST OF SERVICES</b>		<b>8,477,435</b>	<b>7,868,059</b>	<b>8,461,000</b>
<b>Revenue from Government</b>				
Departmental Appropriation	1.6	6,922,000	7,410,000	6,922,000
Special Appropriation		1,219,056	309,000	1,200,000
<b>Total revenue from Government</b>		<b>8,141,056</b>	<b>7,719,000</b>	<b>8,122,000</b>
<b>Surplus/(deficit) attributable to the Australian Government</b>		<b>(336,379)</b>	<b>(149,059)</b>	<b>(339,000)</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT</b>				
		<b>(336,379)</b>	<b>(149,059)</b>	<b>(339,000)</b>

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

# Statement of financial position

as at 30 June 2017

	Notes	2017 \$	2016 \$	Original Budget 2017 \$
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash	1.7	50,963	34,078	28,000
Receivables	1.6, 1.7			
Appropriation receivable		2,100,772	2,359,013	2,059,000
GST receivable		2,076	22,859	–
Other receivables		–	22,954	–
<b>Total financial assets</b>		<b>2,153,811</b>	<b>2,438,904</b>	<b>2,087,000</b>
<b>Non-financial assets</b>				
Property, plant and equipment	1.8	1,763,000	1,868,879	1,787,000
Intangibles	1.8	1,054,330	1,304,873	1,079,000
Prepayments		27,410	35,684	45,000
<b>Total non-financial assets</b>		<b>2,844,740</b>	<b>3,209,436</b>	<b>2,911,000</b>
<b>Total assets</b>		<b>4,998,551</b>	<b>5,648,340</b>	<b>4,998,000</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Trade creditors	1.5	154,825	255,298	74,000
Employee payables	1.4	67,154	40,371	–
Other payables		16,856	21,418	221,000
<b>Total payables</b>		<b>238,835</b>	<b>317,087</b>	<b>295,000</b>
<b>Provisions</b>				
Employee leave provisions	1.4	1,902,090	2,117,206	1,591,000
<b>Total liabilities</b>		<b>2,140,925</b>	<b>2,434,293</b>	<b>1,886,000</b>
<b>Net assets</b>		<b>2,857,626</b>	<b>3,214,047</b>	<b>3,112,000</b>
<b>EQUITY</b>				
Asset revaluation reserve		30,263	50,305	50,000
Retained earnings		2,827,363	3,163,742	3,062,000
<b>Total equity</b>		<b>2,857,626</b>	<b>3,214,047</b>	<b>3,112,000</b>

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

## Statement of changes in equity

as at 30 June 2017

	2017 \$	2016 \$
<b>RETAINED EARNINGS</b>		
Opening balance as at 1 July 2016	3,163,742	3,312,801
Surplus/(deficit) for the period	(336,379)	(149,059)
<b>Closing balance attributable to the Australian Government</b>	<b>2,827,363</b>	<b>3,163,742</b>
<b>ASSET REVALUATION RESERVE</b>		
Opening balance as at 1 July 2016	50,305	50,305
Revaluation adjustment	(20,042)	–
<b>Closing balance attributable to the Australian Government</b>	<b>30,263</b>	<b>50,305</b>
<b>Total equity</b>	<b>2,857,626</b>	<b>3,214,047</b>

## Cash flow statement

for the period ended 30 June 2017

	2017 \$	2016 \$	Original Budget 2017 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	8,091,453	7,017,651	8,091,000
Net GST received	45,739	46,829	–
Non-appropriation receipts <sup>(a)</sup>	307,844	501,315	–
<b>Total cash received</b>	<b>8,445,036</b>	<b>7,565,795</b>	<b>8,091,000</b>
<b>Cash used</b>			
Employees	7,249,039	6,203,226	7,083,000
Suppliers	1,179,112	1,016,684	1,008,000
<b>Total cash used</b>	<b>8,428,151</b>	<b>7,219,910</b>	<b>8,091,000</b>
<b>Net cash from operating activities</b>	<b>16,885</b>	<b>345,885</b>	<b>–</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of intangibles	–	340,005	–
<b>Total cash used</b>	<b>–</b>	<b>340,005</b>	<b>–</b>
<b>Net cash used by investing activities</b>	<b>–</b>	<b>(340,005)</b>	<b>–</b>
<b>Net (decrease) / increase in cash held</b>	<b>16,885</b>	<b>5,880</b>	<b>–</b>
Cash at the beginning of the reporting period	34,078	28,198	28,000
<b>Cash at the end of the reporting period</b>	<b>50,963</b>	<b>34,078</b>	<b>28,000</b>

(a) Non-appropriation receipts are required to be returned to the Official Public Account. They increase the PBO's available appropriation under section 74 of the PGPA Act and when subsequently drawn down for use by the PBO they are recorded as ordinary appropriations.

# Notes to the financial statements

## Note 1: Summary of significant accounting policies

### 1.1 Basis of preparation of the financial report

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:

- a *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) and
- b 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. 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 dollar.

### 1.2 Significant accounting judgements and estimates

In the process of applying the accounting policies, the PBO has made the following judgements that have a significant impact on the amounts recorded in the financial statements.

The calculation of leave provisions involved actuarial assumptions based on the likely tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

Other than the calculation of leave provisions there are no other accounting assumptions or estimates that have been identified as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

### 1.3 Changes in Australian Accounting Standards

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

Accounting standard AASB 124 *Related Party Disclosures* became applicable on 1 July 2016. This accounting standard requires disclosure of the PBO's related party transactions.



## Note 1: Summary of significant accounting policies (continued)

### *Future Australian Accounting Standard requirements*

Accounting standards that were issued prior to the signing of the statement by the Parliamentary Budget Officer and Chief Financial Officer, and applicable to future reporting period/s, are not expected to have a future material effect on the PBO's financial statements.

### 1.4 Employee benefits, payables and provisions

	2017	2016
	\$	\$
<b>Employee benefits</b>		
Wages and salaries	5,463,310	4,972,936
Superannuation		
Defined benefit plans	501,765	440,401
Defined contribution plans	464,302	442,255
Leave and other entitlements	626,769	762,922
<b>Total employee benefits<sup>(a)</sup></b>	<b>7,056,146</b>	<b>6,618,514</b>
<b>Employee payables</b>		
Wages and salaries	47,846	24,372
Superannuation	7,331	3,909
FBT payable	11,977	12,090
<b>Total employee payables</b>	<b>67,154</b>	<b>40,371</b>

(a) Includes costs of \$178,354 for employees seconded to the Secretariat for the independent review of the PBO 2017.

### *Employee payables*

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) due within twelve months of the end of reporting period are measured at their nominal amounts. There were no termination benefits during 2016–17.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. Settlement is usually made net 30 days. Other long-term employee benefits include long service leave and annual leave and are measured at the present value of the defined benefit obligation at the end of the reporting period.

### *Employee leave provisions*

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

## Note 1: Summary of significant accounting policies (continued)

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2017. The estimate of the present value of the liability takes into account an estimate of attrition rates and pay increases through promotion and inflation.

### ***Superannuation***

The PBO's employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other funds of employee choice. 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 PBO makes employer contributions to employees' superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. The PBO 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 for the final fortnight of the year.

### ***Key management personnel compensation***

The Parliamentary Budget Officer received compensation of \$480,062 (comprising short term employee benefits of \$448,643 and post-employment benefits of \$31,419) during the financial year.

## Note 1: Summary of significant accounting policies (continued)

### 1.5 Supplier expenses and trade creditors

#### *Supplier expenses*

	2017	2016
	\$	\$
<b>Supplier expenses</b>		
Professional services	349,422	198,686
Enhanced capability	103,134	141,236
Corporate services outsourced	362,252	386,254
Employee related	74,795	64,315
Accommodation expenses	297,865	284,000
Travel	78,142	31,039
Software licences	91,788	121,410
Other	32,176	52,604
Workers compensation expenses	36,427	31,390
<b>Total supplier expenses<sup>(a)</sup></b>	<b>1,426,001</b>	<b>1,310,934</b>

(a) Includes costs of \$255,419 incurred for the independent review of the PBO 2017.

#### *Trade creditors*

Trade creditors and accruals are recognised at cost to the extent that the goods or services have been received (and irrespective of having been invoiced). Settlement is usually made net 30 days.

### 1.6 Revenue

#### *Revenue from Government*

	2017	2016
	\$	\$
<b>Ordinary annual services</b>		
Annual appropriation	8,141,056	7,719,000
Section 74 PGPA Act receipts	307,844	501,315
<b>Total appropriation</b>	<b>8,448,900</b>	<b>8,220,315</b>
Less Appropriation applied (current and prior years)	(8,690,256)	(7,998,338)
<b>Variance<sup>(a)</sup></b>	<b>(241,356)</b>	<b>221,977</b>

(a) The variance between appropriation provided and applied is largely due to prior year retained funding used for increased employee expenses associated with the higher demand for services during the year.

Amounts appropriated for departmental appropriations for the year are recognised at their nominal amount as Revenue from Government when the PBO gains control of the appropriation.

## Note 1: Summary of significant accounting policies (continued)

The PBO may draw upon the following appropriations:

- 1 Annual appropriations providing for the ordinary course of business are noted below. The amount of unspent appropriations is equal to the sum of the cash and appropriation receivable balances, as at 30 June.
  - a *Appropriation (Parliamentary Departments) Act (No.1) 2015–16*  
Unspent balance as at 30 June 2017: \$nil  
Unspent balance as at 30 June 2016: \$2,393,101
  - b *Appropriation (Parliamentary Departments) Act (No.1) 2016–17*  
Unspent balance as at 30 June 2017: \$2,151,735
  - c *Supply (Parliamentary Departments) Act (No.1) 2016–17*  
Unspent balance as at 30 June 2017: \$nil
- 2 Special appropriation, of a limited amount, to provide for payments in relation to the Parliamentary Budget Officer or the Parliamentary Budget Office:
  - a *Parliamentary Service Act 1999*  
Limited to \$6,000,000, unspent balance as at 30 June 2017: \$3,771,944 (2016: \$4,991,000).

### **Resources received free of charge**

Resources received free of charge are recognised as other revenue when and only when fair value can be reliably determined and the services would have been purchased if they had not been donated. These revenues are measured at their fair value and the use is recognised as an expense.

## **1.7 Financial assets**

### **Cash**

Cash is available at call and held on deposit with the Reserve Bank of Australia.

### **Receivables**

Receivables are classified as 'receivables' and recorded at face value less any impairment. Other and GST receivables are recognised where the PBO becomes a party to a contract and has a legal right to receive cash. These receivables are derecognised on payment and have settlement terms of 30 days and all are within the trade terms and are considered to be a high credit quality.

## Note 1: Summary of significant accounting policies (continued)

### *Impairment of financial assets*

Receivables are assessed for impairment at the end of each reporting period. No indicators of impairment were identified as at 30 June 2017.

### **1.8 Property, plant and equipment and intangibles**

	<b>Property, plant and equipment \$</b>	<b>Computer software (internally developed) \$</b>	<b>Total \$</b>
<b>As at 1 July 2016</b>			
Gross book value	2,280,550	1,769,685	4,050,235
Accumulated depreciation, amortisation and impairment	(411,672)	(464,812)	(876,484)
<b>Total as at 1 July 2016</b>	<b>1,868,878</b>	<b>1,304,873</b>	<b>3,173,751</b>
Net revaluation adjustment	(20,042)	–	(20,042)
Depreciation/ amortisation expense	(85,836)	(250,543)	(336,379)
<b>Total as at 30 June 2017</b>	<b>1,763,000</b>	<b>1,054,330</b>	<b>2,817,330</b>
<b>Total as at 30 June 2017 represented by:</b>			
Gross book value	2,075,799	1,769,685	3,845,484
Accumulated depreciation, amortisation and impairment	(312,799)	(715,355)	(1,028,154)
<b>Total as at 30 June 2017</b>	<b>1,763,000</b>	<b>1,054,330</b>	<b>2,817,330</b>

### *Asset recognition threshold*

Purchases of property, plant and equipment (including fitout of accommodation within Parliament House) are recognised initially at cost in the Statement of financial position, except for purchases costing less than \$2,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

### *Revaluations*

Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date.

The PBO performed a valuation of property, plant and equipment assets as at 30 June 2017. The valuation was performed by independent qualified valuers Pickles Valuation Services and was based on valuing the assets at fair value. The carrying amount includes a revaluation amount of \$30,263.

## Note 1: Summary of significant accounting policies (continued)

### ***Fair value measurement***

All property, plant and equipment non-financial assets are measured at fair value using the cost approach (depreciated replacement cost). The unobservable inputs (Level 3 fair value hierarchy) used to determine the fair value, include historical actual cost information and costing guides to estimate the current replacement cost. Appropriate useful life profiles have been adopted to depreciate the replacement cost to reflect the expended life.

### ***Depreciation***

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

Depreciation rates (useful lives) and residual values are determined at the initial recognition of the asset.

Depreciation rates for property plant and equipment are based on their useful lives which cover 10–40 years.

### ***Intangibles***

The PBO's intangibles comprise internally developed computer software for internal use. These assets are reported at cost.

### ***Amortisation***

The amortisation rate for intangibles is based on their seven year useful life.

### ***Impairment***

All assets were assessed for impairment at 30 June 2017, with no indications of impairment.

## **1.9 Taxation**

The PBO 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 where the amount of GST incurred is not recovered from the Australian Taxation Office. Receivables and payables are recognised inclusive of GST.

## Note 2: Events after the reporting period

There were no significant events following the reporting period that impact on the PBO's financial statements for the year ended 30 June 2017.

## Note 3: Budget variances

The comparison of the unaudited original budget as presented in the 2016–17 Portfolio Budget Statements to the 2016–17 final outcome as presented in accordance with Australian Accounting Standards is included in the Statement of comprehensive income, the Statement of financial position and the Cash flow statement. Major variances detailed below are in relation to the management of resources, to ensure the performance of the PBO in achieving its mandate during the course of the year.

### *Major variances*

In accordance with section 64T of the Parliamentary Service Act, the Joint Committee of Public Accounts and Audit (JCPAA) announced on 14 November 2016 the formation of the independent review of the PBO, with the report to examine and make recommendations on the scope for it to build on the foundations it has established.

The JCPAA tabled the report on 29 March 2017. The total cost of the review was \$433,773, comprising employee expenses of \$178,354 and supplier expenses of \$255,419. These amounts were not included in the original budget.