

Part 4: Financial

Financial management

The PBO's operations are funded through annual departmental appropriations with supplementation from a special appropriation made under section 64D of the *Parliamentary Service Act 1999*.

Overview of financial performance

The PBO recorded an operating deficit of \$0.308 million for the year ended 30 June 2018. Excluding depreciation and amortisation, the operating result attributable to the PBO was nil.

We managed our financial performance and position appropriately throughout the year, with no major variations from budget.

In addition to the PBO's ongoing departmental appropriation, a special appropriation of \$6.000 million was provided to the PBO on establishment in 2012. By the end of 2020–21, we expect this special appropriation to be fully drawn down and consideration of the PBO's resourcing beyond that time will be required. Additional ongoing funding is expected to be required to enable the PBO to maintain current levels of service.

The PBO continues to consult with the Joint Committee of Public Accounts and Audit on future resourcing requirements.

Expense impacts

Overall, total expenses decreased to \$8.395 million (2016–17: \$8.819 million). This reduction was largely a result of the PBO's workforce contracting through natural attrition following augmentation to meet the increased demand associated with the 2016 general election and costs associated with the PBO review not recurring in 2017–18.

Revenue impacts

In 2017–18 the PBO’s revenue from its annual departmental appropriation decreased to \$6.753 million (2016–17: \$6.922 million), which was supplemented by \$0.989 million special appropriation funding to meet operational expenses. Other revenue, relating to resources received free of charge, remained constant.

Financial position

As at 30 June 2018, the PBO was in a sound net worth position, reporting net assets of \$1.691 million (2016–17: \$2.858 million). This was represented by assets of \$4.039 million (2016–17: \$4.999 million) and liabilities of \$2.347 million (2016–17: \$2.141 million).

Assets decreased during the year due to the transfer of intangible assets to the Department of Parliamentary Services (DPS) with an associated decrease in equity. This transfer finalised the PBO’s consolidation of information and communication technology (ICT) assets with DPS. The increase in liabilities is primarily due to an increase in the measurement of employee leave provisions reflecting a change in calculation factors.

Entity resource and outcome expense statements

Table 3 summarises the total resources available to the PBO by funding type and the total payments made by the PBO in cash terms. The balance remaining for ordinary annual services is held for the PBO’s liabilities, largely employee leave entitlements. The special appropriation balance remaining can be used to support the PBO’s operational expenses. The special appropriation is expected to be fully drawn down by 2020–21.

Table 3: Entity resource statement

	Actual available appropriation for 2017–18	Payments made 2017–18	Balance remaining 2017–18
	\$'000 (a)	\$'000 (b)	\$'000 (a)–(b)
Ordinary annual services ¹	9,122	6,855	2,267
Special appropriation ²	3,772	989	2,783
Total resourcing and payments	12,894	7,844	5,050

(1) *Appropriation (Parliamentary Departments) Act (No.1) 2017–18*. This includes prior year departmental appropriation and section 74 retained revenue receipts.

(2) Special appropriation limited by amount [*Parliamentary Service Act 1999* section 64D].

Table 4 shows the total budgeted and actual expenses for the PBO’s outcome. The Budget amounts correspond to the information contained in the ‘Budgeted expenses for Outcome’ table in the PBO’s 2017–18 Portfolio Budget Statements, page 10. The actual expenses reconcile to the Statement of comprehensive income in the financial statements.

Table 4: Outcome expense statement

	Budget* 2017–18	Actual expenses 2017–18	Variation 2017–18
Outcome 1	\$’000 (a)	\$’000 (b)	\$’000 (a)–(b)
Departmental expenses			
Departmental appropriation ¹	6,753	6,753	–
Special appropriation	788	989	(201)
Expenses not requiring appropriation in the budget year ²	682	653	29
Total expenses for Outcome 1	8,223	8,395	(172)

	2017–18	2016–17
Average staffing level (number)	42	47

* Full year budget including any subsequent adjustments made to the 2017–18 Budget.

- (1) Departmental appropriation combines ordinary annual services (*Appropriation (Parliamentary Departments) Act (No.1) 2017–18*) and retained revenue receipts under section 74 of the PGPA Act 2013.
- (2) Expenses not requiring appropriation in the budget year are made up of depreciation expense and resources received free of charge.

Compliance with finance law

The PBO had no significant issues relating to non-compliance with the finance law.

Asset management

The PBO’s asset management framework includes an asset register that records all assets held by the PBO. An annual stocktake keeps records up to date.

The PBO’s assets are comprised of office fitout and equipment.

Our capital budgeting is integrated with strategic planning, which occurs prior to the beginning of each financial year in conjunction with the our annual operating budget processes.

During 2017–18, assets relating to the ICT network and workflow management system were transferred to DPS in order to finalise the consolidation of ICT assets with DPS.

Purchasing

Purchasing was managed in accordance with the PBO's Accountable Authority Instructions and financial procedures, which are consistent with the Commonwealth Procurement Rules. The PBO's purchasing processes focus on the core principle of value for money.

Consultants

The PBO engages consultants where specialist skills are required that are not available in-house or when independent research, review or assessment is required.

During 2017–18, ten new consultancy contracts were entered into, involving a total expenditure of \$98,776 (inclusive of GST). There were no ongoing consultancy contracts active during the period.

Decisions to engage consultants during 2017–18 were made in accordance with the PGPA Act, Commonwealth Procurement Rules and internal policies.

The majority of consultancy expenditure was for internal audit, independent analysis, risk management and document design services.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website, www.tenders.gov.au.

Procurement initiatives to support small business

The PBO supports small business participation in the Commonwealth Government procurement market. Small and medium enterprises (SME) and small enterprise participation statistics are available on the Department of Finance's website: www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/.

Procurement practices support SMEs by the use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000 and electronic systems to facilitate on-time payment.

Advertising and market research

The PBO did not undertake any advertising campaigns during 2017–18.

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 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 Parliamentary Budget Office as at 30 June 2018 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 2018 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* (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.

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, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Mark Vial
Senior Director
Delegate of the Auditor-General
Canberra
4 September 2018

Statement by the Parliamentary Budget Officer and Chief Financial Officer

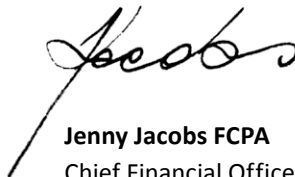
Certification of financial statements

In our opinion the following financial statements for the year ended 30 June 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 Parliamentary Budget Office will be able to pay its debts as and when they fall due.



Jenny Wilkinson
Parliamentary Budget Officer
4 September 2018



Jenny Jacobs FCPA
Chief Financial Officer
4 September 2018

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2018

	Note	2018 \$	2017 \$	Original Budget 2018 \$
NET COST OF SERVICES				
Expenses				
Employee benefits	1.3	6,823,088	7,056,146	6,560,000
Supplier	1.4	1,263,773	1,426,001	1,327,000
Depreciation and amortisation		308,169	336,379	336,000
Total expenses		8,395,030	8,818,526	8,223,000
Own-source income				
Other revenue				
Resources received free of charge	1.5			
Auditor remuneration		50,000	52,500	} 346,000
Accommodation		294,553	288,591	
Total other revenue		344,553	341,091	346,000
Total own-source income		344,553	341,091	346,000
NET COST OF SERVICES		8,050,477	8,477,435	7,877,000
Revenue from Government				
Departmental Appropriation	1.5	6,753,000	6,922,000	6,753,000
Special Appropriation		989,308	1,219,056	788,000
Total revenue from Government		7,742,308	8,141,056	7,541,000
Surplus/(deficit) attributable to the Australian Government		(308,169)	(336,379)	(336,000)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		(308,169)	(336,379)	(336,000)

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note	2018 \$	2017 \$	Original Budget 2018 \$
ASSETS				
Financial assets				
Cash	1.6	31,757	50,963	34,000
Receivables	1.6			
Appropriation receivable		2,235,092	2,100,772	} 2,468,000
GST receivable		2,553	2,076	
Other receivables		18,524	-	
Total financial assets		2,287,926	2,153,811	2,502,000
Non-financial assets				
Property, plant and equipment	1.7	1,684,781	1,763,000	1,699,000
Intangibles		-	1,054,330	799,000
Prepayments		65,900	27,410	36,000
Total non-financial assets		1,750,681	2,844,740	2,534,000
Total assets		4,038,607	4,998,551	5,036,000
LIABILITIES				
Payables				
Trade creditors		129,822	154,825	255,000
Employee payables	1.3	64,308	67,154	-
Other payables		11,964	16,856	-
Total payables		206,094	238,835	255,000
Provisions				
Employee leave provisions	1.2	2,141,241	1,902,090	2,243,000
Total liabilities		2,347,335	2,140,925	2,498,000
Net assets		1,691,272	2,857,626	2,538,000
EQUITY				
Asset revaluation reserve		30,263	30,263	50,000
Retained earnings		1,661,009	2,827,363	2,488,000
Total equity		1,691,272	2,857,626	2,538,000

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

STATEMENT OF CHANGES IN EQUITY

as at 30 June 2018

	2018 \$	2017 \$	Original Budget 2018 \$
RETAINED EARNINGS			
Opening balance as at 1 July 2017	2,827,363	3,163,742	2,824,000
Surplus/(deficit) for the period	(308,169)	(336,379)	(336,000)
Adjustment for Intangible asset transfer ^(a)	(858,185)	–	–
Closing balance attributable to the Australian Government	1,661,009	2,827,363	2,488,000
ASSET REVALUATION RESERVE			
Opening balance as at 1 July 2017	30,263	50,305	50,000
Revaluation adjustment	–	(20,042)	–
Closing balance attributable to the Australian Government	30,263	30,263	50,000
Total equity	1,691,272	2,857,626	2,538,000

(a) See note 1.7 – Transfer of intangible assets.

CASH FLOW STATEMENT

for the period ended 30 June 2018

	2018 \$	2017 \$	Original Budget 2018 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations	7,371,526	8,091,453	7,509,000
Net GST received	28,351	45,739	–
Non-appropriation receipts ^(a)	236,462	307,844	–
Total cash received	7,636,339	8,445,036	7,509,000
Cash used			
Employees	6,634,620	7,249,039	6,528,000
Suppliers	1,020,925	1,179,112	981,000
Total cash used	7,655,545	8,428,151	7,509,000
Net cash from operating activities	(19,206)	16,885	–
Net (decrease) / increase in cash held	(19,206)	16,885	–
Cash at the beginning of the reporting period	50,963	34,078	34,000
Cash at the end of the reporting period	31,757	50,963	34,000

(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, not-for-profit financial statements and are prepared in accordance with section 42 of the *Public Governance, Performance and Accountability Act 2013*, which in turn requires the statements to comply with the:

- 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 adopting the Department of Finance actuarial assumptions table of probability for the likely tenure of existing staff. Assumptions for patterns of leave claims, payouts and future salary and superannuation movements are based on historical data and management estimates. The future discount rates are based on the 10-year government bond rate published by the Reserve Bank of Australia. The liability for employee leave includes provision for annual leave and long service leave.

1.3 Employee benefits and payables

	2018 \$	2017 \$
Employee benefits		
Wages and salaries	4,918,722	5,463,310
Superannuation		
Defined benefit plans	472,835	501,765
Defined contribution plans	413,878	464,302
Leave and other entitlements	1,017,653	626,769
Total employee benefits	6,823,088	7,056,146
Employee payables		
Wages and salaries	45,556	47,846
Superannuation	6,813	7,331
FBT payable	11,939	11,977
Total employee payables	64,308	67,154

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 key management personnel in the PBO comprise the Parliamentary Budget Officer and those who directly report to this position. During 2017–18, the total compensation of the five officers who held these positions is \$1,335,107 (comprising short term employee benefits of \$1,109,771, long term employee benefits of \$71,588 and post-employment benefits of \$153,748). Two persons held the position of Parliamentary Budget Officer over the course of 2017–18.

During 2016–17 the total compensation of the four officers who held these positions was \$1,299,564 (comprising short term employee benefits of \$1,124,152, long term employee benefits of \$26,637 and post-employment benefits of \$148,775).

1.4 Supplier expenses

Supplier expenses

	2018	2017
	\$	\$
Supplier expenses		
Professional services	180,167	349,422
Enhanced capability	110,454	103,134
Corporate services outsourced	362,592	362,252
Employee related	97,011	74,795
Accommodation expenses	294,553	297,865
Travel	15,688	78,142
Software licences	136,963	91,788
Other	43,024	32,176
Workers compensation expenses	23,321	36,427
Total supplier expenses	1,263,773	1,426,001

1.5 Revenue

Revenue from Government

	2018	2017
	\$	\$
Annual appropriation	6,753,000	6,922,000
Section 74 PGPA Act receipts	236,462	307,844
Total appropriation	6,989,462	7,229,844
Less Appropriation applied (current and prior years)	(6,870,000)	(7,471,200)
Variance^(a)	119,462	(241,356)

(a) In 2018, the variance between appropriation provided and applied is largely due to retained funding for future leave entitlements.

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

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) 2016–17*
Unspent balance as at 30 June 2018: nil (2017: \$2,151,735)
 - b *Appropriation (Parliamentary Departments) Act (No.1) 2017–18*
Unspent balance as at 30 June 2018: \$2,266,849
- 2 A Special appropriation, of a limited amount, to provide for payments in relation to the Parliamentary Budget Officer or the Parliamentary Budget Office. Special appropriation revenue is recognised for the year when amounts are expended or to meet obligations incurred during the reporting period.
 - a *Parliamentary Service Act 1999*
Limited to \$6,000,000, unspent balance as at 30 June 2018: \$2,782,636 (2017: \$3,771,944)

Resources received free of charge

Resources received free of charge are recognised as other revenue 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.

1.6 Financial assets

Cash

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

Receivables

Receivables are 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.

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 2018.

1.7 Property, plant and equipment

	2018 \$
As at 1 July 2017	
Gross book value	2,075,799
Accumulated depreciation	(312,799)
Total as at 1 July 2017	1,763,000
Depreciation expense	(78,219)
Total as at 30 June 2018	1,684,781
Total as at 30 June 2018 represented by:	
Gross book value	2,075,799
Accumulated depreciation	(391,018)
Total as at 30 June 2018	1,684,781

Asset recognition threshold

Purchases of property, plant and equipment (including fit-out 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.

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.

Transfer of intangible assets

During 2014 the Presiding Officers endorsed the consolidation of ICT across the parliamentary departments. In accordance with this decision the Parliamentary Budget Office transferred its ICT hardware assets on 1 July 2013 and its ICT intangible assets on 1 June 2018.

The assets transferred in 2018 were transferred at net book value (\$858,185) to the Department of Parliamentary Services for no consideration, recognising a reduction in equity. As no balance exists for contributed equity, this amount was subsequently transferred to accumulated results.

Impairment

All assets were assessed for impairment at 30 June 2018, with no indications of impairment.

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 2018.

Note 3: Budget variance

The comparison of the unaudited original budget as presented in the 2017–18 Portfolio Budget Statements to the 2017–18 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. The major variance detailed below is 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 variance

The only major variance in relation to the management of resources is the transfer of intangible assets (refer to Note 1.7).