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Financial statements

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Social Services

Opinion

In my opinion, the financial statements of the Australian Institute of Family Studies 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 Australian Institute of Family Studies as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Australian Institute of Family Studies, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Director and Chief Financial Officer;
- Statement of comprehensive income;
- Statement of financial position;
- Statement of changes in equity;
- Cash flow statement; and
- Notes to and forming part of the financial statements, comprising an Overview and summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Institute of Family Studies 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 Boards 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 Australian Institute of Family Studies the Director 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 Director is also responsible for such internal control as the Director 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 Director is responsible for assessing the Australian Institute of Family Studies' 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 Director 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

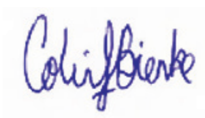
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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



Colin Bienke
Senior Director

Delegate of the Auditor-General

Canberra

4 September 2017

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement by the Director and Chief Financial Officer

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

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

Anne Hollonds
Director

01 September 2017

Malcolm Williamson
Chief Financial Officer

01 September 2017

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of comprehensive income

for the period ended 30 June 2017

	Notes	2017 $	2016 $	Original Budget 2017 $
NET COST OF SERVICES				
Expenses				
Employee benefits	3A	**7,782,163**	8,499,686	8,125,000
Suppliers	3B	**3,519,290**	3,694,105	4,211,000
Depreciation and amortisation	6A	**412,121**	350,980	300,000
Losses from asset sales		**38,234**	–	39,000
Total expenses		**11,751,808**	12,544,771	12,675,000
Own-source income				
Own-source revenue				
Sale of goods and rendering of services	4A	**6,931,184**	7,463,184	7,692,000
Royalties		**35,121**	31,009	38,000
Other revenue	4B	**160,725**	137,835	120,000
Total own-source revenue		**7,127,030**	7,632,028	7,850,000
Gains				
Gains from sale of assets		**-**	10,872	28,000
Total gains		**-**	10,872	28,000
Total own-source income		**7,127,030**	7,642,900	7,878,000
Net (cost of)/contribution by services		**(4,624,778)**	(4,901,871)	(4,797,000)
Revenue from Government	4C	**4,458,000**	4,556,402	4,458,000
Surplus/(Deficit) before income tax on continuing operations		**(166,778)**	(345,469)	(339,000)
OTHER COMPREHENSIVE INCOME				
Changes in asset revaluation surplus		**-**	308,956	–
Total other comprehensive income		**-**	308,956	–
Total comprehensive loss attributable to the Australian Government		**(166,778)**	(36,513)	(339,000)

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

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of comprehensive income

for the period ended 30 June 2017

Budget variances commentary

Australian Institute of Family Studies—the "Institute"—original budgeted financial statement was first presented to Parliament in respect of the reporting period in the 2016/17 Portfolio Budget Statements.

Explanations of major variance between actual and original budgeted amounts for 2016/17 are provided where the variance is greater than 10% for a line item or greater than $251,000 unless the variance is a trivial amount.

Explanations of major variances	Affected line items (and statement)
Employee benefits have decreased with decreased employee numbers due to revenue being less than budgeted.	*Employee benefits*
The majority of the Institute's revenue is earned from commissioned research and/or evaluation projects. The Institute's estimated revenue as published in the 2016/17 PBS was based on an assumption of revenue to be earned from long-term continuing projects along with an assumption of the value of work the Institute would be contracted to deliver in the financial year, based on historical trends. During 2016/17 the total value of research and evaluation the Institute was commissioned to deliver was less than historical averages. This has also resulted in a variance in supplier expenses compared to PBS estimates as expenses incurred for project related activities, such as data collection, are driven by the volume of research projects the Institute has been commissioned to deliver.	*Sale of goods and rendering of services*
With lower project revenue, supplier expenses compared to PBS estimates were proportionately lower for project-related activities.	*Suppliers*
Depreciation has been accelerated on fittings and fixtures that are expected to be fully written off by the time of the termination of the current tenancy lease on 28 February 2018.	*Depreciation and amortisation*
An amount of $81,000 was received to assist with the cost of consultancy for change management in relation to the Project Centric model project.	*Other revenue*

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of financial position

as at 30 June 2017

	Notes	2017 $	2016 $	Original Budget 2017 $
ASSETS				
Financial assets				
Cash and cash equivalents	5A	**618,430**	1,003,744	541,000
Trade and other receivables	5B	**4,311,231**	4,963,123	5,721,000
Total financial assets		**4,929,661**	5,966,867	6,262,000
Non-financial assets				
Leasehold improvements	6A	**233,207**	394,950	214,170
Plant and equipment	6A	**683,541**	685,482	502,830
Intangibles	6A	**16,725**	29,456	88,000
Prepayments	6B	**141,098**	308,498	212,000
Total non-financial assets		**1,074,571**	1,418,386	1,017,000
Total assets		**6,004,232**	7,385,253	7,279,000
LIABILITIES				
Payables				
Unearned income		**2,036,012**	3,088,324	3,031,000
Supplier payables	7A	**257,110**	361,364	254,000
Other payables	7B	**89,503**	214,963	390,000
Total payables		**2,382,625**	3,664,651	3,675,000
Provisions				
Employee provisions	10A	**1,986,030**	2,101,247	2,427,000
Total provisions		**1,986,030**	2,101,247	2,427,000
Total liabilities		**4,368,655**	5,765,898	6,102,000
Net assets		**1,635,577**	1,619,355	1,177,000
EQUITY				
Contributed equity		**2,898,295**	2,715,295	2,898,000
Reserves		**392,636**	392,636	84,000
Retained surplus/(accumulated deficit)		**(1,655,354)**	(1,488,576)	(1,805,000)
Total equity		**1,635,577**	1,619,355	1,177,000

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

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of financial position

as at 30 June 2017

Budget variances commentary

Australian Institute of Family Studies—the "Institute"—original budgeted financial statement was first presented to Parliament in respect of the reporting period in the 2016/17 Portfolio Budget Statements.

Explanations of major variance between actual and original budgeted amounts for 2016/17 are provided where the variance is greater than 10% for a line item or greater than $251,000 unless the variance is a trivial amount.

Explanations of major variances	Affected line items (and statement)
The Institute received $266,585 of s74 receipts at the end of June 2017 that were unable to be returned to the Official Public Account during the 2016/17 financial year which was not factored into the PBS estimate of Cash at Bank Account.	*Cash and cash equivalents*
During 2016/17 the total value of research and evaluation the Institute was commissioned to deliver was less than historical averages, resulting in a lower level of receivables.	*Trade and other receivables*
Value of plant and equipment is higher due to a revaluation of assets in 2015/16 that occurred after the PBS estimate for 2016/17 was determined.	*Plant and equipment*
There were no purchases for software (intangibles) which was deferred due to operational reasons.	*Intangibles*
In line with lower levels of revenue and expenditure prepayments were lower than expected.	*Prepayments*
Unearned revenue represents cash receipts received in advance for work yet to be performed. The Institute's estimated revenue as published in the 2016/17 PBS was based on an assumption of revenue to be earned from long-term continuing projects along with an assumption of the value of work the Institute would be contracted to deliver in the financial year, based on historical trends. The balance of unearned income at 30 June is difficult to estimate and can vary from year to year as it is impacted by the timing of payments received for contracted research projects and the timing of deliverables of those projects as these may not necessarily fall in the same financial year. Timing of payments and project deliverables are also subject to change after the publication of the PBS.	*Unearned income*
The lower level of revenue resulted in an overall lower level of Supplier and Other payables balances.	*Supplier and Other payables*
Employee provisions have decreased with fewer employees due to the retirement and resignation of long-serving employees.	*Employee provisions*

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of changes in equity

for the period ended 30 June 2017

	Notes	**2017 $**	2016 $	Original Budget 2017 $
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		**2,715,295**	2,530,295	2,715,000
Transactions with owners				
Contributions by owners				
Departmental capital budget		**183,000**	185,000	183,000
Total transactions with owners		**183,000**	185,000	183,000
Closing balance as at 30 June		**2,898,295**	2,715,295	2,898,000
RETAINED EARNINGS				
Opening balance				
Balance carried forward from previous period		**(1,488,576)**	(1,143,107)	(1,466,000)
Comprehensive income				
Deficit for the period		**(166,778)**	(345,469)	(339,000)
Total comprehensive income		**(166,778)**	(345,469)	(339,000)
Closing balance as at 30 June		**(1,655,354)**	(1,488,576)	(1,805,000)
ASSET REVALUATION SURPLUS				
Balance carried forward from previous period		**392,636**	83,680	84,000
Comprehensive income				
Other comprehensive income		**-**	308,956	-
Total comprehensive income		**-**	308,956	-
Closing balance as at 30 June		**392,636**	392,636	84,000
TOTAL EQUITY		**1,635,577**	**1,619,355**	**1,177,000**

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

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Statement of changes in equity

as at 30 June 2017

Budget variances commentary

Australian Institute of Family Studies—the "Institute"—original budgeted financial statement was first presented to Parliament in respect of the reporting period in the 2016/17 Portfolio Budget Statements.

Explanations of major variance between actual and original budgeted amounts for 2016/17 are provided where the variance is greater than 10% for a line item or greater than $251,000 unless the variance is a trivial amount.

Explanations of major variances	Affected line items (and statement)
The result for the year was a reduced deficit due to a reduction in staff with a flow on in reduced Employee Benefits. Revenue was also reduced due to contract research being lower than historical trends.	*Deficit for the period*

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Cash flow statement

for the period ended 30 June 2017

	Notes	2017 $	2016 $	Original Budget 2017 $
OPERATING ACTIVITIES				
Cash received				
Appropriations		**12,362,228**	13,340,000	4,901,000
Sale of goods and rendering of services		**5,985,263**	8,706,991	7,645,000
Other		**122,491**	148,707	130,000
Total cash received		**18,469,982**	22,195,698	12,676,000
Cash used				
Employee benefits		**(8,075,116)**	(8,713,094)	(8,311,000)
Suppliers		**(3,732,162)**	(4,159,896)	(4,339,000)
Net GST paid		**(227,482)**	(429,074)	–
Section 74 receipts transferred to OPA		**(6,820,536)**	(8,430,275)	–
Total cash used		**(18,855,296)**	(21,732,339)	(12,650,000)
Net cash from/(used by) operating activities		**(385,314)**	463,359	26,000
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of leasehold improvements, plant and equipment		**-**	11,809	–
Total cash received		**-**	11,809	–
Cash used				
Purchase of leasehold improvements, plant and equipment		**(273,940)**	(54,488)	(183,000)
Total cash used		**(273,940)**	(54,488)	(183,000)
Net cash used by investing activities		**(273,940)**	(42,679)	(183,000)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		**273,940**	54,488	183,000
Total cash received		**273,940**	54,488	183,000
Net cash from financing activities		**273,940**	54,488	183,000
Net increase/(decrease) in cash held		**(385,314)**	475,168	26,000
Cash and cash equivalents at the beginning of the reporting period		**1,003,744**	528,576	515,000
Cash and cash equivalents at the end of the reporting period		**618,430**	1,003,744	541,000

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

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Cash flow statement

for the period ended 30 June 2017

Budget variances commentary

Australian Institute of Family Studies—the "Institute"—original budgeted financial statement was first presented to Parliament in respect of the reporting period in the 2016/17 Portfolio Budget Statements.

Explanations of major variance between actual and original budgeted amounts for 2016/17 are provided where the variance is greater than 10% for a line item or greater than $251,000 unless the variance is a trivial amount.

Explanations of major variances	Affected line items (and statement)
The presentation of the Cash Flow Statement in the PBS does not require entities to account for the return of S74 receipts to the OPA and the redrawing of these funds from the relevant Appropriation Item. Subsequently, the Cash Flow Statement presented in the 2016/17 Financial Statements identifies significantly higher amounts of "Cash received" and "Cash used" than in the PBS.	*Appropriation, Section 74 receipts transferred to OPA*
The majority of the Institute's revenue is earned from commissioned research and/or evaluation projects. The Institute's estimated revenue as published in the 2016/17 PBS was based on an assumption of revenue to be earned from long-term continuing projects along with an assumption of the value of work the Institute would be contracted to deliver in the financial year, based on historical trends. During 2016/17 the total value of research and evaluation the Institute was commissioned to deliver was less than historical averages.	*Sale of goods and rendering of services*
The lower level of revenue resulted in an overall lower level of payments to Suppliers.	*Suppliers*
Employee numbers have decreased with decrease in project revenue.	*Employees*
The Institute upgraded its Information Systems Technology, which had been deferred from the previous financial year. A total of $273,940 was spent during 2016/17, which was drawn down from the Departmental Capital Budget allocation of $183,000 and the balance from the prior year.	*Purchase of leasehold improvements, plant and equipment* *Contributed equity*

AUSTRALIAN INSTITUTE OF FAMILY STUDIES

Notes to and forming part of the financial statements

Note 1: Overview and summary of significant accounting policies

1.1 Basis of preparation of the financial statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

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, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FRRs, assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the Institute or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.2 Significant accounting judgements and estimates

Refer to Note 15 for an explanation of assumptions used in estimating the fair value of assets.

The liability for long service leave has been estimated using present value techniques in accordance with the short hand method in accordance with section 24 of the FRR. This takes into account expected salary growth, attrition and future discounting using Commonwealth bond rates.

No other accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.3 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

New standards, amendments to standards and interpretations that were issued by the Australian Accounting Standards Board prior to the signoff date and are applicable to future reporting periods are not expected to have a future material impact on the Institute's financial statements.

AASB 15 Revenue from Contract with Customers issued December 2014

Application date for the Institute: 1 January 2018.

AASB 15 will supersede the current revenue recognition guidance including AASB 118 “Revenue,” AASB 111 “Construction Contracts” and the related Interpretations when it becomes effective.

AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Institute will need to ensure that performance obligations are sufficiently specific to be able to determine when the obligations are satisfied.

It is not anticipated that the adoption of this standard will have a material impact on the Institute's revenue recognition.

AASB 16 Leases issued February 2016

Application date for the Institute: 1 January 2019.

Under AASB 16 there is no longer a distinction between an operating lease and a finance lease as lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Institute operates from leased premises and the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Institute's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Institute performs a detailed review.

1.4 Revenue

Revenue from the sale of goods is recognised when:

a) the risks and rewards of ownership have been transferred to the buyer;
b) the Institute retains no managerial involvement nor effective control over the goods;
c) the revenue and transaction costs incurred can be reliably measured; and
d) it is probable that the economic benefits associated with the transaction will flow to the Institute.

The Institute receives contract revenue by conducting high quality research relevant to policy and practice on a broad range of issues regarding families in Australia for various stakeholders. The key stakeholders comprise mainly other Commonwealth agencies, state government agencies as well as non-government entities.

Revenue from rendering of contract services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
b) the probable economic benefits associated with the transaction will flow to the Institute.

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

a) services performed to date as a percentage of total services to be performed; or
b) the proportion that costs incurred to date bear to the estimated total costs of the transaction; or
c) milestone achieved against provision in the contract.

Unearned income are commissioned research revenue payments received but cannot be recognised as revenue because the tasks or deliverables are not completed at the time payments were received.

Copyright royalty revenue for the use of the Institute's publications and bibliographic databases is recognised on an accrual basis. The Institute has no control over the amount of royalties and a provisional amount is accrued based on historical receipts.

Cost recovery, which relates mainly to Comcare receipts and sponsorships of travel expenses, is recognised on an accrual basis.

Receivables for goods and services, which have 30-day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Note 1: Overview and summary of significant accounting policies continued

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 Institute 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.

1.5 Gains

Resources received free of charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 1.7). The Institute did not receive any contribution of assets in 2016/17 or 2015/16.

Sale of assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

1.6 Transactions with the Government as owner

Equity injections

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

Other distributions to owners

The FRR require that distributions to owners be debited to contributed equity unless in the nature of a dividend. There was no distribution to owners in 2016/17 or 2015/16.

1.7 Employee benefits

Liabilities for "short-term employee benefits" (as defined in AASB 119 *Employee Benefits*) and termination benefits due within 12 months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

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 Institute 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 Institute'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 use of the Department of Finance's shorthand method using the Standard Commonwealth sector probability profile. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

The majority of the staff of the Institute are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

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 and Deregulations administered schedules and notes.

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

The liability for superannuation recognised as at 30 June each year represents pro-rata outstanding contributions for the final fortnight of the year.

1.8 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all of the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits. Operating lease payments are expensed on a straight-line basis that is representative of the pattern of the benefits derived from the leased assets.

The Institute has no finance leases.

1.9 Fair value measurement

AIFS deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

AIFS does not have any recurring fair value measurements transferred between level 1 and 2 for asset and liabilities to disclose for the period 2016/17.

1.10 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

a) cash on hand; and

b) demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

1.11 Financial liabilities

The Institute classifies its financial liabilities as "other financial liabilities". This comprises suppliers and other payables that 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).

Financial liabilities are recognised and derecognised upon "trade date".

1.12 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes to the financial statements. 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.

To the best of the Institute's knowledge, it was not exposed to any contingencies that would have a material effect on the financial statements in 2016/17 or 2015/16.

Note 1: Overview and summary of significant accounting policies continued

1.13 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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.

1.14 Leasehold improvements, plant and equipment

Asset recognition threshold

Purchases of leasehold improvements, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than $1,000 and for leasehold improvements and computer software for purchases costing less than $10,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items that are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Revaluations

Fair values for each class of asset are determined as shown following:

Asset class	Fair value measurement
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

Following initial recognition at cost, leasehold improvements, plant and equipment were carried at fair value. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment was 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 restated to the revalued amount.

Depreciation

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

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.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

Asset class	2017	2016
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 15 years	3 to 15 years

Impairment

All assets were assessed for impairment at 30 June 2017. As no indicators of impairment were identified, it was determined that there was no impairment.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Institute were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of leasehold improvements, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.15 Intangibles

The Institute's intangibles comprise commercially purchased software and are recognised initially at cost in the statement of financial position, except for purchases costing less than $10,000 which are expensed on aquisition. Intangibles are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Institute's software are 3 to 5 years (2015/16: 3 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

1.16 Taxation

The Institute 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.

Note 2: Events after the reporting period

The existing lease at the current address will end on 28 February 2018. The Institute is currently considering lease options for location for its operations beyond that period.

No other subsequent events have been identified.

Note 3: Expenses

	2017 $	2016 $
Note 3A: Employee benefits		
Wages and salaries	**5,495,402**	5,871,750
Superannuation		
Defined contribution plans	**707,591**	767,806
Defined benefit plans	**340,422**	472,912
Leave and other entitlements	**1,130,295**	1,272,226
Other employee benefits	**108,453**	114,992
Total employee benefits	**7,782,163**	8,499,686
Note 3B: Suppliers		
Goods and services supplied or rendered		
Consultants	**271,189**	166,213
Contractors	**1,951,191**	2,321,635
Travel	**197,307**	206,718
IT Services	**194,709**	242,846
Total goods and services supplied or rendered	**2,614,396**	2,937,412
Goods supplied	**62,896**	99,442
Services rendered	**2,551,500**	2,837,970
Total goods supplied	**2,614,396**	2,937,412
Other suppliers		
Operating lease rentals	**705,972**	587,737
Workers compensation expenses	**198,923**	168,956
Total other suppliers	**904,895**	756,693
Total suppliers	**3,519,290**	3,694,105

Leasing commitments

The existing lease at the current address will end on 28 February 2018. The Institute is currently considering lease options for location for its operations beyond that period.

Commitments for operating lease rentals as follows:

Within 1 year	**626,330**	524,965
Between 1 to 5 years	**–**	–
Total operating lease commitments	**626,330**	524,965

Note 4: Own-source income

	2017 $	2016 $
Own-source revenue		
Note 4A: Sale of goods and rendering of services		
Sale of goods and rendering of services in connection with		
Sale of goods	**11,347**	20,418
Rendering of services	**6,919,837**	7,442,766
Total sale of goods and rendering of services	**6,931,184**	7,463,184
Note 4B: Other revenue		
Cost recovery	**31,825**	81,860
ANAO Audit services received free of charge	**31,500**	28,750
Other	**97,400**	27,225
Total other revenue	**160,725**	137,835
Note 4C: Revenue from Government		
Departmental appropriations	**4,458,000**	4,556,402
Total revenue from Government	**4,458,000**	4,556,402

Note 5: Financial assets

	2017 $	2016 $
Note 5A: Cash and cash equivalents		
Cash on hand or on deposit	**618,430**	1,003,744
Total cash and cash equivalents	**618,430**	1,003,744
Note 5B: Trade and other receivables		
Appropriation receivable (existing programs)	**2,657,180**	3,831,813
Goods and services receivables in connection with		
Goods and services	**1,638,028**	1,113,438
Other receivables	**16,023**	17,872
Total goods and services receivables	**4,311,231**	4,963,123
Trade and other receivables (net) aged as follows		
Not overdue	**4,143,040**	4,626,005
Overdue by:		
0 to 30 days	**18,014**	191,377
31 to 60 days	**–**	55,651
61 to 90 days	**150,177**	89,760
More than 90 days	**–**	330
Total trade and other receivables (net)	**4,311,231**	4,963,123

Note: No indicators of impairment were found for receivables.

Note 6: Non-financial assets

Note 6A: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles

Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles for 2017

	Leasehold improvements $	Plant & equipment $	Computer software $	Total $
As at 1 July 2016				
Gross book value	394,950	686,375	218,416	1,299,741
Accumulated depreciation and impairment	-	(893)	(188,960)	(189,853)
Total as at 1 July 2016	394,950	685,482	29,456	1,109,888
Additions				
Purchase	11,170	262,770	-	273,940
Depreciation and amortisation	(168,150)	(231,240)	(12,731)	(412,121)
Accumulated depreciation on disposals	537	7,612	-	8,149
Disposals	(5,300)	(41,083)	-	(46,383)
Total as at 30 June 2017	233,207	683,541	16,725	933,473
Total as at 30 June 2017 represented by				
Gross book value	400,820	908,062	218,416	1,527,298
Accumulated depreciation and impairment	(167,613)	(224,521)	(201,691)	(593,825)
Total as at 30 June 2017	233,207	683,541	16,725	933,473

Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles for 2016

	Leasehold improvements $	Plant & equipment $	Computer software $	Total $
As at 1 July 2015				
Gross book value	550,785	1,093,904	218,416	1,863,105
Accumulated depreciation and impairment	(174,113)	(414,402)	(176,228)	(764,743)
Total as at 1 July 2015	376,672	679,502	42,188	1,098,362
Additions				
Purchase	-	54,488	-	54,488
Revaluations recognised in other comprehensive income	125,196	183,760	-	308,956
Depreciation and amortisation	(106,918)	(231,330)	(12,732)	(350,980)
Accumulated depreciation on disposals	-	4,262	-	4,262
Disposals	-	(5,200)	-	(5,200)
Total as at 30 June 2016	394,950	685,482	29,456	1,109,888

Note 6: Non-financial assets continued

	Leasehold improvements $	Plant & equipment $	Computer software $	Total $
Total as at 30 June 2016 represented by				
Gross book value	394,950	686,375	218,416	1,299,741
Accumulated depreciation and impairment	–	(893)	(188,960)	(189,853)
Total as at 30 June 2016	394,950	685,482	29,456	1,109,888

Note: No plant and equipment and leasehold improvements are expected to be sold within the next 12 months.

	2017 $	2016 $
Note 6B: Prepayments		
Prepayments		
No more than 12 months	**140,746**	306,814
More than 12 months	**352**	1,684
Total prepayments	**141,098**	308,498

Note: No indicators of impairment were found for prepayments.

Note 7: Payables

	2017 $	2016 $
Note 7A: Supplier payments		
Supplier payments in connection with		
Trade creditors and accruals	**257,110**	302,951
Operating lease rentals	**-**	58,413
Total supplier payments	**257,110**	361,364

Suppliers are expected to be settled in no more than 12 months. Settlement was usually made within 30 days.

	2017 $	2016 $
Note 7B: Other payables		
Wages and salaries	**53,845**	30,674
Superannuation	**8,495**	4,279
Lease incentive	**-**	61,400
GST payable	**25,606**	85,484
Other	**1,557**	33,126
Total other payables	**89,503**	214,963
Other payables to be settled		
No more than 12 months	**89,503**	214,963
More than 12 months	**-**	-
Total other payables	**89,503**	214,963

Note 8: Appropriations

Note 8A: Annual appropriations ("recoverable GST exclusive")

Annual appropriations for 2017

	Annual appropriation[1] $	Adjustments to appropriation[2] $	Total appropriation $	Appropriation applied in 2017 (current and prior years) $	Variance[3] $
Departmental					
Ordinary annual services	**4,458,000**	**6,820,536**	**11,278,536**	**12,362,228**	**(1,083,692)**
Capital budget[4]	**183,000**	**-**	**183,000**	**273,940**	**(90,940)**
Total departmental	**4,641,000**	**6,820,536**	**11,461,536**	**12,636,168**	**(1,174,632)**

Notes:
1. In 2016/17, there were no appropriations that have been withheld (Section 51 of PGPA Act) and quarantined for administration purposes.
2. In 2016/17, adjustments to appropriation were mostly PGPA Act Section 74 receipts.
3. The variance is attributable to the change in the balance of Unspent Annual Appropriation between 30 June 2016 and 30 June 2017
(see note 8B).
4. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Annual appropriations for 2016

	Annual appropriation[1] $	Adjustments to appropriation[2] $	Total appropriation $	Appropriation applied in 2016 (current and prior years) $	Variance[3] $
Departmental					
Ordinary annual services	4,556,402	8,430,275	12,986,677	13,340,000	(353,323)
Capital budget[4]	185,000	-	185,000	54,488	130,512
Total departmental	4,741,402	8,430,275	13,171,677	13,394,488	(222,811)

Notes:
1. In 2015/16, there were no appropriations which have been withheld (Section 51 of PGPA Act) and quarantined for administration purposes.
2. In 2015/16, adjustments to appropriation were mostly PGPA Act Section 74 receipts.
3. The variance is attributable to the change in the balance of Unspent Annual Appropriation between 30 June 2015 and 30 June 2016
(see note 8B).
4. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Note 8B: Unspent annual appropriations (“recoverable GST exclusive”)

	2017 $	2016 $
Departmental		
Appropriation Act 1 2015–16	**-**	3,831,813
Appropriation Act 1 2015–16 Cash	**-**	1,003,744
Appropriation Act 1 2016–17	**2,657,180**	-
Appropriation Act 1 2016–17 Cash	**618,430**	-
Total Departmental	**3,275,610**	4,835,557

Note 9: Net cash appropriation arrangements

	2017 $	2016 $
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations	**245,343**	314,467
Plus: depreciation/amortisation expenses previously funded through revenue appropriations	**(412,121)**	(350,980)
Total comprehensive income (loss)—as per Statement of Comprehensive Income	**(166,778)**	(36,513)

Note 10: Employee provisions

	2017 $	2016 $
Note 10A: Employee provisions		
Leave	**1,986,030**	2,101,247
Total employee provisions	**1,986,030**	2,101,247
Employee leave provisions expected to be settled		
No more than 12 months	**446,394**	456,772
More than 12 months	**1,539,636**	1,644,475
Total employee provisions	**1,986,030**	2,101,247

Note 11: Key management personnel remuneration

	2017 $	2016 $
Short-term employee benefits		
Salary	**846,129**	933,352
Performance bonuses	**7,704**	7,704
Motor vehicle and other allowances	**16,319**	42,913
Travel allowances	**7,476**	1,117
Reportable fringe benefits	**15,082**	7,217
Total short-term employee benefits	**892,710**	992,303
Post-employment benefits		
Superannuation	**112,648**	128,297
Total post-employment benefits	**112,648**	128,297
Other long-term employee benefits		
Annual leave accrued	**56,583**	64,698
Long service leave	**39,931**	15,432
Total other long-term employee benefits	**96,514**	80,130
Total key management personnel remuneration expenses	**1,101,872**	1,200,730

Notes: Note 11 was prepared on an accrual basis. The total number of key management personnel that are included in the above table is four (2016: Five). One of the personnel terminated his service and the position was filled during the financial year.

Note 12: Related party disclosures

Related party relationships

The entity is an Australian Government controlled entity. Related parties to this entity are Key Management Personnel, including the Portfolio Minister, and other Australian Government entities.

Transaction with related parties

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed in this note. There were no other related party transactions.

Note 13: Contingent assets and liabilities

Quantifiable contingencies

At 30 June 2017, the Institute had no quantifiable contingent assets and/or liabilities (2016: nil).

Unquantifiable contingencies

At 30 June 2017, the Institute had no unquantifiable contingencies (2016: nil).

Significant remote contingencies

The Institute has no significant remote contingencies in respect to 2017 (2016: nil).

Note 14: Financial instruments

Note 14A: Categories of Financial Instruments

	2017 $	2016 $
Financial assets		
Receivables		
Cash on hand or on deposit	**618,430**	1,003,744
Goods and services	**1,638,028**	1,113,438
Other receivables	**16,023**	17,872
Total receivables	**2,272,481**	2,135,054
Total financial assets	**2,272,481**	2,135,054

The net fair values of cash and cash equivalents and trade receivables approximates their carrying amounts.

Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	**257,110**	302,951
Total financial liabilities measured at amortised cost	**257,110**	302,951
Total financial liabilities	**257,110**	302,951

The net fair value of trade creditors and accruals approximates their carrying amounts.

Note 14B: Net gain or losses on financial assets/financial liabilities

There was no gain or losses from financial assets—loans and receivables—at amortised cost in the financial year ended 30 June 2017 (2016: nil).

Accounting Policy

Financial liabilities and financial assets that are not contractual (such as GST, created as a result of statutory requirements imposed by governments) are not financial instruments.

Receivables

Receivables consist of contractual receivables, such as debtors in relation to goods and services.

Payables

Payables consist of contractual payables, such as accounts payable and accruals.

Note 15: Fair value measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Accounting policy

AIFS engaged the service of the Australian Valuation Solutions (AVS) to conduct a detailed external valuation of all non-financial assets at 30 June 2016 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations carried out at least once every three years. AVS has provided written assurance to AIFS that the models developed are in compliance with AASB 13.

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

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 Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into account physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all Leasehold Improvement assets, the consumed economic benefit/asset obsolescence deduction is determined based on the term of the associated lease.

AIFS' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Note 15: Fair value measurements continued

15A: Fair value measurement

	Fair value measurements at the end of the reporting period		
	2017 $'000	2016 $'000	**Valuation technique(s) and inputs used**
Non-financial assets[2]			
Plant and equipment[1]	–	374,932	**Market approach:** This approach seeks to estimate the current value of an asset with reference to recent market transactions involving identical or comparable assets. **Inputs:** Prices and other relevant information generated by market transactions involving plant and equipment assets were considered.
Plant and equipment[1]	**683,541**	310,550	**Depreciated replacement cost:** The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. **Inputs:** Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Leasehold improvements[1]	**233,207**	394,950	**Depreciated replacement cost:** The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. **Inputs:** Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Total non-financial assets	**916,748**	1,080,432	

Notes:
1. No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2017 (2016: Nil).
2. AIFS' assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial assets is considered their highest and best use.

15B: Reconciliation for recurring Level 3 fair value measurements

	Non-financial assets					
	Leasehold improvements		Plant and equipment		Total	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
As at 1 July	**394,950**	376,672	**310,550**	679,502	**705,500**	1,056,174
Total gains/(losses) recognised in net cost of services[1]	**(167,613)**	–	**(223,628)**	–	**(391,241)**	–
Total gains/(losses) recognised in other comprehensive income[2]	**-**	28,288	**-**	(43,283)	**-**	(14,995)
Reclassifications	**-**	(10,010)	**-**	(5,450)	**-**	(15,460)
Purchases	**11,170**	–	**262,770**	–	**273,940**	–
Disposals	**(5,300)**	–	**(41,083)**	(938)	**(46,383)**	(938)
Transfers into Level 3[3]	**-**	–	**374,932**	–	**374,932**	–
Transfers out of Level 3	**-**	–	**-**	(319,281)	**-**	(319,281)
Total as at 30 June	**233,207**	394,950	**683,541**	310,550	**916,748**	705,500

Notes:
1. These gains/(losses) are presented in the Statement of Comprehensive Income under Depreciation and Amortisation and Write Down and Impairment of Assets.
2. These gains/(losses) are presented in the Statement of Comprehensive Income under Other Changes in Asset Revaluation Reserves.
3. There have been transfers into Level 3 during the year.