

**Part four:
Audited financial
statements**





The renamed Gandel Atrium features 1950s icons in this FJ Holden Special and Proper caravan, while Reko Rennie's *Bogong Moth* sculpture soars above.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications and the Arts

Opinion

In my opinion, the financial statements of the National Museum of Australia 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 National Museum of Australia as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the National Museum of Australia, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Accountable Authority, Chief Executive 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 note.

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 National Museum of Australia 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 National Museum of Australia, the Council Members are 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 Council Members are also responsible for such internal control as the Council Members determine are 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 Council Members are responsible for assessing the National Museum of Australia'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 Council Members are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Mr Rahul Tejani
Acting Executive Director
Delegate of the Auditor-General
Canberra
24 August 2018

STATEMENT BY THE ACCOUNTABLE AUTHORITY, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of *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 National Museum of Australia will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Council of the Museum.



David Jones
Chair
22 August 2018



Dr Mathew Trinca
Director
22 August 2018



Ian Campbell
Chief Financial Officer
22 August 2018

Statement of Comprehensive Income*for the period ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000 Restated	Original Budget 2018 \$'000
NET COST OF SERVICES				
Expenses				
Employee Benefits	1.1A	23,272	21,271	20,481
Suppliers	1.1B	19,390	19,920	19,952
Depreciation and amortisation	2.2A	8,281	8,693	8,924
Write-Down and Impairment of Assets		81	33	-
Losses from asset sales		5	64	-
Total expenses		51,029	49,981	49,357
Own-Source Income				
Own-source revenue				
Sale of Goods and Rendering of Services	1.2A	5,562	7,232	4,450
Interest	1.2B	1,065	1,275	1,289
Other Revenue	1.2C	3,260	1,501	975
Total own-source revenue		9,887	10,008	6,714
Gains				
Donated Assets	1.2D	226	235	-
Total gains		226	235	-
Total own-source income		10,113	10,243	6,714
Net cost of services		(40,916)	(39,738)	(42,643)
Revenue from Government	1.2E	43,044	39,375	41,444
Surplus/(Deficit) attributable to the Australian Government		2,128	(363)	(1,199)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Revaluation increments/(decrements)		5,766	(2,737)	-
Total other comprehensive income		5,766	(2,737)	-

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to the Overview section for details.

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

Budget Variances Commentary

The National Museum of Australia has a single Outcome that is reported in the Overview.

The original budget as presented in the 2017-18 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO) or the 2018-19 Budget.

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$300,000.

Employee Benefits	Higher level of staffing than estimated for the establishment of shared services and payment of voluntary redundancies
Sale of goods and rendering of services	Increased revenue from additional public programs and revenue from provision of shared services not included in budget estimates.
Other revenue	Other revenue includes donations, grant funding and other contributions not known when setting the budget.
Donated assets	Relates to donated objects for the National Historical Collection. These are not included in the budget due to their fluctuating nature from year to year.
Revenue from Government	The Government announced funding over three years for activities associated with commemorating Cook's Voyages in the 2018-19 Budget. Funding commenced from 2017-18.
Revaluation (decrements/increments)	Actual results include impact of non-financial asset revaluations conducted at year-end. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process.

Statement of Financial Position*as at 30 June 2018*

		2018	2017	Original Budget 2018
	Notes	\$'000	\$'000 Restated	\$'000
ASSETS				
Financial assets				
Cash and Cash Equivalents	2.1A	2,416	900	1,770
Trade and Other Receivables	2.1B	2,605	1,413	1,048
Held-to-Maturity Assets: Term Deposits		34,000	40,000	38,099
Total financial assets		39,021	42,313	40,917
Non-financial assets				
Land	2.2A	7,570	7,570	6,306
Buildings	2.2A	84,920	84,068	98,317
Heritage and cultural	2.2A	282,357	276,809	271,583
Plant and equipment	2.2A	58,588	56,014	58,478
Computer software	2.2A	2,378	1,277	1,693
Other intangibles	2.2A	4,425	1,629	1,398
Inventories		592	613	510
Prepayments		529	496	442
Total non-financial assets		441,359	428,476	438,727
Total assets		480,380	470,789	479,644
LIABILITIES				
Payables				
Suppliers	2.3A	1,333	2,239	809
Other Payables	2.3B	1,027	353	228
Total payables		2,360	2,592	1,037
Provisions				
Employee Provisions	3.1A	6,576	6,568	6,507
Total provisions		6,576	6,568	6,507
Total liabilities		8,936	9,160	7,544
Net assets		471,444	461,629	472,100
EQUITY				
Contributed equity		31,210	29,289	31,210
Reserves		178,708	172,942	183,662
Retained surplus		261,526	259,398	257,228
Total equity		471,444	461,629	472,100

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to the Overview section for details.

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

Budget Variances Commentary

The original budget as presented in the 2017-18 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO) or the 2018-19 Budget.

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$700,000.

Cash and cash equivalents	Variance is due to receipt of a significant donation at the end of the financial year.
Trade and other receivables	The Government announced funding for activities associated with the commemoration of Cook's voyages in the 2018-19 budget. The 2017-18 funding is recognised as a receivable.
Held-to-maturity assets	Cash used for capital expenditure on major refurbishment projects was higher than original estimates.
Land	Actual results include impact of non-financial asset revaluations conducted at year-end. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process.
Buildings	Actual results include impact of non-financial asset revaluations conducted at year-end. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process.
Other intangibles	Redevelopment of major intangible assets occurred earlier than originally planned and increases in digital assets created for exhibitions.
Other payables	Other payables includes unearned revenue which is unexpectedly higher than estimated with payments received for the provision of services related to exhibitions opening in the 2018-19 year.
Reserves	Actual results include impact of non-financial asset revaluations conducted at year-end. Revaluation movements are not included in the budget due to the variable nature of the inputs into the valuation process.

Statement of Changes in Equity*for the period ended 30 June 2018*

	2018	2017	Original Budget 2018
	\$'000	\$'000 Restated	\$'000
CONTRIBUTED EQUITY			
Opening balance	29,289	27,352	29,289
Contributions by owners			
Equity injection	1,921	1,937	1,921
Total transactions with owners	1,921	1,937	1,921
Closing balance as at 30 June	31,210	29,289	31,210
RETAINED SURPLUS			
Opening balance	259,398	259,761	258,427
Comprehensive income			
Supluse (deficit) for the period	2,128	(363)	(1,199)
Total comprehensive income	2,128	(363)	(1,199)
Closing balance as at 30 June	261,526	259,398	257,228
RESERVES			
Opening balance	172,942	175,679	183,662
Comprehensive income			
Revaluation increments (decrements)	5,766	(2,737)	-
Total comprehensive income	5,766	(2,737)	-
Closing balance as at 30 June	178,708	172,942	183,662
TOTAL EQUITY			
Opening balance	461,629	462,792	471,378
Comprehensive income			
Suprlus (deficit) for the period	2,128	(363)	(1,199)
Other comprehensive income	5,766	(2,737)	-
Total comprehensive income	7,894	(3,100)	(1,199)
Transactions with owners			
Contributions by owners			
Equity injection	1,921	1,937	1,921
Total transactions with owners	1,921	1,937	1,921
Closing balance as at 30 June	471,444	461,629	472,100

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to the Overview section for details.

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

Accounting Policy***Equity Injections***

Amounts appropriated which are designated as 'equity injections' for a year are recognised directly in contributed equity in that year.

Budget Variances Commentary

The original budget as presented in the 2017-18 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO).

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$200,000.

Retained Earnings - surplus for the period	Refer to variance explanations in the Statement of Comprehensive Income
Reserves - Revaluation increments	Refer to variance explanations in the Statement of Comprehensive Income

Cash Flow Statement*for the period ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000	Original Budget 2018 \$'000
OPERATING ACTIVITIES				
Cash received				
Receipts from Government		41,444	39,375	41,444
Sale of goods and rendering of services		6,440	7,035	4,299
Interest		1,246	1,085	1,289
GST received		3,129	2,494	2,913
Donations, sponsorships and grants		3,138	1,353	1,600
Total cash received		55,396	51,342	51,545
Cash used				
Employees		23,327	20,911	20,468
Suppliers		20,267	19,232	20,540
GST paid		3,042	2,643	2,913
Total cash used		46,636	42,786	43,921
Net cash from operating activities		8,760	8,556	7,624
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of property, plant and equipment		17	4	-
Term deposit redemptions		53,000	61,000	45,300
Total cash received		53,017	61,004	45,300
Cash used				
Purchase of property, plant, equipment and intangibles		15,182	12,363	10,998
Term deposit investments		47,000	60,000	43,949
Total cash used		62,182	72,363	54,947
Net cash from investing activities		(9,165)	(11,359)	(9,647)
FINANCING ACTIVITIES				
Cash received				
Equity injections		1,921	1,937	1,921
Total cash received		1,921	1,937	1,921
Net increase in cash held		1,516	(866)	(102)
Cash and cash equivalents at the beginning of the reporting period		900	1,766	4,299
Cash and cash equivalents at the end of the reporting period	2.1A	2,416	900	4,197

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

Budget Variances Commentary

The original budget as presented in the 2017-18 Portfolio Budget Statements (PBS) is provided for comparison of the final financial outcome in accordance with the Australian Accounting Standards. The budget is not audited and does not reflect changes to the budget announced by the Commonwealth Government in the Mid-Year Economic and Fiscal Outlook (MYEFO).

Explanation of major variances are provided below. Variances are considered major where the variance between budget and actual is greater than 10% and \$200,000.

Sale of goods and rendering of services	Increased revenue from additional public programs and revenue from provision of shared services not included in budget estimates.
Donations, sponsorships and grants	Other revenue includes donations, grant funding and other contributions not known when setting the budget.
Employees	Higher level of staffing than estimated for the establishment of shared services and payment of voluntary redundancies
Term deposit redemptions	Term deposits are redeemed at maturity. Term investments were over a shorter periods than estimated due to interest rates quoted and forecast cash requirements.
Purchase of property, plant, equipment and intangibles	Variance is due to increased costs for gallery refurbishment and infrastructure redevelopment and an increase in activities associated with digitising the National Historical Collection.

Overview

The Basis of Preparation

The financial statements of the National Museum of Australia (the Museum) are general purpose financial statements and are required by section 42 of the *Public Governance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; 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.

New Accounting Standards

All new, revised or amending standards or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period were adopted and did not have a material effect on the entity's financial statements.

Correction of an error

During the 2017-18 financial statement preparation process, an error was identified in the building revaluation. This dated back to 2014. As a consequence the 2017 comparative figures on the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes to the financial statements were misstated. The table below provides a summary of the adjustments made to the financial statements:

Impact on the statement of comprehensive income statement

	2017
Depreciation and amortisation	(90)
Surplus/(deficit) attributable to the Australian Government	90
Revaluation increment/(decrement)	(4,118)
Total other comprehensive income	(4,118)

Impact on the statement of financial position

Buildings	(11,841)
Net assets	(11,841)
Reserves	(12,101)
Retained surplus	260
Equity	(11,841)

Impact on the statement of changes in equity

Opening Retained Surplus	(170)
Opening Asset Revaluation Reserve	7,983

Taxation

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

Events After the Reporting Period

There are no events after the reporting period that will materially affect the financial statements.

Financial Performance

This section analyses the financial performance of the National Museum of Australia for the year ended 30 June 2018.

1.1 Expenses

	2018 \$'000	2017 \$'000
1.1A: Employee Benefits		
Wages and salaries	16,554	15,825
Superannuation		
Defined contribution plans	1,777	1,571
Defined benefit plans	1,814	1,859
Leave and other entitlements	2,244	2,016
Separation and redundancies	883	-
Total employee benefits	23,272	21,271

Accounting Policy

Accounting policies for employee related expenses are contained in the People and Relationships section.

1.1B: Suppliers

Goods and services supplied or rendered

Cost of goods sold	1,606	1,543
Travel	634	552
IT services and communications	1,457	1,394
Property services	6,695	6,969
Professional services	1,210	1,142
Exhibitions and collection management	1,828	1,841
Staff support services	975	786
Promotions and consumables	2,286	2,645
Remuneration to Australian National Audit Office for audit of the financial statements	57	59
Total goods and services supplied or rendered	16,748	16,931
Goods supplied	5,493	5,206
Services rendered	11,255	11,725
Total goods and services supplied or rendered	16,748	16,931

Other suppliers

Operating lease rentals	2,096	2,319
Workers compensation expenses	546	670
Total other suppliers	2,642	2,989
Total suppliers	19,390	19,920

Leasing commitments

The National Museum of Australia in its capacity as lessee has lease arrangements for office accommodation, warehouse facilities and motor vehicles. Accommodation and warehouse leases are subject to annual increases according to the terms of the lease agreement. Increases are based on movements in the Consumer Price Index or market reviews. Leases may be renewed up to five years at the Museum's discretion. Leases are expensed on a straight-line basis, representative of the pattern of benefits derived from the leased assets.

No contingent leases or purchase options exist for motor vehicle leases.

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

Within 1 year	983	2,720
Between 1 to 5 years	65	1,264
More than 5 years	-	-
Total operating lease commitments	1,048	3,984

Financial Performance

1.2 Own Source Revenue and gains

	2018	2017
	\$'000	\$'000

Own-Source Revenue

1.2A: Sale of Goods and Rendering of Services

Sale of goods	2,912	3,125
Rendering of services	2,650	4,107
Total sale of goods and rendering of services	5,562	7,232

Accounting Policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer; and
- the entity retains no managerial involvement or effective control over the goods.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The stage of completion is determined by reference to the services performed to date.

1.2B: Interest

Deposits	1,065	1,275
Total interest	1,065	1,275

Accounting Policy

Interest revenue is recognised using the effective interest rate method.

1.2C: Other Revenue

Donations	1,185	309
Sponsorships	122	148
Grants	1,953	1,044
Total other revenue	3,260	1,501

Accounting Policy

Cash received from donations is recognised as revenue on receipt.

Cash received through sponsorship arrangements is recognised as revenue when performance obligations are met.

Resources received free of charge through sponsorship arrangements are recognised as revenue when the resources are received, a fair value can be reliably determined and the Museum would have purchased the resources if they were not provided free of charge. Use of those resources is recognised as an expense.

Grants are assessed for revenue recognition in accordance with *AASB 118 Revenue* and *AASB 1004 Contributions*. Grants satisfying the criteria to be classified as reciprocal are recognised as revenue by reference to the requirements of the grant agreement. Grants not satisfying the criteria are recognised as revenue when cash is received.

Gains

1.2D: Donated Assets

Donated assets	226	235
Total other gains	226	235

Accounting Policy

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.

1.2E: Revenue from Government

Corporate Commonwealth entity payment item	43,044	39,375
Total revenue from Government	43,044	39,375

Accounting Policy

Funding received or receivable from the Department of Communications and the Arts is recognised as Revenue from Government by the Museum unless the funding is in the nature of an equity injection or a loan.

Financial Position

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

Employee related information is disclosed in the People and Relationships section.

2.1 Financial Assets

	2018	2017
	\$'000	\$'000
2.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	2,416	900
Total cash and cash equivalents	2,416	900

Accounting Policy

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

- 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.

2.1B: Trade and Other Receivables

Goods and services receivables

Goods and services	257	398
Total goods and services receivables	257	398

Other receivables

Interest	484	665
Net GST receivable from the Australian Taxation Office	264	350
Corporate Commonwealth entity payment	1,600	-
Total other receivables	2,348	1,015
Total trade and other receivables (net)	2,605	1,413

Credit terms for goods and services were within 30 days (2017: 30 days). No trade and other receivables were past due or impaired as at 30 June 2018 (2017: Nil).

Accounting Policy

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured and subsequently at amortised cost using the effective interest method less impairment.

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

Held-to-Maturity Assets

Held-to-maturity assets are initially recognised at fair value and subsequently at amortised costs using the effective interest rate method.

Impairment of Financial Assets

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

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

Financial Risk Management

Credit Risk

The Museum is exposed to minimal credit risk as the majority of financial assets are cash or term deposits held with financial institutions. The maximum exposure to credit risk is the risk that arises from potential default of a trade debtor.

The Museum has no significant exposures to any concentrations of credit risk and has policies and procedures which outline investment of surplus cash and debt recovery techniques.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Museum is exposed to interest rate risk primarily from held-to-maturity investments and manages this risk by analysing possible interest rate movements over the term of financial assets upon entering into the investment.

2.2 Non Financial Assets

2.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Land \$'000	Buildings \$'000	Heritage and cultural ¹ \$'000	Plant and equipment \$'000	Computer Software purchased \$'000	Other Intangibles \$'000	Total \$'000
As at 1 July 2017	7,570	84,068	276,809	56,014	2,306	3,412	430,179
Gross book value	-	-	-	-	(1,029)	(1,783)	(2,812)
Accumulated depreciation, amortisation and impairment	-	-	-	-	-	-	-
Total as at 1 July 2017	7,570	84,068	276,809	56,014	1,277	1,629	427,367
Additions							
Purchase	-	228	2,556	7,872	1,335	-	11,991
Internally developed	-	-	-	-	-	3,191	3,191
Donation/Gift	-	-	226	-	-	-	226
Revaluations and impairments recognised in other comprehensive income	-	1,834	3,932	-	-	-	5,766
Depreciation and amortisation	-	(1,210)	(1,166)	(5,276)	(234)	(395)	(8,281)
Disposals/Write-offs	-	-	-	-	-	-	-
Gross book	-	-	-	(137)	-	(1,583)	(1,720)
Accumulated depreciation, amortisation and impairment	-	-	-	115	-	1,583	1,698
Total as at 30 June 2018	7,570	84,920	282,357	58,588	2,378	4,425	440,238
Total as at 30 June 2018 represented by							
Gross book value	7,570	84,920	282,357	63,749	3,641	5,020	447,257
Accumulated	-	-	-	(5,161)	(1,263)	(595)	(7,019)
Total as at 30 June 2018	7,570	84,920	282,357	58,588	2,378	4,425	440,238

1. Land, buildings and other property, plant and equipment that meet the definition of a heritage and cultural item are disclosed in the heritage and cultural asset class.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated on the following page. On 30 June 2018, a management valuation was conducted for heritage and cultural assets and buildings.

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

The National Museum of Australia has contractual commitments primarily for the upgrade of public spaces, replacement of equipment and development of multimedia interactives. Capital commitments are payable as follows:

	2018 \$'000	2017 \$'000
Within 1 year	11,637	3,927
Between 1 to 5 years	514	7
More than 5 years	-	-
Total capital commitments	12,151	3,934

Financial Position

Accounting Policy

Property, plant and equipment

Property, plant and equipment 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.

Property, plant and equipment 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.

Asset Recognition Threshold

Purchases of property, plant and equipment costing less than \$2,000 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

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Museum 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:

Buildings on freehold land	100 years
Leasehold improvements	Lease term
Plant and Equipment	4-100 years
Heritage and Cultural assets	50-5,000 years

Impairment

All assets were assessed for impairment at 30 June 2018. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal 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 entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

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

Heritage and Cultural Assets

The Museum collects, manages and displays heritage and cultural assets of Australian history. The collection is held in trust for the nation.

A key objective of the Museum is preservation of the collection. Details in relation to the Museum's curatorial and preservation policies are posted on the Museum's website at:

www.nma.gov.au/about_us/ips/policies/collection_care_and_preservation_policy.

Financial Position

Accounting Judgements and Estimates

The fair value of land has been taken to be the market value as assessed by an independent valuer every three years.

The fair value of buildings, leasehold improvements and other property, plant and equipment has been taken to be the depreciated replacement cost as assessed by independent valuers every three years. A management revaluation occurs when there is evidence of significant variation to prices.

The fair value of heritage and cultural assets is based on market observations. The Museum's collections are diverse with many objects being iconic with limited markets for comparison. The Museum has made significant estimates in measuring the impact of providence to the value of collection objects. A sampling methodology is adopted for valuation with a sample of objects selected from each collection category. Values for the sample are determined by reference to art, antiques and collectable markets and an average value applied to the entire collection category. Independent valuations are conducted every three years by a valuer on the approved list of valuers for the Cultural Gift Program administered by the Ministry for the Arts. In the years between valuations, advice is received from the valuer of estimated movements in markets that may impact the value of the collections. A management revaluation occurs when there is evidence of a significant variation to prices.

Accounting Policy

Intangibles

The National Museum of Australia's intangibles comprise internally developed multimedia applications for internal use and digitising collections. Internally developed applications are carried at cost less accumulated amortisation and accumulated impairment losses. Digitised collections are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Museum's software are four to eight years (2017: 4 to 8 years).

All software assets were assessed for indications of impairment as at 30 June 2018.

Fair Value Measurement

Accounting Policy

The Museum procures valuation services from independent valuers. The valuers provide written assurance to the Museum that the valuation is in compliance with AASB 13.

The significant unobservable input used in the fair value measurement of the Museum's land is the adjustment made to sales evidence to reflect the difference between unrestricted crown leasehold land and assets held by the Public Sector which may be affected due to political, social and economic restraints because it is in a public use zone or considered an iconic property that would be difficult to sell.

The significant unobservable inputs used in the fair value measurement of the Museum's buildings, leasehold improvements and other property, plant and equipment are relevant industry indices.

The significant unobservable inputs used in the fair value measurement of the Museum's heritage and cultural assets are private sales of similar artwork, antiques and collectables and professional appraisals of similar items, taking into account the provenance of particular items held by the Museum.

Significant increases (decreases) in any of these inputs in isolation would result in a significantly higher (lower) fair value measurement.

Financial Position

2.3 Payables

	2018	2017
	\$'000	\$'000
<u>2.3A: Suppliers</u>		
Trade creditors and accruals	1,322	2,233
Operating lease rentals	11	6
Total suppliers	1,333	2,239

Settlement of trade creditors is usually made within 30 days.

Accounting Policy

Financial liabilities

The Museum's financial liabilities are trade and other creditors. Financial liabilities are initially recognised at fair value and subsequently at amortised cost. Financial liabilities are recognised and derecognised upon 'trade date'.

Liquidity Risk

Liquidity risk is the risk that the National Museum of Australia will not be able to meet its obligations as they fall due.

The exposure to liquidity risk is based on the probability that the Museum will encounter difficulty in meeting its obligations associated with financial liabilities. This risk is minimal due to appropriation funding and continuous monitoring of cash flows.

2.3B: Other Payables

Salaries and wages	203	272
Superannuation	32	26
Unearned income	792	55
Total other payables	1,027	353

People and Relationships

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

3.1 Employee Provisions

	2018	2017
	\$'000	\$'000
3.1A: Employee Provisions		
Leave	6,449	6,568
Separations and redundancies	127	-
Total employee provisions	6,576	6,568

Accounting policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period.

Leave

The liability for employee benefits includes provision for annual leave and long service 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 Museum's employer superannuation contribution rates, to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the short hand method as set out in Resource Management Guide 125, Commonwealth Entities Financial Statement Guide.

Superannuation

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

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 Museum makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Museum 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.

People and Relationships

3.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Museum, directly or indirectly. The Museum has determined the key management personnel to be Council members, the Director, Deputy Directors, the Chief Operating Officer and the Associate Director. Key management personnel remuneration is reported in the table below:

	2018	2017
	\$'000	\$'000
Short-term employee benefits	1,310	1,249
Post-employment benefits	195	182
Other long-term employee benefits	165	127
Termination benefits	-	-
Total key management personnel remuneration expenses¹	1,670	1,558

The total number of key management personnel included in the above table are five senior management personnel (2017: five) and eleven part-time Council members (2017: seven).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

3.3 Related Party Disclosures

Related party relationships:

The Museum is an Australian Government controlled entity. Related parties to the National Museum of Australia are the Key Management Personnel reported at 4.2, the Portfolio Minister and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include refund of taxation, superannuation payments, receipt of grants, purchase of goods and services and provision of general Museum services. Giving consideration to relationships with related entities and transactions entered into during the reporting period by the Museum, it has been determined that there are no related party transactions to be disclosed.

Other information

4.1 Assets Held in the National Museum of Australia Fund

4.1A: Assets Held in Trust

The National Museum of Australia Fund is set up under section 34 of the *National Museum of Australia Act 1980*, for the receipt of gifts and bequests (otherwise than on trust) of monies, or monies received from the disposal of property given, devised, bequeathed or assigned to the Museum. These monies are recognised as revenue and expenses in the Statement of Comprehensive Income.

	2018 \$'000	2017 \$'000
As at 1 July	309	330
Receipts	1,188	309
Payments	(100)	(330)
Total as at 30 June	1,397	309