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Department of Corporate and Information Services Financial Report

Financial Statement Overview

For the year ended 30 June 2019

Financial Performance (Comprehensive Operating Statement)

The financial performance of the Department of Corporate and Information Services (DCIS) is presented in two ways. Table 1 compares the department's performance with the final approved budget for DCIS and Table 2 compares the current year performance with the previous year. More details are provided in subsequent commentary and analysis in Tables 3 to 5. The impact of financing decisions and recognition of assets and liabilities is outlined in the financial position analysis at Table 6 and related commentary.

Table 1: 2018-19 Final Budget and Performance

	2018-19		
	Actual $000	Final Budget $000	Variation $000
Income	219 083	205 650	13 433
Expenses	209 851	213 274	3 423
Surplus/(deficit)	9 232	**(7 624)**	16 856
Other comprehensive income	-	-	-
Comprehensive result	**9 232**	**(7 624)**	**16 856**

DCIS' overall operating financial performance showed a surplus of $9.2 million compared with an expected final budgeted deficit of $7.6 million. The primary reasons for the surplus were the recognition of a one-off ICT income adjustment of $12.3 million relating to ICT licencing costs for the ICT clearing account and a timing change for the release of a $2.0 million grant payment for the remote telecommunications program, now occurring in the 2019-20 financial year.

Table 2: 2018-19 and 2017-18 Performance

	Actual $000		Variation $000
	2018-19	2017-18	
Income	219 083	204 714	14 369
Expenses	209 851	209 936	85
Surplus/(deficit)	**9 232**	**(5 222)**	**14 454**
Other comprehensive Income	-	-	-
Comprehensive result	**9 232**	**(5 222)**	**14 454**

DCIS overall operating financial performance showed a $9.2 million surplus for the current year compared with a $5.2 million deficit for the same period last year. The primary reason for the higher income was the one-off budget adjustment for the ICT income of $12.3 million in 2018-19.

Income

DCIS is funded through a combination of Northern Territory Government appropriation and goods and services income from GBDs and GOCs. DCIS services are billed under a charging model that is based on service usage, including notional charges applied to general agencies.

Table 3: Income by Category

	Output appropriation		Goods and services		Other income		Total	
Year	$000	%	$000	%	$000	%	$000	%
2018-19	141 233	64.5	76 176	34.8	1 674	0.7	219 083	100
2017-18	141 220	69.0	62 382	30.5	1 112	0.5	204 714	100

The primary increase in goods and services income is due to the one-off recognition of $12.3 million for ICT revenue. Other income increased due to the recovery of expenses undertaken on behalf of other agencies.

Expenses

DCIS expenses are primarily related to leased property management for government, employee costs and digital (information, communications and technology costs) reflecting DCIS' focus on its digital transformation initiatives.

Table 4: Expenses by Category

Year	Property		Employee		Digital		Operational		Grants		Total	
	$000	%	$000	%	$000	%	$000	%	$000	%	$000	%
2018-19	89 639	42.7	56 893	27.1	43 555	20.8	16 392	7.8	3 372	1.6	209 851	100
2017-18	87 570	41.8	55 872	26.6	46 565	22.2	14 722	7.0	5 207	2.5	209 936	100

The major expense increase was $2.1 million in property leasing due to the movement in the leased property portfolio reflecting additional agency and GBD requirements. Employee expenses increased in line with wages growth in accordance with the NTPS Enterprise Bargaining Agreement. Decrease in digital expenses is primarily due to the timing of ICT licencing payments. Grants expense was lower in 2018-19 due to the timing of delivery of a major telecommunications program.

2018-19 Expenses and Final Budget by Output

Expenses are reported in Budget Papers and to the Department of Treasury and Finance by outputs and output groups. DCIS' output groups include:

- Shared Services – provide reliable and efficient shared services that support government and enable agencies to focus on core business.
- Digital Government – provide digital initiatives, advice and controls that support government and agencies in advancing digital innovation to improve government services.
- Corporate and Governance – provide corporate and governance services that effectively and efficiently support the department and its government business divisions.

Table 5: 2018-19 Expenses and Final Budget by Output

	Actual $000	Final Budget $000	Variation $000
Shared services output group			
Finance services	23 358	23 963	605
Human resource services	29 940	30 835	895
Contract services	3 820	4 145	325
Information and communications technology services	34 560	35 089	529
Property leasing services	92 717	94 076	1 359
Shared services - total	**184 395**	**188 108**	**3 713**
Digital government output group			
Digital government	8 876	10 789	1 913
Project services	10 027	7 516	(2 511)
Digital government - total	**18 903**	**18 305**	**(598)**
Corporate and governance output group			
Corporate and governance	5 682	5 881	199
Shared services provided	871	980	109
Corporate and governance - total	**6 553**	**6 861**	**308**
Total	**209 851**	**213 274**	**3 423**

The primary output variations were:

- Human Resource Services – lower than expected expenditure across the output.
- Property Leasing Services – lower than anticipated rental increases due to lower CPI.
- Digital Government – timing for the release of grant payment for the remote telecommunications co-investment program.
- Project Services – changes to the classification of costs between operational and capital for enterprise digital projects.

Financial Position (Balance Sheet)

The Statement of Financial Position details the balances of the assets, liabilities and equity of the department at the end of the financial year. The table below compares the department's financial position as at 30 June 2019 with the position at 30 June 2018.

Table 6: 2018-19 and 2017-18 Financial Position

	2018-19 $000	2017-18 $000	Variation $000
Assets			
Current assets	79 826	51 607	28 219
Non-current assets	89 910	63 343	26 567
Total assets	**169 736**	**114 950**	**54 786**
Liabilities			
Current liabilities	23 412	24 022	610
Non-current liabilities	-	-	-
Total liabilities	**23 412**	**24 022**	**610**
Net assets	**146 324**	**90 928**	**55 396**
Equity	146 324	90 928	55 396
Total equity	**146 324**	**90 928**	**55 396**

DCIS' net asset position at the end of 2018-19 was $146.3 million, compared with the previous year's position of $90.9 million, an increase of $55.4 million.

This improvement is largely due to an increase in current assets and non-current assets. The current assets, primarily cash and deposits, increased as a result of the timing of expenditure for the major ICT projects that carried over from 2018-19 to 2019-20 and the one-off increase in ICT income. The increase in non-current assets primarily relate to property, plant and equipment purchases for major ICT projects.

DCIS' major assets at 30 June 2019 included:

Current Assets

- $64.9 million cash and deposits
- $3.9 million receivables (GST receivable, outstanding service fees and property leasing charges)
- $11.0 million prepayments (primarily related to the property leasing portfolio)

Non-Current Assets

- $89.9 million property, plant and equipment (including software, buildings and leasehold improvements).

DCIS' major current liabilities at 30 June 2019 included:

- $5.4 million deposits held in the Accountable Officer's Trust Account (AOTA) and clearing account
- $9.2 million payables and accrued expenses
- $8.8 million provisions for employee entitlements.

Certification of the Financial Statements

We certify that the attached financial statements for the Department of Corporate and Information Services have been prepared based on proper accounts and records in accordance with the prescribed format, the *Financial Management Act 1995* and Treasurer's Directions.

We further state that the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes to and forming part of the financial statements, presents fairly the financial performance and cash flows for the year ended 30 June 2019 and the financial position on that date.

At the time of signing, we are not aware of any circumstances that would render the particulars included in the financial statements misleading or inaccurate.

Kathleen Robinson
Chief Executive
30 August 2019

Rex Schoolmeester
Chief Financial Officer
30 August 2019

Comprehensive Operating Statement

For the year ended 30 June 2019

	Note	2019 $000	2018 $000
Income			
Appropriation			
Output		141 233	141 220
Sales of goods and services		76 176	62 382
Other income		1 674	1 112
Total income	3	**219 083**	**204 714**
Expenses			
Employee expenses		56 893	55 872
Administrative expenses			
Property management		89 639	87 570
Purchases of goods and services	5	53 033	54 804
Repairs and maintenance		135	229
Depreciation and amortisation	12, 20	6 780	6 235
Other administrative expenses		(1)	19
Grants and subsidies expenses			
Current		322	207
Capital		3 050	5 000
Total expenses	3	**209 851**	**209 936**
Net surplus/(deficit)		**9 232**	**(5 222)**
Comprehensive result		**9 232**	**(5 222)**

The Comprehensive Operating Statement is to be read in conjunction with the notes to the financial statements.

Balance Sheet

As at 30 June 2019

	Note	2019 $000	2018 $000
Assets			
Current assets			
Cash and deposits	7	64 943	39 302
Receivables	9	3 858	4 021
Prepayments	10	11 025	8 284
Total current assets		**79 826**	**51 607**
Non-current assets			
Property, plant and equipment	12, 20	89 910	63 343
Total non-current assets		**89 910**	**63 343**
Total assets		**169 736**	**114 950**
Liabilities			
Current liabilities			
Deposits held	17	5 394	8 322
Payables	14	9 217	6 978
Provisions	16	8 801	8 722
Total current liabilities		**23 412**	**24 022**
Total liabilities		**23 412**	**24 022**
Net assets		**146 324**	**90 928**
Equity			
Capital		137 142	90 977
Reserves	19	-	-
Accumulated funds		9 182	(49)
Total equity		**146 324**	**90 928**

The Balance Sheet is to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Equity at 1 July	Comprehensive result	Transactions with owners in their capacity as owners	Equity at 30 June
		$000	$000	$000	$000
2018-19					
Accumulated funds		(49)	9 232	-	9 182
Changes in accounting policy		-	-	-	-
Transfers from reserves		-	-	-	-
		(49)	**9 232**	**-**	**9 182**
Reserves					
Asset revaluation reserve	19	-	-	-	-
Asset realisation reserve		-	-	-	-
Capital – Transactions with owners					
Equity injections					
Capital appropriation		76 217	-	45 082	121 299
Equity transfers in		80 678	-	83	80 761
Other equity injections		14 343	-	1 000	15 343
Equity withdrawals					
Capital withdrawal		(34 060)	-	-	(34 060)
Equity transfers out		(46 201)	-	-	(46 201)
		90 977	**-**	**46 165**	**137 142**
Total equity at end of financial year		**90 928**	**9 232**	**46 165**	**146 324**
2017-18					
Accumulated funds		5 172	(5 222)	-	(49)
Changes in accounting policy		-	-	-	-
Transfers from reserves		-	-	-	-
		5 172	**(5 222)**	**-**	**(49)**
Reserves					
Asset revaluation reserve	19	-	-	-	-
Asset realisation reserve		-	-	-	-
Capital – Transactions with owners		81 408	-	-	81 408
Equity injections					
Capital appropriation		-	-	6 398	6 398
Equity transfers in		-	-	171	171
Other equity injections		-	-	3 000	3 000
Equity withdrawals		-	-	-	-
Capital withdrawal		-	-	-	-
Equity transfers out		-	-	-	-
		81 408	**-**	**9 569**	**90 977**
Total equity at end of financial year		**86 580**	**(5 222)**	**9 569**	**90 928**

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

Cash Flow Statement

For the year ended 30 June 2019

	Note	2019 $000	2018 $000
Cash flows from operating activities			
Operating receipts			
Appropriation			
Output		141 233	141 220
Commonwealth		-	-
Receipts from sales of goods and services		105 950	91 185
Interest received		-	-
Total operating receipts		**247 183**	**232 405**
Operating payments			
Payments to employees		(56 785)	(55 260)
Payments for goods and services		(171 274)	(168 951)
Grants and subsidies paid			
Current		(322)	(207)
Capital		(3 050)	(5 000)
Total operating payments		**(231 431)**	**(229 418)**
Net cash from/(used in) operating activities	8	**15 752**	**2 987**
Cash flows from investing activities			
Investing payments			
Purchases of assets		(33 264)	(23 485)
Total investing payments		**(33 264)**	**(23 485)**
Net cash from/(used in) investing activities		**(33 264)**	**(23 485)**
Cash flows from financing activities			
Financing receipts			
Proceeds of borrowings		-	-
Deposits received		(2 929)	3 592
Equity injections			
Capital appropriation		45 082	6 398
Other equity Injections		1 000	3 000
Total financing receipts		**43 153**	**12 990**
Financing payments			
Equity withdrawals		-	-
Total financing payments		**-**	**-**
Net cash from/(used in) financing activities		**43 153**	**12 990**
Net increase/(decrease) in cash held		25 641	(7 508)
Cash at beginning of financial year		39 302	46 811
Cash at end of financial year	7	**64 943**	**39 302**

The Cash Flow Statement is to be read in conjunction with the notes to the financial statements.

Index of notes to the Financial Statements

1. Objectives and Funding

The objective of the Department of Corporate and Information Services (DCIS) is to provide shared corporate and ICT services to support government agencies. This includes financial and human resource administration, contract services, property leasing services, management of government vehicle fleet, ICT network architecture and management, cyber security, outsourced contract management, central service coordination, corporate systems operation, ICT infrastructure, data management and enterprise project services, which incorporates delivery of all-of-government and enterprise solutions. The department also has a digital leadership role to support government and agencies in advancing digital initiatives through the Office of Digital Government. Digital governance covers digital strategy, digital policy, telecommunications policy and programs, ICT governance, data strategy, digital communications and cyber security strategy.

DCIS is predominantly funded by, and is dependent on, the receipt of Parliamentary appropriations. The financial statements encompass all funds through which DCIS controls resources to carry on its functions and deliver its outputs.

Note 3 provides summary financial information in the form of an Operating Statement by output group.

2. Statement of Significant Accounting Policies

a) Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the *Financial Management Act 1995* and related Treasurer's Directions. The *Financial Management Act 1995* requires DCIS to prepare financial statements for the year ended 30 June based on the form determined by the Treasurer. The form of DCIS financial statements should include:

(i) a Certification of the Financial Statements
(ii) a Comprehensive Operating Statement
(iii) a Balance Sheet
(iv) a Statement of Changes in Equity
(v) a Cash Flow Statement
(vi) applicable explanatory notes to the financial statements.

b) Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, which recognises the effect of financial transactions and events when they occur, rather than when cash is paid out or received. As part of the preparation of the financial statements, all intra-agency transactions and balances have been eliminated.

Except where stated, the financial statements have also been prepared in accordance with the historical cost convention.

The form of DCIS financial statements is also consistent with the requirements of Australian Accounting Standards. The effects of all relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period have been evaluated.

Standards and Interpretations Effective from 2018-19

AASB 9 Financial Instruments

DCIS applied AASB 9 for the first time in 2018-19. AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. DCIS has not restated the comparative information, which continues to be reported under AASB 139. Where applicable, differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Classification and Measurement

Financial instruments have been reclassified into one of three measurement bases – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of these instruments is based on the DCIS' business model for managing the financial assets and the contractual terms of the cash flows.

The classification and measurement requirements of AASB 9 did not have a significant impact to DCIS.

DCIS has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for DCIS' financial liabilities.

	AASB 9 Categories Balances at 1 July 2018				
	Balances at 30 June 2018	Fair value through profit or loss		Amortised cost	Fair value through OCI
		Mandatorily at fair value	Designated at fair value		
AASB 139 categories	**$000**	**$000**	**$000**	**$000**	**$000**
Loans and receivables					
Receivables	1 047	-	-	1 047	-
	1 047	-	-	**1 047**	-

Impairment

The adoption of AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss (ECL) approach, replacing AASB 139's incurred loss approach. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit or loss.

There has been no changes to impairment losses following the adoption of AASB 9.

Several other amending standards and AASB interpretations have been issued that apply to the current reporting periods, but are considered to have no impact on public sector reporting.

Standards and Interpretations Issued but Not Yet Effective

No Australian accounting standards have been early adopted for 2018-19.

On the date of authorisation of the financial statements, the following standards and interpretations were in issue but are not yet effective and are expected to have an impact on future reporting periods:

AASB 16 Leases

AASB 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019 and will be reported for the first time in the department's 2019-20 financial statements. When effective, the standard will supersede AASB 117 Leases and will require the majority of leases to be recognised on the balance sheet.

DCIS holds the NT Government's commercial property lease portfolio as a lessee and is significantly affected by the introduction of the AASB16 from 2019-20.

For lessees with operating leases, a right-of-use asset will be included in the balance sheet together with a lease liability for all leases with a term of 12 months or more, unless the underlying assets are of low value. From 2019-20, the Comprehensive Operating Statement will no longer report operating lease rental payments. Instead, amortisation expense will be recognised relating to the right-of-use asset and interest expense relating to the lease liability.

The right-of-use asset will be amortised generally on a straight-line basis while the lease liability will reduce to reflect lease payments made and increase to reflect the interest on the liability. Consistent with the methodology applied to other long term liabilities, the lease liability is discounted using the Territory Bond rates. As the lease term progresses, the carrying amount of the asset (cost less accumulated amortisation) is likely to reduce more quickly than the liability, resulting in a lower net asset in the earlier stages of the lease arrangement.

The modified retrospective approach has been elected to transition to the new lease standard. This approach does not require restatement of comparative years and the cumulative impact is accounted for as an equal adjustment to the right-of-use asset and lease liabilities, thus, having no impact on DCIS' net assets at initial adoption.

Consequently, it is expected that in 2019-20 approximately $471 million will be recognised in the balance sheet as a lease liability and corresponding right to use asset.

For lessors, the finance and operating lease distinction remains largely unchanged.

AASB 1058 Income for Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers

AASB 1058 Income for Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers are effective for annual reporting periods beginning on or after 1 January 2019 and will be reported for the first time in 2019-20 financial statements.

AASB 1058 clarifies and simplifies income-recognition requirements that apply to not-for-profit entities in conjunction with AASB 15.

Under AASB 15, revenue from agreements which are enforceable, have sufficiently specific performance obligations and transfer goods or services to the customer or third party beneficiary will be recognised when or as performance obligations are satisfied, and not immediately upon receipt as currently occurs. Consequently, more liabilities will be recognised in the balance sheet after adoption of this standard.

Where a transaction does not meet the criteria above or is classified as a donation transaction, revenue will be accounted for in accordance with AASB 1058.

The standard will not likely affect DCIS' liability (unearned revenue).

c) Reporting Entity

The financial statements cover the department as an individual reporting entity. DCIS is a Northern Territory department established under the *Interpretation Act 1978* and specified in the *Administrative Arrangements Order.*

The principal place of business of the department is: Level 9, Charles Darwin Centre, 19 The Mall, Darwin NT.

DCIS has no controlled entities.

d) DCIS and Territory Items

The financial statements of DCIS include income, expenses, assets, liabilities and equity over which DCIS has control (DCIS items). Certain items, while managed by DCIS, are controlled and recorded by the Territory rather than DCIS (Territory items). Territory items are recognised and recorded in the Central Holding Authority as discussed below.

Central Holding Authority

The Central Holding Authority is the 'parent body' that represents the government's ownership interest in government-controlled entities.

The Central Holding Authority also records all Territory items, such as income, expenses, assets and liabilities controlled by the government and managed by agencies on behalf of the government. The main Territory item is Territory income, which includes taxation and royalty revenue, Commonwealth general purpose funding (such as GST revenue), fines, and statutory fees and charges.

The Central Holding Authority also holds certain Territory assets not assigned to agencies as well as certain Territory liabilities that are not practical or effective to assign to individual agencies, such as unfunded superannuation and long service leave.

The Central Holding Authority recognises and records all Territory items, and as such, these items are not included in DCIS's financial statements. However, as DCIS is accountable for certain Territory items managed on behalf of government, these items have been separately disclosed in Note 26 – Schedule of Administered Territory Items.

e) Comparatives

Where necessary, comparative information for the 2017-18 financial year has been reclassified to provide consistency with current year disclosures.

f) Presentation and Rounding of Amounts

Amounts in the financial statements and notes to the financial statements are presented in Australian dollars and have been rounded to the nearest thousand dollars, with amounts of $500 or less being rounded down to zero. Figures in the financial statements and notes may not equate due to rounding.

g) Changes in Accounting Policies

There has been no changes in accounting policies adopted in 2018-19 as a result of management decisions.

h) Accounting Judgments and Estimates

The preparation of the financial report requires the making of judgments and estimates that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates that have significant effects on the financial statements are disclosed in the relevant notes to the financial statements.

i) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred on a purchase of goods and services is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable or payable unless otherwise specified.

j) Contributions by and Distributions to Government

DCIS may receive contributions from government where the government is acting as the owner of DCIS. Conversely, DCIS may make distributions to government. In accordance with the *Financial Management Act 1995* and Treasurer's Directions, certain types of contributions and distributions, including those relating to administrative restructures, have been designated as contributions by, and distributions to, government. These designated contributions and distributions are treated by DCIS as adjustments to equity.

The Statement of Changes in Equity provides additional information in relation to contributions by, and distributions to, government.

3. Comprehensive Operating Statement by Output Group

	Note	Shared services		Digital government		Corporate and governance		Total	
		2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Income									
Appropriation									
Output		125 237	125 319	10 610	10 515	5 386	5 386	141 233	141 220
Sales of goods and services		75 510	61 719	2	-	664	663	76 176	62 382
Other income		746	874	808	215	120	23	1 674	1 112
Total income		**201 493**	**187 912**	**11 420**	**10 730**	**6 170**	**6 072**	**219 083**	**204 714**
Expenses									
Employee expenses		44 832	47 272	6 642	3 678	5 419	4 923	56 893	55 873
Administrative expenses									
Property management		89 396	87 519	83	17	160	34	89 639	87 570
Purchases of goods and services	5	43 580	52 705	8 614	1 251	839	847	53 033	54 803
Repairs and maintenance		-	31	-	-	135	199	135	230
Depreciation and amortisation	12	6 588	6 235	192	-	-	-	6 780	6 235
Other administrative expenses	5	(1)	11	-	-	-	7	(1)	18
Grants and subsidies expenses									
Current		-	-	322	207	-	-	322	207
Capital		-	-	3 050	5 000	-	-	3 050	5 000
Total expenses		**184 395**	**193 773**	**18 903**	**10 153**	**6 553**	**6 010**	**209 851**	**209 936**
Net surplus / (deficit)		**17 098**	**(5 861)**	**(7 483)**	**577**	**(383)**	**62**	**9 232**	**(5 222)**
Other comprehensive income									
Items that will not be reclassified to net surplus/ deficit									
Changes in asset revaluation reserve		-	-	-	-	-	-	-	-
Total other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Comprehensive result		**17 098**	**(5 861)**	**(7 483)**	**577**	**(383)**	**62**	**9 232**	**(5 222)**

This Comprehensive Operating Statement by output group is to be read in conjunction with the notes to the financial statements

Income

Income encompasses both revenue and gains.

Income is recognised at the fair value of the consideration received, exclusive of the amount of GST. Exchanges of goods or services of the same nature and value without any cash consideration being exchanged are not recognised as income.

Grants and Other Contributions

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when DCIS obtains control over the assets comprising the contributions. Control is normally obtained upon receipt.

Contributions are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Appropriation

Output appropriation is the operating payment to each agency for the outputs they provide and is calculated as the net cost of DCIS outputs after taking into account funding from DCIS income. It does not include any allowance for major non-cash costs, such as depreciation.

Commonwealth appropriation follows from the Intergovernmental Agreement on Federal Financial Relations, resulting in Specific Purpose Payments (SPPs) and National Partnership (NP) payments being made by the Commonwealth Treasury to state treasuries, in a manner similar to arrangements for GST payments. These payments are received by the Department of Treasury and Finance on behalf of the Central Holding Authority and then passed on to the relevant agencies as Commonwealth appropriation.

Revenue in respect of appropriations is recognised in the period in which DCIS gains control of the funds.

Sale of Goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when:

- the significant risks and rewards of ownership of the goods have transferred to the buyer
- DCIS retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to DCIS
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

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

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to the entity.

4. Gain on Disposal of Assets

DCIS has no gain on disposal of assets in 2018-19 and 2017-18.

5. Purchases of Goods and Services

The net surplus/(deficit) has been arrived at after charging the following expenses:

	2019 $000	2018 $000
Goods and services expenses:		
Information technology charges	12 780	14 188
Information technology hardware and software	17 286	17 075
Telecommunications	1 039	1 356
Contractors and consultants [1]	16 043	18 270
Advertising [2]	112	-
Marketing and promotion [3]	191	164
Document production	99	133
Legal expenses [4]	262	77
Recruitment [5]	420	56
Training and study	635	647
Official duty fares	98	88
Travelling allowance	26	25
Other	4 042	2 725
Total[6]	**53 033**	**54 804**

[1] Includes IT contractors and consultants, marketing and promotion.

[2] Does not include recruitment advertising or marketing and promotion advertising.

[3] Includes advertising for marketing and promotion but excludes marketing and promotion consultants' expenses, which are incorporated in the contractors and consultants category.

[4] Includes legal fees, claim and settlement costs.

[5] Includes recruitment-related advertising costs.

[6] 2017-18 figures were adjusted from the published version to match the total purchase of goods and services reported in the Comprehensive Operating Statement.

Property Management Expense

Property management expenses primarily relates to whole of government commercial property leasing costs, including rent, cleaning and security.

Repairs and Maintenance Expense

Funding is received for repairs and maintenance works associated with DCIS assets as part of output appropriation. Costs associated with repairs and maintenance works on DCIS assets are expensed as incurred.

Interest Expense

Interest expenses include interest and finance lease charges. Interest expenses are expensed in the period in which they are incurred. Interest expense is anticipated in the 2019-20 financial year due to the adoption of AASB16.

6. Write-offs, Postponements, Waivers, Gifts and Ex-Gratia Payments

	Agency		Agency		Territory Items		Territory Items	
	2019 $000	No. of Trans.	2018 $000	No. of Trans.	2019 $000	No. of Trans.	2018 $000	No. of Trans.
Write-offs, Postponements and Waivers Under the *Financial Management Act 1995*	**15**	**2**						
Represented by:								
Amounts written off, postponed and waived by the Treasurer								
Irrecoverable amounts payable to the Territory or an agency written off	15	2	-	-	-	-	-	-
Losses or deficiencies of money written off	-	-	-	-	-	-	-	-
Public property written off	-	-	-	-	-	-	-	-
Waiver or postponement of right to receive or recover money or property	-	-	-	-	-	-	-	-
Total written off, postponed and waived by the Treasurer	**15**	**2**	**-**	**-**	**-**	**-**	**-**	**-**

7. Cash and Deposits

	2019 $000	2018 $000
Cash on hand	51	54
Cash at bank	64 892	39 248
	64 943	**39 302**

For the purposes of the Balance Sheet and the Cash Flow Statement, cash includes cash on hand, cash at bank and cash equivalents. Cash equivalents are highly liquid short-term investments that are readily convertible to cash. Cash at bank includes monies held in the Accountable Officer's Trust Account that are ultimately payable to the beneficial owner.

8. Cash Flow Reconciliation

a) Reconciliation of Cash

The total of DCIS' 'Cash and deposits' of $64.9 million recorded in the Balance Sheet is consistent with that recorded as 'Cash' in the Cash Flow Statement.

Reconciliation of Net Surplus/(Deficit) to Net Cash from Operating Activities

	2019 $000	2018 $000
Net surplus/(deficit)	**9 232**	**(5 222)**
Non-cash items:		
Depreciation and amortisation	6 780	6 235
Asset write-offs/write-downs	-	-
Asset donations/gifts	-	-
(Gain)/Loss on disposal of assets	-	-
Repairs and maintenance – minor new works (non-cash)	-	33
Changes in assets and liabilities:		
Decrease/(Increase) in receivables	163	104
Decrease/(Increase) in prepayments	(2 741)	158
Decrease/(Increase) in other assets	-	-
(Decrease)/Increase in payables	2 238	1 106
(Decrease)/Increase in provision for employee benefits	40	509
(Decrease)/Increase in other provisions	40	63
(Decrease)/Increase in other liabilities	-	-
Net cash from operating activities	**15 752**	**2 986**

b) Reconciliation of Liabilities Arising from Financing Activities

		Cash flows				Other		
	1 July	Deposits received	Appropriation	Equity injections/ withdrawals	Total cash flows	Other	Total other	30 June
2018-19	$000	$000	$000	$000	$000	$000	$000	$000
Deposits held	8 322	(2 929)	-	-	(2 929)	-	-	5 393
Provisions	-	-	-	-	-	-	-	-
Equity injections/ withdrawals	90 977	-	45 082	1 000	46 082	83	83	137 142
Total	**99 299**	**(2 929)**	**45 082**	**1 000**	**43 153**	**83**	**83**	**142 535**

2017-18	1 July $000	Cash flows: Deposits received $000	Appropriation $000	Equity injections/ withdrawals $000	Total cash flows $000	Other: Other $000	Total other $000	30 June $000
Deposits held	4 730	3 592	-	-	3 592	-	-	8 322
Provisions	-	-	-	-	-	-	-	-
Equity injections/ withdrawals	81 408	-	6 398	3 000	9 398	171	171	90 977
Total	**86 138**	**3 592**	**6 398**	**3 000**	**12 990**	**171**	**171**	**99 299**

c) Non-Cash Financing and Investing Activities

Finance lease transactions

DCIS has no finance lease commitments.

9. Receivables

	2019 $000	2018 $000
Current		
Accounts receivable	1 046	1 066
Less: Loss allowance	(3)	(19)
	1 043	**1 047**
Interest receivables	-	-
GST receivables	2 519	2 864
Other receivables	296	110
	2 815	**2 974**
Non-current		
Other receivables	-	-
	-	**-**
Total receivables	**3 858**	**4 021**

Receivables include accounts receivable and other receivables and are recognised at fair value less any loss allowance.

Accounts receivable and other receivables are generally settled within 30 days.

The loss allowance reflects lifetime expected credit losses and represents the amount of receivables DCIS estimates are likely to be uncollectible and are considered doubtful.

Credit Risk Exposure of Receivables

Receivables are monitored on an ongoing basis to ensure that exposure to bad debts is not significant. The entity applies the AASB 9 simplified approach to measuring expected credit losses. This approach recognises a loss allowance based on lifetime expected credit losses for all accounts receivables. To measure expected credit losses, receivables have been grouped based on shared risk characteristics and days past due.

The expected loss rates are based on historical observed loss rates, adjusted to reflect current and forward-looking information, including macroeconomic factors.

In accordance with the provisions of the FMA, receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes a failure to make contractual payments for a period greater than 182 days past due.

Credit risk for the comparative year is assessed under AASB 139 and is based on objective evidence of impairment.

The loss allowance for receivables as at the reporting date is disclosed below.

	2019				2018		
	Gross receivables $000	Loss rate %	Expected credit losses $000	Net receivables $000	Aging of receivables $000	Impairment allowance $000	Net receivables $000
Internal receivables							
Not overdue	974	-	-	974	913	-	913
Overdue for less than 30 days	1	-	-	1	6	-	6
Overdue for 30 to 60 days	-	-	-	-	-	-	-
Overdue for more than 60 days	-	-	-	-	-	-	-
Total internal receivables	**975**	**-**	**-**	**975**	**919**	**-**	**919**
External receivables							
Not overdue	-	-	-	-	33	-	33
Overdue for less than 30 days	-	-	-	-	24	-	24
Overdue for 30 to 60 days	1	-	-	1	-	-	-
Overdue for more than 60 days	70	3.8	3	67	90	19	71
Total internal receivables	**71**	**3.8**	**3**	**68**	**147**	**19**	**128**

Total amounts disclosed exclude statutory amounts.

Reconciliation of Loss Allowance for Receivables

	2019 $000	2018 $000
Internal receivables		
Opening balance	-	-
Adjustment on adoption of AASB 9	-	-
Adjusted opening balance	-	-
Written off during the year	-	-
Recovered during the year	-	-
Increase/decrease in allowance recognised in profit or loss	-	-
Total internal receivables	-	-
External receivables		
Opening balance	18	18
Adjustment on adoption of AASB 9	-	-
Adjusted opening balance	18	18
Written off during the year	(15)	-
Recovered during the year	-	-
Increase/decrease in allowance recognised in profit or loss	-	-
Total external receivables	**3**	**18**

Prepayments

Prepayments represent payments in advance of receipt of goods and services or that part of expenditure made in one accounting period covering a term extending beyond that period.

10. Prepayments

	2019 $000	2018 $000
Current assets		
Prepayments	11 025	8 284
Total prepayments	**11 025**	**8 284**

DCIS prepayments include software licenses and related software and hardware support services.

11. Advances and Investments

DCIS had no advances paid, equity accounted investments and investments in shares for the 2018-19 financial year.

12. Property, Plant and Equipment

	2019 $000	2018 $000
Plant and equipment		
At fair value	92 248	70 042
Less: Accumulated depreciation	(14 790)	(11 982)
	77 458	**58 060**
Computer software		
At cost	24 737	15 038
Less: Accumulated depreciation	(15 586)	(12 997)
	9 151	**2 041**
Computer hardware		
At cost	9 188	7 746
Less: Accumulated depreciation	(5 887)	(4 504)
	3 301	**3 242**
Total property, plant and equipment	**89 910**	**63 343**

2019 Property, Plant and Equipment Reconciliations

A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of 2018-19 is set out below:

	Plant and Equipment $000	Computer Software $000	Computer Hardware $000	Total $000
Carrying amount as at 1 July 2018	58 060	2 040	3 243	63 343
Additions	22 123	9 699	1 442	33 264
Disposals	-	-	-	-
Depreciation/amortisation	(2 808)	(2 588)	(1 384)	(6 780)
Additions/(disposals) from asset transfers	83	-	-	83
Revaluation increments/(decrements)	-	-	-	-
Impairment losses	-	-	-	-
Carrying Amount as at 30 June 2019	**77 458**	**9 151**	**3 301**	**89 910**

12. Property, Plant and Equipment (continued)

2018 Property, Plant and Equipment Reconciliations

A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of 2017-18 is set out below:

	Plant and Equipment $000	Computer Software $000	Computer Hardware $000	Total $000
Carrying amount as at 1 July 2017	39 515	3 364	3 077	45 956
Additions	21 395	438	1 789	23 622
Disposals	-	-	-	-
Depreciation/amortisation	(2 850)	(1 762)	(1 623)	(6 235)
Additions/(disposals) from asset transfers	-	-	-	-
Revaluation increments/(decrements)	-	-	-	-
Impairment losses	-	-	-	-
Carrying Amount as at 30 June 2018	**58 060**	**2 040**	**3 243**	**63 343**

Acquisitions

All items of property, plant and equipment with a cost, or other value, equal to or greater than $10 000 are recognised in the year of acquisition and depreciated as outlined below. Items of property, plant and equipment below the $10 000 threshold are expensed in the year of acquisition.

The construction cost of property, plant and equipment includes the cost of materials and direct labour, and an appropriate proportion of fixed and variable overheads.

Complex Assets

Major items of plant and equipment comprising a number of components that have different useful lives, are accounted for as separate assets. The components may be replaced during the useful life of the complex asset.

Subsequent Additional Costs

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to DCIS in future years. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and are separately depreciated over their expected useful lives.

Construction (Work in Progress)

As part of the financial management framework, the Department of Infrastructure, Planning and Logistics (DIPL) is responsible for managing general government capital works projects on an all-of-government basis. Therefore, appropriation for DCIS capital works is provided directly to DIPL and the cost of construction work in progress is recognised as an asset of DIPL. Once completed, capital works assets are transferred to DCIS.

Revaluations and Impairment

Revaluation of Assets

Subsequent to initial recognition, assets belonging to the following classes of non-current assets are revalued with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from their fair value at reporting date:

- infrastructure assets
- intangibles.

Plant and equipment assets are stated at historical cost less depreciation, which is deemed to equate to fair value.

Impairment of Assets

An asset is said to be impaired when the asset's carrying amount exceeds its recoverable amount.

Non-current physical and intangible DCIS assets are assessed for indicators of impairment on an annual basis or whenever there is indication of impairment. If an indicator of impairment exists, DCIS determines the asset's recoverable amount. The asset's recoverable amount is determined as the higher of the asset's current replacement cost and fair value less costs to sell. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Impairment losses are recognised in the Comprehensive Operating Statement. They are disclosed as an expense unless the asset is carried at a revalued amount. Where the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus for that class of asset to the extent that an available balance exists in the asset revaluation surplus.

In certain situations, an impairment loss may subsequently be reversed. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised in the Comprehensive Operating Statement as income, unless the asset is carried at a revalued amount, in which case the impairment reversal results in an increase in the asset revaluation surplus. Note 19 provides additional information in relation to the asset revaluation surplus.

DCIS' property, plant and equipment assets were assessed for impairment as at 30 June 2019. No impairment adjustments were required as a result of this review.

Depreciation and Amortisation Expense

Items of property, plant and equipment, including buildings but excluding land, have limited useful lives and are depreciated or amortised using the straight-line method over their estimated useful lives.

Amortisation applies in relation to intangible non-current assets with limited useful lives and is calculated and accounted for in a similar manner to depreciation.

The estimated useful lives for each class of asset are in accordance with the Treasurer's Directions and are determined as follows:

	2019	2018
Plant and equipment	10 years	10 years
Leased plant and equipment	5 years	5 years
Computer software – general (off the shelf)	2-5 years	2-5 years
Computer software - corporate systems	5-10 years	5-10 years
Computer hardware	3-6 years	3-6 years

Assets are depreciated or amortised from the date of acquisition or from the time an asset is completed and held ready for use.

13. Intangibles

DCIS had no intangible assets in 2018-19 and 2017-18.

Assets Held for Sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction or a grant agreement rather than continuing use. Assets held for sale consist of those assets that management has determined are available for immediate sale or granting in their present condition and their sale is highly probable within one year from the date of classification.

These assets are measured at the lower of the asset's carrying amount and fair value less costs to sell. These assets are not depreciated. Non-current assets held for sale have been recognised on the face of the financial statements as current assets.

Leased Assets

Leases under which DCIS assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Other leases are classified as operating leases.

Finance Leases

Finance leases are capitalised. A lease asset and lease liability equal to the lower of the fair value of the leased property and present value of the minimum lease payments, each determined at the inception of the lease, are recognised.

Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating Leases

Operating lease payments made at regular intervals throughout the term are expensed when the payments are due, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. Lease incentives under an operating lease of a building or office space are recognised as an integral part of the consideration for the use of the leased asset. Lease incentives should be recognised as a deduction of the lease expenses over the term of the lease. This treatment for operating leases will change in 2019-20 to comply with the new accounting standard AASB16. Please refer to note 2b.

14. Payables

	2019 $000	2018 $000
Accounts payable	5 092	2 212
Accrued expenses	4 125	4 766
Total payables	**9 217**	**6 978**

Liabilities for accounts payable and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to DCIS. Accounts payable are normally settled within 30 days.

15. Borrowings and Advances

DCIS had no borrowings and advances for the 2018-19 and 2017-18 financial year.

16. Provisions

	2019 $000	2018 $000
Current		
Employee benefits		
Recreation leave	6 736	6 760
Leave loading	954	885
Recreation leave airfares	99	105
Other current provisions		
Other provisions	1 012	972
	8 801	**8 722**
Non-current		
Employee benefits		
Recreation leave	-	-
Total provisions	**8 801**	**8 722**
Reconciliations of other provisions		
Balance as at 1 July	972	909
Additional provisions recognised	1 012	972
Reductions arising from payments	(972)	(909)
Balance as at 30 June	**1 012**	**972**

DCIS employed 561 employees as at 30 June 2019 (535 employees as at 30 June 2018).

Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and recreation leave. Liabilities arising in respect of wages and salaries, recreation leave and other employee benefit liabilities that fall due within twelve months of reporting date are classified as current liabilities and are measured at amounts expected to be paid. Non-current employee benefit liabilities that fall due after twelve months of the reporting date are measured at present value, calculated using the government long-term bond rate.

No provision is made for sick leave, which is non-vesting, as the anticipated pattern of future sick leave to be taken is less than the entitlement accruing in each reporting period.

Employee benefit expenses are recognised on a net basis in respect of the following categories:

- wages and salaries, non-monetary benefits, recreation leave, sick leave and other leave entitlements
- other types of employee benefits.

As part of the financial management framework, the Central Holding Authority assumes the long service leave liabilities of government agencies, including DCIS, and as such no long service leave liability is recognised in DCIS financial statements.

17. Other Liabilities

	2019 $000	2018 $000
Current		
Financial guarantee liability	-	-
Deposits held	5 394	8 322
	5 394	**8 322**
Non-Current		
Other liabilities	-	-
Total other liabilities	**5 394**	**8 322**

Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued where the total value being guaranteed is greater than $1 million.

DCIS had no financial guarantee contracts for 2018-19.

Superannuation

Employees' superannuation entitlements are provided through the:

- Northern Territory Government and Public Authorities Superannuation Scheme (NTGPASS)
- Commonwealth Superannuation Scheme (CSS)
- non-government employee-nominated schemes for those employees commencing on or after 10 August 1999.

DCIS makes superannuation contributions on behalf of its employees to the Central Holding Authority or non-government employee-nominated schemes. Superannuation liabilities related to government superannuation schemes are held by the Central Holding Authority and as such are not recognised in DCIS' financial statements.

18. Commitments

Disclosures in relation to capital and other commitments, including lease commitments. Commitments are those contracted as at 30 June where the amount of the future commitment can be reliably measured.

(i) Capital Expenditure Commitments

Capital expenditure commitments primarily related to the building of hardware / software (SerPro, CCSRP). Capital expenditure commitments contracted for at balance date but not recognised as liabilities are payable as follows:

	2019		2018	
	Internal $000	External $000	Internal $000	External $000
Within one year	-	3 899	-	-
Later than one year and not later than five years	-	19 587	-	-
Later than five years	-	-	-	-
	-	**23 486**	**-**	**-**

(ii) Operating Lease Commitments

Property

DCIS leases commercial property on behalf of government under non-cancellable operating leases expiring from 1 month to 25 years. Leases generally provide DCIS with a right of renewal at which time all lease terms are renegotiated.

DCIS also leases items of plant and equipment under non-cancellable operating leases. Future operating lease commitments not recognised as liabilities are payable as follows:

	2019		2018	
	Internal $000	External $000	Internal $000	External $000
Within one year	296	70 582	309	72 215
Later than one year and not later than five years	726	195 634	897	216 862
Later than five years	-	137 179	-	163 263
	1 022	**403 395**	**1 206**	**452 340**

The property commitment amounts will be changing in the 2019-20 financial year following the adoption of AASB16. Please refer to note 2b.

(iii) Other Expenditure Commitments

DCIS has no other expenditure commitments.

19. Reserves

Asset Revaluation Surplus

DCIS has no asset revaluation surplus in 2018-19 and 2017-18.

20. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

When measuring fair value, the valuation techniques used maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by DCIS include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgments that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Such inputs include internal agency adjustments to observable data to take account of particular and potentially unique characteristics/functionality of assets/liabilities and assessments of physical condition and remaining useful life.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy based on the inputs used:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities

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 – inputs are unobservable.

The fair value of financial instruments is determined on the following basis:

- the fair value of cash, deposits, receivables and payables approximates their carrying amount, which is also their amortised cost.

a) Fair Value Hierarchy

DCIS does not recognise any financial assets or liabilities at fair value as these are recognised at amortised cost. The carrying amounts of these financial assets and liabilities approximates their fair value.

The table below presents non-financial assets recognised at fair value in the balance sheet categorised by levels of inputs used to compute fair value.

	Level 1		Level 2		Level 3		Total fair value	
	2018-19 $000	2017-18 $000	2018-19 $000	2017-18 $000	2018-19 $000	2017-18 $000	2018-19 $000	2017-18 $000
Assets								
Plant and equipment, computer Hardware, computer software (Note 12)	-	-	-	-	89 910	63 343	89 910	63 343
Total assets	**-**	**-**	**-**	**-**	**89 910**	**63 343**	**89 910**	**63 343**

There were no transfers between Level 1 and Levels 2 or 3 during 2018-19.

b) Valuation Techniques and Inputs

Valuation techniques used to measure fair value in 2018-19 are:

	Level 2 techniques	Level 3 techniques
Asset classes		
Plant and equipment, computer hardware, computer software (Note 12)		Cost approach

There were no changes in valuation techniques from 2017-18 to 2018-19.

Plant and equipment are carried at cost less depreciation which is deemed to be closest to fair value.

c) Additional Information for Level 3 Fair Value Measurements

(i) Reconciliation of Recurring Level 3 Fair Value Measurements of Non-Financial Assets

	Plant and Equipment $000	Computer Software $000	Computer Hardware $000
2018-19			
Fair value as at 1 July 2018	58 060	2 040	3 243
Additions	22 123	9 699	1 442
Disposals	-	-	-
Transfers from level 2	-	-	-
Transfers to level 2	-	-	-
Depreciation/amortisation	(2 808)	(2 588)	(1 384)
Additions/(disposals) from asset transfers	83	-	-
Impairments	-	-	-
Gains/losses recognised in net surplus/(deficit)	-	-	-
Gains/losses recognised in other comprehensive income	-	-	-
Fair value as at 30 June 2019	**77 458**	**9 151**	**3 301**
2017-18			
Fair value as at 1 July 2017	39 515	3 364	3 077
Additions	21 395	438	1 789
Disposals	-	-	-
Transfers from level 2	-	-	-
Transfers to level 2	-	-	-
Depreciation/amortisation	(2 850)	(1 762)	(1 623)
Additions/(disposals) from asset transfers	-	-	-
Impairments	-	-	-
Gains/losses recognised in net surplus/(deficit)	-	-	-
Gains/losses recognised in other comprehensive income	-	-	-
Fair value as at 30 June 2018	**58 060**	**2 040**	**3 243**

(ii) Sensitivity Analysis

Unobservable inputs used in computing the fair value of assets include the historical cost and the consumed economic benefit for each asset. Given the large number of DCIS assets, it is not practical to compute a relevant summary measure for the unobservable inputs. In respect of sensitivity of fair value to changes in input value, a higher historical cost results in a higher fair value and greater consumption of economic benefit lowers fair value.

21. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognised on the Balance Sheet when DCIS becomes a party to the contractual provisions of the financial instrument. DCIS' financial instruments include cash and deposits payables.

Due to the nature of operating activities, certain financial assets and financial liabilities arise under statutory obligations rather than a contract. Such financial assets and liabilities do not meet the definition of financial instruments as per AASB 132 Financial Instruments Presentation. These include statutory receivables arising from taxes, including GST and penalties.

DCIS has limited exposure to financial risks as discussed below.

Exposure to interest rate risk, foreign exchange risk, credit risk, price risk and liquidity risk arise in the normal course of activities. NT Government's investments, loans and placements, and borrowings are predominantly managed through the Northern Territory Treasury Corporation (NTTC) adopting strategies to minimise the risk. Derivative financial arrangements are also utilised to manage financial risks inherent in the management of these financial instruments. These arrangements include swaps, forward interest rate agreements and other hedging instruments to manage fluctuations in interest or exchange rates.

a) Categories of Financial Instruments

The carrying amounts of DCIS financial assets and liabilities by category are disclosed in the table below.

2018-19 Categories of Financial Instruments

	Fair value through profit or loss		Amortised cost	Fair value through other comprehensive income	Total
	Mandatorily at fair value	Designated at fair value			
	$000	$000	$000	$000	$000
Cash and deposits	-	-	64 943	-	64 943
Receivables[1]	-	-	1 043	-	1 043
Total financial assets	-	-	**65 986**	**-**	**65 986**
Deposits held	-	-	5 394	-	5 394
Payables[1]	-	-	5 092	-	5 092
Total financial liabilities	**-**	**-**	**10 486**	**-**	**10 486**

[1]Total amounts disclosed exclude statutory amounts

2017-18 Categories of Financial Instruments

	Fair value through profit or loss		Held to maturity investments	Financial assets - loans and receivables	Financial assets - available for sale	Financial liabilities - amortised cost	Total
	Held for trading	Designated at fair value					
	$000	$000	$000	$000	$000	$000	
Cash and deposits	-	-	-	39 302	-	-	39 302
Receivables[1]	-	-	-	1 047	-	-	1 047
Total financial assets	-	-	-	**40 349**	-	-	**40 349**
Deposits held	-	-	-	-	-	8 322	8 322
Payables[1]	-	-	-	-	-	2 212	2 212
Total financial liabilities	-	-	-	-	-	**10 534**	**10 534**

[1]Total amounts disclosed exclude statutory amounts. Total amounts were adjusted from the published version to exclude accrued items which do not qualify as financial instruments.

Classification of Financial Instruments from 1 July 2018

From 1 July 2018, DCIS classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measure at amortised cost.

The classification depends on the DCIS' business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, DCIS has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

DCIS reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, DCIS measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Classification of Financial Instruments until 30 June 2018

DCIS has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with AASB 139.

Financial assets are classified into the following categories:

- financial assets at fair value through profit or loss
- held-to-maturity investments
- loans and receivables and
- available-for-sale financial assets.

Financial liabilities are classified into the following categories:

- financial liabilities at fair value through profit or loss (FVTPL) and
- financial liabilities at amortised cost.

Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (FVTPL)

Financial instruments are classified as at FVTPL when the instrument is either held for trading or is designated as at FVTPL. Financial instruments classified as at FVTPL are initially and subsequently measured at fair value. Gains or losses on these assets are recognised in the net result for the year.

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the entity has the positive intent and ability to hold to maturity. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those held for trading and available for sale. Loans and receivables exclude statutory receivables. Loans and receivables are measured initially at fair value and subsequently at amortised cost using the effective interest rate method less impairment.

Available-for-Sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as any of the three preceding categories. Available-for-sale financial assets are initially measured at fair value plus transaction costs and subsequently at fair value. Gains or losses are recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Comprehensive Operating Statement.

Financial Liabilities at Amortised Cost

Financial liabilities at amortised cost are measured including all advances received, finance lease liabilities and borrowings. Amortised cost is calculated using the effective interest method.

Derivatives

DCIS enters into a variety of derivative financial instruments to manage its exposure to interest rate risk. DCIS does not speculate on trading of derivatives.

Derivatives are initially recognised at fair value on the date a derivative contract is entered in to and are subsequently remeasured at their fair value at each reporting date. The resulting gain or loss is recognised in the comprehensive operating statement immediately unless the derivative is designated and qualifies as an effective hedging instrument, in which event, the timing of the recognition in the comprehensive operating statement depends on the nature of the hedge relationship. Application of hedge accounting will only be available where specific designation and effectiveness criteria are satisfied.

Netting of Swap Transactions

DCIS, from time to time, may facilitate certain structured finance arrangements, where a legally recognised right to set-off financial assets and liabilities exists, and the Territory intends to settle on a net basis. Where these arrangements occur, the revenues and expenses are offset and the net amount is recognised in the Comprehensive Operating Statement.

b) Credit Risk

DCIS has limited credit risk exposure (risk of default). In respect of any dealings with organisations external to government, DCIS has adopted a policy of only dealing with credit-worthy organisations and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents DCIS's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Credit risk relating to receivables is disclosed in note 9 and advances paid in note 11.

c) Liquidity Risk

Liquidity risk is the risk that DCIS will not be able to meet its financial obligations as they fall due. DCIS' approach to managing liquidity is to ensure that it will always have sufficient funds to meet its liabilities when they fall due. This is achieved by ensuring that minimum levels of cash are held in the DCIS bank account to meet various current employee and supplier liabilities. DCIS' exposure to liquidity risk is minimal. Cash injections are available from the Central Holding Authority in the event that one-off extraordinary expenditure items arise that deplete cash to levels that compromise the DCIS' ability to meet its financial obligations.

The following tables detail DCIS' remaining contractual maturity for its financial liabilities, calculated based on undiscounted cash flows at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the balance sheet which are based on discounted cash flows.

2019 Maturity Analysis for Financial Liabilities

	Carrying amount $000	Less than a year $000	1 to 5 years $000	More than 5 years $000	Total $000
Liabilities					
Deposits held	5 394	5 394	-	-	5 394
Payables	5 092	5 092	-	-	5 092
Total financial liabilities	**10 486**	**10 486**	**-**	**-**	**10 486**

2018 Maturity Analysis for Financial Liabilities

	Carrying amount $000	Less than a year $000	1 to 5 years $000	More than 5 years $000	Total $000
Liabilities					
Deposits held	8 322	8 322	-	-	8 322
Payables	2 212	2 212	-	-	2 212
Total financial liabilities	**10 534**	**10 534**	**-**	**-**	**10 534**

[1]Total amounts disclosed exclude statutory amounts. Total amounts were adjusted from the published version to exclude accrued items which do not qualify as financial instruments.

d) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It comprises interest rate risk, price risk and currency risk.

DCIS has relatively limited exposure to market risk.

(i) Interest Rate Risk

DCIS is not exposed to interest rate risk as financial assets and financial liabilities are non-interest bearing.

(ii) Price Risk

DCIS is not exposed to price risk as it does not hold units in unit trusts.

(iii) Currency Risk

DCIS is not exposed to currency risk as it does not hold borrowings denominated in foreign currencies or transactional currency exposures arising from purchases in a foreign currency.

22. Related parties

(i) Related Parties

DCIS is a government administrative entity and is wholly owned and controlled by the Northern Territory Government. Related parties of the department include:

- the Portfolio Minister and key management personnel (KMP) because they have authority and responsibility for planning, directing and controlling the activities of the department directly
- close family members of the portfolio minister or KMP including spouses, children and dependants
- all public sector entities that are controlled and consolidated into the whole of government financial statements
- any entities controlled or jointly controlled by KMPs or the Portfolio Minister or controlled or jointly controlled by their close family members.

(ii) Key Management Personnel (KMP)

KMP of DCIS are those persons having authority and responsibility for planning, directing and controlling the activities of DCIS. These include the Minister, the Chief Executive Officer and 11 members of the Executive Management Board of DCIS as listed on page 60.

(iii) Remuneration of KMP

The details below exclude the salaries and other benefits of the Minister as the Minister's remunerations and allowances are payable by the Department of the Legislative Assembly and disclosed within the Treasurer's Annual Financial Statements.

The aggregate compensation of KMP of DCIS is set out below:

	2018-19 $000	2017-18 $000
Short-term benefits	2 923	2 681
Post-employment benefits	316	312
Long-term benefits	-	-
Termination benefits	-	-
Total	**3 239**	**2 993**

(iv) Related Party Transactions:

Transactions with Northern Territory Government Controlled Entities

DCIS' primary ongoing source of funding is received from the Central Holding Authority in the form of output and capital appropriation.

The following table provides quantitative information about related party transactions entered into during the year with other Northern Territory Government controlled entities.

2019 Related party	Revenue from related parties $000	Payments to related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
All NTG agencies	119 179	19 247	567	1 924

2018 Related party	Revenue from related parties $000	Payments to related parties $000	Amounts owed by related parties $000	Amounts owed to related parties $000
All NTG agencies	128 079	21 016	811	2 424

The department's transactions with other government entities are not individually significant.

Other Related Party Transactions:

Given the breadth and depth of Northern Territory Government activities, related parties will transact with the Northern Territory Public Sector in a manner consistent with other members of the public including paying stamp duty and other government fees and charges and therefore these transactions have not been disclosed. All other related party transactions in excess of $10,000 have been provided in the table below.

2019 Transaction type	Transaction value for year ended 30 June 2019 $000	Net receivable/(payable) as at 30 June 2019 $000	Commitments as at 30 June 2019 $000
Purchases of goods	14	-	7

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current year for bad or doubtful debts in respect of the amounts owed by related parties.

2018 Transaction type	Transaction value for year ended 30 June 2018 $000	Net receivable/(payable) as at 30 June 2018 $000	Commitments as at 30 June 2018 $000
Purchases of goods	14	-	7

23. Contingent Liabilities and Contingent Assets

DCIS had no material contingent liabilities or contingent assets in 2018-19 and 2017-18.

24. Events Subsequent to Balance Date

No events have arisen between the end of the financial year and the date of this report that require adjustment to, or disclosure in these financial statements.

25. Accountable Officer's Trust Account

In accordance with section 7 of the *Financial Management Act 1995*, an Accountable Officer's Trust Account has been established for the receipt of money to be held in trust. A summary of activity is shown below:

Nature of trust money	Opening balance 1 July 2018	Receipts	Payments	Closing balance 30 June 2019
Retention money	Nil	-	-	**Nil**
Bond money	-	-	-	-
Security deposits	-	-	-	-
Unclaimed money	-	-	-	-
	Nil	-	-	**Nil**

26. Schedule of Administered Territory Items

The following Territory items are managed by DCIS on behalf of the government and are recorded in the Central Holding Authority (refer Note 2(d)).

	2019 $000	2018 $000
Territory income and expenses		
Income		
Other income	-	112
Total income	**-**	**112**
Expenses		
Central Holding Authority income transferred	-	112
Total expenses	-	**112**
Territory income less expenses	**-**	-

27. Budgetary Information

Comprehensive Operating Statement	2018-19 Actual $000	2018-19 Original Budget $000	Variance $000	Note
Income				
Appropriation				
Output	141 233	145 719	(4 486)	1
Commonwealth	-	-	-	
Sales of goods and services	76 176	61 054	15 122	2
Other income	1 674	70	1 604	3
Total income	**219 083**	**206 843**	**12 240**	
Expenses				
Employee expenses	56 893	57 784	891	
Administrative expenses				
Purchases of goods and services	142 672	143 331	659	
Repairs and maintenance	135	290	155	
Depreciation and amortisation	6 780	7 157	377	
Other administrative expenses	(1)	-	1	
Grants and subsidies expenses				
Current	322	218	(104)	
Capital	3 050	4 550	1 500	4
Total expenses	**209 851**	**213 330**	**3 479**	
Net surplus/(deficit)	**9 232**	**(6 487)**	**15 719**	
Other comprehensive income				
Items that will not be reclassified to net surplus/deficit				
Changes in asset revaluation surplus	-	-	-	
Total other comprehensive income	-	-	-	
	-	-	-	
Comprehensive result	**9 232**	**(6 487)**	**15 719**	

Notes:

This comparison is different from the Comprehensive Operating Statement presented in the financial statement overview at the front of this report. This note reflects the original budget, whilst the overview section references the final budget which incorporates approved budget adjustments during the year.

1. Increased leased property requirements from agencies $2.1 million; minor IT projects $0.3 million; offset by transfer between years to align project delivery timeframes for major ICT projects -$4.0 million (Chan Data Centre $2.4 million, CCSRP $0.9 million, CMSA $0.7 million), parameter reduction for property leasing -$2.5 million and NT Agency Voluntary Redundancy budget savings -$0.4 million.
2. Recognition of a one-off ICT income adjustment relating to a change in the accounting policy for ICT licencing costs $12.3 million, increased demand for ICT infrastructure services $2.1 million and increased demand for shared services $0.7 million.
3. One-off cost recovery for projects undertaken on behalf of agencies $1.6 million.
4. Carryover from 2017-18 to 2018-19 for the Tiwi Islands Optic Fibre Connection project $0.5 million, offset by carryover of grant funding for the Remote Telecommunications Co-Investment Program with Telstra from 2018-19 to 2019-20 -$2.0 million.

Balance Sheet

	2018-19 Actual $000	2018-19 Original Budget $000	Variance $000	Note
Assets				
Current assets				
Cash and deposits	64 943	18 472	46 471	1
Receivables	3 858	4 127	(269)	
Prepayments	11 025	8 443	2 582	2
Total current assets	**79 826**	**31 042**	**48 784**	
Non-current assets				
Property, plant and equipment	89 910	161 260	(71 350)	3
Total non-current assets	**89 910**	**161 260**	**(71 350)**	
Total Assets	**169 736**	**192 302**	**(22 566)**	
Liabilities				
Current liabilities				
Deposits held	5 394	4 734	(660)	
Payables	9 217	5 871	(3 346)	4
Provisions	8 801	8 151	(650)	
Total current liabilities	**23 412**	**18 756**	**(4 656)**	
Total liabilities	**23 412**	**18 756**	**(4 656)**	
Net assets	**146 324**	**173 546**	**(27 222)**	
Equity				
Capital	137 142	189 969	(52 827)	
Reserves	-	-	-	
Accumulated funds	9 182	(16 423)	25 605	
Total equity	**146 324**	**173 546**	**(27 222)**	

Notes:

This comparison is different from the Balance Sheet presented in the financial statement overview at the front of this report. This note reflects the original budget and the overview section references the final budget which incorporates approved budget adjustments during the year.

Further, the original published budget figure has not been adjusted to reflect the actual opening balances as at 1 July 2018.

1. Opening balance adjustment of $20.8 million plus the net increase in cash from the Cashflow Statement of $25.6 million.
2. Opening balance adjustment of $0.1 million plus the net increase in prepayments of $2.7 million primarily relating to ICT licensing.
3. Opening balance adjustment of -$98.0 million plus purchases of assets $33.2 million, offset by depreciation $6.6 million.
4. Opening balance adjustment of $1.1 million plus an increase in creditors of $2.2 million primarily as a result of increased ICT projects.

Cash Flow Statement

	2018-19 Actual $000	2018-19 Original Budget $000	Variance $000	Note
Cash flows from operating activities				
Operating receipts				
Appropriation				
Output	141 233	145 719	(4 486)	1
Receipts from sales of goods and services	105 950	61 124	44 826	2
Interest received	-	-	-	
Total operating receipts	**247 183**	**206 843**	**40 340**	
Operating payments				
Payments to employees	56 785	57 784	(999)	
Payments for goods and services	171 274	143 621	(27 653)	3
Grants and subsidies paid				
Current	322	218	(104)	
Capital	3 050	4 550	1 500	4
Total operating payments	**231 431**	**206 173**	**(25 258)**	
Net cash from/(used in) operating activities	**15 752**	**670**	**15 082**	
Cash flows from investing activities				
Investing payments				
Purchases of assets	33 264	103 341	70 077	5
Advances and investing payments	-	-	-	
Total investing payments	**33 264**	**103 341**	**70 077**	
Net cash from/(used in) investing activities	**(33 264)**	**(103 341)**	**70 077**	
Cash flows from financing activities				
Financing receipts				
Deposits received	(2 929)	-	(2 929)	6
Equity injections				
Capital appropriation	45 082	97 975	(52 893)	7
Commonwealth appropriation	-	-	-	
Other equity injections	1 000	1 000	-	
Total financing receipts	**43 153**	**98 975**	**(55 822)**	
Net cash from/(used in) financing activities	**43 153**	**98 975**	**(55 822)**	
Net increase/(decrease) in cash held	25 641	(3 696)	29 337	
Cash at beginning of financial year	39 302	22 168	17 134	
Cash at end of financial year	**64 943**	**18 472**	**46 471**	

Notes:

1. Increased leased property requirements from agencies $2.1 million; minor IT projects $0.3 million; offset by transfer between years to align project delivery timeframes for major ICT projects -$4.0 million (Chan Data Centre $2.4 million, CCSRP $0.9 million, CMSA $0.7 million), parameter reduction for property leasing -$2.5 million and NT Agency Voluntary Redundancy budget savings -$0.4 million.
2. GST receipts $22.3 million and Commonwealth paid parental leave $5.8 million not budgeted, recognition of a one-off ICT income adjustment relating to a change in the accounting policy for ICT licencing costs $12.3 million, increased demand for ICT infrastructure services $2.1 million, increased demand for shared services $0.7 million and one-off revenue for projects undertaken on behalf of agencies $1.6 million.
3. GST payment of $22.6 million, Commonwealth paid parental leave $5.8 million not budgeted and decrease in expenditure -$0.7 million.
4. Carryover from 2017-18 to 2018-19 for the Tiwi Islands Optic Fibre Connection project $0.5 million, offset by carryover of grant funding for the Remote Telecommunications Co-Investment Program with Telstra from 2018-19 to 2019-20 -$2.0 million.
5. Transfer of costs for major ICT projects from 2018-19 to 2019-20: CCSRP $50.8 million, SerPro $14.9 million, CMSA $4.5 million, Identity Management System $2.1 million, offset by e-Medication $1.7 million and New GDC $0.5 million.
6. Reduction in the ICT clearing account balance of $2.9 million.
7. Timing changes for the delivery of major ICT projects: CCSRP $35.1 million, SerPro $13.9 million, CMSA $4.1 million and Identity Management System $ 1.2 million offset by Chan Data Relocation -$1.4 million