We manage our finances and assets responsibly to support our work against serious and organised crime.

Chapter 4 Financial performance

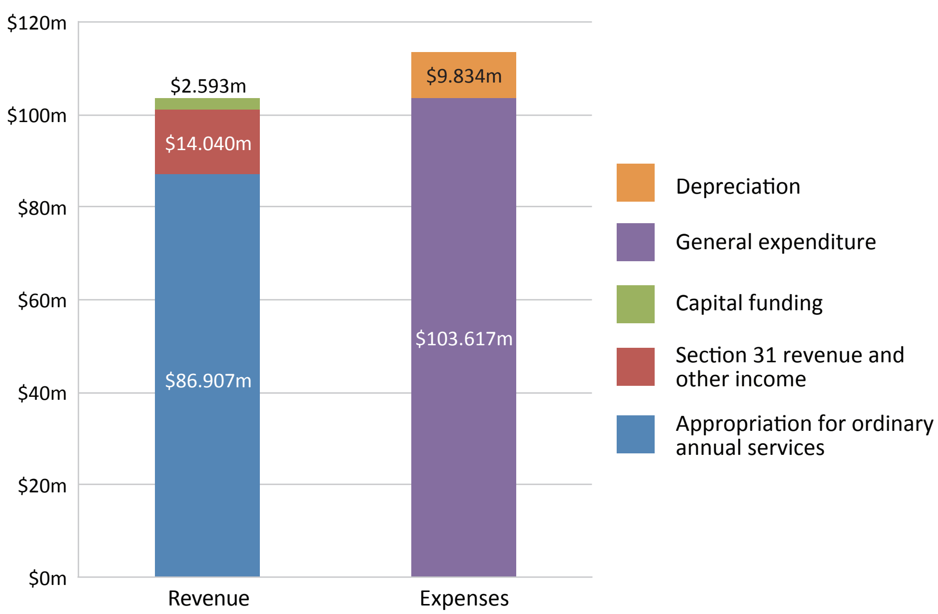
Overview of our financial performance

The ACC's financial result for 2015-16 was a deficit of $9.911 million. Excluding unfunded depreciation and revenue received to fund capital items the ACC realised a deficit of $2.670 million for the financial year. The ACC had received prior approval from the Minister for Finance to incur a loss of $3.545 million.

The ACC received an unmodified audit opinion from the Australian National Audit Office.

During 2015–16 there were no instances of significant non-compliance with the finance law.

Revenue and expenditure analysis 2015–16



The major components of the actual deficit primarily relate to:

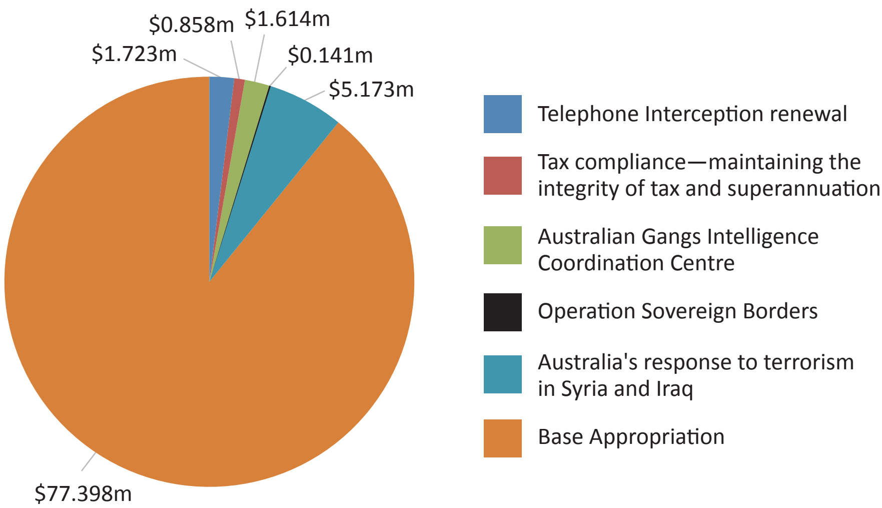
- the recognition of an onerous contract provision required following the relocation of the Canberra Headquarters ($2.100 million); and
- the impact of non-cash accounting adjustment relating to the revaluation of leave entitlements ($0.370 million).

Appropriation for 2015–16

The ACC’s total appropriation for 2015–16 was $92.230 million, which included $86.907 million operating budget, $2.673 million Departmental Capital Budget and $2.650 million equity injection.

A breakdown of operating appropriation for 2015–16 is provided in the following chart.

Operating appropriation 2015–16

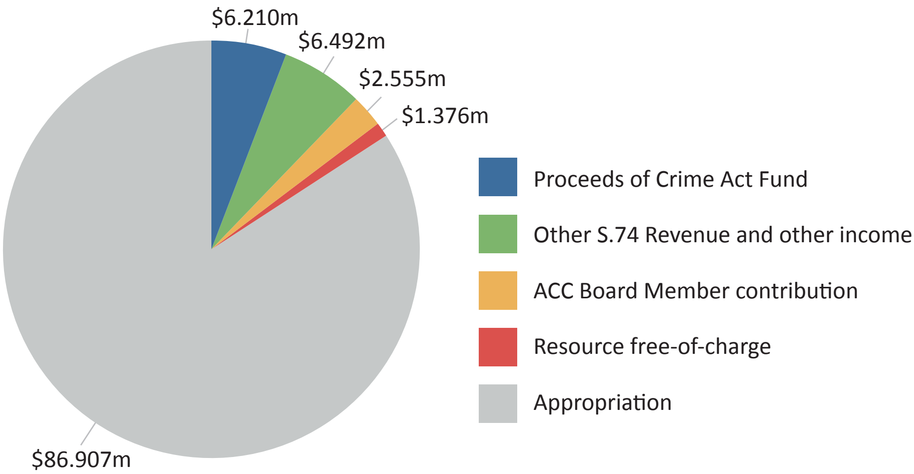


The tied funding included:

- $1.723 million to ensure a continued capability to intercept communications to reduce the incidence and impact of serious and organised crime—this program is being conducted jointly with the Australian Federal Police and the Australian Security Intelligence Organisation
- $5.173 million to contribute to the whole-of-government effort to counter the threat of foreign fighters and Islamist extremism
- $0.858 million to generate intelligence targeting unexplained wealth for the Australian Taxation Office
- $1.614 million funding for the Australian Gangs Intelligence Coordination Centre
- $0.141 million to support Operation Sovereign Borders.

Revenue for 2015–16 included $86.907 million appropriation (which includes the tied funding listed above) and $16.633 million in own source revenue. Own source revenue includes $6.210 million received from the Proceeds of Crime Trust Account, $6.492 million from provision of services, $2.555 million from inter-governmental agreements, and $1.376 million in resources received free-of-charge. All own source revenue is received from Commonwealth state and territory agencies and reflects their continuing contribution in managing nationally significant crime.

Revenue 2015–16



The ACC's internal controls that ensure compliance with our financial responsibilities include:

- senior management involvement in budget development, allocation and monitoring
- internal and external reporting, including financial information to the ACC Board on the overall agency position and monthly reporting to the Department of Finance
- full engagement with the ACC Audit Committee
- periodic review of the Accountable Authority Instructions to ensure compliance with the *Public Governance Performance and Accountability Act 2013*
- audit by the Australian National Audit Office and the ACC's Internal Audit Team
- online financial delegation training for staff
- National Manager endorsement to identify breaches of financial management practices under the *Public Governance Performance and Accountability Act 2013* and to provide assurance to the Accountable Authority and Chief Financial Officer
- centralised administration of procurement, property leases, assets, travel, credit cards, fleet vehicles, mobile phones and laptops.

Agency Resource Statement 2015–16

	Actual available appropriations for 2015–16 $'000	Payments made 2015–16 $'000	Balance remaining $'000
	(a)	(b)	(a–b)
Ordinary annual services Departmental appropriation			
Prior year departmental appropriation (incl. S.74 Relevant agency receipts)	32.574	32.574	0
Departmental appropriation (including Departmental Capital Budget)	89.580	63.640[1]	25.940
S.74 Relevant agency receipts	26.547[1]	22.119	4.428
Total ordinary annual services	**148.701**	**118.333**	**30.368**
Other services Departmental non-operating			
Equity injections[2]	2.650	732	1.918
Total other services	**2.650**	**732**	1.918
Total resourcing and payments	151.351	119.065	32.286

1. The S.74 Relevant agency receipts and the payments from departmental appropriation are not adjusted for GST.
2. The equity injection funded for counter terrorism and national security was $2.650 million, of which $1.918 million will be re-phased to future years, subject to Finance Minister's approval.

Expenditure and staffing by outcome

Outcome 1: Reduced serious and organised crime threats of most harm to Australians and the national interest including through providing the ability to discover, understand and respond to such threats.	Budget 2015–16 $'000	Actual expenses 2015–16 $'000	Variation $'000
Outcome 1:[1]			
Departmental expenses			
Departmental appropriation (Act 1)	94,297	102,241	(7,944)
Expenses not requiring appropriation in the budget year	10,361	11,210	(849)
Total Departmental expenses	104,658	113,451	(8,793)
Total expenses for Outcome 1	**104,658**	**113,451**	**(8,793)**

	Budget 2015–16	Actual 2015–16	
Average staffing level (number)	**518**	**555**	

1. The ACC is structured to meet the one outcome with one program.

The ACC's increase in actual average staffing level compared to budget reflects the Machinery of Government of 8 October 2015 that transferred the employees of the Australian Institute of Criminology to the ACC, as well some minor increases relating to new measures.

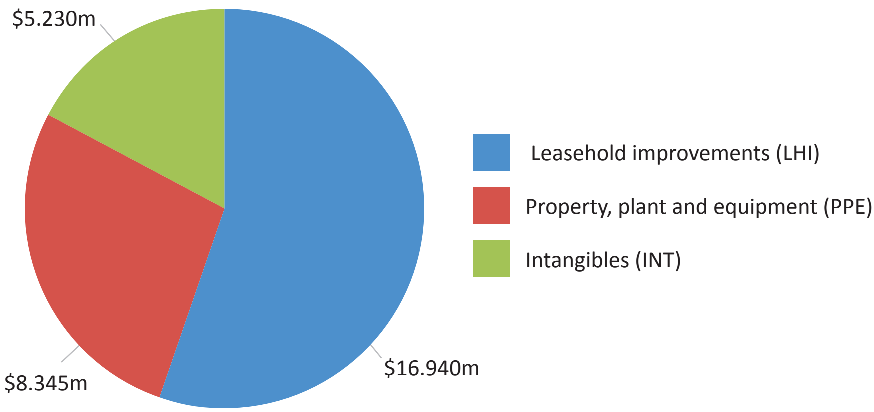
Asset management

During 2015–16 we engaged the Australian Valuation Service Office (AVSO) to undertake a desktop assessment to determine whether assets book value materially changed since the revaluation of leasehold improvements and property, plant and equipment last financial year. It is currently ACC policy to undertake a full revaluation every three years and a desktop assessment each year in between.

Our asset mix at the end of 2015–16 comprised:

- $16.940 million—leasehold improvements
- $8.345 million—property, plant and equipment (includes assets under construction)
- $5.230 million—intangibles (includes assets under construction).

Fixed assets 2015–16



Property

We have ACC offices in each capital city to support delivery of our national service. Our national property and accommodation strategy supports a clear and unified ACC culture and identity through a common look and feel to our offices, while also incorporating state-specific requirements. The strategy also aims to define in advance the requirements for each property location and to take advantage of positioning and favourable property market conditions where they exist. This year the ACC co-located with the Australian Institute of Criminology at a new National Headquarters in Barton. The new fitout provided energy and space management efficiencies as well as productivity savings associated with being in close proximity to partner agencies. In addition, the new office services our agency's specialist operational requirements in the ACT.

We commenced work on the merger and co-location with CrimTrac at the Barton headquarters and also began early conceptual planning for future requirements at the Melbourne office.

We continue to monitor our property performance nationally with a view of minimising our property footprint and taking advantage of efficiency initiatives, including shared opportunities.

Purchasing

Our approach to procuring property and services, including consultancies, is consistent with the Commonwealth Procurement Rules. The Commonwealth Procurement Rules are applied to activities through the Accountable Authority Instructions and supporting operational policies and procedures, which are reviewed for consistency with the Commonwealth Procurement Framework. The procurement framework reflects the core principle governing Australian Government procurement—value for money. Our policies and procedures also focus on:

- encouraging competitive, non-discriminatory procurement processes
- efficient, effective economical and ethical use of resources
- accountability and transparency.

During 2015–16 we continued to participate in whole-of-government coordinated procurement initiatives and used clustering and piggybacking opportunities to lower tendering costs and provide savings through economies of scale.

Consultants

During 2015–16, the ACC entered into three new consultancy contracts, involving total actual expenditure of $0.037 million (inc. GST). In addition, four ongoing consultancy contracts were active during 2015–16, which involved consultancy expenditure of $0.102 million (inc. GST), taking the total consultancy expense to $0.149 million (inc. GST).

Consultants are typically engaged to investigate or diagnose a defined issue or problem, carry out defined reviews or evaluations, or provide independent advice, information or creative solutions to assist in the ACC's decision-making. Prior to engaging consultants, we take into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise.

We make decisions to engage a consultant in accordance with the *Public Governance, Performance and Accountability Act 2013* and related regulations including the Commonwealth Procurement Rules and relevant internal policies.

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

Access clauses

During the reporting period we did not enter any contracts of $100,000 or more that excluded provision for access by the Auditor-General.

Exempt contracts

During the reporting period we did not publish the details of three contracts with a total value of $6.916 million (inc. GST) on AusTender. These contracts were not published due to the ACC's exemption under section 105D of the *Public Governance Performance and Accountability Act 2013*.

Procurement initiatives to support small business

The ACC supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SMEs) and Small Enterprise participation statistics are available on the Department of Finance's website: <*www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/*>.

The ACC recognises the importance of ensuring that small businesses are paid on time. We support the use of SMEs through various means including the use of template contracts for both low risk and higher risk procurements and compliance with the Government's Supplier Pay on Time or Pay Interest Policy.

Advertising and market research

During 2015–16 we did not undertake any advertising campaigns. More information on advertising and market research can be found in Appendix E (see page 230).

Grants and sponsorships

Information on grants awarded by the ACC during the period 1 July 2015 to 30 June 2016 is available at <*www.acic.gov.au/about-us/governance*>.

Audited financial statements

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Justice

I have audited the accompanying annual financial statements of the Australian Crime Commission for the year ended 30 June 2016, which comprise:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements.

Opinion

In my opinion, the financial statements of the Australian Crime Commission:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Australian Crime Commission as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The Chief Executive Officer of the Australian Crime Commmission is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Chief Executive Officer is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Australian National Audit Office

Peter Kerr
Executive Director
Delegate of the Auditor-General
Canberra
13 September 2016

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*, and are based on properly maintained financial records as per subsection 41(2) of the *PGPA Act*.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian Criminal Intelligence Commission (formerly the Australian Crime Commission) will be able to pay its debts as and when they fall due.

Signed……………………..

Chris Dawson, APM
Chief Executive Officer

13 September 2016

Signed…………………

Yvette Whittaker
Chief Financial Officer

13 September 2016

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

	Notes	2016 $'000	Budget 2016 $'000	2015 $'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	**64,879**	61,716	65,228
Suppliers	1.1B	**33,468**	28,925	31,174
Depreciation and amortisation	2.2A	**9,834**	8,361	6,888
Finance costs—unwinding of discount	2.4B	**49**	-	74
Write-down and impairment of property, plant and equipment	2.2A	**1,137**	-	19
Services provided by State, Territory and Other Commonwealth Agencies	1.1C	**4,084**	5,656	5,061
Total expenses		**113,451**	104,658	108,444
Own-Source Income				
Own-source revenue				
Rendering of services		**15,215**	7,258	7,074
Other revenue	1.2A	**1,418**	-	1,717
Total own-source revenue		**16,633**	7,258	8,791
Gains				
Gains from sale of assets		**-**	2,000	-
Total gains		**-**	2,000	-
Total own-source income		**16,633**	9,258	8,791
Net cost of services		**(96,818)**	(95,400)	(99,653)
Revenue from Government—Departmental Appropriations		**86,907**	88,149	93,358
Deficit attributable to the Australian Government		**(9,911)**	(7,251)	(6,295)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserves—leasehold improvements and property, plant and equipment		**-**	-	2,544
Changes in asset revaluation reserves—provision for restoration obligations		**(34)**	-	61
Total other comprehensive income		**(34)**	-	2,605
Total comprehensive loss attributable to the Australian Government		**(9,945)**	(7,251)	(3,690)

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

Budget to actual variance commentary: refer Note 6 for major variance explanations.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Notes	2016 $'000	Budget 2016 $'000	2015 $'000
ASSETS				
Financial assets				
Cash and cash equivalents		**1,398**	1,317	740
Trade and other receivables	2.1A	**36,629**	28,892	33,903
Total financial assets		**38,027**	30,209	34,643
Non-financial assets				
Leasehold improvements	2.2A	**16,940**	6,640	10,020
Property, plant and equipment	2.2A	**8,345**	6,186	7,613
Intangibles	2.2A	**5,230**	4,887	5,771
Prepayments	2.2D	**1,903**	2,046	1,915
Total non-financial assets		**32,418**	19,759	25,319
Total assets		**70,445**	49,968	59,962
LIABILITIES				
Payables				
Suppliers	2.3A	**7,033**	3,098	6,689
Other payables	2.3B	**19,717**	3,162	7,258
Total payables		**26,750**	6,260	13,947
Interest Bearing Liabilities				
Leases		**-**	5,375	-
Total interest bearing liabilities		**-**	5,375	-
Provisions				
Employee leave provisions	4.1A	**19,025**	16,563	18,307
Provision for restoration obligations	2.4B	**2,168**	1,457	2,085
Provision for onerous lease obligations	2.4A	**1,501**	-	-
Total provisions		**22,694**	18,020	20,392
Total liabilities		**49,444**	29,655	34,339
Net assets		**21,001**	20,313	25,623
EQUITY				
Contributed equity		**38,414**	38,414	33,091
Reserves		**8,444**	5,873	8,478
Accumulated deficit		**(25,857)**	(23,974)	(15,946)
Total equity		**21,001**	20,313	25,623

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

Budget to actual variance commentary: refer Note 6 for major variance explanations.

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2016

	Retained earnings			Asset revaluation surplus			Contributed equity/capital			Total equity		
		Budget			Budget			Budget			Budget	
	2016	2016	2015	**2016**	2016	2015	**2016**	2016	2015	**2016**	2016	2015
	$'000	$'000	$'000	**$'000**	$'000	$'000	**$'000**	$'000	$'000	**$'000**	$'000	$'000
Balance carried forward from previous period	**(15,946)**	(16,723)	(9,651)	**8,478**	5,873	5,873	**33,091**	33,091	28,079	**25,623**	22,241	24,301
Opening balance	**(15,946)**	(16,723)	(9,651)	**8,478**	5,873	5,873	**33,091**	33,091	28,079	**25,623**	22,241	24,301
Comprehensive income												
Deficit for the period	**(9,911)**	(7,251)	(6,295)	**-**	-	-	**-**	-	-	**(9,911)**	(7,251)	(6,295)
Other comprehensive income	**-**	-	-	**(34)**	-	2,605	**-**	-	-	**(34)**	-	2,605
Total comprehensive income	**(9,911)**	(7,251)	(6,295)	**(34)**	-	2,605	**-**	-	-	**(9,945)**	(7,251)	(3,690)
Transactions with owners												
Contributions by owners												
Equity injection—Appropriations[1]	**-**	-	-	**-**	-	-	**2,650**	2,650	3,422	**2,650**	2,650	3,422
Departmental capital budget[1]	**-**	-	-	**-**	-	-	**2,673**	2,673	4,812	**2,673**	2,673	4,812
Transfers to owners												
Section 51 reduction—Appropriations Act (No 4)—2014–15[1]	**-**	-	-	**-**	-	-	**-**	-	(3,222)	**-**	-	(3,222)
Total transactions with owners	**-**	-	-	**-**	-	-	**5,323**	5,323	5,012	**5,323**	5,323	5,012
Closing balance as at 30 June	**(25,857)**	(23,974)	(15,946)	**8,444**	5,873	8,478	**38,414**	38,414	33,091	**21,001**	20,313	25,623

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

Budget variances commentary: refer note 6 for major variance explanations.

1. Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in transactions with owners in that year.

CASH FLOW STATEMENT
for the period ended 30 June 2016

	Notes	2016 $'000	Budget 2016 $'000	2015 $'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		**91,599**	93,831	90,838
Rendering of services		**15,437**	6,148	7,538
Net GST received		**2,938**	-	3,045
Total cash received		**109,974**	99,979	101,421
Cash used				
Employees		**64,159**	64,146	63,708
Suppliers		**35,249**	30,659	31,403
Section 74 receipts transferred to Official Public Account		**4,428**	-	1,443
Other		**2,708**	3,656	3,468
Total cash used		**106,544**	98,461	100,022
Net cash from operating activities	3.2	**3,430**	1,518	1,399
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		**5,641**	6,841	6,664
Purchase of intangibles		**2,454**	-	324
Total cash used		**8,095**	6,841	6,988
Net cash used by investing activities		**(8,095)**	(6,841)	(6,988)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		**5,323**	5,323	5,012
Total cash received		**5,323**	5,323	5,012
Net cash from financing activities		**5,323**	5,323	5,012
Net increase in cash held		**658**	**-**	(577)
Cash and cash equivalents at the beginning of the reporting period		**740**	1,317	1,317
Cash and cash equivalents at the end of the reporting period		**1,398**	1,317	740

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

Budget to actual variance commentary: refer Note 6 for major variance explanations.

Overview

1. Objectives of the Australian Crime Commission (ACC)

The ACC is Australia's national criminal intelligence agency with specialist investigative capabilities. The ACC's objective is to reduce serious organised crime threats of most harm to Australians and the national interest by working across national boundaries to provide Australia with the ability to discover, understand and respond to nationally relevant serious and organised crime. The ACC does this by proactively discovering new and emerging threats, bringing together its specialist capabilities to fill intelligence gaps and to create innovative ways to prevent and disrupt serious and organised crime activity.

CrimTrac and the ACC merged to form the Australian Criminal Intelligence Commission (ACIC) on 1 July 2016. The purpose of the ACIC is to strengthen the national ability to respond to crime and criminal justice issues impacting Australia. The agency, through its investigative, research and information delivery services, works with law enforcement partners to improve the ability to stop criminals exploiting emerging opportunities and perceived gaps in law enforcement information.

It was the Government's policy that from 1 July 2016 the ACC, including its functions, assets, liabilities and commitments be merged into the ACIC. This has resulted in the ACC continuing to exist but in a different form.

2. Basis of preparation of the financial statements

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

The Minister for Finance and the Minister for Justice entered into an agreement that applies under another instrument (Division 4) of the PGPA rule. The agreement concerns the provision of annual financial statements by the ACC and states that the ACC will prepare its financial statements in accordance with the modified provision S105D (42) (5) of the PGPA rule.

The financial statements have been prepared in accordance with:

a) Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2015; and
b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

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

3. New Australian accounting standards

Adoption of New Australian Accounting Standards Requirement for 2015–16 financial year
During the 2015–16 financial year several accounting standards and interpretations were issued prior to the signing of the financial statements by the Accountable Authority and Chief Financial Officer but none had any material effect and are not expected to have a future material effect on the ACC's financial statements.

Future Australian Accounting Standards Requirements
During the 2015–16 financial year several accounting standards and interpretations were issued or amended by the Australian Accounting Standards Board which are effective for future reporting periods, future standards and interpretation that are expected to have material impact on the ACIC's future financial statements are listed below.

Accounting Standard	Year of application	Impact on the ACIC's financial statements
AASB 124 Related Parties	Applies from 1 July 2016	The ACIC will apply AASB 124 *Related Party Disclosures* in 2016–17. This standard requires the disclosure of significant transactions with related parties. Related parties include key managers of the ACIC, relevant ministers, and other Government entities.
AASB 15 Revenue from Contracts with Customers	Applies from 1 July 2018	The ACIC expects to apply AASB 15 *Revenue from Contracts with Customers* in 2018–19. The standard requires revenue from such contracts to be recognised as the entity transfers identifiable good and services to the customer.
AASB 16 Leases	Applies from 1 July 2019	The ACIC expects to apply AASB 16 *Leases* from 2019–20. This standard will require the net present value of payments under most operating leases to be recognised as assets and liabilities. Currently the ACIC has about $55 in lease commitments.

Accounting policy and significant accounting judgements and estimates

Accounting policy and significant accounting judgement and estimate that is related to a specific financial statement disclosure is detailed under the corresponding note that forms part of the financial statements. Accounting policies and significant accounting judgements and estimates that are not reflected in the notes that form part of the financial statements are disclosed below.

4. Revenue

The ACC receives revenue from parliamentary appropriations and inter-governmental arrangements. Parliamentary appropriations are classified as revenue from government. Revenue from intergovernmental agreements is classified as own-source revenue.

Own-source revenue
Revenue from inter-governmental agreements is recognised as own-source revenue from Commonwealth, State and Territory.

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

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

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

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

Revenue from Government
Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the ACC gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Sale of Assets
Revenue from disposal of assets is recognised when control of the asset has passed to the buyer.

5. Transactions with the government as owner

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

6. Cash and cash equivalent

Cash is recognised at its nominal amount. Cash and cash equivalents include:
a) cash on hand; and
b) cash held in bank accounts.

7. Taxation

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

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

8. Events after the reporting period

On 1 July 2016, the functions of the Australian Crime Commission and CrimTrac were merged into a single agency, the Australian Criminal Intelligence Commission (ACIC).

The Australian Government is still considering whether the Australian Institute of Criminology (AIC) should be merged with the ACIC, but a final decision has not been made. In the interim, the ACIC and AIC will continue to exist and operate as separate entities, while working together on expanding existing relationships.

9. Contingent assets and liabilities

The ACC did not have any quantifiable contingencies to report for the financial year 2015–16. However at 30 June 2016, the ACC had a number of legal matters pending that may eventuate in costs being awarded to or against the ACC. It was not possible to quantify the amounts of any eventual receipts or payments that may eventuate in relation to these claims.

Note 1.1: Expenses

	2016 $'000	2015 $'000
Note 1.1A: Employee Benefits		
Wages and salaries	**46,820**	46,470
Superannuation[3]		
Defined contribution plans	**4,957**	4,588
Defined benefit plans	**4,134**	4,096
Leave and other entitlements[1]	**8,633**	8,833
Separation and redundancies[2]	**335**	1,241
Total employee benefits	**64,879**	65,228

Accounting Policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

1. Leave
The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Agency is estimated to be less than the annual entitlement for sick leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the ACC'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 Financial Reporting Rule 32 using the short-hand method. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Significant Accounting Judgements and Estimates
In the process of applying the accounting policies listed in this note, the ACC has made assumptions or estimates in measuring the staff leave provisions that have the most significant impact on the amounts recorded in the financial statements.
Leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

2. Separation and Redundancy
Provision is made for separation and redundancy benefit payments. The ACC recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

3. Superannuation
The majority of the ACC staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). A small number of staff are members of employee nominated superannuation funds, as allowed under the ACC's enterprise agreement. The CSS and PSS are defined benefit schemes for the Australian Government.
The PSSap and other employee nominated superannuation funds are defined contribution schemes. 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 ACC makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government.
The ACC accounts for the contributions as if they were contributions to defined contribution plans. The liability for superannuation recognised as at 30 June 2016 represents outstanding contributions for the final fortnight of the year.

Note 1.1: Expenses (continued)

	2016 $'000	2015 $'000
Note 1.1B: Suppliers		
Goods and services		
Consultants and contractors	**3,379**	2,194
Operational expenses	**1,871**	1,834
Staff development and training	**1,403**	1,434
Motor vehicle expenses	**172**	169
Office expenses	**820**	857
Communication	**3,052**	3,151
Legal expenses	**639**	1,566
Travel	**3,640**	3,128
Property and security expenses	**3,309**	3,431
IT support and maintenance	**3,925**	3,624
Other	**337**	436
Total goods and services	**22,547**	21,824
Other suppliers		
Operating lease rentals		
Minimum lease payments	**9,796**	8,353
Workers compensation expenses	**1,125**	997
Total other suppliers	**10,921**	9,350
Total suppliers	**33,468**	31,174
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	**7,169**	6,859
Between 1 to 5 years	**30,582**	23,891
More than 5 years	**18,488**	14,593
Total operating lease commitments[1]	**56,239**	45,343

1. Total operating lease commitments excludes GST.

Accounting Policy

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased asset.

The ACC leases office accommodation, motor vehicles and other equipment under operating lease agreements.

- Lease payments for office accommodation are subject to terms as detailed in the lease agreements.
- No contingent rentals exist for motor vehicle & other equipments leases and there were no renewal or purchase options available to the ACC.

Note 1.1C: Services provided by State, Territory and other Commonwealth Agencies

	2016 $'000	2015 $'000
Paid services	**2,708**	3,468
Services provided free of charge		
Police services	**1,279**	1,498
Remuneration of auditors	**97**	95
Total Services provided by State, Territory and other Commonwealth Agencies	**4,084**	5,061

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Note 1.2: Own-source Income

	2016 $'000	2015 $'000
Own-Source Revenue		
Note 1.2A: Other Revenue		
Resources received free of charge		
Police services	**1,279**	1,498
Remuneration of auditors	**97**	95
Other	**42**	124
Total other revenue	**1,418**	1,717

Accounting Policy

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when a fair value can be reliably measured and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Note 2.1: Financial Assets

	2016 $'000	2015 $'000
Note 2.1A: Trade and Other Receivables		
Trade receivables	**3,394**	742
Appropriations receivable—existing programs	**32,286**	32,551
GST receivable	**949**	610
Total trade and other receivables	**36,629**	33,903
Trade and other receivables aged as follows		
Not overdue	**36,592**	33,661
Overdue by		
0 to 30 days[1]	**37**	242
Total trade and other receivables	**36,629**	33,903

Credit terms for services were within 30 days (2015: 30 days).

Accounting Policy

Trade and Other Receivables

Trade and other receivables are recorded at fair value less any impairment. Trade and other receivables are recognised when the ACC becomes party to a contract and has a legal right to receive cash. Trade and other receivables are derecognised on payment and are assessed for impairment at the end of each reporting period. Allowances are made when collectability of the debt is no longer probable.

1. Impairment allowances for 2016 is nil (2015:Nil).

Note 2.2: Non-Financial Assets

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

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

	Leasehold improvements $'000	Property, plant and equipment $'000	Computer software—internally developed $'000	Computer software—purchased $'000	Total $'000
As at 1 July 2015					
Gross book value	10,020	7,613	12,205	2,597	32,435
Accumulated depreciation, amortisation and impairment	-	-	(7,425)	(1,606)	(9,031)
Total as at 1 July 2015	10,020	7,613	4,780	991	23,404
Additions					
Purchase	10,916	3,434	3,245	487	18,082
Depreciation/amortisation	(3,996)	(3,837)	(1,477)	(524)	(9,834)
Transfers (to/from asset under construction)	-	1,278	(2,306)	1,028	-
Write-down and impairment of property, plant and equipment	-	(143)	(985)	(9)	(1,137)
Total as at 30 June 2016	16,940	8,345	3,257	1,973	30,515
Total as at 30 June 2016 represented by					
Gross book value	20,936	12,029	11,337	3,814	48,116
Accumulated depreciation, amortisation and impairment	(3,996)	(3,684)	(8,080)	(1,841)	(17,601)
Total as at 30 June 2016	16,940	8,345	3,257	1,973	30,515

There are no leasehold improvements, property, plant and equipment and intangibles expected to be sold or disposed of within the next 12 months.

	2016 $'000	2015 $'000
Capital commitments		
Commitments payable on non-financial assets purchases:		
Within 1 year	413	964
Between 1 to 5 years	178	-
Total capital commitments[1]	591	964

Capital commitments includes commitment to purchase leasehold improvements, property, plant and equipment and intangibles.

1. Total capital commitments excludes GST.

Note 2.2: Non-Financial Assets (continued)

Note 2.2A: Reconciliation of the Opening and Closing Balances of Leasehold Improvements, Property, Plant and Equipment and Intangibles (continued)

Reconciliation of the opening and closing balances of leasehold improvements, property, plant and equipment and intangibles for 2015

	Leasehold improvements $'000	Property, plant and equipment $'000	Computer software—internally developed $'000	Computer software—purchased $'000	Total $'000
As at 1 July 2014					
Gross book value	13,875	12,812	12,468	2,105	41,260
Accumulated depreciation, amortisation and impairment	(6,926)	(6,299)	(5,871)	(1,385)	(20,481)
Total as at 1 July 2014	6,949	6,513	6,597	720	20,779
Additions					
Purchase	3,985	2,416	245	342	6,988
Revaluation recognised in other comprehensive income	1,197	1,347	-	-	2,544
Depreciation/amortisation	(2,111)	(2,923)	(1,553)	(301)	(6,888)
Transfers (to/from asset under construction)	-	263	(509)	246	-
Write-down and impairment of property, plant and equipment	-	(3)	-	(16)	(19)
Total as at 30 June 2015	10,020	7,613	4,780	991	23,404
Total as at 30 June 2015 represented by					
Gross book value	10,020	7,613	12,205	2,597	32,435
Accumulated depreciation, amortisation and impairment	-	-	(7,425)	(1,606)	(9,031)
Total as at 30 June 2015	10,020	7,613	4,780	991	23,404

Note 2.2: Non-Financial Assets (continued)

Accounting Policy

Asset Recognition

Property, plant and equipment costing greater than $2,000, leasehold improvements costing greater than $50,000, intangible assets purchased externally costing greater than $2,000 and intangible assets purchased and modified or developed internally costing greater than $20,000 are capitalised. Items costing less than these thresholds are treated as portable and attractive items.

Leasehold Improvements

Leasehold improvements include office furniture and fittings acquired as part of the sub-lease of office accommodation. The depreciable amount of these assets is progressively allocated over the unexpired period of the lease or the useful lives of the improvements, whichever is the shorter.

Revaluations

Following initial recognition at cost, property, plant and equipment and leasehold improvements are carried at fair value. Carrying values of the assets are reviewed every year to determine if an independent valuation is required. The regularity of independent valuations depends on the volatility of movements in the market values for the relevant assets. Revaluation adjustments were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class. Upon revaluation, any accumulated depreciation is eliminated against the gross carrying amount of the asset.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the ACC using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated over the life of the lease term. 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:

	2016	2015
Leasehold improvements	Lease term	Lease term
Property, plant and equipment	3–5 years	3–5 years
Intangibles	3–5 years	3–5 years

Intangibles

The ACC's intangibles comprise internally developed software for internal use and externally purchased software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.
Software licences with the renewable term of one year are treated as prepayments at the time of purchase and expensed over the one year term.

Impairment

All assets were assessed for impairment at 30 June 2016. 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.

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.

Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the ACC has made assumptions or estimates in measuring the fair value of the assets that have the most significant impact on the amounts recorded in the financial statements. The fair value of the ACC's leasehold improvements and property, plant and equipment has been taken to be the market value or depreciated replacement costs as determined by an independent valuer. In some instances, the ACC's leasehold improvements are purpose-built and some specialised property, plant and equipment may in fact realise more or less in the market.

Note 2.2: Non-Financial Assets (continued)

Note 2.2B: Fair Value Measurements, Valuation Techniques and Inputs Used

	Fair value measurements at the end of the reporting period			For Levels 2 and 3 fair value measurements	
	2016 $'000	2015 $'000	**Level[1]**	**Valuation technique(s)[2]**	**Inputs used**
Non-financial assets					
Leasehold improvements	**16,940**	10,020	Level 3	Depreciated Replacement Cost (DRC)	Replacement cost new and consumed economic benefit/ obsolescence of asset
Property, plant and equipment	**3,003**	1,573	Level 2	Market Approach	Adjusted market transactions of similar assets
Property, plant and equipment	**5,342**	5,730	Level 3	Depreciated Replacement Cost (DRC)	Replacement cost new and consumed economic benefit/ obsolescence of asset
Total fair value measurements of assets in the statement of financial position	**25,285**	17,323			

All leasehold improvements and property, plant & equipment is measured at fair value in the statement of financial position. The ACC tests the procedures of the valuation model at least once every 12 months (with a formal valuation undertaken once every 3 years). For the 2015–16 financial year, the ACC engaged Australian Valuation Solutions (AVS) to undertake a review of the fair values for leasehold improvements and property, plant and equipment. Where market prices were not available, depreciated replacement costs were used.

The reconciliation of level 3 fair value measurements for the property, plant and equipment is shown in the table below as it comprises assets that uses level 2 and 3 fair value measurement technique. Conversely the reconciliation for recurring level 3 fair value measurement for leasehold improvements not shown below as it is reflected in Note 2.2A: Non-Financial Assets.

1. Level 2 measurements use inputs other than quoted market rates that are observable for fair value measurement. Level 3 measurements use inputs where there are no observable market for fair value measurement.
2. The future economic benefits of the ACC's non-financial assets are not primarily dependent on their ability to generate cash flows. The ACC has not disclosed the qualitative information about the significant unobservable inputs used for the level 3 measurement.

Note 2.2: Non-Financial Assets (continued)

Note 2.2C: Reconciliation for Recurring Level 3 Fair Value Measurements

Recurring Level 3 fair value measurements—reconciliation for assets

	2016 $'000	2015 $'000
Property, Plant and Equipment		
As at 1 July[3]	**5,730**	2,317
Total losses recognised in net cost of services[4]	**(3,008)**	(1,092)
Changes in asset revaluation Level 3—property, plant and equipment[5]	**-**	354
Purchases	**2,743**	1,941
Write-down and impairment of property, plant and equipment	**(123)**	(1)
Transfers into Level[6]	**-**	2,211
Total as at 30 June	**5,342**	5,730

3. Opening balance as determined in accordance with AASB 13.
4. These losses are presented in the Statement of Comprehensive Income under depreciation and amortisation.
5. This reflects the fair value increment of level 3 property, plant and equipment.
6. During 2014-15, some of the assets in the property, plant and equipment class were reclassified into Level 3 due to a change in the valuation technique applied to those assets in that class.

	2016 $'000	2015 $'000
Note 2.2D: Prepayments		
Prepayments—no more than 12 months	**1,858**	1,739
Prepayments—more than 12 months	**45**	176
Total prepayments	**1,903**	1,915

No indicators of impairment were found for prepayments.

Note 2.3: Payables

	2016 **$'000**	2015 $'000
Note 2.3A: Suppliers		
Trade creditors and accruals	**5,959**	5,607
Operating lease rentals	**1,074**	1,082
Total suppliers	**7,033**	6,689
Suppliers expected to be settled		
No more than 12 months	**5,731**	5,629
More than 12 months	**1,302**	1,060
Total suppliers	**7,033**	6,689
Note 2.3B: Other Payables		
Wages and salaries	**198**	1,744
Superannuation	**35**	302
Lease incentive[1]	**14,668**	3,454
Unearned income	**4,268**	1,443
Other	**548**	315
Total other payables	**19,717**	7,258
Other payables expected to be settled		
No more than 12 months	**5,226**	2,499
More than 12 months	**14,491**	4,759
Total other payables	**19,717**	7,258

Accounting Policy

Financial Liabilities

Supplier and other payables are classified as 'other financial liabilities' and are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Supplier and other payables are derecognised on payment.

1. The agency has received incentives in the form of rent free periods and fit out contributions as part of negotiated property operating leases.

Note 2.4: Other Provisions

	2016 $'000	2015 $'000
Note 2.4A: Provision for Onerous Lease Obligations		
Onerous lease obligations	**1,501**	-
Total provision for onerous lease obligations	**1,501**	-

The ACC has made assumptions in reporting the provision for onerous lease obligation on a vacant office accommodation for the year ended 30 June 2016. The provision for onerous lease obligation is expected to be settled within the next 12 months.

	2016 $'000	2015 $'000
Note 2.4B: Provision for Restoration Obligations[1]		
Opening balance	**2,085**	2,311
Additional provisions made	**60**	173
Amounts used	**-**	(239)
Amounts reversed	**(26)**	(234)
Unwinding of discount	**49**	74
Closing balance as at 30 June	**2,168**	2,085

The agency currently has 9 agreements (2015: 9 agreements) for the leasing of premises which have provisions requiring the agency to restore the premises to their original condition at the conclusion of the lease. The Agency has made a provision to reflect the present value of this obligation.

1. Provision for restoration obligation is expected to be settled in more than 12 months.

Note 3.1: Appropriations

Note 3.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2016

	Appropriation Act	*PGPA Act*			
	Annual Appropriation $'000	**Section 74 $'000**	**Total appropriation $'000**	**Appropriation applied in 2016 (current and prior years) $'000**	**Variance[1] $'000**
Departmental					
Ordinary annual services	**86,907**	**23,606**	**110,513**	**(111,787)**	**(1,274)**
Capital Budget	**2,673**	**-**	**2,673**	**(2,673)**	**-**
Other services					
Equity	**2,650**	**-**	**2,650**	**(732)**	**1,918**
Total departmental	**92,230**	**23,606**	**115,836**	**(115,192)**	**644**

1. The variance of $1.274m indicates the ACC spent some of its unused funds from last year towards capital projects. The variance of $1.918m represents unused appropriation (equity injection) to be re-phased to future years.

Annual Appropriations for 2015

	Appropriation Act	*PGPA Act*			
	Annual[1] Appropriation $'000	Section 74 $'000	Total appropriation $'000	Appropriation applied in 2015 (current and prior years) $'000	Variance[2] $'000
Departmental					
Ordinary annual services	93,381	12,789	106,170	(102,649)	3,521
Capital Budget	4,812	-	4,812	(4,812)	-
Other services					
Equity	3,422	-	3,422	(200)	3,222
Total departmental	101,615	12,789	114,404	(107,661)	6,743

1. The annual appropriation for the ordinary annual services includes $0.023m quarantined by the Department of Finance for the implementation of mandatory telecommunications data retention.
2. The variance of $3.521m indicates unspent appropriation held to cover funding for on-going Information Development and Exploitation Program and National Criminal Intelligence System projects in 2015–16 financial year. The variance of $3.222m in equity injection was re-phased to future years using Section 51 determination of the PGPA Act. This constitutes a permanent loss of control of that funding in the 2014–15 financial year.

Note 3.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2016 $'000	2015 $'000
Departmental		
Appropriation Act (No.1) 2015–16[1]	**30,368**	-
Appropriation Act (No.1) 2014–15[2]	**-**	32,574
Appropriation Act (No.4) 2014–15[3]	**-**	3,222
Appropriation Act (No.2) 2015–16[4]	**1,918**	-
Cash at bank	**1,398**	740
Total departmental	**33,684**	36,536

1. The Appropriation Act (No.1) balance for 2015–16 represents unused appropriation for the year.
2. The Appropriation Act (No.1) balance for 2014–15 represents unused appropriation for the year. This includes $0.023m quarantined for implementation of mandatory telecommunications data retention.
3. The Appropriation Act (No.4) balance for 2014–15 represents unused appropriation re-phased to future years.
4. The Appropriation Act (No.2) 2015–16 represents unused non-operating equity injection to be re-phased to future years.

Note 3.2: Cash Flow Reconciliation

	2016 $'000	2015 $'000
Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement		
Cash and cash equivalents as per		
Cash flow statement	**1,398**	740
Statement of financial position	**1,398**	740
Discrepancy	**-**	-
Reconciliation of net cost of services to net cash from operating activities		
Net cost of services	**(96,818)**	(99,653)
Revenue from Government - Departmental Appropriations	**86,907**	93,358
Section 74 receipts transferred to Official Public Account	**(4,428)**	(1,443)
Adjustments for non-cash items		
Depreciation/amortisation	**9,834**	6,888
Write-down and impairment of property, plant and equipment	**1,137**	19
Movements in assets and liabilities		
Assets		
(Increase)/decrease in net receivables	**1,702**	(3,070)
(Increase)/decrease in prepayments	**12**	132
Liabilities		
Increase/(decrease) in employee provisions	**718**	1,520
Increase /(decrease) in supplier payables	**344**	286
Increase/(decrease) in other payables	**2,472**	3,527
Increase/(decrease) in other provisions	**1,550**	(165)
Net cash from operating activities	**3,430**	1,399

Note 4.1: Employee Provisions

	2016 $'000	2015 $'000
Note 4.1A: Employee Leave Provisions		
Employee leave provisions expected to be settled		
No more than 12 months	**6,844**	6,718
More than 12 months	**12,181**	11,589
Total employee provisions	**19,025**	18,307

Note 4.2: Senior Management Personnel Remuneration

	2016 $	2015 $
Short-term employee benefits		
Salary	**3,491,294**	3,315,564
Total short-term employee benefits	**3,491,294**	3,315,564
Post-employment benefits		
Superannuation	**597,282**	538,228
Total post-employment benefits	**597,282**	538,228
Other long-term employee benefits		
Annual leave	**281,939**	235,579
Long-service leave	**87,870**	81,667
Total other long-term employee benefits	**369,809**	317,246
Total senior management personnel remuneration expenses[1]	**4,458,385**	4,171,038
Total number of senior management personnel[1]	**21**	20

1. Includes substantive SES and staff acting as SES for greater than 6 months.

Note 5.1 : Financial Instruments

	Notes	2016 $'000	2015 $'000
Note 5.1A: Categories of Financial Instruments			
Financial Assets			
Loans and receivables			
Cash and cash equivalents		**1,398**	740
Trade and other receivables	2.1A	**3,394**	742
Total financial assets		**4,792**	1,482
Financial Liabilities			
Financial liabilities measured at amortised cost			
Trade creditors and accruals	2.3A	**5,959**	5,607
Total financial liabilities		**5,959**	5,607

Note 5.1B: Credit Risk

The ACC is exposed to minimal credit risk on financial assets, represented by cash and cash equivalents and trade and other receivables. This amount was equal to total receivables for services, in 2016: $3.394m (2015: $0.742m). The ACC has assessed the risk of the default on payment to be nil in 2016 (2015: Nil).

Note 5.1C: Liquidity Risk

The ACC's financial liabilities are trade creditors and accruals. The exposure to liquidity risk is based on the notion that the ACC will encounter difficulty in meeting its obligations associated with financial liabilities. This was highly unlikely as the ACC has appropriated funding from the Australian Government and the ACC manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the ACC has policies in place to ensure timely payments were made when due and has no past experience of default.

Note 6: Explanations of Major Variances Between Budget and Actual

A comparison of the original budget as presented in the 2015–16 Portfolio Budget Statements (PBS) and the revised budget presented for the Mid-Year Economic Fiscal Outlook (MYEFO) to the 2015–16 final outcome is in accordance with Australian Accounting Standards for the entity. The intention of this variance analysis is to provide the reader with information relevant to assessing the performance of the ACC, including the accountability for the resources entrusted to it.

Australian Accounting Standard AASB 1055 Budgetary Reporting requires variance explanations of major variances between the original budget as presented in the 2015–16 PBS and the actual outcome as reported in the financial statements.

Variances attributable to factors which would not reasonably have been identifiable at the time of the budget preparation, such as impairment of assets and revaluation of certain asset classes have not been included as part of the analysis.

The ACC considers that major variances are those greater than 10% of the original estimate. Variances below this threshold are not included unless considered significant by their nature.

The budget numbers are not audited.

General Commentary

In accordance with the Commonwealth budget framework, the ACC revised the estimates during the year for a number of reasons, including Government decisions and policy, prior year outcomes, current year trends, the effects of price and growth, and transfers to and from other Commonwealth entities. The revised estimates for the 2015–16 financial year are published in the 2016–17 PBS.

(a) New measures

During the 2015–16 financial year the ACC was funded for new measures that resulted in increased operational activities. Due to the absence of Portfolio Additional Estimates Statements for 2015–16 the revised 2015–16 numbers were included in the 2016–17 PBS.

The new measures were:

- Confiscated Assets Account—crime prevention activities
- Attorney-General's—one-off efficiency savings to specific agencies
- Enhanced Protective Security Arrangements—law enforcement agencies
- Public Sector Superannuation Accumulation Plan administration fees.

This has caused an increase in the following financial statement line items and corresponding cash flow;

- Appropriation
- Employee benefits
- Suppliers
- Employee provisions.

Statement of Comprehensive Income

(b) Rendering of Services

The variance between original budget for 'Rendering of services' and the actual is due to additional revenue received from partner agencies for increased operational activities. These activities also align with the revised estimates included in the 2016–17 PBS.

(c) Gains from sale of assets and Other Revenue

The variance between the budget and the actual for 'Gains from sale of assets' and 'Other revenue' is due to the misclassification of the budget under 'Gains from sale of assets'.

(d) Depreciation and amortisation

The variance between the budget and the actual for 'Depreciation and amortisation' is due to depreciation on the leasehold improvement received free of charge for the 4 National Circuit in Barton.

Statement of Financial Position

The original budget was prepared before the 2014–15 actual figures could be known. As a consequence the opening balance of the 2015–16 Statement of Financial Position needed to be estimated and in some cases variances between the 2015–16 actual and budget numbers can be at least in part attributed to unanticipated movements in the prior period figures.

(e) Non-financial assets

The variance in the actual assets to 2015–16 PBS is mainly caused by the acquisitions of assets for the National Criminal Intelligence System (NCIS) program, Honeywell security system and back-up replacement projects. The impact of the independent valuation of non-financial assets that took place after the 2015–16 PBS also had an impact. The revised non-financial assets at the time of the 2016–17 PBS was consistent with the actual outcome, except for leasehold improvement provided free of charge at 4 National Circuit Barton.

(f) Trade and other receivables

The variance in the actual trade and other receivables compared to 2015–16 PBS is as a result of additional funding for operational activities in 2015–16 and 2016–17.

(g) Other payables

The variance in actual other payable compared to 2015–16 PBS is as a result of the lease incentive received on the leasehold improvements at the 4 National circuit Barton.

(h) Leases

The variance between the budget and the actual for 'Leases' and 'Suppliers' is due to the misclassification of 'Leases' under the interest bearing liabilities in the budget.

(i) Provision for restoration obligations

The variance between the budget and the actual for 'Provision for restoration obligations' is as a result of revaluation of the provision for the year.

(j) Provision for onerous lease obligations

The variance between the budget and the actual for 'Provision for onerous lease obligations' is as result of an office accommodation that became vacant during the 2015–16 financial year.