

# SECTION 04

# FINANCIAL PERFORMANCE

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# HIGHLIGHTS OF 2017–18 FINANCES



**\$88.446 million**  
operating  
appropriation



Unfunded  
depreciation  
**\$9.735 million**



**\$124.265 million**  
other income



**\$2.347 million** capital  
revenue funding from  
other agencies



**\$16.325 million** loss



Adjusted loss of  
**\$8.937 million**

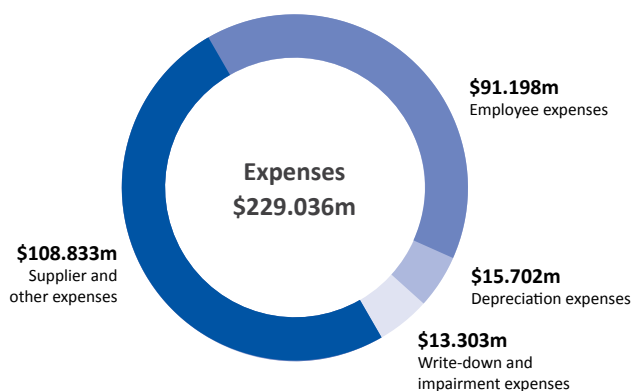
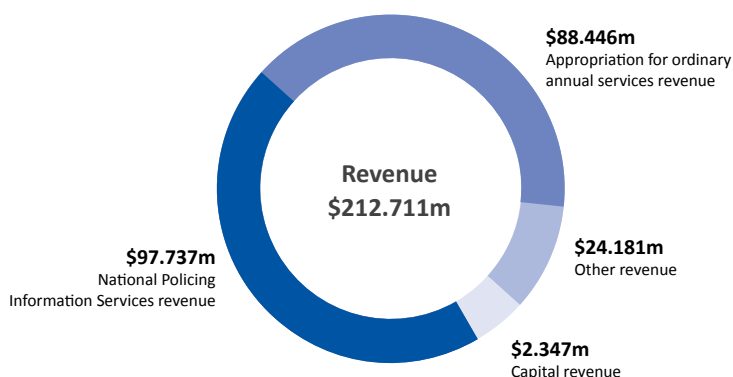
## OVERVIEW OF OUR FINANCIAL PERFORMANCE

The ACIC's financial result for 2017–18 was an operating deficit of \$16.325 million. The accounting standards require non-operating items such as unfunded depreciation expenses and capital funding income from portfolio agencies to be recognised as operating activity. With the exclusion of unfunded depreciation and capital funding, the ACIC would have realised a deficit of \$8.937 million for the financial year, arising primarily from the closure of the Biometric Identification Services project.

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

During 2017–18 there were no instances of significant non-compliance with the finance law.

### REVENUE AND EXPENDITURE ANALYSIS 2017–18

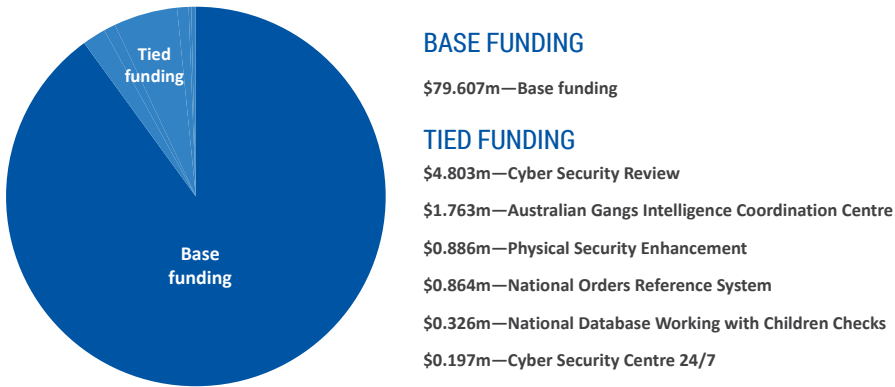


## APPROPRIATION FOR 2017–18

The ACIC's total appropriation for 2017–18 was \$91.666 million, which included \$88.446 million operating budget, \$2.640 million departmental capital budget and \$0.580 million equity injection.

A breakdown of operating appropriation for 2017–18 is provided in the following chart.

### OPERATING APPROPRIATION 2017–18

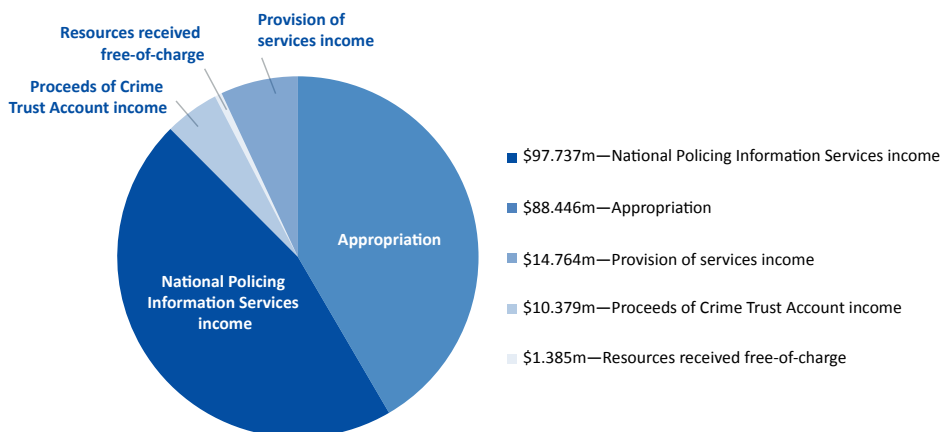


The tied funding in 2017–18 included:

- \$1.763 million funding for the Australian Gangs Intelligence Coordination Centre
- \$0.886 million to enhance physical security to all office buildings and personnel security capabilities, in response to the current heightened security threat
- \$4.803 million to develop and enhance the ACIC's cybercrime intelligence and analysis capability in response to the 2016 Cyber Security Review recommendations
- \$0.864 million to work on the development of National Order Reference System to facilitate information sharing and enforcement of domestic violence orders between courts and police across Australia
- \$0.197 million for supporting the Australian Cyber Security Centre operating 24/7 to prevent and combat cyber security threats
- \$0.326 million for establishing a national database of rejected applications for Working with Children Checks.

## OWN SOURCE INCOME 2017–18

Revenue for 2017–18 included an \$88.446 million appropriation for operating budget (which includes the tied funding listed above) and \$124.265 million in own source income. Own source income includes \$97.737 million as a result of provision of National Policing Information Services, \$10.379 million received from the Proceeds of Crime Trust Account, \$14.764 million from provision of services and \$1.385 million in resources received free-of-charge.



## INTERNAL CONTROL FRAMEWORK

The ACIC's internal controls that ensured compliance with our financial management responsibilities include:

- senior management involvement in budget development, allocation and monitoring
- internal and external reporting, including financial information to the ACIC Board on the National Policing Information Systems and Services Special Account and monthly reporting to the Department of Finance and ACIC Senior Executive
- full engagement with the ACIC Audit Committee
- periodic review of the Accountable Authority Instructions, policies and procedures to ensure compliance with the *Public Governance, Performance and Accountability Act 2013* and related regulations
- audit by the Australian National Audit Office and the ACIC's Internal Audit team
- face-to-face financial delegation and procurement training to financial delegates and relevant staff
- National Manager Engagement 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 2017–18

|   | Actual available<br>appropriations for<br>2017–18<br>\$'000<br>(a) | Payments made<br>2017–18<br>\$'000<br>(b) | Balance<br>remaining<br>\$'000<br>(a–b) |
|---|--|---|---|
| <b>Departmental</b>   |  |   |   |
| <b>Annual Appropriations—ordinary annual services</b>   |  |   |   |
| Prior year appropriation available  | 48,433   | 48,433                                    | -                                       |
| Departmental appropriation<br>(including Departmental Capital Budget)                                     | 91,086   | 38,953                                    | 52,133                                  |
| Section 74 relevant agency receipts <sup>1</sup>  | 33,094   | 27,128                                    | 5,966                                   |
| <b>Total ordinary annual services</b>   | <b>172,613</b>   | <b>114,514</b>                            | <b>58,099</b>                           |
| <b>Annual Appropriation<br/>other services non-operating</b>  |  |   |   |
| Prior year appropriation available  | 335  | 335                                       | -                                       |
| Equity injections   | 580  | 262                                       | 318                                     |
| <b>Total other services</b>   | <b>915</b>   | <b>597</b>                                | <b>318</b>                              |
| <b>Total annual appropriations</b>  | <b>173,528</b>   | <b>115,111</b>                            | <b>58,417</b>                           |
| <b>National Policing Information<br/>and Services Special Account</b>                                     |  |   |   |
| Opening Balance   | 117,613  | -   | -                                       |
| Appropriation receipts  | 848  | -   | -                                       |
| Non-appropriation receipts  | 95,823   | -   | -                                       |
| Payments made   | -  | 105,558                                   | -                                       |
| <b>Total Special Account</b>  | <b>214,284</b>   | <b>105,558</b>                            | <b>108,726</b>                          |
| Less: departmental appropriations<br>drawn from annual appropriations<br>and credited to special accounts | (848)  | (848)                                     | -                                       |
| <b>Total resourcing and payments</b>  | <b>386,964</b>   | <b>219,821</b>                            | <b>167,143</b>                          |

1. The section 74 relevant agency receipts and the payments from departmental appropriation are adjusted for GST.

## EXPENDITURE AND STAFFING BY OUTCOME

**Outcome 1:** To make Australia safer through improved national ability to discover, understand and respond to current and emerging crime threats and criminal justice issues, including the ability to connect police and law enforcement to essential criminal intelligence, policing knowledge and information through collaborative national information systems and services.

|  | Budget<br>2017–18<br>\$'000 | Actual<br>expenses<br>2017–18<br>\$'000 | Variation<br>\$'000 |
|--|-----------------------------|---|---------------------|
| <b>Outcome 1</b>   |                             |   |                     |
| <b>Departmental expenses</b>                                       |                             |   |                     |
| Departmental appropriation and section 74 agency receipts          | 96,585                      | 107,856                                 | (11,271)            |
| National Policing Information Systems and Services Special Account | 81,686                      | 103,360                                 | (21,674)            |
| Expenses not requiring appropriation in the budget year            | 8,459                       | 17,820                                  | (9,361)             |
| <b>Total Departmental expenses</b>                                 | <b>186,730</b>              | <b>229,036</b>                          | <b>(42,306)</b>     |
| <b>Total Expenses for Outcome 1</b>                                | <b>186,730</b>              | <b>229,036</b>                          | <b>(42,306)</b>     |

|  | Budget<br>2017–18 | Actual<br>2017–18 |
|--|-------------------|-------------------|
| <b>Average staffing level (number)</b> | <b>776</b>        | <b>745</b>        |

## ASSET MANAGEMENT

During 2017–18 we engaged an independent professional valuer to undertake a full value assessment process to determine whether asset book values as at 30 June 2018 had materially changed since the last fair value assessment in 2016–17 on leasehold improvements and property, plant and equipment. It is ACIC policy to undertake a full revaluation every three years and a desktop assessment each year in between.

Our asset mix at the end of 2017–18 comprised:

- \$26.699 million—leasehold improvements (includes asset under construction)
- \$14.709 million—property, plant and equipment (includes assets under construction)
- \$23.496 million—intangibles (includes assets under construction).

## PROPERTY

We have ACIC offices in each capital city to support delivery of our national service. Premises in Hobart and Darwin are provided by the relevant state/territory police force and are not subject to formal lease arrangements. All other offices are under lease until at least 2022, with most due to expire from 2024 onward.

The lease on the former CrimTrac premises in Dickson, Australian Capital Territory, expired in August 2018. Following expiration of the Dickson lease, all ACIC leases are for currently in-use premises.

We have continued to engage with Victoria Police in the design of premises in their development at 311 Spencer St, Melbourne with the intention of moving the Victoria state office in 2020. This project received approval by the Minister for Finance and the Public Works Committee during 2017–18.

We continue to monitor our property performance nationally with a view to minimising our property footprint and taking advantage of efficiency initiatives, including shared opportunities. Overall the agency has a fitout density of 13 square metres per workpoint.

## PURCHASING

Our approach to procuring property and services, including consultancies, is consistent with the Australian Government policy and legislation covering procurement. 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 2017–18 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 2017–18, the ACIC entered into six new consultancy contracts, involving total actual expenditure of \$0.50 million (inc. GST). In addition, five ongoing consultancy contracts were active during 2017–18, which involved consultancy expenditure of \$0.04 million (inc. GST), taking the total consultancy expense to \$0.54 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 ACIC’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.

Information on the value of contracts and consultancies is available on the AusTender website at <[www.tenders.gov.au](http://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 59 contracts with a total value of \$11.9 million (inc. GST) on AusTender. These contracts were not published due to the ACIC’s exemption under section 105D of the *Public Governance, Performance and Accountability Act 2013*.

## PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

The ACIC 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/](http://www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/)>.

The ACIC 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.

## GRANTS AND SPONSORSHIPS

Information on grants awarded by the ACIC during the period 1 July 2017 to 30 June 2018 is available at <[www.acic.gov.au/about-us/governance](http://www.acic.gov.au/about-us/governance)>.

# AUDITED FINANCIAL STATEMENTS



## INDEPENDENT AUDITOR'S REPORT

To the Minister for Home Affairs

### Opinion

In my opinion, the financial statements of the Australian Criminal Intelligence Commission for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Criminal Intelligence Commission as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Australian Criminal Intelligence Commission, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- 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, comprising a Summary of Significant Accounting Policies and other explanatory information.

### Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Criminal Intelligence Commission in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Accountable Authority's Responsibility for the Financial Statements

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

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Australian Criminal Intelligence Commission's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Bola Oyetunji  
Senior Executive Director

Delegate of the Auditor-General

Canberra  
18 September 2018

**STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

Signed.....

Michael Phelan APM  
Chief Executive Officer

17 September 2018

Signed.....

Yvette Whittaker  
Chief Financial Officer

17 September 2018

**STATEMENT OF COMPREHENSIVE INCOME***for the period ended 30 June 2018*

|  |       |                  | Budget          |                 |
|--|-------|------------------|-----------------|-----------------|
|  |       | 2018             | 2018            | 2017            |
|  | Notes | \$'000           | \$'000          | \$'000          |
| <b>NET COST OF SERVICES</b>  |       |                  |                 |                 |
| <b>Expenses</b>  |       |                  |                 |                 |
| Employee benefits  | 1.1A  | 91,198           | 92,835          | 86,778          |
| Suppliers  | 1.1B  | 104,677          | 70,119          | 79,107          |
| Depreciation and amortisation  | 2.2A  | 15,702           | 19,006          | 20,851          |
| Finance costs - unwinding of discount  | 2.4   | 29               | -               | 44              |
| Write-down and impairment of property, plant and equipment                                       | 2.2A  | 13,303           | -               | 274             |
| Secondees provided by state and territory and other Commonwealth agencies                        | 1.1C  | 4,127            | 4,770           | 3,668           |
| <b>Total expenses</b>  |       | <b>229,036</b>   | <b>186,730</b>  | <b>190,722</b>  |
| <b>Own-Source Income</b>   |       |                  |                 |                 |
| <b>Own-source revenue</b>  |       |                  |                 |                 |
| Rendering of services  | 1.2A  | 121,967          | 90,348          | 107,255         |
| Other revenue  | 1.2B  | 2,298            | -               | 4,625           |
| <b>Total own-source revenue</b>  |       | <b>124,265</b>   | <b>90,348</b>   | <b>111,880</b>  |
| <b>Gains</b>   |       |                  |                 |                 |
| Gains from sale of assets  |       | -                | -               | 4               |
| Other gains  |       | -                | 1,670           | -               |
| <b>Total gains</b>   |       | <b>-</b>         | <b>1,670</b>    | <b>4</b>        |
| <b>Total own-source income</b>   |       | <b>124,265</b>   | <b>92,018</b>   | <b>111,884</b>  |
| <b>Net cost of services</b>  |       | <b>(104,771)</b> | <b>(94,712)</b> | <b>(78,838)</b> |
| Revenue from Government - Departmental Appropriations  | 1.2C  | 88,446           | 87,923          | 89,820          |
| <b>Surplus/(Deficit) attributable to the Australian Government</b>                               |       | <b>(16,325)</b>  | <b>(6,789)</b>  | <b>10,982</b>   |
| <b>OTHER COMPREHENSIVE INCOME</b>  |       |                  |                 |                 |
| <b>Items not subject to subsequent reclassification to net cost of services</b>                  |       |                  |                 |                 |
| Changes in asset revaluation reserves - leasehold improvements and property, plant and equipment |       | 4,899            | -               | -               |
| Changes in asset revaluation reserves - provision for restoration obligations                    |       | (86)             | -               | (92)            |
| <b>Total other comprehensive income</b>  |       | <b>4,813</b>     | <b>-</b>        | <b>(92)</b>     |
| <b>Total comprehensive income/(loss) attributable to the Australian Government</b>               |       | <b>(11,512)</b>  | <b>(6,789)</b>  | <b>10,890</b>   |

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

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

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

|                                   |       | 2018           | Budget  |         |
|-----------------------------------|-------|----------------|---------|---------|
|                                   | Notes | \$'000         | 2018    | 2017    |
|                                   |       |                | \$'000  | \$'000  |
| <b>ASSETS</b>                     |       |                |         |         |
| <b>Financial assets</b>           |       |                |         |         |
| Cash and cash equivalents         | 2.1A  | 117,239        | 5,054   | 122,171 |
| Trade and other receivables       | 2.1B  | 69,838         | 155,444 | 61,938  |
| <b>Total financial assets</b>     |       | <b>187,077</b> | 160,498 | 184,109 |
| <b>Non-financial assets</b>       |       |                |         |         |
| Leasehold improvements            | 2.2A  | 26,699         | 18,378  | 24,904  |
| Property, plant and equipment     | 2.2A  | 14,709         | 20,566  | 18,463  |
| Intangibles                       | 2.2A  | 23,496         | 41,998  | 26,041  |
| Prepayments                       |       | 9,409          | 4,264   | 6,691   |
| <b>Total non-financial assets</b> |       | <b>74,313</b>  | 85,206  | 76,099  |
| <b>Total assets</b>               |       | <b>261,390</b> | 245,704 | 260,208 |
| <b>LIABILITIES</b>                |       |                |         |         |
| <b>Payables</b>                   |       |                |         |         |
| Suppliers                         | 2.3A  | 22,129         | 18,810  | 20,436  |
| Other payables                    | 2.3B  | 20,148         | 18,046  | 20,390  |
| <b>Total payables</b>             |       | <b>42,277</b>  | 36,856  | 40,826  |
| <b>Provisions</b>                 |       |                |         |         |
| Employee provisions               | 4.1A  | 27,295         | 25,415  | 26,520  |
| Other provisions                  | 2.4   | 10,297         | 1,437   | 3,049   |
| <b>Total provisions</b>           |       | <b>37,592</b>  | 26,852  | 29,569  |
| <b>Total liabilities</b>          |       | <b>79,869</b>  | 63,708  | 70,395  |
| <b>Net assets</b>                 |       | <b>181,521</b> | 181,996 | 189,813 |
| <b>EQUITY</b>                     |       |                |         |         |
| Contributed equity                |       | 46,477         | 46,477  | 43,257  |
| Reserves                          |       | 16,528         | 11,805  | 11,715  |
| Retained surplus                  |       | 118,516        | 123,714 | 134,841 |
| <b>Total equity</b>               |       | <b>181,521</b> | 181,996 | 189,813 |

The above statement should be read in conjunction with the accompanying notes.  
Budget to actual variance commentary: see Note 6 for major variance explanations.

**STATEMENT OF CHANGES IN EQUITY**  
for the period ended 30 June 2018

|  | Retained earnings |                | Asset revaluation surplus |               | Contributed equity/capital |               | Total equity   |                |
|--|-------------------|----------------|---------------------------|---------------|----------------------------|---------------|----------------|----------------|
|  | Budget            | 2018           | Budget                    | 2018          | Budget                     | 2018          | Budget         | 2018           |
|  | \$'000            | \$'000         | \$'000                    | \$'000        | \$'000                     | \$'000        | \$'000         | \$'000         |
| Balance carried forward from previous period   | 130,503           | 123,859        | 11,805                    | 11,807        | 43,257                     | 38,414        | 185,565        | 174,080        |
| <b>Opening balance</b>                         | <b>130,503</b>    | <b>123,859</b> | <b>11,805</b>             | <b>11,807</b> | <b>43,257</b>              | <b>38,414</b> | <b>185,565</b> | <b>174,080</b> |
| <b>Comprehensive income</b>                    |                   |                |                           |               |                            |               |                |                |
| Deficit for the period                         | (6,789)           | 10,982         | -                         | -             | -                          | -             | (6,789)        | 10,982         |
| Other comprehensive income                     | -                 | -              | 4,813                     | (92)          | -                          | -             | 4,813          | (92)           |
| <b>Total comprehensive income</b>              | <b>(6,789)</b>    | <b>10,982</b>  | <b>4,813</b>              | <b>(92)</b>   | <b>-</b>                   | <b>-</b>      | <b>(6,789)</b> | <b>10,890</b>  |
| <b>Transactions with owners</b>                |                   |                |                           |               |                            |               |                |                |
| <b>Contributions by owners</b>                 |                   |                |                           |               |                            |               |                |                |
| Equity injection - Appropriations <sup>1</sup> | -                 | -              | -                         | -             | 580                        | 2,177         | 580            | 2,177          |
| Departmental capital budget <sup>1</sup>       | -                 | -              | -                         | -             | 2,640                      | 2,666         | 2,640          | 2,666          |
| <b>Total transactions with owners</b>          | <b>-</b>          | <b>-</b>       | <b>-</b>                  | <b>-</b>      | <b>3,220</b>               | <b>4,843</b>  | <b>3,220</b>   | <b>4,843</b>   |
| <b>Closing balance as at 30 June</b>           | <b>123,714</b>    | <b>134,841</b> | <b>11,805</b>             | <b>11,715</b> | <b>46,477</b>              | <b>43,257</b> | <b>181,521</b> | <b>189,813</b> |

The above statement should be read in conjunction with the accompanying notes. Budget to actual variance commentary : see Note 6 for major variance explanations.

1. Amounts appropriated which are designated as 'equity injections' and 'Departmental capital budgets' are recognised directly in transactions with owners in that year.

## CASH FLOW STATEMENT

for the period ended 30 June 2018

|   | 2018<br>\$'000  | Budget<br>2018<br>\$'000 | 2017<br>\$'000 |
|---|-----------------|--------------------------|----------------|
| <b>OPERATING ACTIVITIES</b>   |                 |                          |                |
| <b>Cash received</b>  |                 |                          |                |
| Appropriations  | 88,718          | 92,202                   | 83,053         |
| Receipts from government  | -               | 14,033                   | -              |
| Rendering of services   | 123,135         | 90,018                   | 111,092        |
| Net GST received  | 9,447           | -                        | 6,929          |
| <b>Total cash received</b>  | <b>221,300</b>  | 196,253                  | 201,074        |
| <b>Cash used</b>  |                 |                          |                |
| Employees   | 90,425          | 93,537                   | 86,741         |
| Suppliers   | 110,845         | 73,496                   | 88,083         |
| Section 74 receipts transferred to<br>Official Public Account           | 5,966           | -                        | 5,156          |
| Other   | 2,881           | 3,100                    | 2,075          |
| <b>Total cash used</b>  | <b>210,117</b>  | 170,133                  | 182,055        |
| <b>Net cash from operating activities</b>                               | <b>11,183</b>   | 26,120                   | 19,019         |
| <b>INVESTING ACTIVITIES</b>   |                 |                          |                |
| <b>Cash used</b>  |                 |                          |                |
| Purchase of property, plant and<br>equipment and intangibles            | 19,335          | 29,340                   | 26,672         |
| <b>Total cash used</b>  | <b>19,335</b>   | 29,340                   | 26,672         |
| <b>Net cash used by investing activities</b>                            | <b>(19,335)</b> | (29,340)                 | (26,672)       |
| <b>FINANCING ACTIVITIES</b>   |                 |                          |                |
| <b>Cash received</b>  |                 |                          |                |
| Contributed equity  | 3,220           | 3,220                    | 4,843          |
| <b>Total cash received</b>  | <b>3,220</b>    | 3,220                    | 4,843          |
| <b>Net cash from financing activities</b>                               | <b>3,220</b>    | 3,220                    | 4,843          |
| <b>Net (decrease) increase in cash held</b>                             | <b>(4,932)</b>  | -                        | (2,810)        |
| Cash and cash equivalents at the beginning<br>of the reporting period   | 122,171         | 5,054                    | 124,981        |
| <b>Cash and cash equivalents at the end<br/>of the reporting period</b> | <b>117,239</b>  | 5,054                    | 122,171        |

The above statement should be read in conjunction with the accompanying notes.  
Budget to actual variance commentary: see Note 6 for major variance explanations.



## OVERVIEW

### OBJECTIVES OF THE AUSTRALIAN CRIMINAL INTELLIGENCE COMMISSION

To make Australia safer through improved national ability to discover, understand and respond to current and emerging crime threats and criminal justice issues including the ability to connect police and law enforcement to essential criminal intelligence, policing knowledge and information through collaborative national information systems and services.

### 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 financial statements have been prepared in accordance with:

- a) Financial Reporting Rule (FRR); and
- b) Australian Accounting Standards and Interpretations—Reduced Disclosure Requirements issued by the Australian Accounting Standards Board 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.

### MODIFICATION TO APPLICABILITY OF THE PGPA FOR DESIGNATED ACTIVITIES UNDER PGPA ACT S105D:

The Minister for Finance and the Minister for Justice entered into an agreement under PGPA Act section 105D, which allows modification to specified aspects of the PGPA Act in relation to designated intelligence or security activities. The annual financial statements reflect the modifications allowed under that agreement.

### TAXATION

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

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

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

### CONTINGENT ASSETS AND LIABILITIES

The ACIC did not have any quantifiable contingencies to report for the financial year ended 30 June 2018. However as at 30 June 2018, the ACIC had a number of legal matters pending that may eventuate in judgements or outcomes that could require monetary payments being made to or from the ACIC. It was not possible to quantify the amounts of any eventual receipts or payments that may eventuate in relation to these claims.

### EVENTS AFTER THE REPORTING PERIOD

The ACIC did not have any events after 30 June 2018 to report on the 2017–18 financial statements.

## Note 1.1: Expenses

|                                     | 2018          | 2017          |
|-------------------------------------|---------------|---------------|
|                                     | \$'000        | \$'000        |
| <b>Note 1.1A: Employee Benefits</b> |               |               |
| Wages and salaries                  | 64,858        | 62,336        |
| Superannuation                      |               |               |
| Defined contribution plans          | 7,656         | 7,070         |
| Defined benefit plans               | 5,256         | 5,662         |
| Leave and other entitlements        | 13,026        | 10,462        |
| Separation and redundancies         | 402           | 1,248         |
| <b>Total employee benefits</b>      | <b>91,198</b> | <b>86,778</b> |

### Accounting Policy

Accounting policies for employee related expenses: see *Note 4.1* employee provisions.

### Note 1.1B: Suppliers

#### Goods and services

|  |               |               |
|--|---------------|---------------|
| IT support and maintenance               | 30,769        | 27,449        |
| Consultants and contractors <sup>1</sup> | 26,663        | 9,481         |
| Jurisdiction fees and payments           | 8,591         | 8,129         |
| Property and security expenses           | 4,802         | 4,750         |
| Travel                                   | 5,733         | 4,489         |
| Communication                            | 5,400         | 3,112         |
| Operational expenses                     | 3,868         | 2,558         |
| Staff development and training           | 2,159         | 2,476         |
| Legal expenses                           | 2,489         | 1,449         |
| Office expenses                          | 1,183         | 1,318         |
| Other                                    | 706           | 681           |
| <b>Total goods and services</b>          | <b>92,363</b> | <b>65,892</b> |

#### Other suppliers

|                               |                |               |
|-------------------------------|----------------|---------------|
| Operating lease rentals       | 12,108         | 11,902        |
| Workers compensation expenses | 206            | 1,313         |
| <b>Total other suppliers</b>  | <b>12,314</b>  | <b>13,215</b> |
| <b>Total suppliers</b>        | <b>104,677</b> | <b>79,107</b> |

### Leasing commitments

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

|  |               |               |
|--|---------------|---------------|
| Within 1 year  | 14,173        | 15,300        |
| Between 1 to 5 years                                 | 58,004        | 60,624        |
| More than 5 years                                    | 10,852        | 20,034        |
| <b>Total operating lease commitments<sup>2</sup></b> | <b>83,029</b> | <b>95,958</b> |

1. Consultants and contractors cost increased primarily due to additional contractor work required for ICT projects.

2. 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 ACIC leases office accommodation, motor vehicles and other equipment under operating lease agreements.

| <b>Note 1.1: Expenses (continued)</b>   |               |        |
|---|---------------|--------|
|   | <b>2018</b>   | 2017   |
|   | <b>\$'000</b> | \$'000 |
| <b><u>Note 1.1C: Secondees provided by State, Territory and other Commonwealth Agencies</u></b> |               |        |
| Paid services   | <b>2,742</b>  | 2,075  |
| Services provided free of charge  | <b>1,385</b>  | 1,593  |
| <b>Total services provided by state and territory and other Commonwealth agencies</b>           | <b>4,127</b>  | 3,668  |

## Note 1.2: Own-source Revenue

|  | 2018   | 2017   |
|--|--------|--------|
|  | \$'000 | \$'000 |

### Own-Source Revenue

#### Note 1.2A: Rendering of Services

|  |                |                |
|--|----------------|----------------|
| Revenue—special account                                  | 97,737         | 87,359         |
| Revenue—proceeds of crime and memoranda of understanding | 21,580         | 17,302         |
| Revenue—other  | 2,650          | 2,594          |
| <b>Total rendering of service</b>                        | <b>121,967</b> | <b>107,255</b> |

#### Accounting Policy

##### Rendering of Services

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

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

The stage of completion of services 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.

#### Note 1.2B: Other Revenue

|   |              |              |
|---|--------------|--------------|
| Resources received free of charge—secondedes and audit services | 1,385        | 1,593        |
| Resources received free of charge—leasehold improvements        | -            | 2,777        |
| Other   | 913          | 255          |
| <b>Total other revenue</b>                                      | <b>2,298</b> | <b>4,625</b> |

#### 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 or transferred assets would have been purchased if they had not been provided free of charge. Use of those resources is recognised as appropriate as an expense or as an asset when received.

#### Note 1.2C: Revenue from Government

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Appropriations                       |               |               |
| Departmental appropriations          | 88,446        | 89,820        |
| <b>Total revenue from Government</b> | <b>88,446</b> | <b>89,820</b> |

#### Accounting Policy

##### 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 ACIC 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.

## Note 2.1: Financial Assets

|  | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Note 2.1A: Cash and cash equivalents</b>          |       |                |                |
| Special account cash held in Official Public Account | 2.5A  | 108,726        | 117,613        |
| Cash at bank and on hand                             |       | 8,513          | 4,558          |
| <b>Total cash and cash equivalents</b>               |       | <b>117,239</b> | <b>122,171</b> |
| <b>Note 2.1B: Trade and other receivables</b>        |       |                |                |
| Trade receivables                                    |       | 17,007         | 14,763         |
| Comcare receivable                                   |       | 15             | 198            |
| Appropriations receivable - existing programs        |       | 49,904         | 44,210         |
| GST receivable                                       |       | 2,912          | 2,767          |
| <b>Total trade and other receivables</b>             |       | <b>69,838</b>  | <b>61,938</b>  |

### 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 ACIC 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.

## 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

|   | Leasehold improvements<br>\$'000 | Property, plant and equipment<br>\$'000 | Computer software - internally developed<br>\$'000 | Computer software - purchased<br>\$'000 | Total<br>\$'000 |
|---|----------------------------------|---|--|---|-----------------|
| <b>As at 1 July 2017</b>  |                                  |   |  |   |                 |
| Gross book value  | 33,586                           | 35,516                                  | 68,510   | 8,111                                   | 145,723         |
| Accumulated depreciation, amortisation and impairment                   | (8,682)                          | (17,053)                                | (43,659)   | (6,921)                                 | (76,315)        |
| <b>Total as at 1 July 2017</b>  | <b>24,904</b>                    | <b>18,463</b>                           | <b>24,851</b>                                      | <b>1,190</b>                            | <b>69,408</b>   |
| Additions   |                                  |   |  |   |                 |
| Purchase  | 2,179                            | 6,956                                   | 9,554  | 912                                     | 19,601          |
| Revaluation recognised in other comprehensive income                    | 3,327                            | 1,573                                   | -  | -                                       | 4,900           |
| Depreciation/amortisation   | (3,711)                          | (4,960)                                 | (6,279)  | (752)                                   | (15,702)        |
| Write-down and impairment of property, plant and equipment <sup>1</sup> | -                                | (7,323)                                 | (5,980)  | -                                       | (13,303)        |
| <b>Total as at 30 June 2018</b>   | <b>26,699</b>                    | <b>14,709</b>                           | <b>22,146</b>                                      | <b>1,350</b>                            | <b>64,904</b>   |
| <b>Total as at 30 June 2018 represented by</b>                          |                                  |   |  |   |                 |
| Gross book value  | 26,699                           | 14,709                                  | 69,406   | 8,610                                   | 119,424         |
| Accumulated depreciation, amortisation and impairment                   | -                                | -                                       | (47,260)   | (7,260)                                 | (54,520)        |
| <b>Total as at 30 June 2018 represented by</b>                          | <b>26,699</b>                    | <b>14,709</b>                           | <b>22,146</b>                                      | <b>1,350</b>                            | <b>64,904</b>   |

1. This category includes the write off of assets under construction, valued at \$12.9m, that occurred following the decision to close the Biometric Identification Services project.

There are no leasehold improvements expected to be sold or written-off of within the next 12 months.

The ACIC uses market approach and current replacement costs fair value measurement techniques to measure the fair value of property, plant & equipment and uses current replacement costs to measure the fair value of leasehold improvements.

#### Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated in note 2.2A. As at 30 June 2018, an independent valuer conducted the revaluation of property, plant and equipment and leasehold improvements.

A revaluation increment of \$3.326m for leasehold improvements (2017: Nil) and a revaluation increment of \$1.573m for property, plant and equipment (2017: Nil) were credited to the asset revaluation surplus by asset class and included in the equity section of the Statement of Financial Position. No increments/decrements were expensed in 2018 (2017: Nil).

#### Capital commitments

As at the 30 June 2018 the ACIC had capital commitments with respect to development of information technology solutions (including software and hardware).

## Note 2.2: Non-Financial Assets (continued)

### Accounting Policy

#### Asset Recognition

Property, plant and equipment costing greater than \$5,000, leasehold improvements costing greater than \$25,000, intangible assets purchased externally costing greater than \$5,000 and intangible assets purchased and modified or developed internally costing greater than \$20,000 are capitalised. Items costing less than these thresholds are expensed in the year of acquisition.

#### Leasehold Improvements

Leasehold improvements include office furniture and fit-out acquired as part of the 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 third 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 are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that is previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class. 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 life using 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:

|   | 2018       | 2017       |
|---|------------|------------|
| Leasehold improvements                        | Lease term | Lease term |
| Property, plant and equipment                 | 3–10 years | 3–10 years |
| Intangibles - Software purchased              | 3–5 years  | 3–5 years  |
| Intangibles - Internally developed/configured | 3–10 years | 3–10 years |

#### Intangibles

Intangibles assets comprise internally developed software and externally purchased software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software licences with the renewable term ending beyond 30 June are treated as prepayments at the time of purchase and expensed over the term of the prepayment.

#### Impairment

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

#### 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 ACIC 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 ACIC's leasehold improvements and property, plant and equipment has been taken to be the market value or current replacement costs as determined by an independent valuer. In some instances, the ACIC's leasehold improvements are purpose-built and some specialised property, plant and equipment may in fact realise more or less in the market.

## Note 2.3: Payables

|  | 2018   | 2017   |
|--|--------|--------|
|  | \$'000 | \$'000 |

### Note 2.3A: Suppliers

|                              |               |               |
|------------------------------|---------------|---------------|
| Trade creditors and accruals | 19,160        | 18,443        |
| Operating lease rentals      | 2,969         | 1,993         |
| <b>Total suppliers</b>       | <b>22,129</b> | <b>20,436</b> |

### Note 2.3B: Other Payables

|                              |               |               |
|------------------------------|---------------|---------------|
| Wages and salaries           | 554           | 541           |
| Superannuation               | 100           | 98            |
| Lease incentive <sup>1</sup> | 12,941        | 14,580        |
| Unearned income              | 6,040         | 4,726         |
| GST Payable                  | 17            | 81            |
| Other                        | 496           | 364           |
| <b>Total other payables</b>  | <b>20,148</b> | <b>20,390</b> |

### 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

|  | 2018   | 2017   |
|--|--------|--------|
|  | \$'000 | \$'000 |

### Other Provisions

|                               |              |            |
|-------------------------------|--------------|------------|
| Other provisions <sup>1</sup> | 8,669        | -          |
| Onerous lease obligations     | 113          | 872        |
| <b>Total Other Provisions</b> | <b>8,782</b> | <b>872</b> |

### Provision for Restoration Obligations<sup>2</sup>

|                                      |               |              |
|--------------------------------------|---------------|--------------|
| Opening balance                      | 2,177         | 2,168        |
| Additional provisions made           | 352           | 160          |
| Amounts not used                     | (917)         | (126)        |
| Amounts reversed                     | (126)         | (69)         |
| Unwinding of discount                | 29            | 44           |
| <b>Closing balance as at 30 June</b> | <b>1,515</b>  | <b>2,177</b> |
| <b>Total Other Provisions</b>        | <b>10,297</b> | <b>3,049</b> |

1. This item relates to all anticipated costs, including legal matters following the decision to close the Biometric Identification Services project.
2. The ACIC currently has five agreements (2017: eight 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 ACIC has made a provision to reflect the present value of this obligation.

Provisions for restoration obligation are expected to be settled in more than 12 months.



## Note 2.5: Special Accounts

|   | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|---|-------|----------------|----------------|
| <b><u>Note 2.5A: National Policing Information Systems and Services Special Account<sup>1</sup></u></b> |       |                |                |
| Balance brought forward from previous period  |       | 117,613        | 123,583        |
| Total increases   |       | 96,671         | 93,484         |
| Available for payments  |       | 214,284        | 217,067        |
| Total decreases   |       | (105,558)      | (99,454)       |
| <b>Total balance carried to the next period</b>   |       | <b>108,726</b> | <b>117,613</b> |
| <b>Balance represented by:</b>  |       |                |                |
| Cash held in the Official Public Account  |       | 108,726        | 117,613        |
| <b>Total balance carried to the next period</b>   | 2.1A  | <b>108,726</b> | <b>117,613</b> |

1. Legal authority: *Australian Crime Commission Act 2002 section 59C.*

The purpose of the NPISS Special Account is defined by section 59E of the Australian Crime Commission Act and are:

- (a) paying for scoping, developing, procuring, implementing and operating information technology systems and services in connection with the national policing information functions;
- (b) paying or discharging the costs, expenses and other obligations incurred by the Commonwealth in the performance of the national policing information functions;
- (c) paying any remuneration and allowances payable to any person under this Act in relation to the national policing information functions;
- (d) meeting the expenses of administering the Account;
- (e) repaying to a State all or part of an amount received from the State in connection with the performance of national policing information functions, if it is not required for a purpose for which it was paid;
- (f) paying refunds in accordance with section 15A;
- (g) reducing the balance of the Account (and therefore the available appropriation for the Account) without making a real or notional payment.

The National Policing Information Systems and Services Special Account (NPISS Special Account) was established by *Financial Management and Accountability Determination 2006/07—National Policing Information Systems and Services Special Account Establishment 2006*. The account is a special account for the purpose of the *Public Government Performance and Accountability Act 2013*.

## Note 3.1: Appropriations

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

| Annual Appropriations for 2018 | Annual Appropriation<br>\$'000 | Adjustments to appropriation <sup>1</sup><br>\$'000 | Total appropriation<br>\$'000 | Appropriation applied in 2018<br>(current and prior years)<br>\$'000 | Variance <sup>2</sup><br>\$'000 |
|--------------------------------|--------------------------------|---|-------------------------------|--|---------------------------------|
| <b>Departmental</b>            |                                |   |                               |  |                                 |
| Ordinary annual services       | 88,446                         | 33,094  | 121,540                       | (109,803)  | 11,737                          |
| Capital Budget                 | 2,640                          | -   | 2,640                         | (2,640)  | -                               |
| Other services                 |                                |   |                               |  |                                 |
| Equity                         | 580                            | -   | 580                           | (597)  | (17)                            |
| <b>Total departmental</b>      | <b>91,666</b>                  | <b>33,094</b>                                       | <b>124,760</b>                | <b>(113,040)</b>   | <b>11,720</b>                   |

1. This includes receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

2. The variance of \$11,737m in ordinary annual services includes receipts from the special account (\$8,669m) relating to provisions created following the decision to close the Biometric Identification Services project and movement in bank balance.

### Annual Appropriations for 2017

| Annual Appropriations for 2017 | Annual Appropriation<br>\$'000 | Adjustments to<br>appropriation <sup>1</sup><br>\$'000 | Total appropriation<br>\$'000 | Appropriation applied in 2017<br>(current and prior years)<br>\$'000 | Variance <sup>2</sup><br>\$'000 |
|--------------------------------|--------------------------------|--|-------------------------------|--|---------------------------------|
| <b>Departmental</b>            |                                |  |                               |  |                                 |
| Ordinary annual services       | 89,820                         | 28,028   | 117,848                       | (98,554)   | 19,294                          |
| Capital Budget                 | 2,666                          | -  | 2,666                         | (2,666)  | -                               |
| Other services                 |                                |  |                               |  |                                 |
| Equity                         | 2,117                          | -  | 2,177                         | (3,759)  | (1,582)                         |
| <b>Total departmental</b>      | <b>94,663</b>                  | <b>28,028</b>  | <b>122,691</b>                | <b>(104,979)</b>   | <b>17,712</b>                   |

1. This includes receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

2. The variance of \$19,294m in cash terms resulted from the one off transfer of cash from the special account (\$15,022m) with respect to the liabilities of the CrimTrac Agency as at 30 June 2016, combined with an operational surplus in 2017 attributable to the appropriation source. All liabilities as at 30 June are payable from the unspent appropriation.

### Note 3.1: Appropriations (continued)

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

|  | 2018          | 2017          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>Departmental</b>  |               |               |
| Appropriation Act (No.1) 2017–18 <sup>1</sup>                  | 49,063        |               |
| Appropriation Act (No.3) 2017–18 <sup>2</sup>                  | 523           |               |
| Appropriation Act (No.2) 2017–18 Equity Injection <sup>3</sup> | 318           |               |
| Appropriation Act (No.2) 2016–17 Equity Injection              | -             | 335           |
| Appropriation Act (No.1) 2016–17                               | -             | 43,875        |
| Cash at bank and on hand                                       | 8,513         | 4,558         |
| <b>Total departmental</b>                                      | <b>58,417</b> | <b>48,768</b> |

1. The Appropriation Act (No.1) balance for 2017–18 represents unused appropriation for the year.
2. The Appropriation Act (No.3) balance for 2017–18 represents unused appropriation for the year.
3. The Appropriation Act (No.2) equity injection balance for 2017–18 represents unused appropriation re-phased to future years.

## Note 4.1: Employee Provisions

|  | 2018   | 2017   |
|--|--------|--------|
|  | \$'000 | \$'000 |

### Note 4.1A: Employee Provisions

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Employee leave                   | 27,295        | 25,964        |
| Separations and redundancies     | -             | 556           |
| <b>Total employee provisions</b> | <b>27,295</b> | <b>26,520</b> |

### Accounting Policy

Liabilities for 'short-term employee benefits' and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

#### Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including 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 ACIC 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.

#### Separation and redundancy

Provision is made for separation and redundancy benefit payments. The ACIC 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 termination.

#### Superannuation

The ACIC staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap) or other superannuation funds held outside the Australian Government. A small number of staff are members of employee nominated superannuation funds, as allowed under the ACIC's enterprise agreement. The PSSap and other employee nominated superannuation funds are defined contribution schemes. The CSS and PSS are defined benefit schemes for the Australian Government. The liabilities for defined benefit schemes are recognised in the financial statements of the Australian Government and are settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes. The ACIC makes employer contributions to the employees' defined benefit superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. The ACIC accounts for the contributions as if they were contributions to defined contribution plans. The liability for superannuation recognised as at 30 June 2018 represents outstanding contributions for the final fortnight of the year.

## Note 4.2: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The ACIC has determined the key management personnel positions to be the Chief Executive Officer and the three Executive Directors. In 2016–17 ACIC had a Deputy Chief Executive Officer and the position was abolished due to restructure in 2017–18. The key management personnel remuneration excludes the remuneration and other benefits of the Minister. The Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the ACIC.

Key management personnel remuneration is reported in the table below:

|   | 2018             | 2017             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Note 4.2: Key Management Personnel Remuneration</b>                  |                  |                  |
| Short-term employee benefits  | 1,140,991        | 1,333,585        |
| Post-employment benefits  | 176,878          | 243,921          |
| Other long-term employee benefits                                       | 108,926          | 142,608          |
| <b>Total key management personnel remuneration expenses<sup>1</sup></b> | <b>1,426,795</b> | <b>1,720,114</b> |
| <b>Total number of key management personnel<sup>1</sup></b>             | <b>7</b>         | <b>6</b>         |

1. Includes officers substantively holding or acting for a period exceeding three months in a key management personnel position. The ACIC CEO is also the Director of the Australian Institute of Criminology (AIC). The full cost of the CEO is included above. The AIC makes a contribution towards the overheads of the ACIC, including executive oversight, which is included in "Rendering of Services" (see Note 1.2A).

## Note 4.3: Related Party Disclosure

### Related party relationships:

The ACIC is an Australian Government controlled entity. Related parties of the ACIC comprise the Ministers responsible for the ACIC, other Australian Government entities, the key management personnel of the ACIC, and parties related to the ACIC's key management personnel (including close family members and entities controlled by themselves, their close family members or jointly with close family members).

### Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes. These transactions have not been separately disclosed in this note.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no related party transactions requiring disclosure.

## Note 5.1 : Financial Instruments

|   | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Note 5.1A: Categories of Financial Instruments</b>   |       |                |                |
| <b>Financial Assets</b>                                 |       |                |                |
| <b>Loans and receivables</b>                            |       |                |                |
| Cash and cash equivalents                               | 2.1A  | <b>117,239</b> | 122,171        |
| Trade and other receivables                             | 2.1B  | <b>17,022</b>  | 14,961         |
| <b>Total financial assets</b>                           |       | <b>134,261</b> | 137,132        |
| <b>Financial Liabilities</b>                            |       |                |                |
| <b>Financial liabilities measured at amortised cost</b> |       |                |                |
| Trade creditors and accruals                            | 2.3A  | <b>19,160</b>  | 18,443         |
| <b>Total financial liabilities</b>                      |       | <b>19,160</b>  | 18,443         |

## Note 6: Explanations of Major Variances Between Budget and Actual

The following table provides a comparison of the original budget as presented in the 2017–18 Portfolio Budget Statements (PBS) to the 2017–18 final outcome as presented in accordance with Australian Accounting Standards for the entity. The Budget is not audited.

Variances are considered to be ‘major’ based on the following criteria:

- the variance between budget and actual is greater than 10%; and
- the variance between budget and actual is greater than 1% of the relevant category (Income, Expenses and Equity totals); or an item below this threshold but is considered important for the reader’s understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity.

| Explanation for major variances  | Affected line items (and statement)  |
|--|--|
| <p><b>Expenses</b></p> <p>Employee benefits were broadly in line with budget (2% under).</p> <p>Supplier expenses exceeded budget due to unexpected levels of operation associated with the Proceeds of Crime Act activity, projects funded through New Policy Proposals, and expensed outgoings associated with the closure of the Biometric Identification Services project.</p> <p>The discontinued project also led to unbudgeted write off and impairment expenses, and together with delays in other capital projects, resulted in less depreciation and amortisation than budget.</p> | <p><i>Expenses: Supplier expenses, Depreciation and amortisation, write down and impairment of property. (Statement of Comprehensive Income)</i></p> |
| <p><b>Own-source income—rendering of services</b></p> <p>Revenues from rendering of services exceeded budget expectations due to elevated demand of the National Police Checking service, unexpected levels of revenue in respect to Proceeds of Crime Act, and other services.</p>  | <p><i>Own source income (Statement of Comprehensive Income)</i></p>  |
| <p><b>Financial assets</b></p> <p>After accounting for budget misclassification between categories, the actual balance for financial assets is approximately 17% greater than budget.</p> <p>The original budget was prepared before the 2016–17 actual figure could be known. As a consequence the opening balance of the 2017–18 statement of financial positions needed to be estimated and the variance between the budget and the 2017–18 actual can be at least in part be attributed to unanticipated movements in opening balances.</p>  | <p><i>Financial Assets (Statement of Financial Position)</i></p>   |
| <p><b>Liabilities—other provisions</b></p> <p>The statements reflect an unbudgeted provision for expenses associated with the closure of the Biometric Identification Services project.</p>  | <p><i>Other Provisions (Statement of Financial Position)</i></p>   |