



## Section

# 04

## Audited financial statements

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### *Our financial statements for 2018–19*

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



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Home Affairs

#### Opinion

In my opinion, the financial statements of the Australian Criminal Intelligence Commission ('the Entity') for the year ended 30 June 2019:

- (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 Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 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 Entity 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 Entity, the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation 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 ability of the Entity 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 the Accountable Authority 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



Jodi George  
Executive Director

Delegate of the Auditor-General

Canberra  
1 October 2019



AUSTRALIAN  
CRIMINAL  
INTELLIGENCE  
COMMISSION

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

In our opinion, the attached financial statements for the year ended 30 June 2019 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

/ October 2019

Signed.....

Yvette Whittaker  
Chief Financial Officer

/ October 2019

**STATEMENT OF COMPREHENSIVE INCOME**  
for the period ended 30 June 2019

		2019	Budget 2019	2018
	Notes	\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	1.1A	95,362	99,465	91,198
Suppliers	1.1B	117,013	104,957	104,677
Depreciation and amortisation	2.2A	14,440	19,582	15,702
Finance costs—unwinding of discount	2.4	34	–	29
Write-down and impairment of property, plant and equipment	2.2A	2,315	–	13,303
Secondees and services provided by state, territory and other Commonwealth agencies	1.1C	6,098	4,770	4,127
<b>Total expenses</b>		<b>235,262</b>	<b>228,774</b>	<b>229,036</b>
<b>Own-source income</b>				
<b>Own-source revenue</b>				
Rendering of services	1.2A	130,310	118,229	121,967
Other revenue	1.2B	2,677	1,670	2,298
<b>Total own-source revenue</b>		<b>132,987</b>	<b>119,899</b>	<b>124,265</b>
<b>Net cost of services</b>		<b>(102,275)</b>	<b>(108,875)</b>	<b>(104,771)</b>
Revenue from Government—Departmental Appropriations	1.2C	99,970	103,592	88,446
<b>(Deficit) attributable to the Australian Government</b>		<b>(2,305)</b>	<b>(5,283)</b>	<b>(16,325)</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		(117)	–	(86)
<b>Total other comprehensive income</b>		<b>(117)</b>	<b>–</b>	<b>4,813</b>
<b>Total comprehensive (loss) attributable to the Australian Government</b>		<b>(2,422)</b>	<b>(5,283)</b>	<b>(11,512)</b>

The above statement should be read in conjunction with the accompanying notes.  
Budget to actual variance commentary: see Note 7 for major variance explanations.

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

		2019	Budget	2018
	Notes	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	2.1A	130,303	92,893	117,239
Trade and other receivables	2.1B	70,170	52,383	69,838
Other financial assets		–	3,427	–
<b>Total financial assets</b>		<b>200,473</b>	<b>148,703</b>	<b>187,077</b>
<b>Non-financial assets</b>				
Leasehold improvements	2.2A	23,656	19,941	26,699
Property, plant and equipment	2.2A	17,235	32,279	14,709
Intangibles	2.2A	27,170	74,009	23,496
Prepayments		9,180	6,691	9,409
<b>Total non-financial assets</b>		<b>77,241</b>	<b>132,920</b>	<b>74,313</b>
<b>Total assets</b>		<b>277,714</b>	<b>281,623</b>	<b>261,390</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	2.3A	21,583	21,143	22,129
Other payables	2.3B	18,895	15,288	20,148
<b>Total payables</b>		<b>40,478</b>	<b>36,431</b>	<b>42,277</b>
<b>Provisions</b>				
Employee provisions	4.1A	29,698	25,698	27,295
Other provisions	2.4	16,236	1,638	10,297
<b>Total provisions</b>		<b>45,934</b>	<b>27,336</b>	<b>37,592</b>
<b>Total liabilities</b>		<b>86,412</b>	<b>63,767</b>	<b>79,869</b>
<b>Net assets</b>		<b>191,302</b>	<b>217,856</b>	<b>181,521</b>
<b>EQUITY</b>				
Contributed equity		58,680	71,075	46,477
Reserves		16,411	11,713	16,528
Retained surplus		116,211	135,068	118,516
<b>Total equity</b>		<b>191,302</b>	<b>217,856</b>	<b>181,521</b>

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

Budget to actual variance commentary: see Note 7 for major variance explanations.

**STATEMENT OF CHANGES IN EQUITY**  
for the period ended 30 June 2019

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	Budget		Budget		Budget		Budget	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance carried forward from previous period	118,516	139,324	134,841	11,713	46,477	43,257	197,514	189,813
<b>Opening balance</b>	<b>118,516</b>	<b>139,324</b>	<b>134,841</b>	<b>11,713</b>	<b>46,477</b>	<b>43,257</b>	<b>197,514</b>	<b>189,813</b>
<b>Comprehensive income</b>								
Deficit for the period	(2,305)	(5,283)	(16,325)	—	—	—	(5,283)	(16,325)
Other comprehensive income	—	—	—	(117)	4,813	—	—	4,813
<b>Total comprehensive income</b>	<b>(2,305)</b>	<b>(5,283)</b>	<b>(16,325)</b>	<b>(117)</b>	<b>4,813</b>	<b>—</b>	<b>(5,283)</b>	<b>(11,512)</b>
<b>Transactions with owners</b>								
<b>Distributions to owners</b>								
Restructuring	—	1,027	—	—	—	—	—	1,027
<b>Contributions by owners</b>								
Equity injection—Appropriations <sup>1</sup>	—	—	—	—	9,576	21,971	9,576	21,971
Departmental capital budget <sup>1</sup>	—	—	—	—	2,627	2,640	2,627	2,640
<b>Total transactions with owners</b>	<b>—</b>	<b>1,027</b>	<b>—</b>	<b>—</b>	<b>12,203</b>	<b>24,598</b>	<b>12,203</b>	<b>25,625</b>
<b>Closing balance as at 30 June</b>	<b>116,211</b>	<b>135,068</b>	<b>118,516</b>	<b>16,411</b>	<b>58,680</b>	<b>46,477</b>	<b>217,856</b>	<b>181,521</b>

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

The above statement should be read in conjunction with the accompanying notes. Budget to actual variance commentary, see Note 7 for major variance explanations.

## CASH FLOW STATEMENT

for the period ended 30 June 2019

	2019 \$'000	Budget 2019 \$'000	2018 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	101,487	106,961	88,718
Rendering of services	134,841	117,310	123,135
Net GST received	10,491	–	9,447
<b>Total cash received</b>	<b>246,819</b>	<b>224,271</b>	<b>221,300</b>
<b>Cash used</b>			
Employees	92,958	99,603	90,425
Suppliers	124,296	105,267	110,845
Section 74 receipts transferred to Official Public Account	4,942	–	5,966
Other	3,850	5,102	2,881
<b>Total cash used</b>	<b>226,046</b>	<b>209,972</b>	<b>210,117</b>
<b>Net cash from operating activities</b>	<b>20,773</b>	<b>14,299</b>	<b>11,183</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of property, plant and equipment and intangibles	19,912	65,042	19,335
<b>Total cash used</b>	<b>19,912</b>	<b>65,042</b>	<b>19,335</b>
<b>Net cash used by investing activities</b>	<b>(19,912)</b>	<b>(65,042)</b>	<b>(19,335)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity	12,203	24,598	3,220
<b>Total cash received</b>	<b>12,203</b>	<b>24,598</b>	<b>3,220</b>
<b>Net cash from financing activities</b>	<b>12,203</b>	<b>24,598</b>	<b>3,220</b>
<b>Net increase (decrease) in cash held</b>	<b>13,064</b>	<b>(26,145)</b>	<b>(4,932)</b>
Cash and cash equivalents at the beginning of the reporting period	117,239	119,038	122,171
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>130,303</b>	<b>92,893</b>	<b>117,239</b>

The above statement should be read in conjunction with the accompanying notes.  
Budget to actual variance commentary: see Note 7 for major variance explanations.



## Overview

### Objectives of the Australian Criminal Intelligence Commission (ACIC)

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 2015 (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 section 105D

The Minister for Finance and the Minister for Home Affairs made determinations 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 have not been modified as a result of using the determination.

### New accounting standards

All new and revised standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material impact on the ACIC's financial statements.

### 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 2019. However as at 30 June 2019, 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 2019 to report in the 2018–19 financial statements.

## Notes to and forming part of the financial statements

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## 1. Departmental financial performance

### Note 1.1: Expenses

	2019	2018
	\$'000	\$'000
<b>Note 1.1A: Employee benefits</b>		
Wages and salaries	64,390	64,858
Superannuation		
Defined contribution plans	7,773	7,656
Defined benefit plans	5,197	5,256
Leave and other entitlements	14,650	13,026
Separation and redundancies	3,352	402
<b>Total employee benefits</b>	<b>95,362</b>	<b>91,198</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 <sup>1</sup>	37,004	30,769
Consultants and contractors	28,335	26,663
Jurisdiction fees and payments	9,930	8,591
Property and security expenses	5,832	4,802
Travel	5,487	5,733
Communication	3,675	5,400
Operational expenses	3,142	3,868
Staff development and training	2,721	2,159
Legal expenses	1,930	2,489
Office expenses	1,007	1,183
Other	740	706
<b>Total goods and services</b>	<b>99,803</b>	<b>92,363</b>

1 IT support and maintenance increased primarily due to investment in IT infrastructure projects.

**Note 1.1: Expenses (continued)**

	2019	2018
	\$'000	\$'000
<b>Other suppliers</b>		
Operating lease rentals	16,792	12,108
Workers compensation expenses	418	206
<b>Total other suppliers</b>	<b>17,210</b>	<b>12,314</b>
<b>Total suppliers</b>	<b>117,013</b>	<b>104,677</b>

**Leasing commitments**

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

Within 1 year	15,953	15,590
Between 1 to 5 years	46,270	53,705
More than 5 years	12,465	22,037
<b>Total operating lease commitments</b>	<b>74,681</b>	<b>91,332</b>

**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.

**Note 1.1C: Secondees and services provided by state, territory and other Commonwealth agencies**

Secondees paid	3,699	2,742
Secondees provided free of charge	2,249	1,245
Remuneration of auditors	150	140
<b>Total secondees and services provided by other agencies</b>	<b>6,098</b>	<b>4,127</b>

## Note 1.2: Own-source revenue

	2019	2018
	\$'000	\$'000

### Own-source revenue

#### Note 1.2A: Rendering of services

Revenue—special account	104,933	97,737
Revenue—proceeds of crime and memoranda of understanding	25,377	21,580
Revenue—other	–	2,650
<b>Total rendering of service</b>	<b>130,310</b>	<b>121,967</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—secondees	2,249	1,245
Resources received free of charge—audit services	150	140
Other	278	913
<b>Total other revenue</b>	<b>2,677</b>	<b>2,298</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	99,970	88,446
<b>Total revenue from Government</b>	<b>99,970</b>	<b>88,446</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.

## 2. Departmental financial position

### Note 2.1: Financial assets

	Notes	2019 \$'000	2018 \$'000
<b>Note 2.1A: Cash and cash equivalents</b>			
Special account cash held in Official Public Account	2.5A	125,812	108,726
Cash at bank and on hand		4,491	8,513
<b>Total cash and cash equivalents</b>		<b>130,303</b>	<b>117,239</b>
<b>Note 2.1B: Trade and other receivables</b>			
Trade receivables		13,935	17,007
Comcare receivable		18	15
Appropriations receivable—existing programs		53,328	49,904
GST receivable		2,889	2,912
<b>Total trade and other receivables</b>		<b>70,170</b>	<b>69,838</b>

#### **Accounting Policy**

##### *Trade and other receivables*

Trade receivables and other receivables are held for the purpose of collecting the contractual cash flows of principal and interest at market interest rates. They are subsequently measured at amortised cost using the effective interest method, adjusted for any loss allowance.

## 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 \$'000	Property, plant and equipment \$'000	Computer software— internally developed \$'000	Computer software— purchased \$'000	Total \$'000
<b>As at 1 July 2018</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 1 July 2018</b>	<b>26,699</b>	<b>14,709</b>	<b>22,146</b>	<b>1,350</b>	<b>64,904</b>
Additions					
Purchase	938	5,022	13,952	—	19,912
Depreciation/amortisation	(4,156)	(4,619)	(5,172)	(493)	(14,440)
Transfers	175	2,148	(3,018)	695	—
Write-down and impairment of property, plant and equipment <sup>1</sup>	—	(25)	(2,290)	—	(2,315)
<b>Total as at 30 June 2019</b>	<b>23,656</b>	<b>17,235</b>	<b>25,618</b>	<b>1,552</b>	<b>68,061</b>
<b>Total as at 30 June 2019 represented by</b>					
Gross book value	27,812	21,818	78,050	9,305	136,985
Accumulated depreciation, amortisation and impairment	(4,156)	(4,583)	(52,432)	(7,753)	(68,924)
<b>Total as at 30 June 2019 represented by</b>	<b>23,656</b>	<b>17,235</b>	<b>25,618</b>	<b>1,552</b>	<b>68,061</b>

<sup>1</sup> This category includes write off of assets under construction, valued at \$2,290m, related primarily to IT projects.

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.

An independent desktop valuation was conducted in accordance with the revaluation policy stated in Note 2.2A by an independent valuer on leasehold improvements and property, plant and equipment (a full valuation of the leasehold improvements and property, plant and equipment was conducted in June 2018).

### Capital commitments

As at the 30 June 2019 the ACIC had capital commitments for information technology solutions, specialised and non-specialised property, plant and equipment.

## 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 expected useful lives, unless an individual asset is assessed as having a different useful life.

	2019	2018
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 2019 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 2019. 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

	2019	2018
	\$'000	\$'000

### Note 2.3A: Suppliers

Trade creditors and accruals	17,992	19,160
Operating lease rentals	3,591	2,969
<b>Total suppliers</b>	<b>21,583</b>	<b>22,129</b>

### Note 2.3B: Other payables

Wages and salaries	550	554
Superannuation	101	100
Lease incentive <sup>1</sup>	11,108	12,941
Unearned income	6,673	6,040
GST payable	14	17
Other	449	496
<b>Total other payables</b>	<b>18,895</b>	<b>20,148</b>

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

### Accounting Policy

#### Financial liabilities

Supplier and other payables are classified as financial liabilities measured 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.

## Note 2.4: Other provisions

	2019	2018
	\$'000	\$'000

### Other provisions

Other provisions	9,432	8,669
Onerous lease obligations <sup>1</sup>	5,138	113
<b>Total other provisions</b>	<b>14,570</b>	<b>8,782</b>

### Provision for restoration obligations<sup>2</sup>

Opening balance	1,515	2,177
Additional provisions made	117	352
Amounts not used	–	(917)
Amounts reversed	–	(126)
Unwinding of discount	34	29
<b>Closing balance as at 30 June</b>	<b>1,666</b>	<b>1,515</b>
<b>Total other provisions</b>	<b>16,236</b>	<b>10,297</b>

1 The planned coordination of the Victorian office with Victoria Police in 2020 gives rise to an onerous lease obligation on the existing Melbourne office space.

2 The ACIC currently has five agreements (2018: five 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	2019 \$'000	2018 \$'000
<b>Note 2.5A: National Policing Information Systems and Services Special Account<sup>1</sup></b>			
<b>Balance brought forward from previous period</b>		<b>108,726</b>	117,613
Total increases		<b>128,576</b>	96,671
<b>Available for payments</b>		<b>237,302</b>	214,284
Total decreases		<b>(111,490)</b>	(105,558)
<b>Total balance carried to the next period</b>		<b>125,812</b>	108,726
<b>Balance represented by:</b>			
Cash held in the Official Public Account		<b>125,812</b>	108,726
<b>Total balance carried to the next period</b>	2.1A	<b>125,812</b>	108,726

<sup>1</sup> Legal authority: *Australian Crime Commission Act 2002* section 59C.

The purposes of the NPISS Special Account are defined by section 59E of the *Australian Crime Commission Act 2002* (ACC 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 the ACC 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 initially established by the *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 Governance, Performance and Accountability Act 2013*.

### 3. Funding

#### Note 3.1: Appropriations

##### Note 3.1A: Annual appropriations (recoverable GST exclusive<sup>1</sup>)

Annual appropriations for 2019	Annual appropriation <sup>1</sup> \$'000	Adjustments to appropriation <sup>2</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2019 (current and prior years) \$'000	Variance <sup>3</sup> \$'000
<b>Departmental</b>					
Ordinary annual services	103,592	37,855	141,447	(125,644)	15,803
Capital budget	2,627	–	2,627	(2,627)	–
Other services					
Equity	21,971	–	21,971	(9,894)	12,077
<b>Total departmental</b>	<b>128,190</b>	<b>37,855</b>	<b>166,045</b>	<b>(138,165)</b>	<b>27,880</b>

1. Annual appropriation includes \$3.622m quarantined under section 51 of the *Public Governance, Performance and Accountability Act 2013* legally available to AICG as at 30 June 2019.

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

3. Variance in equity of \$12.077m is due to re-phasing 2019 funding through section 51 of the *Public Governance, Performance and Accountability Act 2013* reductions for forward year spending. Variance in ordinary annual services of \$15.803m is due to quarantining of \$3.622m ordinary annual services for savings measures and forward year spending and \$12.181m relating to the establishment of several provisions.

##### Annual appropriations for 2018

Annual appropriations for 2018	Annual Appropriation \$'000	Adjustments to appropriation <sup>1</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2018 (current and prior years) \$'000	Variance <sup>2</sup> \$'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.

## Note 3.1: Appropriations (continued)

### Note 3.1B: Unspent annual appropriations ('recoverable GST exclusive')

	2019	2018
	\$'000	\$'000
<b>Departmental</b>		
Appropriation Act (No.1) 2018–19 <sup>1</sup>	53,328	–
Appropriation Act (No.1) 2018–19—Cash at bank and on hand <sup>1</sup>	4,491	8,513
Appropriation Act (No.1) 2017–18	–	49,063
Appropriation Act (No.3) 2017–18	–	523
Appropriation Act (No.2) 2017–18—Equity injection	–	318
<b>Total departmental</b>	<b>57,819</b>	<b>58,417</b>

1 The Appropriation Act (No.1) balance for 2018–19 represents unspent appropriation for the year.

## 4. People and relationships

### Note 4.1: Employee provisions

	2019	2018
	\$'000	\$'000
<b>Note 4.1A: Employee provisions</b>		
Employee leave	29,005	27,295
Separations and redundancies	693	–
<b>Total employee provisions</b>	<b>29,698</b>	<b>27,295</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 2019 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, Chief Operating Officer and the three Executive Directors. 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:

	2019	2018
	\$	\$
<b>Note 4.2: Key management personnel remuneration</b>		
Short-term employee benefits	1,329,907	1,140,991
Post-employment benefits	209,213	176,878
Other long-term employee benefits	31,037	108,926
Termination benefits	100,000	–
<b>Total key management personnel remuneration expenses<sup>1</sup></b>	<b>1,670,157</b>	<b>1,426,795</b>
<b>Total number of key management personnel<sup>1</sup></b>	<b>6</b>	<b>7</b>

<sup>1</sup> 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' (Refer 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 cabinet ministers, 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.

## 5. Managing uncertainties

### Note 5.1: Financial instruments

	Notes	2019 \$'000	2018 \$'000
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#### Note 5.1A: Categories of financial instruments

##### Financial assets

##### Financial assets at amortised cost

Cash and cash equivalents	2.1A	<b>130,303</b>	117,239
Trade and other receivables	2.1B	<b>13,953</b>	17,022
<b>Total financial assets</b>		<b>144,256</b>	134,261

##### Financial liabilities

##### Financial liabilities measured at amortised cost

Trade creditors and accruals	2.3A	<b>17,992</b>	19,160
<b>Total financial liabilities</b>		<b>17,992</b>	19,160

#### Changes with the implementation of AASB 9

ACIC was reporting financial assets at amortised cost under the AASB 139 as loans and receivables. However, under the AASB 9 it has been reclassified as financial assets at amortised cost. AASB 9 did not have any impact to financial liability disclosure.

Based on the receivable management history and the current debtor management process, the ACIC assessed the risk of impairment as nil.

## 6. Other information

### Note 6.1: Aggregate assets and liabilities

	2019	2018
	\$'000	\$'000

#### Note 6.1: Aggregate assets and liabilities

##### Assets expected to be recovered in:

No more than 12 months	205,706	194,766
More than 12 months	72,008	66,624
<b>Total assets</b>	<b>277,714</b>	<b>261,390</b>

##### Liabilities expected to be settled in:

No more than 12 months	52,257	48,586
More than 12 months	34,180	31,283
<b>Total liabilities</b>	<b>86,437</b>	<b>79,869</b>

This note indicates the liquidity position of the ACIC.



## 7. Explanations of major variances between budget and actual

The following are explanations of events that have impacted on the ACIC's operations and activities for the year. Budget numbers are sourced from the ACIC's *Portfolio Budget Statements 2018–19* and are provided in the primary statements. Budgeted numbers are not audited.

Major variances are those deemed relevant or most significant to an analysis of the ACIC's performance by management, not focussed merely on numerical differences between the actual and budgeted amounts.

When providing explanations, the ACIC has identified the financial impact in relation to those key aggregates relevant to the ACIC's performance. Users should be aware that there will be consequential impacts on related statements i.e. a variance in the Statement of Comprehensive Income is likely to have consequential impacts in the Statement of Financial Position and the Cash Flow Statement.

Explanation for major variances	Affected line items (and statement)
<p><b>Appropriation adjustment</b> The ACIC appropriation was reduced by \$3.622m as a result of:</p> <ul style="list-style-type: none"> <li>▶ delays in passing enabling legislation for implementing Criminal Intelligence Checking services</li> <li>▶ additional efficiency dividends and savings measures</li> <li>▶ offset by new measure funded from Joint Capability Fund.</li> </ul>	<p><i>Expenses: Employee benefits, Supplier, Depreciation and amortisation (Statement of Comprehensive Income)</i> <i>Revenue from Government: (Statement of Comprehensive Income)</i></p>
<p><b>Growing demand for National Police Checking Service</b> The growth rate for National Police Checking Service (NPCS) was higher than the budgeted growth rate, resulted in a \$6.8m increase in NPCS revenue.</p>	<p><i>Expenses: Suppliers (Statement of Comprehensive Income)</i> <i>Own-source revenue: Rendering of services (Statement of Comprehensive Income)</i> <i>Financial assets: Cash and cash equivalent (Statement of Financial Position)</i></p>
<p><b>Proceeds of Crime Account revenue</b> The ACIC secured funding, for a number of initiatives, from the Proceeds of Crime Account after the 2018–19 Budget, which provided the ACIC \$14.9m over three financial years.</p>	<p><i>Expenses: Suppliers (Statement of Comprehensive Income)</i> <i>Own-source revenue: Rendering of services (Statement of Comprehensive Income)</i> <i>Financial assets: Cash and cash equivalent (Statement of Financial Position)</i> <i>Non-financial assets: Property, plant and equipment, Intangible (Statement of Financial Position)</i></p>
<p><b>Asset impairment</b> A review of assets has resulted in the write off of several items. The reasons included changes in delivery strategy relating to the NCIS, rendering work to date in some areas impaired. In addition capability delivered under several other projects was assessed as redundant.</p>	<p><i>Expenses: Supplier, Write-down and impairment of property, plant and equipment, Depreciation and amortisation (Statement of Comprehensive Income)</i> <i>Financial assets: Cash and cash equivalent (Statement of Financial Position)</i> <i>Non-financial assets: Property, plant and equipment, Intangible (Statement of Financial Position)</i> <i>Provisions: Other provision (Statement of Financial Position)</i></p>
<p><b>Office relocation</b> The ACIC has committed to relocate its Melbourne office prior to the termination of its existing lease. This has resulted in the creation of a significant onerous lease provision.</p>	<p><i>Expenses: Suppliers (Statement of Comprehensive Income)</i> <i>Provisions: Other provision (Statement of Financial Position)</i></p>
<p><b>Other provisions</b> Other provisions have been raised for legal costs pertaining to recent court decisions and projects, and bond rate adjustments impacting on the value of employee entitlement estimates.</p>	<p><i>Expenses: Employee benefits, Suppliers (Statement of Comprehensive Income)</i> <i>Provisions: Employee provisions, Other provision (Statement of Financial Position)</i></p>
<p><b>Capital projects</b> Variance of actual expenditure on capital projects against budgets can arise due to differences in timing in project planning and execution. Additionally, at the time of publishing the 2018–19 budget the Biometrics Information Services project was intended to continue. However, that project was subsequently cancelled and therefore is not reflected in the non-financial asset balances.</p>	<p><i>Non-financial assets (Statement of Financial Position)</i> <i>Cash used in investment activities (Cash flow Statement)</i></p>