



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

Section 4

Audited financial statements

Our financial statements for 2019–20

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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 2020:

- (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 2020 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 2020 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 (including Independence Standards)* (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
24 September 2020




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 2020 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

24 September 2020

Signed.....


Yvette Whittaker
Chief Financial Officer

24 September 2020

STATEMENT OF COMPREHENSIVE INCOME*for the period ended 30 June 2020*

	Notes	Budget		
		2020 \$'000	2020 \$'000	2019 \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	93,669	103,583	95,362
Suppliers	1.1B	114,499	121,350	120,712
Depreciation and amortisation	2.2A	26,439	19,386	14,440
Finance costs	1.1C	656	–	34
Write-down and impairment of property, plant and equipment	2.2A	1,274	–	2,315
Resources received free of charge	1.1D	2,739	4,770	2,399
Total expenses		239,276	249,089	235,262
Own-source revenue				
Revenue from contracts with customers	1.2A	138,022	125,536	130,588
Resources received free of charge	1.2B	2,739	1,670	2,399
Total own-source revenue		140,761	127,206	132,987
Net cost of services		(98,515)	(121,883)	(102,275)
Revenue from Government—Departmental Appropriations	1.2C	103,841	104,777	99,970
Surplus/(Deficit) attributable to the Australian Government		5,326	(17,106)	(2,305)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserves—provision for restoration obligations		7	–	(117)
Total other comprehensive income		7	–	(117)
Total comprehensive income/(loss) attributable to the Australian Government		5,333	(17,106)	(2,422)

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 2020

		2020	Budget	
	Notes	\$'000	2020	2019
			\$'000	\$'000
ASSETS				
Financial assets				
Cash and cash equivalents	2.1A	124,915	96,431	130,303
Trade and other receivables	2.1B	77,440	68,925	70,170
Total financial assets		202,355	165,356	200,473
Non-financial assets				
Buildings ¹	2.2A	43,681	–	–
Leasehold improvements	2.2A	14,609	21,352	23,656
Property, plant and equipment ¹	2.2A	42,096	35,365	17,235
Intangibles	2.2A	37,302	60,985	27,170
Prepayments		9,448	9,408	9,180
Total non-financial assets		147,136	127,110	77,241
Total assets		349,491	292,466	277,714
LIABILITIES				
Payables				
Suppliers	2.3A	21,922	22,030	21,583
Other payables	2.3B	7,378	15,561	18,895
Total payables		29,300	37,591	40,478
Interest bearing liabilities				
Leases ¹	2.4	55,956	–	–
Total interest bearing liabilities		55,956	–	–
Provisions				
Employee provisions	4.1A	30,603	27,159	29,698
Other provisions	2.5	17,404	10,310	16,236
Total provisions		48,007	37,469	45,934
Total liabilities		133,263	75,060	86,412
Net assets		216,228	217,406	191,302
EQUITY				
Contributed equity		70,050	84,941	58,680
Reserves		16,965	16,524	16,411
Retained surplus		129,213	115,941	116,211
Total equity		216,228	217,406	191,302

1 Non-financial assets for 2020 include leased assets for the first time as required by new accounting standard AASB 16. The relevant liabilities under the lease contracts are shown as interest bearing liabilities.

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 2020

	Retained earnings		Asset revaluation reserve		Contributed equity/capital		Total equity	
	Budget		Budget		Budget		Budget	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance carried forward from previous period	116,211	133,047	118,516	16,528	58,680	46,477	191,302	208,251
Adjustment on initial application of AASB 16— leases ¹	7,676	—	—	—	—	—	8,223	—
Adjusted opening balance	123,887	133,047	118,516	16,528	58,680	46,477	199,525	208,251
Comprehensive income								
Surplus/(Deficit) for the period	5,326	(17,106)	(2,305)	—	—	—	5,326	(17,106)
Other comprehensive income	—	—	—	(117)	—	—	7	(117)
Total comprehensive income	5,326	(17,106)	(2,305)	(117)	—	—	5,333	(17,106)
Transactions with owners								
Contributions by owners								
Equity injection—	—	—	—	—	—	—	8,758	23,636
Appropriations ²	—	—	—	—	—	—	2,612	2,625
Departmental capital budget ²	—	—	—	—	—	—	2,612	2,627
Total transactions with owners	—	—	—	—	—	—	11,370	26,261
Closing balance as at 30 June	129,213	115,941	116,211	16,411	70,050	58,680	216,228	191,302

1. More information on the impact of the application of the new accounting standard AASB 16—leases can be found in the overview section.
2. 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 2020

	Notes	2020 \$'000	Budget 2020 \$'000	2019 \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		98,939	107,208	101,487
Revenue from contracts with customers		138,349	125,536	134,841
Other		66	–	–
Net GST received		12,398	–	10,491
Total cash received		249,752	232,744	246,819
Cash used				
Employees		91,974	103,583	92,958
Suppliers		121,312	122,911	124,296
Interest payments on lease liabilities	1.1C	637	–	–
Section 74 receipts transferred to Official Public Account		4,999	–	4,942
Other		735	3,100	3,850
Total cash used		219,657	229,594	226,046
Net cash from operating activities		30,095	3,150	20,773
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment and intangibles	2.2A	36,153	50,949	19,912
Total cash used		36,153	50,949	19,912
Net cash used by investing activities		(36,153)	(50,949)	(19,912)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		11,370	26,261	12,203
Total cash received		11,370	26,261	12,203
Cash used				
Principal payments of lease liabilities ¹		10,700	–	–
Total cash used		10,700	–	–
Net cash from financing activities		670	26,261	12,203
Net increase (decrease) in cash held		(5,388)	(21,538)	13,064
Cash and cash equivalents at the beginning of the reporting period		130,303	117,969	117,239
Cash and cash equivalents at the end of the reporting period	2.1A	124,915	96,431	130,303

1 The comparative information presented for 2018–19 is not restated, see overview note on 'new accounting standards' for explanation.

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, 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 s105D

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

There were a number of new and amending standards and/or interpretations applicable to the current financial year. Except for AASB 16 accounting for leases, other standards did not have any material impact on the ACIC's financial statements.

Application of AASB 15 revenue from contracts with customers and AASB 1058 income of not-for-profit entities

The ACIC adopted AASB15 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. AASB 1058 applies to the recognition and measurement of income where it is not within the scope of AASB 15.

The ACIC applied AASB 1058 to recognise income for volunteer services, where the fair value of the services were reliably measured, and the services would have been purchased if they had not been donated.

The ACIC applied all provisions of AASB 15 in measuring and recognising revenue at an amount that reflects the consideration entitled in exchange for transferring goods or services to customers.

A summary of the impacts of the new standards for the ACIC are as follows:

- ▶ The impact of AASB 1058 is assessed as nil for the ACIC as these items are already being recognised on the same basis.
- ▶ The impact of AASB 15 is assessed as nil for ACIC, as no change will occur to the amount of revenue recognised.

Application of AASB 16 Leases

The ACIC adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018–19 is not restated, that is, it is presented as previously reported under AASB 117 and related interpretations.

The ACIC, based on the practical expedients related to initial adoption, elected not to reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under AASB 117 were not reassessed. The definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

The ACIC also adopted the following practical expedients issued by the AASB 16 to leases previously classified as operating leases under AASB 117:

- ▶ Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- ▶ Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under AASB 136 impairment of assets at the date of initial application.
- ▶ Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term or where the underlying asset is low-value (\$10,000 or less) as of the date of initial application.

On adoption of AASB 16, the ACIC recognised right-of-use assets and lease liabilities in relation to the following leased items:

- ▶ Commercial property leases.
- ▶ Motor vehicle leases.
- ▶ Data centre leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using ACIC's incremental borrowing rate as at 1 July 2019. ACIC's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 0.09%.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by prepaid lease payments.

Impact on transition

It was assessed that there is no impact to ACIC on transition to AASB 1058 or AASB 15.

On transition to AASB 16, the ACIC recognised additional right-of-use assets and additional lease liabilities, recognising the difference in equity. The impact on transition is summarised below:

	1 July 2019 \$'000
Right-of-use assets—Property, plant and equipment	66,506
Lease liabilities	65,718
Equity ¹	8,223

¹ Impact due to AASB16 on equity covers adjustments to retained earnings (\$7.676m) and reserves (\$0.547m).

The table below reconciles the lease commitments disclosed in the ACIC's 30 June 2019 financial statements to the amount of lease liability recognised on 1 July 2019:

	1 July 2019 \$'000
Minimum operating lease commitment as at 30 June 2019	67,898
Undiscounted lease commitment	67,898
Less: adjustment to 30 June 19 closing balance	102
Adjusted minimum operating lease commitment as at 30 June 2019	68,000
Less: effect of discontinuing using the incremental borrowing rate as at the date of initial application	(2,282)
Lease liabilities recognised at 1 July 2019	65,718

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:

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

Contingent assets and liabilities

The ACIC considered the actual and potential impacts of COVID-19 as part of the agency's going concern assessment and reviewed contingent assets and liabilities. The ACIC did not have any quantifiable contingencies to report for the financial year ended 30 June 2020. However as at 30 June 2020, 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 2020 to report in the 2019–20 financial statements.

Notes to and forming part of the financial statements

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1. Financial performance

Note 1.1: Expenses

	Notes	2020 \$'000	2019 \$'000
Note 1.1A: Employee benefits			
Wages and salaries		66,566	64,390
Superannuation			
Defined contribution plans		8,268	7,773
Defined benefit plans		4,897	5,197
Leave and other entitlements		13,053	14,650
Separation and redundancies		885	3,352
Total employee benefits		93,669	95,362

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 ¹		40,845	37,004
Consultants and contractors		27,537	28,335
Jurisdiction fees and payments		11,868	9,930
Property and security expenses		5,298	5,832
Travel		4,310	5,487
Communication		4,450	3,675
Seconded placements reimbursed to state, territory and Commonwealth agencies		4,480	3,699
Operational expenses		5,469	3,142
Staff development and training		2,659	2,721
Legal expenses		5,058	1,930
Office expenses		1,015	1,007
Other		770	740
Total goods and services		113,759	103,502

Other suppliers

Operating lease rentals ²		–	16,792
Short-term leases ³		318	–
Workers compensation expenses		422	418
Total other suppliers		740	17,210
Total suppliers		114,499	120,712

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

2 Due to the implementation of AASB 16 for lease reporting, operating lease rentals under the old AASB 117 are no longer required.

3 The comparative information presented for 2018–19 is not restated, see overview note on 'new accounting standards' for explanation.

1. Financial performance

Note 1.1: Expenses (continued)

		2020	2019
	Notes	\$'000	\$'000

Note 1.1C: Finance costs

Interest on lease liabilities ¹		637	–
Unwinding of discount on provision for restoration obligations	2.5	19	34
Total finance costs		656	34

1 The comparative information presented for 2018–19 is not restated, see overview note on 'new accounting standards' for explanation.

Accounting Policy

Short-term leases and leases of low-value assets

The ACIC has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). The ACIC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Note 1.1D: Resources received free of charge

Secondees		2,584	2,249
Remuneration of auditors		155	150
Total secondees and services provided by other agencies		2,739	2,399

Note 1.2: Own-source revenue

	2020	2019
	\$'000	\$'000

Own-source revenue**Note 1.2A: Revenue from contracts with customers**

Revenue—special account	112,572	104,933
Revenue—proceeds of crime and memoranda of understanding	25,384	25,377
Other revenue	66	278
Total revenue from contracts with customers	138,022	130,588

Accounting Policy*Revenue from contracts with customers*

Revenue is recognised when the customer obtains control of the services provided. ACIC generates revenue from the National Police Checking Service and National Automated Fingerprint Identification System through the establishment of the National Policing Information Systems and Services Special Account (NPISS Special Account), *Proceeds of Crime Act 2002* and Memoranda of Understanding with Commonwealth agencies and other revenues from minor sources. The revenue recognition processes are discussed below.

- For National Police Checking Service and National Automated Fingerprint Identification System services provided by the ACIC, the performance obligation is satisfied at a point in time. The ACIC recognises revenue when it satisfies the performance obligations by transferring the promised goods or services.
- For goods or services provided by the ACIC for *Proceeds of Crime Act 2002* funding, the performance obligation may be satisfied over time. The ACIC revenue recognition from this source is dependent upon the satisfactory submission of regular progress reports.
- For goods or services provided by the ACIC based on Memoranda of Understanding, the performance obligation is satisfied over time. The ACIC revenue recognition from this source is based on the premise that the underlying goods or services will be transferred to the customers and not retained for own use.

Note 1.2B: Resources received free of charge

Resources received free of charge—secondees	2,584	2,249
Resources received free of charge—audit services	155	150
Total resources received free of charge	2,739	2,399

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	103,841	99,970
Total revenue from Government	103,841	99,970

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. Financial position

Note 2.1: Financial assets

	Notes	2020 \$'000	2019 \$'000
Note 2.1A: Cash and cash equivalents			
Special account cash held in Official Public Account	2.6	121,079	125,812
Cash at bank and on hand		3,836	4,491
Total cash and cash equivalents		124,915	130,303
Note 2.1B: Trade and other receivables			
Trade receivables		11,593	13,935
Comcare receivable		18	18
Appropriations receivable		63,230	53,328
GST receivable		2,599	2,889
Total trade and other receivables		77,440	70,170

Credit terms for goods and services were within 30 days (2018–19:30 days)

Accounting Policy

Trade and other receivables

Trade and other receivables are held for the purpose of collecting the contractual cash flows and are measured at amortised cost.

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

	Buildings \$'000	Leasehold improvements \$'000	Property, plant and equipment \$'000	Computer software— internally developed \$'000	Computer software— purchased \$'000	Total \$'000
As at 1 July 2019						
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)
Total as at 1 July 2019	–	23,656	17,235	25,618	1,552	68,061
Adjustment on initial application of AASB 16						
Recognition of right of use asset	53,189	–	13,317	–	–	66,506
Other adjustments ¹	–	(6,258)	–	–	–	(6,258)
Adjusted total as at 1 July 2019	53,189	17,398	30,552	25,618	1,552	128,309
Additions						
Purchase	–	281	17,015	14,984	3,873	36,153
Right-of-use assets	284	–	655	–	–	939
Depreciation/amortisation	–	(3,175)	(4,768)	(4,952)	(910)	(13,805)
Depreciation on right-of-use assets	(9,792)	–	(2,842)	–	–	(12,634)
Transfers on capitalisation	–	105	2,636	(7,170)	4,429	–
Write-down and impairment of property, plant and equipment ²	–	–	(1,152)	(119)	(3)	(1,274)
Total as at 30 June 2020	43,681	14,609	42,096	28,361	8,941	137,688
Total as at 30 June 2020 represented by						
Gross book value	53,473	20,965	54,164	76,298	16,042	220,942
Accumulated depreciation, amortisation and impairment	(9,792)	(6,356)	(12,068)	(47,937)	(7,101)	(83,254)
Total as at 30 June 2020	43,681	14,609	42,096	28,361	8,941	137,688
Carrying amount of right-of-use assets	43,681	–	11,130	–	–	54,811

1 This category indicates removal of a fitout asset ACIC received as lease incentive due to the initial application of AASB 16.

2 This category includes write off of assets valued at \$1.274m, related primarily to IT projects and obsolete software.

Note 2.2: Non-financial assets (continued)

There are no leasehold improvements expected to be sold or written-off of within the next 12 months, except for fit-out at the rental accommodation in Victoria, expected to be a surplus lease from October 2020.

The ACIC uses market approach and current replacement costs fair value measurement techniques to measure the fair value of property, plant and 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 2020 the ACIC had commitments for enhancing national finger print and building security systems.

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.

Lease right of use (ROU) assets

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by ACIC as separate asset classes to corresponding leasehold improvements and property, plant and equipment assets that are owned outright, but presented in the same column as where the corresponding underlying assets would be presented if they were owned.

ROU assets continue to be measured at cost after initial recognition in the ACIC.

Revaluations

Following initial recognition at cost, property, plant and equipment and leasehold improvements (excluding ROU assets) 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 generally based on the following expected useful lives, unless an individual asset is assessed as having a different useful life.

	2020	2019
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
Right of use assets	Lease term	–

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 2020 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 2020. 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

	2020	2019
	\$'000	\$'000

Note 2.3A: Suppliers

Trade creditors and accruals	21,922	17,992
Operating lease rentals	–	3,591
Total suppliers	21,922	21,583

Settlement term for suppliers were within 20 days (2018–19: 30 days).

Note 2.3B: Other payables

Wages and salaries	1,235	550
Superannuation	205	101
Lease incentive ¹	–	11,108
Unearned income	4,852	6,673
GST payable	11	14
Other	1,075	449
Total other payables	7,378	18,895

¹ The comparative information presented for 2018–19 is not restated, see overview note on 'new accounting standards' for explanation.

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: Interest bearing liabilities

	2020	2019
	\$'000	\$'000
Leases		
Lease liabilities ¹		
Building	44,752	–
Property, plant and equipment	11,204	–
	<u>55,956</u>	<u>–</u>

- 1 This represents recognition of lease liabilities on the right of use assets on application of AASB 16. The comparative information presented for 2018–19 is not restated, see overview note on 'new accounting standards' for explanation.

Note 2.5: Other provisions

	Onerous lease obligations ¹	Provision for restoration obligations ²	Other provisions	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2019	5,138	1,666	9,432	16,236
Additional provisions made	–	7	3,591	3,598
Amounts reversed	(657)	(13)	(625)	(1,295)
Amounts used	–	–	(1,372)	(1,372)
Adjustment on initial application of AASB 16	218	–	–	218
Unwinding of discount	–	19	–	19
Total as at 30 June 2020	4,699	1,679	11,026	17,404

- 1 The planned co-location of the Victorian office with Victoria Police in 2020 gives rise to an onerous lease obligation on the existing Melbourne office space. Opening provision has been adjusted to reflect the correct balance due to delay in occupancy.
- 2 The ACIC currently has five agreements (2019: 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, except for the accommodation in Victoria expected to be settled in 12 months.

Note 2.6: Special accounts

	Notes	2020 \$'000	2019 \$'000
Note 2.6A: National Policing Information Systems and Services Special Account¹			
Balance brought forward from previous period		125,812	108,726
Total increases		134,700	128,576
Available for payments		260,512	237,302
Total decreases		(139,433)	(111,490)
Total balance carried to the next period		121,079	125,812
Balance represented by:			
Cash held in the Official Public Account		121,079	125,812
Total balance carried to the next period	2.1A	121,079	125,812

1 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 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 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')

Annual appropriations for 2020

	Annual appropriation ¹ \$'000	Adjustments to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2020 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	104,245	26,623	130,868	(121,841)	9,027
Capital budget	2,612	–	2,612	(2,612)	–
Other services					
Equity	23,636	–	23,636	(8,758)	14,878
Total departmental	130,493	26,623	157,116	(133,211)	23,905

1. Annual appropriation includes \$0.404m quarantined under section 51 of the *Public Governance, Performance and Accountability Act 2013* legally available to ACIC as at 30 June 2020.

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

3. Variance in ordinary annual services of \$9.027m includes \$0.404m quarantined for savings measures and the balance is for forward year spending on several provisions. Variance in equity of \$14.878m is due to re-phasing 2020 funding, through section 51 of the *Public Governance, Performance and Accountability Act 2013* reductions, for forward year spending.

Annual appropriations for 2019

	Annual appropriation ¹ \$'000	Adjustments to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2019 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services ⁴	103,592	27,381	130,973	(127,732)	3,241
Capital budget	2,627	–	2,627	(2,627)	–
Other services					
Equity	21,971	–	21,971	(9,894)	12,077
Total departmental	128,190	27,381	155,571	(140,253)	15,318

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

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

3. Variance in ordinary annual services mainly represents the quarantining of \$3.622m ordinary annual services for savings measures. 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.

4. The 2019 figures for ordinary annual services have been amended from those published in the 2019 annual reports to correctly exclude GST and other reporting treatments as required by *Public Governance, Performance and Accountability Act 2013* and make the figures comparable to the reporting of the 2020 figures.

Note 3.1: Appropriations (continued)

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

	2020	2019
	\$'000	\$'000
Departmental		
Appropriation Act (No.1) 2019–20 ¹	63,230	–
Appropriation Act (No.1) 2018–19 ¹	–	53,328
Cash at bank and on hand ²	3,836	4,491
Total departmental	67,066	57,819

1 The Appropriation Act (No.1) balance for 2018–19 and 2019–20 represents unspent appropriation for the year.

2 Represents appropriation funds drawn and held at bank in respective years.

4. People and relationships

Note 4.1: Employee provisions

	2020	2019
	\$'000	\$'000

Note 4.1A: Employee provisions

Employee leave	30,603	29,005
Separations and redundancies	–	693
Total employee provisions	30,603	29,698

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 2020 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 Executive Directors for Intelligence Operations, Capability, Technology and, from December 2019, National Criminal Intelligence Systems.

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:

	2020	2019
	\$	\$
Note 4.2: Key management personnel remuneration		
Short-term employee benefits	1,775,742	1,329,907
Post-employment benefits	283,017	209,213
Other long-term employee benefits	41,498	31,037
Termination benefits	–	100,000
Total key management personnel remuneration expenses¹	2,100,257	1,670,157
Total number of key management personnel¹	6	6

¹ Includes officers substantively holding or acting for a period exceeding three months in a key management personnel position. There were five KMP positions in 2019 however, six personnel held KMP positions over the year as the holder of one position changed, and under the reporting guidelines each person holding the post for a substantive portion of the year is counted. An additional KMP position was established in 2020 taking the total to six. There were no other changes in KMP personnel in 2020. The increase in key management personnel remuneration expenses between year arises from a number of factors including:

- one additional KMP position as discussed above
- all positions were occupied for the full 2020 year whereas in 2019 one person was vacant for part of the year and otherwise not counted for part of the year
- salary progressions and increases under engagement agreements.

The ACIC CEO is also the Director of the Australian Institute of Criminology (AIC). The full cost of the CEO is included above.

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	2020 \$'000	2019 \$'000
Note 5.1A: Categories of financial instruments			
Financial assets			
Financial assets at amortised cost			
Cash and cash equivalents	2.1A	124,915	130,303
Trade and other receivables ¹	2.1B	11,611	13,953
Total financial assets		136,526	144,256
Financial liabilities			
Financial liabilities measured at amortised cost			
Trade creditors and accruals	2.3A	21,922	17,992
Total financial liabilities		21,922	17,992

- 1 Based on the receivable management history and the current debtor management process, the ACIC assessed the risk of impairment is very low. Trade and other receivables is adjusted for impairment loss \$0.024m (2019: nil).

6. Other information

Note 6.1: Aggregate assets and liabilities

	2020	2019
	\$'000	\$'000

Note 6.1: Aggregate assets and liabilities

Assets expected to be recovered in:

No more than 12 months	211,803	205,706
More than 12 months	137,688	72,008
Total assets	349,491	277,714

Liabilities expected to be settled in:

No more than 12 months	55,672	52,232
More than 12 months	77,591	34,180
Total liabilities	133,263	86,412

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 2019–20 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 focused 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 statements)
<p>COVID-19 Pandemic reduced business activities COVID-19 has resulted in a significant cut back in travel and hampered the agency's and contracted vendors' ability in delivering a number of projects. In addition, the agency's ability to interview and conduct prerequisite security clearance for recruiting staff was impacted.</p>	<p><i>Expenses: Employee benefits, Suppliers (Statement of Comprehensive Income)</i></p>
<p>Arrangements with other government agencies Subsequent to the production of budget, a number of arrangements were agreed with other agencies, including \$7m contribution to NAFIS Hardware Stabilisation project and additional funding received for Serious Financial Crime Taskforce.</p> <p>A significant portion was directed towards capital purchase of equipment in order to provide those services.</p>	<p><i>Own-source revenue: Revenue from contracts with customers (Statement of Comprehensive Income)</i></p> <p><i>Financial assets: Cash and cash equivalents (Statement of Financial Position)</i></p>
<p>Implementation of new lease accounting standard The new standard recognises leased property as right-of-use assets which are depreciated over the term of the lease. Lease payments are treated as interest and principal repayment.</p>	<p><i>Expenses: Supplier, Depreciation and Amortisation (Statement of Comprehensive Income)</i></p> <p><i>Non-financial assets: Buildings, Leasehold improvements (Statement of Financial Position)</i></p> <p><i>Interest bearing liabilities: Leases (Statement of Financial Position)</i></p>
<p>Delays in National Criminal Intelligence Systems Tranche 1 project Delays in NCIS T1 and associated approved movement of funds reduced employee and supplier expenses, equity injection for the year and intangible assets to be capitalised, and increase cash reserve as approved access to cash reserve is also delayed.</p>	<p><i>Expenses: Employee Benefits, Supplier (Statement of Comprehensive Income)</i></p> <p><i>Financial assets: Cash and cash equivalent (Statement of Financial Position)</i></p> <p><i>Non-financial assets: Intangible (Statement of Financial Position)</i></p> <p><i>Equity: Equity Injection (Statement of Changes in Equity)</i></p>