

○ ————

**WE MANAGE OUR FINANCES
AND ASSETS RESPONSIBLY TO
SUPPORT OUR WORK AGAINST
SERIOUS AND ORGANISED CRIME.**

SECTION 04

FINANCIAL PERFORMANCE

Overview of our financial performance	206
Audited financial statements	213

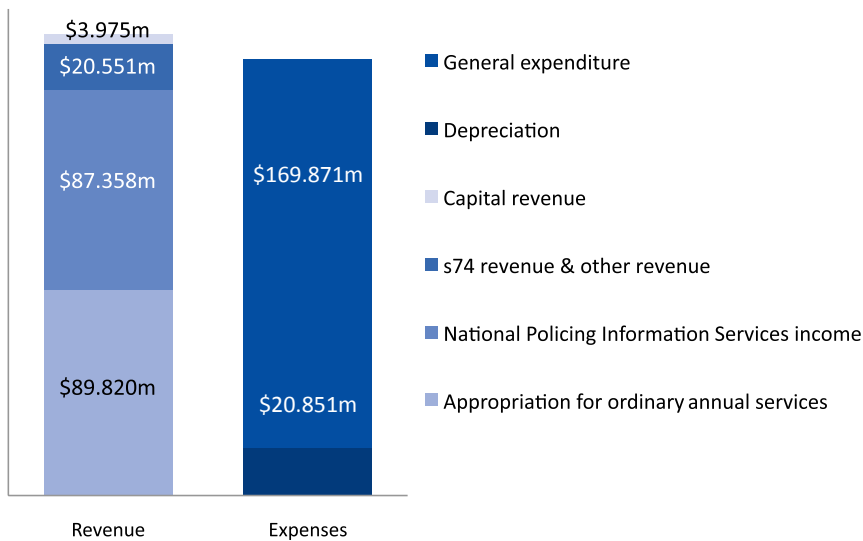
OVERVIEW OF OUR FINANCIAL PERFORMANCE

The ACIC’s financial result for 2016–17 was an operating surplus of \$10.982 million. The accounting standards require non-operating items such as unfunded depreciation expenses and capital funding income from portfolio agencies to be recognised as operating activity. With the exclusion of unfunded depreciation and capital funding, the ACIC would have realised a surplus of \$16.852 million for the financial year.

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

During 2016–17 there were no instances of significant non-compliance with the finance law.

Revenue and expenditure analysis 2016–17



The major components of the surplus primarily relate to:

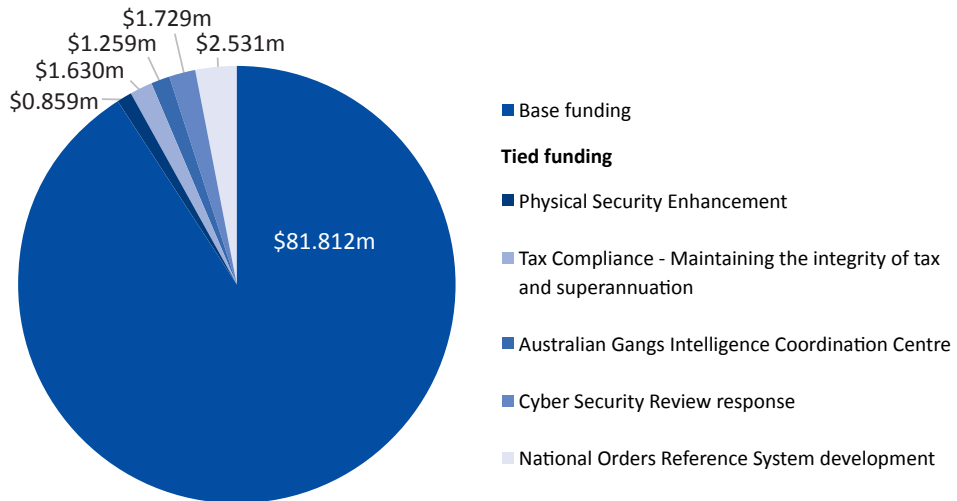
- significantly higher demand for National Policing systems and services
- recognition of revenue relating to the value of fit out at the ACIC’s headquarters’ received free of charge from previous government tenants
- lower staffing numbers and delays in ICT projects leading to lower than anticipated supplier and contractor costs.

APPROPRIATION FOR 2016–17

The ACIC's total appropriation for 2016–17 was \$94.663 million, which included \$89.820 million operating budget, \$2.666 million departmental capital budget and \$2.177 million equity injection.

A breakdown of operating appropriation for 2016–17 is provided in the following chart.

Operating appropriation 2016–17

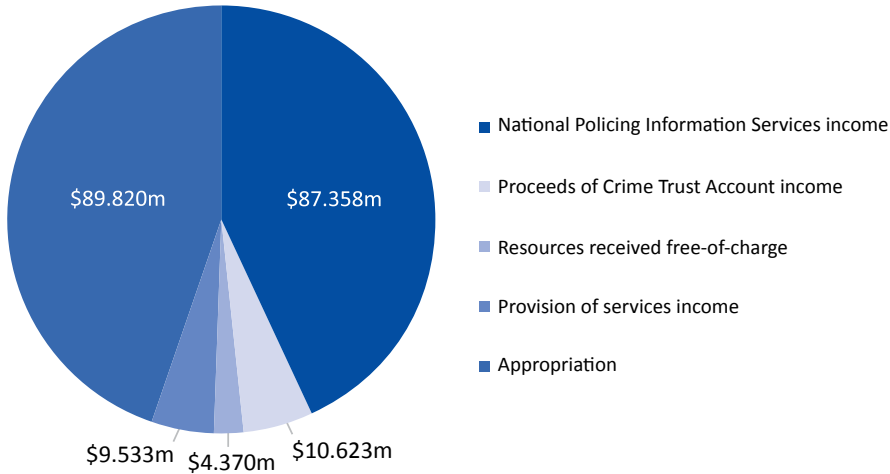


The tied funding included:

- \$0.859 million to generate intelligence targeting unexplained wealth for the Australian Taxation Office
- \$1.630 million funding for the Australian Gangs Intelligence Coordination Centre
- \$1.259 million to enhance its physical security to all office buildings and its personnel security capabilities, in response to the current heightened security threat
- \$1.729 million to develop and enhance the ACIC's cyber crime intelligence and analysis capability in response to the recommendations by 2016 Cyber security Review
- \$2.531 million to work on the development of National Order Reference System to facilitate information sharing and enforcement of domestic violence orders between courts and police across Australia.

Revenue for 2016–17 included an \$89.820 million appropriation for operating budget (which includes the tied funding listed above) and \$111.884 million in own source income. Own source income includes \$87.358 million as a result of provision of National Policing Information Services, \$10.623 million received from the Proceeds of Crime Trust Account, \$9.533 million from provision of services and \$4.370 million in resources received free of charge.

Own source income 2016-17



Internal control framework

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

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

Agency Resource Statement 2016–17

	Actual available appropriations for 2016–17 \$'000 (a)	Payments made 2016–17 \$'000 (b)	Balance remaining \$'000 (a–b)
Departmental			
Annual Appropriations – ordinary annual services			
Prior year appropriation available	31,766	31,766	-
Departmental appropriation (including Departmental Capital Budget)	92,486	49,209	43,277
S.74 Relevant agency receipts ¹	28,028	22,872	5,156
Total ordinary annual services	152,280	103,847	48,433
Annual Appropriation – other services – non-operating			
Prior year appropriation available	1,918	1,918	-
Equity injections	2,177	1,842	335
Total other services	4,095	3,760	335
Total annual appropriations	156,375	107,607	48,768
National Policing Information and Services Special Account			
Opening Balance	123,583		
Appropriation receipts	2,531		
Non-appropriation receipts	90,953		
Payments made		99,454	
Total Special Account	217,067	99,454	117,613
Less: departmental appropriations drawn from annual appropriations and credited to special accounts	(2,531)	(2,531)	-
Total resourcing and payments	370,911	204,530	166,381

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

Expenditure and staffing by outcome

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

	Budget 2016–17 \$'000	Actual expenses 2016–17 \$'000	Variation \$'000
Outcome 1:¹			
Departmental expenses			
Departmental appropriation (Act 1)	109,200	101,737	7,463
Special Accounts			
National Policing Information Systems and Services Special Account	81,636	77,547	4,089
Expenses not requiring appropriation in the budget year	10,616	11,438	(822)
Total Departmental expenses	201,452	190,722	(10,730)
Total expenses for Outcome 1	201,452	190,722	(10,730)

	Budget 2016–17	Actual 2016–17
Average staffing level (number)	817	724

1. On establishment on 1 July 2016 the ACIC was structured to meet two outcomes which were merged into a single outcome and single program during the year. The 2016-17 Budget reflects the budget of the ACIC which was published in the Portfolio Budget Statements as the Australian Crime Commission and the CrimTrac Agency.

ASSET MANAGEMENT

During 2016–17 we engaged the Australian Valuation Service Office (AVSO) to undertake a desktop assessment to determine whether asset book values had materially changed since the revaluation of leasehold improvements and property, plant and equipment last financial year. It is ACIC policy to undertake a full revaluation every three years and a desktop assessment each year in between.

Our asset mix at the end of 2016–17 comprised:

- \$24.904 million—leasehold improvements
- \$18.463 million—property, plant and equipment (includes assets under construction)
- \$26.041 million—intangibles (includes assets under construction).

PROPERTY

We have ACIC offices in each capital city to support delivery of our national service. The ACIC now has all offices under lease until at least 2022, with most due to expire from 2024 onwards.

This year the ACIC co-located staff from the former CrimTrac premises in Dickson, ACT, to the National Headquarters in Barton. This has resulted in improved floorspace utilisation as well as productivity savings associated with bringing all staff together in the one location close to Commonwealth partner agencies.

We have also:

- Sub-leased the Dickson premises to the ACT Government
- Negotiated a lease, fitted out and moved into new premises in Perth
- Negotiated a new lease for the South Australia State Office
- Exercised a lease option for the Victoria State Office
- Engaged with Victoria Police in the design of premises in their development at 311 Spencer St with the intention of moving the Victoria State Office in 2020 (subject to approval by the Minister for Finance).

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

PURCHASING

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

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

During 2016–17 we continued to participate in whole-of-government, coordinated procurement initiatives and used clustering and piggybacking opportunities to lower tendering costs and provide savings through economies of scale.

CONSULTANTS

During 2016–17, the ACIC entered into 12 new consultancy contracts, involving total actual expenditure of \$0.433 million (inc. GST). In addition, ten ongoing consultancy contracts were active during 2016–17, which involved consultancy expenditure of \$0.074 million (inc. GST), taking the total consultancy expense to \$0.507 million (inc. GST).

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

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

Information on the value of contracts and consultancies is available on the AusTender website at <www.tenders.gov.au>.

ACCESS CLAUSES

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

EXEMPT CONTRACTS

During the reporting period we did not publish the details of two contracts with a total value of \$0.300 million (inc. GST) on AusTender. These contracts were not published due to the ACIC’s exemption under section 105D of the *Public Governance Performance and Accountability Act 2013*.

AUDITED FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Minister for Justice

Opinion

In my opinion, the financial statements of the Australian Criminal Intelligence Commission for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Criminal Intelligence Commission as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Australian Criminal Intelligence Commission, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

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

Accountable Authority's Responsibility for the Financial Statements

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

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

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

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

it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

Australian National Audit Office



Lesa Craswell
Acting Executive Director

Delegate of the Auditor-General

Canberra
20 September 2017

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 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.....

Nicole Rose PSM
Acting Chief Executive Officer

19 September 2017

Signed.....

Yvette Whittaker
Chief Financial Officer

19 September 2017

STATEMENT OF COMPREHENSIVE INCOME*for the period ended 30 June 2017*

		2017	Budget 2017	2016
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	86,778	97,724	88,096
Suppliers	1.1B	79,107	78,905	69,512
Depreciation and amortisation	2.2A	20,851	20,123	18,755
Finance costs - unwinding of discount	2.4	44	-	49
Write-down and impairment of property, plant and equipment	2.2A	274	-	1,296
Secondes provided by State, Territory and Other Commonwealth Agencies	1.1C	3,668	4,700	4,165
Total expenses		190,722	201,452	181,873
Own-Source Income				
Own-source revenue				
Rendering of services	1.2A	107,255	93,572	95,800
Other revenue	1.2B	4,625	6,994	1,499
Total own-source revenue		111,880	100,566	97,299
Gains				
Gains from sale of assets		4	-	-
Other gains		-	70	-
Total gains		4	70	-
Total own-source income		111,884	100,636	97,299
Net cost of services		(78,838)	(100,816)	(84,574)
Revenue from Government - Departmental Appropriations	1.2C	89,820	89,457	86,907
Surplus attributable to the Australian Government		10,982	(11,359)	2,333
OTHER COMPREHENSIVE INCOME/ (LOSS)				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserves - provision for restoration obligations		(92)	-	(34)
Total other comprehensive (loss)		(92)	-	(34)
Total comprehensive income attributable to the Australian Government		10,890	(11,359)	2,299

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

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

STATEMENT OF FINANCIAL POSITION*as at 30 June 2017*

			Budget	
		2017	2017	2016
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash and cash equivalents	2.1A	122,171	5,373	124,981
Trade and other receivables	2.1B	61,938	114,946	51,400
Total financial assets		184,109	120,319	176,381
Non-financial assets				
Leasehold improvements	2.2A	24,904	7,948	18,464
Property, plant and equipment	2.2A	18,463	30,304	19,676
Intangibles	2.2A	26,041	44,163	22,943
Prepayments		6,691	4,264	4,265
Total non-financial assets		76,099	86,679	65,348
Total assets		260,208	206,998	241,729
LIABILITIES				
Payables				
Suppliers	2.3A	20,436	12,538	18,125
Other payables	2.3B	20,390	5,093	19,928
Total payables		40,826	17,631	38,053
Interest Bearing Liabilities				
Leases		-	5,664	-
Total interest bearing liabilities		-	5,664	-
Provisions				
Employee provisions	4.1A	26,520	25,038	25,927
Other provisions	2.4	3,049	3,817	3,669
Total provisions		29,569	28,855	29,596
Total liabilities		70,395	52,150	67,649
Net assets		189,813	154,848	174,080
EQUITY				
Contributed equity		43,257	43,257	38,414
Reserves		11,715	11,561	11,807
Accumulated surplus		134,841	100,030	123,859
Total equity		189,813	154,848	174,080

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

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

STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2017

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	Budget		Budget		Budget		Budget	
	2017	2017	2017	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance carried forward from previous period	123,859	111,389	121,526	11,807	11,561	11,841	33,091	174,080
Opening balance	123,859	111,389	121,526	11,807	11,561	11,841	33,091	174,080
Comprehensive income								
Surplus for the period	10,982	(11,359)	2,333	-	-	-	-	10,982
Other comprehensive income	-	-	-	(92)	-	(34)	-	(92)
Total comprehensive income	10,982	(11,359)	2,333	(92)	-	(34)	-	10,890
Transactions with owners								
Contributions by owners								
Equity injection - Appropriations ¹	-	-	-	-	-	-	2,177	2,177
Departmental capital budgets ¹	-	-	-	-	-	-	2,666	2,666
Total transactions with owners	-	-	-	-	-	-	4,843	4,843
Closing balance as at 30 June	134,841	100,030	123,859	11,715	11,561	11,807	38,414	189,813
								154,848
								174,080

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

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

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

CASH FLOW STATEMENT*for the period ended 30 June 2017*

	2017	Budget	
	2017	2016	
	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	83,053	92,053	91,599
Rendering of services	111,092	98,656	97,978
Other	-	5,644	
Net transfers from the Official Public Account	-	5,813	
Net GST received	6,929	-	-
Total cash received	201,074	202,166	189,577
Cash used			
Employees	86,741	97,681	87,155
Suppliers	88,083	82,279	77,773
Net GST paid	-	3,849	1,177
Section 74 receipts transferred to Official Public Account	5,156	-	4,428
Other	2,075	3,100	2,708
Total cash used	182,055	186,909	173,241
Net cash from operating activities	19,019	15,257	16,336
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment and intangibles	26,672	44,566	17,535
Total cash used	26,672	44,566	17,535
Net cash used by investing activities	(26,672)	(44,566)	(17,535)
FINANCING ACTIVITIES			
Cash received			
Contributed equity	4,843	4,343	5,323
Net transfers from the Official Public Account	-	24,966	-
Total cash received	4,843	29,309	5,323
Net cash from financing activities	4,843	29,309	5,323
Net (decrease) increase in cash held	(2,810)	-	4,124
Cash and cash equivalents at the beginning of the reporting period	124,981	5,373	120,857
Cash and cash equivalents at the end of the reporting period	122,171	5,373	124,981

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

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

OVERVIEW

OBJECTIVES OF THE AUSTRALIAN CRIMINAL INTELLIGENCE COMMISSION

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

The ACIC was established on 1 July 2016 as a result of the merge of the former CrimTrac with the Australian Crime Commission. All functions, assets, liabilities and commitments of the former CrimTrac were transferred into the ACIC from that date.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

The financial statements have been prepared in accordance with:

- a) Financial Reporting Rule 2015 (FRR) for reporting periods ending on or after 1 July 2015; 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.

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; and
- 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 2017. However as at 30 June 2017, the ACIC had a number of legal matters pending that may eventuate in judgements 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

On 18 July 2017 the Prime Minister announced the establishment of the Home Affairs Portfolio and enhance the Attorney-General's oversight of Australia's intelligence, security and law enforcement agencies. However, at the date of this report, the administrative arrangements to give effect to this decision have not been settled. The ACIC is therefore unable to reliably measure the financial outcome of the Government's decision and reflect these in the 30 June 2017 financial statements.

Note 1.1: Expenses

	2017	2016
	\$'000	\$'000

Note 1.1A: Employee Benefits

Wages and salaries	62,336	63,642
Superannuation		
Defined contribution plans	7,070	6,791
Defined benefit plans	5,662	6,330
Leave and other entitlements	10,462	10,732
Separation and redundancies	1,248	601
Total employee benefits	86,778	88,096

Accounting Policy

Accounting policies for employee related expenses: refer Note 4.1 employee provisions.

Note 1.1B: Suppliers**Goods and services**

IT support and maintenance	27,449	20,469
Consultants and contractors	9,481	8,120
Jurisdiction fees	8,129	7,230
Property and security expenses	4,750	4,185
Travel	4,489	4,111
Communication	3,112	3,339
Operational expenses	2,558	1,871
Staff development and training	2,476	1,933
Legal expenses	1,449	962
Office expenses	1,318	1,272
Other	681	828
Total goods and services	65,892	54,320

Other suppliers

Operating lease rentals	11,902	13,597
Workers compensation expenses	1,313	1,595
Total other suppliers	13,215	15,192
Total suppliers	79,107	69,512

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

Within 1 year	15,300	11,080
Between 1 to 5 years	60,624	37,437
More than 5 years	20,034	20,716
Total operating lease commitments¹	95,958	69,233

1. Total operating lease commitments excludes GST.

Accounting Policy

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased asset. The ACIC leases office accommodation, motor vehicles and other equipment under operating lease agreements.

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

Paid services	2,075	2,708
Services provided free of charge	1,593	1,457
Total secondees provided by State, Territory and other Commonwealth Agencies	3,668	4,165

Note 1.2: Own-source Revenue

	2017	2016
	\$'000	\$'000

Own-Source Revenue**Note 1.2A: Rendering of Services**

Rendering of service	107,255	95,800
Total rendering of service	107,255	95,800

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:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to 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 - human resources	1,593	1,457
Resources received free of charge - leasehold improvements	2,777	-
Other	255	42
Total other revenue	4,625	1,499

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	89,820	86,907
Total revenue from Government	89,820	86,907

Accounting Policy*Revenue from Government*

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

Note 2.1: Financial Assets

	Notes	2017 \$'000	2016 \$'000
--	-------	----------------	----------------

Note 2.1A: Cash and cash equivalents

Special account cash held in Official Public Account	2.5A	117,613	119,927
Cash at bank and on hand		4,558	5,054
Total Cash and cash equivalents		122,171	124,981

Note 2.1B: Trade and other receivables

Trade receivables		14,961	18,148
Appropriations receivable - existing programs		44,210	32,286
GST receivable		2,767	966
Total trade and other receivables		61,938	51,400

Accounting Policy*Trade and Other Receivables*

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

Note 2.2: Non-Financial Assets

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

	Leasehold improvements \$'000	Property, plant and equipment \$'000	Computer software - internally developed \$'000	Computer software - purchased \$'000	Total \$'000
As at 1 July 2016					
Gross book value	23,097	30,764	55,869	8,613	118,343
Accumulated depreciation, amortisation and impairment	(4,633)	(11,088)	(36,083)	(5,456)	(57,260)
Total as at 1 July 2016	18,464	19,676	19,786	3,157	61,083
Additions					
Purchase	10,420	6,283	12,357	390	29,450
Depreciation/amortisation	(4,049)	(7,108)	(7,625)	(2,069)	(20,851)
Transfers	69	(154)	373	(288)	-
Write-down and impairment of property, plant and equipment	-	(234)	(40)	-	(274)
Total as at 30 June 2017	24,904	18,463	24,851	1,190	69,408
Total as at 30 June 2017 represented by					
Gross book value	33,586	35,516	68,510	8,111	145,723
Accumulated depreciation, amortisation and impairment	(8,682)	(17,053)	(43,659)	(6,921)	(76,315)
Total as at 30 June 2017 represented by	24,904	18,463	24,851	1,190	69,408

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

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

Capital commitments

As at the 30 June 2017 the ACIC had capital commitments with respect to leasehold improvements for office accommodation and development of information technology solutions (including software and hardware).

Note 2.2: Non-Financial Assets (continued)

Accounting Policy

Asset Recognition

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

Leasehold Improvements

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

Revaluations

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

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful life using the straight-line method of depreciation. Leasehold improvements are depreciated over the life of the lease term. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2017	2016
Leasehold improvements	Lease term	Lease term
Property, plant and equipment	3-10 years	3-10 years
Intangibles - Software purchased	3-5 years	3-5 years
Intangibles - Internally developed/configured	3-10 years	3-10 years

Intangibles

Intangibles assets comprise internally developed software and externally purchased software.

These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

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

Impairment

All assets were assessed for impairment at 30 June 2017. 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 depreciated 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

	2017	2016
	\$'000	\$'000

Note 2.3A: Suppliers

Trade creditors and accruals	18,443	15,936
Operating lease rentals	1,993	2,189
Total suppliers	20,436	18,125

Note 2.3B: Other Payables

Wages and salaries	541	278
Superannuation	98	50
Lease incentive ¹	14,580	14,668
Unearned income	4,726	4,268
Other	445	664
Total other payables	20,390	19,928

Accounting Policy*Financial Liabilities*

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

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

Note 2.4: Other Provisions

	2017	2016
	\$'000	\$'000

Provision for Onerous Lease Obligations

Onerous lease obligations	872	1,501
Total provision for onerous lease obligations	872	1,501

Provision for Restoration Obligations¹

Opening balance	2,168	2,085
Additional provisions made	160	60
Amounts not used	(126)	-
Amounts reversed	(69)	(26)
Unwinding of discount	44	49
Closing balance as at 30 June	2,177	2,168
Total Other Provisions	3,049	3,669

1. The ACIC currently has eight agreements (2016: nine 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	2017 \$'000	2016 \$'000
--	-------	----------------	----------------

Note 2.5A: National Policing Information Systems and Services Special Account¹

Balance brought forward from previous period		123,583	120,117
Total increases		93,484	82,541
Available for payments		217,067	202,658
Total decreases		(99,454)	(79,075)
Total balance carried to the next period		117,613	123,583
Balance represented by:			
Cash held in entity bank accounts		-	3,656
Cash held in the Official Public Account		117,613	119,927
Total balance carried to the next period	2.1A	117,613	123,583

1. Legal authority: *Public Governance, Performance and Accountability Act 2013* section 78.

The continued existence of the National Policing Information Systems and Services Special Account (NPISS Special Account) established by the *Financial Management and Accountability Determination 2006/07 — National Policing Information Systems and Services Special Account Establishment 2006* is provided for by Section 59C of the *Australian Crime Commission Amendment (National Policing Information) Act 2016* ("the Act")

The purpose of the NPISS Special Account is defined by Section 59E of the 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 of overpayments with respect to national policing information charges;
- (g) reducing the balance of the Account (and therefore the available appropriation for the Account) without making a real or notional payment.

Note 3.1: Appropriations

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

Annual Appropriations for 2017

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

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

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

Annual Appropriations for 2016

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

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

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

	2017	2016
	\$'000	\$'000
Departmental		
Appropriation Act (No.1) 2016-17	43,875	-
Appropriation Act (No.2) - 2016-17 Equity Injection	335	-
Appropriation Act (No.1) 2015-16	-	30,368
Appropriation Act (No.2) - 2015-16 Equity Injection	-	1,918
Cash at bank and on hand	4,558	1,398
Total departmental	48,768	33,684

1. The Appropriation Act (No.1) balance for 2016-17 represents unused appropriation for the year.

2. The Appropriation Act (No.2) equity injection balance for 2016-17 represents unused appropriation re-phased to future years.

Note 4.1: Employee Provisions

	2017	2016
	\$'000	\$'000
Note 4.1A: Employee Provisions		
Employee leave	25,964	25,927
Separations and redundancies	556	-
Total employee provisions	26,520	25,927

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 2017 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, the Deputy Chief Executive and the three Executive Directors. Key management personnel remuneration is reported in the table below:

	2017	2016
	\$	\$
Note 4.2: Key Management Personnel Remuneration		
Short-term employee benefits	1,333,585	1,820,600
Post-employment benefits	243,921	369,745
Other long-term employee benefits	142,608	190,488
Total key management personnel remuneration expenses¹	1,720,114	2,380,833
Total number of key management personnel^{1&2}	6	9

1. Includes officers substantively holding or acting for a period exceeding three months in a key management personnel position. The ACIC CEO is also the acting 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).

The above 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.

2. The comparative includes the key management personnel of both the former Australian Crime Commission (6) and former CrimTrac (3).

Note 4.3: Related Party Disclosure

Related party relationships:

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

Transactions with related parties:

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

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

Note 5.1 : Financial Instruments

	Notes	2017 \$'000	2016 \$'000
--	-------	----------------	----------------

Note 5.1A: Categories of Financial Instruments**Financial Assets****Loans and receivables**

Cash and cash equivalents	2.1A	122,171	124,981
Trade and other receivables	2.1B	14,961	18,148
Total financial assets		137,132	143,129

Financial Liabilities**Financial liabilities measured at amortised cost**

Trade creditors and accruals	2.3A	18,443	15,936
Total financial liabilities		18,443	15,936

Note 6: Explanations of Major Variances Between Budget and Actual

The following tables provide a comparison of the original budget as presented in the 2016–17 Portfolio Budget Statements (PBS) to the 2016–17 final outcome as presented in accordance with Australian Accounting Standards for the entity. The Budget is not audited.

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

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

Explanation for major variances	Affected line items (and statement)
<p>Employees</p> <p>The average staffing level for 2016-17 was lower than budget mainly due to delays in recruitment. The delays were primarily caused by the need to conduct significant additional security checks as a result of the merge in 2016. This backlog has now been cleared.</p>	<p><i>Employee benefits expense (Statement of Comprehensive Income)</i></p>
<p>Own-source revenue</p> <p>Check volumes for the National Police Checking Services are demand driven and not controlled by the ACIC.</p>	<p><i>Own source revenue (Statement of Comprehensive Income), Current year surplus (Statement of Comprehensive Income)</i></p>
<p>Costs of secondees</p> <p>The ACIC had lower numbers of secondees received from states, territory police agencies and other Commonwealth Agencies.</p>	<p><i>Secondees provided by state, territory and Other Commonwealth Agencies (Statement of Comprehensive Income), Other revenue (Statement of Comprehensive Income)</i></p>
<p>Timing of supplier payments</p> <p>Several large supplier contract expenses were accrued as liabilities at 30 June 2017. The timing of supplier payments including licensing renewals, hardware maintenance arrangements and lease payments impacted on the balances of prepayments and other provisions compared to budget.</p>	<p><i>Supplier payables (Statement of Financial Position), Prepayments (Statement of Financial Position), Other provisions (Statement of Financial Position)</i></p>

Explanation for major variances	Affected line items (and statement)
<p>Change in accounting treatment Special account balances are now required to be reported as cash and cash equivalents. This balance was budgeted for under trade and other receivables.</p>	<p><i>Cash and cash equivalents (Statement of Financial Position), Trade and other receivables (Statement of Financial Position)</i></p>
<p>Leasehold improvements Due to the timing of the 2016-17 budget process the opening balances for leasehold improvements were based on estimated closing positions as at 30 June 2016 rather than the audited closing balances. As a result the leasehold improvement received as a lease incentive in 2015-16 was not included in the opening balances. In addition, due to the the merge of the ACC and CrimTrac, and new leasing arrangements, further investments in leasehold improvements were made in excess of budget.</p>	<p><i>Leasehold improvements (Statement of Financial Position), Other payables (Statement of Financial Position)</i></p>
<p>Property plant and equipment and intangibles Due to the timing of the 2016-17 budget process the opening balances for property, plant and equipment and intangibles were based on estimated closing positions as at 30 June 2016 rather than the audited closing balances. In addition, significant capital expenditure planned for 2015-16 and 2016-17 were delayed, resulting in lower balances as at 30 June 2017.</p>	<p><i>Property, plant and equipment (Statement of Financial Position), Intangibles (Statement of Financial Position)</i></p>