

Independent Commissioner Against Corruption

Financial report
for the year ended
30 June 2020



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To the Independent Commissioner Against Corruption Independent Commissioner Against Corruption

Opinion

I have audited the financial report of Independent Commissioner Against Corruption for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Independent Commissioner Against Corruption as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Deputy Independent Commissioner Against Corruption and the Director Corporate Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of Independent Commissioner Against Corruption. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Independent Commissioner Against Corruption for the financial report

The Independent Commissioner Against Corruption is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of Independent Commissioner Against Corruption for the financial year ended 30 June 2020.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 Australian 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 this financial report.

As part of an audit in accordance with Australian 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 report, 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 Independent Commissioner Against Corruption's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Independent Commissioner Against Corruption
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Independent Commissioner Against Corruption about, 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 the audit.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson
Auditor-General
23 September 2020

**Independent Commissioner Against Corruption
(ICAC)**

Financial Statements

For the year ended 30 June 2020

Independent Commissioner Against Corruption
Certification of the Financial Statements
for the year ended 30 June 2020

We certify that the attached general purpose financial statements for the Independent Commissioner Against Corruption:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards
- are in accordance with the accounts and records of the Independent Commissioner Against Corruption
- present a true and fair view of the financial position of the Independent Commissioner Against Corruption as at 30 June 2020 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Independent Commissioner Against Corruption for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Michael Riches
Deputy Independent Commissioner Against Corruption
17 September 2020



Vicki Tomlinson
Director Corporate Services
17 September 2020

Independent Commissioner Against Corruption
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Appropriation	2.1	19 535	13 676
Services received free of charge	2.2	66	64
Recoveries and other income	2.3	14	51
Total income		19 615	13 791
Expenses			
Employee benefits	3.2	9 379	8 588
Supplies and services	4.1	4 808	3 695
Depreciation and amortisation	4.2	1 164	1 379
Borrowing cost	4.3	1	-
Other expenses	4.4	35	36
Total expenses		15 387	13 698
Net result		4 228	93
Total comprehensive result		4 228	93

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Independent Commissioner Against Corruption
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	6.1	11 434	6 120
Receivables	6.2	154	226
Total current assets		11 588	6 346
Non-current assets			
Property, plant and equipment	5.1	3 319	3 757
Intangible assets	5.4	256	428
Total non-current assets		3 575	4 185
Total assets		15 163	10 531
Current liabilities			
Payables	7.1	775	532
Financial liabilities	7.2	14	-
Employee benefits	3.3	1 530	1 235
Other liabilities	7.3	188	188
Total current liabilities		2 507	1 955
Non-current liabilities			
Payables	7.1	97	95
Financial liabilities	7.2	18	-
Employee benefits	3.3	1 057	1 037
Other liabilities	7.3	375	563
Total non-current liabilities		1 547	1 695
Total liabilities		4 054	3 650
Net assets		11 109	6 881
Equity			
Retained earnings		11 109	6 881
Total equity		11 109	6 881

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Independent Commissioner Against Corruption
Statement of Changes in Equity
for the year ended 30 June 2020

	Note	Retained earnings	Total equity
		\$'000	\$'000
Balance at 30 June 2018		6 788	6 788
Net result for 2018-19		93	93
Total comprehensive result for 2018-19		93	93
Balance at 30 June 2019		6 881	6 881
Net result for 2019-20		4 228	4 228
Total comprehensive result for 2019-20		4 228	4 228
Balance at 30 June 2020		11 109	11 109

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Independent Commissioner Against Corruption
Statement of Cash Flows
for the year ended 30 June 2020

		2020 (Outflows) Inflows \$'000	2019 (Outflows) Inflows \$'000
Cash flows from operating activities	Note		
Cash inflows			
Appropriations		19 535	13 676
Recoveries		57	6
Cash generated from operations		19 592	13 682
Cash outflows			
Employee benefits payments		(9 019)	(8 103)
Supplies and services		(4 683)	(5 026)
Interest paid		(1)	-
Cash used in operations		(13 703)	(13 129)
Net cash provided by / (used in) operating activities	8.1	5 889	553
Cash flows from investing activities			
Cash inflows			
Lease incentive received		-	227
Cash generated from investing activities		-	227
Cash outflows			
Purchase of property, plant and equipment		(551)	(153)
Cash used in investing activities		(551)	(153)
Net cash provided by / (used in) investing activities		(551)	74
Cash flows from financing activities			
Cash outflows			
Repayment of leases		(24)	-
Cash generated from financing activities		(24)	-
Net cash provided by / (used in) financing activities		(24)	-
Net increase / (decrease) in cash and cash equivalents		5 314	627
Cash and cash equivalents at the beginning of the reporting period		6 120	5 493
Cash and cash equivalents at the end of the reporting period	6.1	11 434	6 120

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2020

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Independent Commissioner Against Corruption

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1 About the Independent Commissioner Against Corruption

The Independent Commissioner Against Corruption (the Commissioner) must, before 30 September in each year, prepare a report on the operations of the office of the Independent Commissioner Against Corruption (ICAC) and the Office for Public Integrity (OPI) as required by section 45 of the *Independent Commissioner Against Corruption Act 2012* (ICAC Act). The report encompasses the operations of the ICAC and the OPI.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

For the 2019-20 financial statements the Commissioner adopted *AASB 15 – Revenue from Contracts with Customers*, *AASB 16 – Leases* and *AASB 1058 – Income of Not-for-Profit Entities*. Further information is provided in note 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Commissioner has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

1.2. Objectives and programs

The ICAC Act established the Commissioner and the OPI.

The Commissioner is established to:

- (a) identify and investigate corruption in public administration; and
- (b) prevent or minimise corruption, misconduct and maladministration in public administration through referral of potential issues, education and evaluation of practices, policies and procedures.

The Commissioner has the following functions:

- (a) to identify corruption in public administration and to -
 - (i) investigate and refer it for prosecution; or
 - (ii) refer it to a law enforcement agency for investigation and prosecution;
- (b) to assist inquiry agencies and public authorities to identify and deal with misconduct and maladministration in public administration;

Independent Commissioner Against Corruption

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1.2. Objectives and programs (continued)

- (c) to refer complaints and reports to inquiry agencies, public authorities and public officers and to give directions or guidance to public authorities in dealing with misconduct and maladministration in public administration, as the Commissioner considers appropriate;
 - (ca) to identify serious or systemic misconduct or maladministration in public administration;
 - (cb) to exercise the powers of an inquiry agency in dealing with serious or systemic maladministration in public administration if satisfied that it is in the public interest to do so;
 - (cc) to exercise the powers of an inquiry agency in dealing with serious or systemic misconduct in public administration if the Commissioner is satisfied that the matter must be dealt with in connection with a matter the subject of an investigation of a kind referred to in paragraph (a)(i) or a matter being dealt with in accordance with paragraph (cb);
- (d) to evaluate the practices, policies and procedures of inquiry agencies and public authorities with a view to advancing comprehensive and effective systems for preventing or minimising corruption, misconduct and maladministration in public administration;
- (e) to conduct or facilitate the conduct of educational programs designed to prevent or minimise corruption, misconduct and maladministration in public administration;
- (f) to perform other functions conferred on the Commissioner by the ICAC Act or any other Act.

The OPI is responsible to the Commissioner for the performance of the following functions:

- (a) to receive and assess complaints about public administration from members of the public;
- (b) to receive and assess reports about corruption, misconduct and maladministration in public administration from inquiry agencies, public authorities and public officers;
- (c) to refer complaints and reports to inquiry agencies, public authorities and public officers in circumstances approved by the Commissioner or make recommendations to the Commissioner in relation to complaints and reports;
 - (ca) to give directions or guidance to public authorities in circumstances approved by the Commissioner;
- (d) to perform other functions assigned to the Office by the Commissioner.

The OPI has additional functions under the *Police Complaints and Discipline Act 2016 (PCD Act)*:

- (a) to oversee the assessment and investigation of complaints and reports relating to designated officers;
- (b) to oversee the operation and enforcement of the PCD Act;
- (c) to refer certain complaints and reports to the ICAC in accordance with the PCD Act and the ICAC Act; and
- (d) such other functions assigned to the OPI under the PCD Act.

The *Public Interest Disclosure Act 2018 (PID Act)* commenced on 1 July 2019 and repealed the *Whistleblowers Protection Act 1993*. The OPI is a relevant authority for the purposes of the PID Act and can therefore receive disclosures of public interest information.

Any person to whom an appropriate disclosure of public interest information is made is obliged to provide the OPI with information regarding the disclosure. A person who takes action in relation to a disclosure must also provide the OPI with information relating to the outcome of that action.

1.3. Impact of COVID-19 pandemic on the ICAC and OPI

There has been no material impact on the operations of the ICAC and OPI due to the COVID-19 pandemic.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.4. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- Net appropriation funding received from the Department of Treasury and Finance (DTF) of \$19.5 million.
- 100% of lease payments relate to accommodation supplied by DPTI and cars supplied by Fleet SA.
- Services received free of charge from Shared Services SA of \$0.066 million. Refer note 2.2.

2. Income

2.1. Appropriation

	2020	2019
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	19 535	13 676
Total appropriation	19 535	13 676

Appropriation is recognised on receipt.

The total appropriations consist of \$14.515 million (\$13.076 million) for operational funding and \$5.020 million (\$0.600 million) for capital projects. The original amount appropriated to the Commissioner under the annual *Appropriation Act* was not varied.

2.2. Services received free of charge

	2020	2019
	\$'000	\$'000
Services received free of charge - Shared Services SA	66	64
Total services received free of charge	66	64

2.3. Recoveries and other income

	2020	2019
	\$'000	\$'000
Sundry recoveries	14	51
Total recoveries and other income	14	51

Recoveries consist of recoveries from SA Government agencies and employee reimbursements.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the ICAC include the Commissioner, the Deputy Independent Commissioner Against Corruption (Deputy Commissioner) and seven members of the management team who have responsibility to support the Commissioner to lead the strategic direction and management of the ICAC and the OPI, including employees who acted in those positions from time to time during the period. Total compensation for key management personnel was \$2.1 million in 2019-20 and \$2.0 million in 2018-19.

Compensation

	2020	2019
	\$'000	\$'000
Salaries and other short term employee benefits	1 915	1 842
Post-employment benefits	181	173
Total compensation	2 096	2 015

Transactions with key management personnel and other related parties

Compensation for key management personnel is disclosed above. There are no other transactions or balances to disclose with key management personnel or related parties.

The Commissioner is independent and accountable to the SA Parliament.

Related parties of the Commissioner include all key management personnel and their close family members.

3.2. Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	7 383	6 522
Employment on-costs - superannuation	781	704
Annual leave	647	582
Employment on-costs - other	437	408
Long service leave	107	368
Skills and experience retention leave	24	4
Total employee benefits expenses	9 379	8 588

References to employee(s) in these financial statements include the Commissioner and Deputy Commissioner, who are statutory appointments.

Employment on-costs - superannuation

The superannuation employment on-cost charge represents the Commissioner's contributions to superannuation plans in respect of current services of current employees.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3.2 Employee benefits expenses (continued)

Executive remuneration

	2020	2019
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$151 000 to \$154 000 *	N/A	1
\$154 001 to \$174 000	6	5
\$174 001 to \$194 000	-	3
\$194 001 to \$214 000	3	1
\$214 001 to \$234 000	1	-
\$314 001 to \$334 000	-	1
\$334 001 to \$354 000	1	-
\$494 001 to \$514 000	-	1
\$514 001 to \$534 000	1	-
Total number of employees	12	12

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

The actual total remuneration received by those employees for the year was \$2.6 million (2019: \$2.6 million).

The table includes all employees (including the Commissioner and Deputy Commissioner) who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

3.3. Employee benefits liability

	2020	2019
	\$'000	\$'000
Current		
Annual leave	768	596
Long service leave	509	466
Accrued salaries and wages	230	156
Skills and experience retention leave	23	17
Total current employee benefits	1 530	1 235
Non-current		
Long service leave	1 057	1 037
Total non-current employee benefits	1 057	1 037
Total employee benefits	2 587	2 272

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3.3. Employee benefits liability (continued)

Salaries and wages, annual leave, skills and experience retention leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention leave liability in full are expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided at note 11.1.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2020

4. Expense

Employee benefits expenses are disclosed in note 3.2.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Information and communications technology	1 486	1,186
Accommodation	1 627	1 337
Outsourced services	398	328
Legal fees	358	102
Employee related payments	119	64
Contract staff	135	43
Repairs, maintenance and minor purchases	90	84
Consultants	114	76
Shared Services SA charges	66	67
Telephone related expenses	67	52
Office expenses	45	37
Employee training	51	40
Promotions and publications	43	54
Tax and taxable payments	34	15
Internal audit fee	31	-
Motor vehicle expenses	11	54
Website development	8	9
Other	125	147
Total supplies and services	4 808	3 695

Accommodation

All of the Commissioner's accommodation is provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. MoAA do not meet the definition of lease set out in AASB 16.

In prior years expenses associated with MoAA have been classified as operating lease payments. Expenses associated with MoAA have been re-classified as accommodation expenses for both the current year and the comparative. Further details about this re-classification is set out in note 9.1.

Consultants

The number of consultancies and the dollar amount paid/payable (included in supplies and services expense) to consultants that fell within the following bands:

	2020	2020	2019	2019
	Number	\$'000	Number	\$'000
Below \$10 000	9	36	9	25
\$10 000 or above	2	78	4	51
Total	11	114	13	76

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2020

4.2. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Depreciation		
Information technology assets	325	557
Plant and equipment	61	67
Right-of-use vehicles	27	-
Total depreciation	413	624
Amortisation		
Leasehold improvements	579	579
Intangible assets	172	176
Total amortisation	751	755
Total depreciation and amortisation	1 164	1 379

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Lease incentives in the form of leasehold improvements are capitalised as an asset and amortised over the remaining term of the lease or estimated useful life of each improvement, whichever is shorter.

Useful life

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows:

Class of asset	Useful life (years)
Leasehold improvements	Life of lease
Plant and equipment	5-10
Information Technology	3-10
Intangible assets	3-5
Right-of-use assets	Lease term

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate. During the year, there was no change to accounting estimates.

4.3. Borrowing costs

	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	1	-
Total borrowing costs	1	-

The Commissioner does not capitalise borrowing costs.

4.4. Other expenses

	2020	2019
	\$'000	\$'000
Audit fees	35	36
Total other expenses	35	36

Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$35 000 (\$36 000). No other services were provided by the Auditor-General's Department.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2020

5. Non-financial assets

5.1. Property, plant and equipment by asset class

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property.

	2020	2019
	\$'000	\$'000
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	5 469	5 406
Accumulated amortisation	(3 063)	(2 484)
Total leasehold improvements	2 406	2 922
Information Technology assets		
Information Technology assets at cost (deemed fair value)	2 630	2 630
Accumulated depreciation	(2 444)	(2 119)
Total information technology assets	186	511
Plant and equipment		
Plant and equipment at cost (deemed fair value)	690	654
Accumulated depreciation	(359)	(330)
Total plant and equipment	331	324
Capital work in progress		
Capital work in progress at cost	365	-
Total capital work in progress	365	-
Right-of-use vehicles		
Right-of-use vehicles at cost	42	-
Accumulated depreciation	(11)	-
Total right-of-use-vehicles	31	-
Total property, plant and equipment	3 319	3 757

5.2. Property, plant and equipment owned by the Commissioner

Property, plant and equipment owned by the Commissioner with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Commissioner is recorded at fair value. Detail about the Commissioner's approach to fair value is set out in note 11.2.

Impairment

Property, plant and equipment owned by the Commissioner have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2020

5.2. Property, plant and equipment owned by the Commissioner (continued)

Reconciliation

<u>2020</u>	Leasehold	Plant &	Information	Capital Work	Total
	Improvements	equipment	Technology	in progress	
	\$'000	\$'000	assets	\$'000	\$'000
Carrying amount at the beginning of the period	2 922	324	511	-	3 757
Additions	-	-	-	496	496
Depreciation and amortisation	(579)	(61)	(325)	-	(965)
Transfers to/(from) capital WIP	63	68	-	(131)	-
Carrying amount at the end of the period	2 406	331	186	365	3 288

<u>2019</u>	Leasehold	Plant &	Information	Capital Work	Total
	Improvements	equipment	Technology	in progress	
	\$'000	\$'000	assets	\$'000	\$'000
Carrying amount at the beginning of the period	3 442	335	965	9	4 751
Additions	-	56	-	153	209
Depreciation and amortisation	(579)	(67)	(557)	-	(1 203)
Transfers to/(from) capital WIP	59	-	103	(162)	-
Carrying amount at the end of the period	2 922	324	511	-	3 757

5.3. Property, plant and equipment leased by the Commissioner

Property, plant and equipment leased by the Commissioner is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$58 000.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.1.

The Commissioner has a limited number of leases:

- 4 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The Commissioner's maturity analysis of its lease liabilities is disclosed in note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4. Cash outflows related to leases are disclosed in note 8.1.

Impairment

Property, plant and equipment leased by the Commissioner has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

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5.4. Intangible assets

	2020	2019
	\$'000	\$'000
Externally acquired intangible assets		
Computer software and licences	867	867
Less accumulated amortisation	(611)	(439)
Total externally acquired intangible assets	<u>256</u>	<u>428</u>
Total intangible assets	<u>256</u>	<u>428</u>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

Impairment

There were no indications of impairment of intangible assets at 30 June 2020.

Reconciliation

	Externally acquired	Total
	\$'000	\$'000
2020		
Carrying amount at the beginning of the period	428	428
Amortisation	(172)	(172)
Carrying amount at the end of the period	<u>256</u>	<u>256</u>
2019		
Carrying amount at the beginning of the period	604	604
Amortisation	(176)	(176)
Carrying amount at the end of the period	<u>428</u>	<u>428</u>

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6. Financial assets

6.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	11 414	6 120
Cash on hand	20	-
Total cash and cash equivalents	11 434	6 120

Deposits with the Treasurer

Deposits with the Treasurer are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

6.2. Receivables

	2020	2019
	\$'000	\$'000
Current		
Prepayments	152	181
Other receivables	2	45
Total receivables	154	226

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

Other than as recognised in the allowance for impairment loss on receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 11.3 for further information on risk management.

The net amount of GST payable to the ATO is included as part of receivables.

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7. Liabilities

Employee benefits liabilities are disclosed in note 3.3.

7.1. Payables

	2020	2019
	\$'000	\$'000
Current		
Creditors	549	348
Employment on-costs	191	148
Accrued expenses	35	36
Total current payables	<u>775</u>	<u>532</u>
Non-current		
Employment on-costs	97	95
Total non-current payables	<u>97</u>	<u>95</u>
Total payables	<u><u>872</u></u>	<u><u>627</u></u>

Creditors and accruals are raised for all amounts billed but unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

The net amount of GST recoverable from the ATO is included as part of payables.

Employment on-costs

Employment on-costs include payroll tax and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

The Commissioner contributes to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by the DTF, the proportion of long service leave taken as leave has changed from the 2019 rate (41%) to 42%. The average factor for the calculation of employer superannuation on-costs has remained the same as the 2019 rate (9.8%). These rates are used in the employment on-costs calculation. The net financial effect of the changes in the current financial year on employment on-costs and employee benefit expense is immaterial.

Refer to note 11.3 for further information on risk management.

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7.2. Financial liabilities

	2020	2019
	\$'000	\$'000
Current		
Lease liabilities	14	-
Total current liabilities	<u>14</u>	<u>-</u>
Non current		
Lease liabilities	18	-
Total non current liabilities	<u>18</u>	<u>-</u>
Total Financial liabilities	<u><u>32</u></u>	<u><u>-</u></u>

The Commissioner measures financial liabilities including borrowings/debt at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosed above.

7.3. Other liabilities

	2020	2019
	\$'000	\$'000
Current		
Accommodation incentive	188	188
Total other current liabilities	<u>188</u>	<u>188</u>
Non-current		
Accommodation incentive	375	563
Total non-current other liabilities	<u>375</u>	<u>563</u>
Total other liabilities	<u><u>563</u></u>	<u><u>751</u></u>

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8. Other disclosures

8.1. Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2020	2019
	\$'000	\$'000
Leases		
Vehicles	25	-
Total cash outflow for leases	<u>25</u>	<u>-</u>
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	11 434	6 120
Balance as per the Statement of Cash Flows	11 434	6 120
Reconciliation of net cash provided by / (used in) operating activities to net result		
Net cash provided by/(used in) operating activities	5 889	553
Add / (less) non-cash Items		
Depreciation and amortisation	(1 164)	(1 379)
Property plant and equipment assets in payables	-	56
Lease incentive amortisation	188	152
Movement in assets and liabilities		
Increase/(decrease) in receivables	(70)	(43)
(Increase)/decrease in payables	(300)	1 198
(Increase)/decrease in employee benefits	(315)	(444)
Net result	<u><u>4 228</u></u>	<u><u>93</u></u>

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9. Changes in accounting policy

9.1. AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 *Leases* replaces AASB 117 *Leases* and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 *Leases* largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

Impact on retained earnings

The total impact on the Commissioner's retained earnings as at 1 July 2019 is as follows:

	\$'000
Closing retained earnings 30 June 2019 – AASB 117	6 881
Assets	
Property, plant and equipment	16
Liabilities	
Financial liabilities	(16)
Opening retained earnings 1 July 2019 – AASB 16	6 881

The Commissioner disclosed in his 2018-19 financial report total undiscounted operating lease commitments of \$5.8 million under AASB 117.

The Commissioner has accommodation services provided by the DPTI under MoAA issued in accordance with Government-wide accommodation policies.

These MoAA do not meet the definition of lease set out either in AASB 16 or in the former standard AASB 117. Accordingly, the 2018-19 undiscounted operating lease commitments should have been disclosed as \$5.8 million under AASB 117. There is no material difference between the revised operating lease commitments when discounted and the financial liabilities recognised as at 1 July 2019.

Commitments related to accommodation services provided by DPTI are included in Note 10.1.

The misclassification did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years. This misclassification impacted items within the supplies and services expenses line. Note 4.1 applies the correct classification for both the current and comparative years.

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9.1. AASB 16 Leases (continued)

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. The Commissioner has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing published by the DTF rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 1.5%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the Commissioner's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the Commissioner, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

9.2. AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

Impact on retained earnings

On transition, there was no impact on retained earnings.

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9.3. AASB 1058 Income of Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

Accounting policies on transition

On transition, there was no impact on retained earnings.

9.4. Presentation of Financial Statements

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the Commissioner. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

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10. Outlook

10.1. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Expenditure commitments

	2020	2019
	\$'000	\$'000
Within one year	1 311	330
Later than one year but not longer than five years	2 227	58
Total other commitments	3 538	388
Motor vehicles ⁽¹⁾	-	16
Software maintenance ⁽²⁾	96	112
Other ⁽³⁾	3 442	260
Total	3 538	388

⁽¹⁾ The provision of motor vehicles to executive officers or sections (that is, pool vehicles) are leased from SAFA through their agent LeasePlan Australia. This information is provided for 2018-19 only, as AASB 16 *Leases* now requires disclosure as a financial liability in note 7.2

⁽²⁾ Software maintenance commitments relate to maintenance and support services from contracts relating to software purchases. These contracts will expire within one to three years.

⁽³⁾ Other commitments relate to purchase orders placed for goods and services before 30 June 2020 and MoAA with the DPTI for accommodation.

Operating lease commitments

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2020	2019
	\$'000	\$'000
Within one year	-	1 374
Later than one year but not longer than five years	-	4 438
Total operating lease commitments	-	5 812

Operating lease commitments is provided for the comparative year only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee. The comparative amount does not include commitments for MoAA with the DPTI for accommodation. This has been reclassified and included under expenditure commitments. For more detail about the reclassification see 9.1.

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10.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

In the ordinary course of operations, the Commissioner may become liable to pay costs or to receive costs arising from legal proceedings. As at 30 June 2020, it is not possible to reliably estimate the total court costs that may be receivable or payable in respect of one legal proceeding that is underway.

10.3. Impact of standards and statements not yet effective

The Commissioner has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 prescribes the accounting for certain arrangements in which an operator provides public services on behalf of a public sector grantor involving a service concession arrangement. This standard applies to reporting periods beginning on or after 1 January 2020. The Commissioner has assessed his arrangements where operators provide services and has concluded that none of these will be within the scope of AASB 1059.

10.4. COVID-19 pandemic outlook for the ICAC and OPI

The COVID-19 pandemic is not expected to have a material impact on the operations of the ICAC and OPI in 2020-21.

10.5. Events after the reporting period

There are no known events after balance date that affect these financial statements.

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11. Measurement and risk

11.1. Long service leave liability - measurement

The amounts for long service leave include pre-retirement leave and amounts accrued for Investigators seconded under a MoAA between SA Police and the Commissioner. The Commissioner is required to reimburse SA Police an amount equivalent to long service leave accrued while an Investigator is on secondment. The amount is due to SA Police when the seconded Investigator ceases employment with the Commissioner. The amount accrued is therefore equivalent to the long service leave provision amount.

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the DTF has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 1.25% (2019) to 0.75% (2020).

The actuarial assessment performed by the DTF has decreased the salary inflation rate from 4% (2019) to 2.5% (2020) for long service leave liability and reduced the salary inflation rate from 2.2% (2019) to 2% (2020) for annual leave and skills, experience and retention leave liability.

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$126 000 and employee benefits expense of \$126 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The current portion of the long service leave provision reflects the Commissioner's expectation of leave to be taken within the next 12 months. It also includes the Commissioner's pre-retirement leave which cannot be deferred and is therefore considered unconditional.

Pre-retirement leave

The Commissioner is not entitled to long service leave but is entitled to six months pre-retirement leave or payment in lieu thereof. This is included in the long service leave liability.

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11.2. Fair value measurement

Fair value measurement

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken on a regular cycle as detailed below. If at any time the Commissioner considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

The Commissioner classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

The Commissioner has categorised all leasehold improvements, information technology assets and plant and equipment assets (refer to note 5.1) into level 3 for 2019 and 2020. The Commissioner's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. There have been no transfers into or out of fair value hierarchy levels during the reporting period.

Plant and equipment

All items of plant and equipment owned by the Commissioner had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

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11.3. Financial instruments

Financial risk management

Risk management is managed by the Commissioner's Corporate Services Section. The Commissioner's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Commissioner's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of financial instruments held. There have been no changes in risk exposure since the last reporting period.

Liquidity risk

The Commissioner is funded principally from appropriations by the SA Government. The Commissioner works with the DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The continued existence of the Commissioner in the present form, and with the present programs, is dependent on State Government policy and on continuing appropriations by Parliament for the Commissioner's administration and programs. The Commissioner's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Credit risk

The Commissioner is not exposed to any credit risk.

Currently the Commissioner does not hold any collateral as security for any of its financial assets. There is no evidence to indicate that financial assets are impaired.

Market risk

The Commissioner does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The Commissioner does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

There have been no changes in risk exposure since the last reporting period.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset/ financial liability note.

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11.3. Financial instruments (continued)

Classification of financial instruments

The Commissioner measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2020 Carrying amount/ Fair value \$'000	2020 Contractual maturities	
			Within 1 year	1-5 years
			\$'000	\$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	6.1	11 434	11 434	-
Financial assets at amortised cost				
Receivables	6.2	2	2	-
Total financial assets		11 436	11 436	-
Financial liabilities				
Financial liabilities at amortised cost				
Payables	7.1	549	549	-
Financial liabilities	7.2	32	14	18
Total financial liabilities		581	563	18

Category of financial asset and financial liability	Note	2019 Carrying amount/ Fair value \$'000	2019 Contractual maturities	
			Within 1 year	1-5 years
			\$'000	\$'000
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	6.1	6 120	6 120	-
Financial liabilities at amortised cost				
Receivables	6.2	45	45	-
Total financial assets		6 165	6 165	-
Financial liabilities				
Financial liabilities at amortised cost				
Payables	7.1	348	348	-
Total financial liabilities		348	348	-

Receivables and payables

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, Commonwealth, State and Local Government taxes, fees and charges; audit fees payable to the Auditor-General's Department, etc.). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at amortised cost.

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.