

Independent Commissioner Against Corruption

Financial report
for the year ended
30 June 2019



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To the Independent Commissioner Against Corruption Independent Commissioner Against Corruption

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Independent Commissioner Against Corruption for the financial year ended 30 June 2019.

Opinion

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 2019, its financial performance and its cash flows for the year then ended in accordance with the 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 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Independent Commissioner Against Corruption, 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* have been met.

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

Responsibilities of the Chief Executive 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 the 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

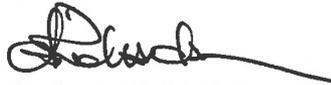
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 Chief Executive
- 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 'Andrew Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

19 September 2019

Independent Commissioner Against Corruption
Certification of the Financial Statements
for the year ended 30 June 2019

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 2019 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.



The Hon. Bruce Lander QC
Independent Commissioner Against Corruption
16 September 2019



Michael Riches
Deputy Independent Commissioner Against Corruption
16 September 2019



Vicki Tomlinson
Director Corporate Services
16 September 2019

Independent Commissioner Against Corruption
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Expenses			
Employee benefits	2.2	8 588	7 695
Supplies and services	3.1	3 695	3 828
Depreciation and amortisation	3.2	1 379	1 260
Auditor's remuneration	3.3	36	35
Total expenses		13 698	12 818
Income			
Services received free of charge	4.1	64	63
Recoveries and other income	4.2	51	6
Total income		115	69
Net cost of providing services		13 583	12 749
Revenue			
Revenues from SA Government		13 676	13 908
Total net revenues from SA Government		13 676	13 908
Net result		93	1 159
Total comprehensive result		93	1 159

The net result and total comprehensive result are attributable to the SA Government as owner.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	6.1	6 120	5 493
Receivables	6.2	226	269
Total current assets		6 346	5 762
Non-current assets			
Property, plant and equipment	5.1	3 757	4 751
Intangible assets	5.2	428	604
Total non-current assets		4 185	5 355
Total assets		10 531	11 117
Current liabilities			
Payables	7.1	532	1 751
Employee benefits	2.3	1 235	1 014
Other liabilities	7.2	188	135
Total current liabilities		1 955	2 900
Non-current liabilities			
Payables	7.1	95	74
Employee benefits	2.3	1 037	814
Other liabilities	7.2	563	541
Total non-current liabilities		1 695	1 429
Total liabilities		3 650	4 329
Net assets		6 881	6 788
Equity			
Retained earnings		6 881	6 788
Total equity		6 881	6 788

The total equity is attributable to the SA Government as owner.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2017		5 629	5 629
Net result for 2017-18		1 159	1 159
Total comprehensive result for 2017-18		1 159	1 159
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

All changes in equity are attributable to the SA Government as owner.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Statement of Cash Flows
for the year ended 30 June 2019

		2019 (Outflows) Inflows \$'000	2018 (Outflows) Inflows \$'000
Cash flows from operating activities	Note		
Cash outflows			
Employee benefits payments		(8 103)	(7 285)
Supplies and services		(5 026)	(3 787)
Cash used in operations		(13 129)	(11 072)
Cash inflows			
Recoveries		6	6
Cash generated from operations		6	6
Cash flows from SA Government			
Receipts from SA Government		13 676	13 908
Cash generated from SA Government		13 676	13 908
Net cash provided by / (used in) operating activities	8.1	553	2 842
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(153)	(503)
Cash used in investing activities		(153)	(503)
Cash inflows			
Lease incentive received		227	-
Cash generated from investing activities		227	-
Net cash provided by / (used in) investing activities		74	(503)
Net increase / (decrease) in cash and cash equivalents		627	2 339
Cash and cash equivalents at the beginning of the reporting period		5 493	3 154
Cash and cash equivalents at the end of the reporting period	6.1	6 120	5 493

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 2019

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Independent Commissioner Against Corruption

Notes to and forming part of the financial statements

for the year ended 30 June 2019

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 2018-19 financial statements the Commissioner adopted AASB 9 – Financial Instruments and is required to comply with new Treasurer's Instructions (Accounting Policy Statements) issued on 22 March 2019. 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 ICAC and the OPI.

The primary objective of the Commissioner is 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 2019

1 About the Independent Commissioner Against Corruption (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.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. 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 of \$13.7 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 \$64 000. Refer note 4.1.

2. Board, committees and employees

2.1. 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 Commissioner's office and the OPI, including employees who acted in those positions from time to time during the period.

Compensation

	2019	2018
	\$'000	\$'000
Salaries and other short term employee benefits	1 842	1 654
Post-employment benefits	173	155
Total compensation	2 015	1 809

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.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.2. Employee benefits expenses

	2019	2018
	\$'000	\$'000
Salaries and wages	6 522	6 000
Employment on-costs - superannuation	704	634
Annual leave	582	535
Employment on-costs - other	408	367
Long service leave	368	151
Skills and experience retention leave	4	8
Total employee benefits expenses	8 588	7 695

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.

Executive remuneration

The number of employees whose remuneration received or receivable falls within the following bands:

	2019	2018
	Number	Number
\$149 000 to \$151 000	N/A	1
\$151 001 to \$171 000	6	3
\$171 001 to \$191 000	2	3
\$191 001 to \$211 000	1	1
\$211 001 to \$231 000	1	-
\$311 001 to \$331 000	1	1
\$491 001 to \$511 000	-	1
\$511 001 to \$531 000	1	-
Total number of employees	12	10

The \$149 000 to \$151 000 band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017-18.

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. The total actual remuneration received by these employees for the reporting period was \$2.6 million (2018: \$2.2 million).

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.3. Employee benefits liability

	2019	2018
	\$'000	\$'000
Current		
Annual leave	596	532
Long service leave	466	305
Accrued salaries and wages	156	154
Skills and experience retention leave	17	23
Total current employee benefits	1 235	1 014
Non-current		
Long service leave	1 037	814
Total non-current employee benefits	1 037	814
Total employee benefits	2 272	1 828

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.

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 are expected to be payable within twelve 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 2019

3. Expense

Employee benefits expenses are disclosed in note 2.2.

3.1. Supplies and services

	2019	2018
	\$'000	\$'000
Information and communications technology	1 186	966
Operating lease minimum payments	918	765
Accommodation	419	401
Outsourced services	328	342
Legal fees	102	578
Repairs, maintenance and minor purchases	84	80
Consultants	76	73
Shared Services SA charges	67	66
Employee related payments	64	69
Motor vehicle expenses	54	56
Promotions and publications	54	50
Telephone related expenses	52	53
Contract staff	43	41
Employee training	40	41
Office expenses	37	37
Tax and taxable payments	15	40
Website development	9	15
Internal audit fee	-	28
Other	147	127
Total supplies and services	3 695	3 828

Operating lease payments

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term.

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:

	2019	2019	2018	2018
	Number	\$'000	Number	\$'000
Below \$10 000	9	25	7	25
\$10 000 or above	4	51	2	48
Total	13	76	9	73

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3.2. Depreciation and amortisation

	2019	2018
	\$'000	\$'000
Depreciation		
Plant and equipment	67	61
Information technology assets	557	505
Total depreciation	624	566
Amortisation		
Leasehold improvements	579	531
Intangible assets	176	163
Total amortisation	755	694
Total depreciation and amortisation	1 379	1 260

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.

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.

Useful life

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets 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

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

3.3. Auditor's remuneration

	2019	2018
	\$'000	\$'000
Audit fees *	36	35
Total audit fees	36	35

* Audit fees paid/ payable to the Auditor-General's Department relate to work performed under the *Public Finance and Audit Act 1987*. 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 2019

4. Income

4.1. Services received free of charge

	2019	2018
	\$'000	\$'000
Services received free of charge	64	63
Total services received free of charge	64	63

4.2. Recoveries and other income

	2019	2018
	\$'000	\$'000
Sundry recoveries	51	6
Total recoveries and other income	51	6

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 2019

5. Non-financial assets

5.1. Property, plant and equipment

	2019	2018
	\$'000	\$'000
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	5 406	5 346
Accumulated amortisation	(2 484)	(1 904)
Total leasehold improvements	<u>2 922</u>	<u>3 442</u>
Plant and equipment		
Plant and equipment at cost (deemed fair value)	654	597
Accumulated depreciation	(330)	(262)
Total plant and equipment	<u>324</u>	<u>335</u>
Information Technology assets		
Information Technology assets at cost (deemed fair value)	2 630	2 527
Accumulated depreciation	(2 119)	(1 562)
Total information technology assets	<u>511</u>	<u>965</u>
Capital work in progress		
Capital work in progress at cost	-	9
Total capital work in progress	<u>-</u>	<u>9</u>
Total property, plant and equipment	<u><u>3 757</u></u>	<u><u>4 751</u></u>

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed.

Property, plant and equipment 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 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 2019

5.1. Property, plant and equipment (continued)

Movement reconciliation of property, plant and equipment

2019	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

2018	Leasehold	Plant &	Information	Capital Work	Total
	Improvements	equipment	Technology	in progress	
	\$'000	\$'000	assets	\$'000	\$'000
Carrying amount at the beginning of the period	2 652	277	1 372	156	4 457
Additions	-	119	-	1 272	1 391
Depreciation and amortisation	(531)	(61)	(505)	-	(1 097)
Transfers to/(from) capital WIP	1 321	-	98	(1 419)	-
Carrying amount at the end of the period	3 442	335	965	9	4 751

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2019

5.2. Intangible assets

	2019	2018
	\$'000	\$'000
Externally acquired intangible assets		
Computer software and licences	867	867
Less accumulated amortisation	(439)	(263)
Total externally acquired intangible assets	428	604
Total intangible assets	428	604

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 2019.

Movement reconciliation of intangible assets

	Externally acquired	Capital Work in progress	Total
	\$'000	\$'000	\$'000
2019			
Carrying amount at the beginning of the period	604	-	604
Amortisation	(176)	-	(176)
Carrying amount at the end of the period	428	-	428
2018			
Carrying amount at the beginning of the period	496	160	656
Additions	-	111	111
Transfers from capital work in progress	271	(271)	-
Amortisation	(163)	-	(163)
Carrying amount at the end of the period	604	-	604

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2019

6. Financial assets

6.1. Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Deposits with the Treasurer	6 120	5 493
Total cash and cash equivalents	6 120	5 493

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

	2019	2018
	\$'000	\$'000
Current		
Prepayments	181	130
Other receivables	45	-
GST receivable	-	139
Total receivables	226	269

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.

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

Refer to note 11.3 for further information on risk management.

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7. Liabilities

Employee benefits liabilities are disclosed in note 2.3.

7.1. Payables

	2019	2018
	\$'000	\$'000
Current		
Creditors	348	1 588
Employment on-costs	148	128
Accrued expenses	36	35
Total current payables	<u>532</u>	<u>1 751</u>
Non-current		
Employment on-costs	95	74
Total non-current payables	<u>95</u>	<u>74</u>
Total payables	<u>627</u>	<u>1 825</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 makes contributions 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 to the superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF), the proportion of long service leave taken has remained at 41% and the average factor for the calculation of employer superannuation on-cost is 9.8% (2018: 9.9%). These rates are used in the employment on-cost calculation. The net financial effect of the change in the superannuation on-cost rate 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. Other liabilities

	2019	2018
	\$'000	\$'000
Current		
Lease incentive	188	135
Total other current liabilities	<u>188</u>	<u>135</u>
Non-current		
Lease incentive	563	541
Total non-current other liabilities	<u>563</u>	<u>541</u>
Total other liabilities	<u><u>751</u></u>	<u><u>676</u></u>

8. Other disclosures

8.1. Cash flow reconciliation

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.

	2019	2018
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	6 120	5 493
Balance as per the Statement of Cash Flows	6 120	5 493
Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services		
Net cash provided by/(used in) operating activities	553	2 842
Less revenues from SA Government	(13 676)	(13 908)
Add / (less) non-cash items		
Depreciation and amortisation	(1 379)	(1 260)
Property plant and equipment assets in payables	56	999
Lease incentive amortisation	152	132
Movement in assets and liabilities		
Increase/(decrease) in receivables	(43)	94
(Increase)/decrease in payables	1 198	(1 279)
(Increase)/decrease in employee benefits	(444)	(369)
Net cost of providing services	<u><u>(13 583)</u></u>	<u><u>(12 749)</u></u>

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9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions.

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government.
- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

9.2. AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

The adoption of AASB 9 has not had an effect on the recognition, measurement or classification of financial liabilities.

All financial assets and liabilities are classified at amortised cost.

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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.

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:

	2019	2018
	\$'000	\$'000
Within one year	1 374	964
Later than one year but not longer than five years	4 438	4 231
Total operating lease commitments	5 812	5 195

The accommodation and office equipment leases are non-cancellable leases with rental payable monthly in advance.

Contingent rental provisions within the accommodation lease agreements provide for the minimum lease payments to be increased on specified rent review dates. Options exist to renew the accommodation leases at the end of the term of the lease.

Other commitments

	2019	2018
	\$'000	\$'000
Within one year	330	206
Later than one year but not longer than five years	58	128
Total other commitments	388	334
Motor vehicles ⁽¹⁾	16	61
Software maintenance ⁽³⁾	112	181
Other ⁽²⁾	260	92
Total	388	334

⁽¹⁾ The provision of motor vehicles to executive officers or sections (that is, pool vehicles) are leased from the South Australian Government Financing Authority through their agent LeasePlan Australia. There are no purchase options available to the Commissioner.

⁽²⁾ Other commitments relate to purchase orders placed for goods and services before 30 June 2019 and contractual commitments.

⁽³⁾ Software maintenance commitments relate to maintenance and support services from contracts relating to software purchases. These contracts will expire within one to three years.

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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 2019, 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.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on the Commissioner are outlined below.

AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities

The Commissioner will adopt AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. AASB 15 – Revenue from Contracts replaces AASB 111 – Construction Contracts and AASB 118 – Revenue.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of AASB 1004 – Contributions.

Impact on 2019-20 financial statements

Adopting AASB 15 and AASB 1058 is not expected to have a material impact on the timing of recognition of revenue by the Commissioner.

AASB 16 – Leases

The Commissioner will adopt AASB 16 – Leases from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 Leases replaces AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation, and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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10.3. Impact of standards and statements not yet effective (continued)

Impact on 2019-20 financial statements

The Commissioner has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. 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 for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have a material impact on the Statement of Financial Position. The Commissioner has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the Commissioner prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's interest rates for principal and interest loans to SA Government agencies.

The estimated impact is set out below.

	as at 1 July 2019 \$'000
<u>Assets</u>	
Right-of-use assets	9 463
<u>Liabilities</u>	
Lease liabilities	(10 214)
Other liabilities (lease incentive liabilities)	751
Net impact on equity	-

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense 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.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

	2020 \$'000
Depreciation and amortisation	1 207
Supplies and services	(1 296)
Borrowing costs	180
Net impact on net cost of providing services	91

The amounts disclosed are current estimates only. The Commissioner is continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and expects that these figures will change. This includes accounting for non-lease components and clarifying lease terms and treatment of contractual rent increases.

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10.3. Impact of standards and statements not yet effective (continued)

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Commissioner has applied the optional exemptions to not recognise the leases liability and right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. There is an exception for motor vehicle leases, where Treasurer's approval has been granted not to apply this exemption to leases with a term remaining of less than 12 months.

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the Commissioner must adopt for the transition from *AASB 117 Leases* to *AASB 16 Leases*. These requirements include that the Commissioner will:

- apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated.
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.
- not transition operating leases for which the lease term ends before 30 June 2020.

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that the Commissioner will:

- not apply AASB 16 to leases of intangible assets.
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
- apply the short-term leases recognition exemption for all classes of underlying asset (except for motor vehicles).
- separate non-lease components from lease components.
- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the Commissioner to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

10.4. 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 includes pre-retirement leave and amounts accrued for investigators seconded under a Memorandum of Administrative Arrangement 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 the 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 2018 (2.5%) to 2019 (1.25%).

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

The net financial effect of the changes in actuarial assumptions in the current financial year is an increase in the long service leave liability of \$138 000 and employee benefit expense of \$138 000. 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 actuarial assessment performed by DTF left the salary inflation rate at 4% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The current portion of the long service leave provision reflects management'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 management 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 2018. 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 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 currently holds no interest bearing financial instruments and is not exposed to interest rate risk.

Maturity analysis of financial assets and liabilities

All financial assets and financial liabilities are due to mature within twelve months.

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.

Classification applicable until 30 June 2018 under AASB 139 *Financial Instruments: Recognition and Measurement*

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Loan and receivables
- Financial liabilities measured at cost.

Classification applicable from 1 July 2018 under AASB 9 *Financial Instruments*

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

The Commissioner measures all financial instruments at amortised cost.

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11.3. Financial instruments (continued)

Category of financial asset and financial liability	Note	2019 Carrying amount/ Fair value \$'000	2019 Contractual maturities
			Within 1 year \$'000
Financial assets			
Cash and cash equivalents			
Cash and cash equivalents	6.1	6 120	6 120
Financial assets 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

Category of financial asset and financial liability	Note	2018 Carrying amount/ Fair value \$'000	2018 Contractual maturities
			Within 1 year \$'000
Financial assets			
Cash and cash equivalents			
Cash and cash equivalents	6.1	5 493	5 493
Loans and receivables			
Receivables	6.2	-	-
Total financial assets		5 493	5 493
Financial liabilities			
Financial liabilities at amortised cost			
Payables	7.1	1 588	1 588
Total financial liabilities		1 588	1 588

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.