

Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2015

Statement of Responsibility

In my opinion, the financial statements are in agreement with the Independent Competition and Regulatory Commission's (the Commission's) accounts and records and fairly reflect the financial operations of the Commission for the year ended 30 June 2015 and the financial position of the Commission on that date.

Ms Ranjini Nayager
Chief Executive Officer
Independent Competition and Regulatory Commission

12 August 2015

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2015**

Statement by the Chief Finance Officer

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Independent Competition and Regulatory Commission's accounts and records and fairly reflect the financial operations of the Commission for the year ended 30 June 2015 and the financial position of the Commission on that date.

Mr Scott Hickey
Chief Finance Officer
Independent Competition and Regulatory Commission

12 August 2015

Independent Competition and Regulatory Commission
Operating Statement
For the Year Ended 30 June 2015

	Note No.	Actual 2015 \$'000	Original Budget 2015 \$'000	Actual 2014 \$'000
Income				
<i>Revenue</i>				
Government Payment for Outputs	4	534	548	406
User Charges - ACT Government	5	783	478	773
User Charges - Non-ACT Government	5	1	-	715
Fees	6	774	905	639
Interest	7	52	52	51
<i>Total Revenue</i>		<u>2,144</u>	<u>1,983</u>	<u>2,584</u>
Total Income		<u>2,144</u>	<u>1,983</u>	<u>2,584</u>
Expenses				
Employee Expenses	8	890	896	1,216
Superannuation Expenses	9	94	128	143
Supplies and Services	10	1,177	857	1,049
Depreciation	11	52	50	52
Borrowing Costs	12	(4)	-	4
Total Expenses		<u>2,209</u>	<u>1,931</u>	<u>2,464</u>
Operating (Deficit)/Surplus		<u>(65)</u>	<u>52</u>	<u>120</u>
Total Comprehensive Income		<u>(65)</u>	<u>52</u>	<u>120</u>

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

Independent Competition and Regulatory Commission
Balance Sheet
As at 30 June 2015

	Note No.	Actual 2015 \$'000	Original Budget 2015 \$'000	Actual 2014 \$'000
Current Assets				
Cash and Cash Equivalents	14	2,148	2,299	1,838
Receivables	15	178	462	432
Total Current Assets		2,326	2,761	2,270
Non-Current Assets				
Plant and Equipment	16	348	355	399
Total Non-Current Assets		348	355	399
Total Assets		2,674	3,116	2,669
Current Liabilities				
Payables	17	85	179	60
Employee Benefits	18	195	261	286
Other Liabilities	19	-	-	83
Other Provisions	20	760	625	544
Total Current Liabilities		1,040	1,065	973
Non-Current Liabilities				
Employee Benefits	18	19	29	14
Other Provisions	20	60	58	64
Total Non-Current Liabilities		79	87	78
Total Liabilities		1,120	1,152	1,051
Net Assets		1,554	1,964	1,618
Equity				
Accumulated Funds		1,554	1,964	1,618
Total Equity		1,554	1,964	1,618

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

Independent Competition and Regulatory Commission
Statement of Changes in Equity
For the Year Ended 30 June 2015

	Accumulated Funds Actual 2015 \$'000	Total Equity Actual 2015 \$'000	Original Budget 2015 \$'000
Balance at 1 July 2014	1,618	1,618	1,912
<i>Comprehensive Income</i>			
Operating (Deficit)/Surplus	(65)	(65)	52
Total Comprehensive Income	(65)	(65)	52
Balance at 30 June 2015	1,554	1,554	1,964

	Accumulated Funds Actual 2014 \$'000	Total Equity Actual 2014 \$'000
Balance at 1 July 2013	1,498	1,498
<i>Comprehensive Income</i>		
Operating Surplus	120	120
Total Comprehensive Income	120	120
Balance at 30 June 2014	1,618	1,618

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

Independent Competition and Regulatory Commission
Cash Flow Statement
For the Year Ended 30 June 2015

	Note No.	Actual 2015 \$'000	Original Budget 2015 \$'000	Actual 2014 \$'000
Cash Flows from Operating Activities				
Receipts				
Government Payment for Outputs		534	548	406
Fees		830	905	505
User Charges - ACT Government		737	478	1,143
User Charges - Non-ACT Government		209	-	461
Interest Received		52	52	55
Goods and Services Tax Collected from Customers		137	-	115
Goods and Services Tax Input Credits from the Australian Taxation Office		7	-	-
Other		-	86	-
Total Receipts from Operating Activities		2,506	2,069	2,685
Payments				
Employee		976	880	1,168
Superannuation		95	112	143
Supplies and Services		1,024	965	1,367
Goods and Services Tax Remitted to the Australian Taxation Office		-	-	1
Goods and Services Tax Paid to Suppliers		101	101	122
Total Payments from Operating Activities		2,196	2,058	2,801
Net Cash Inflows/(Outflows) from Operating Activities	23(b)	310	11	(116)
Net Increase/(Decrease) in Cash and Cash Equivalents		310	11	(116)
Cash and Cash Equivalents at the Beginning of the Reporting Period		1,838	2,288	1,954
Cash and Cash Equivalents at the End of the Reporting Period	23(a)	2,148	2,299	1,838

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

**Independent Competition and Regulatory Commission
Statement of Appropriation
For the Year Ended 30 June 2015**

	Original Budget 2015 \$'000	Total Appropriated 2015 \$'000	Appropriation Drawn 2015 \$'000	Appropriation Drawn 2014 \$'000
Government Payment for Outputs	548	548	534	406
Total Appropriation	548	548	534	406

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

Column Heading Explanations

The *Original Budget* column shows the amount that appears in the Cash Flow Statement in the Statement of Intent. This amount also appears in the Cash Flow Statement.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the Original Budget.

The *Appropriation Drawn* is the total amount of appropriation received by the Commission during the year. This amount appears in the Cash Flow Statement.

Variance between 'Total Appropriated' and 'Appropriation Drawn'

The difference between the Total Appropriated and the Appropriation Drawn is due to changes in economic parameters during 2014-15 which reduced the funds the Commission was permitted to draw down.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

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Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 1 Objectives of the Independent Competition and Regulatory Commission

Operations and Principal Activities

The Independent Competition and Regulatory Commission (the Commission) has regulatory rather than commercial objectives and functions. The Commission's primary roles and responsibilities are established under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act) and the *Utilities Act 2000* (Utilities Act). Together, the Acts set out the functions of the Commission as:

- providing price directions;
- providing recommendations about price regulation;
- providing advice to the Minister about proposed access regimes;
- arbitrating disputes about access to services under access regimes;
- maintaining a register of access agreements;
- investigating and reporting on matters referred by the Minister and other referring authorities;
- investigating and reporting on competitive neutrality complaints;
- investigating and reporting on government-regulated activities;
- issuing licences for the provision of certain types of utility services;
- determining licence conditions;
- monitoring compliance with the licence conditions; and
- approving and reviewing standard customer contracts and industry codes for certain types of utility services.

The Commission also has a statutory role under the *Electricity Feed-In (Renewable Energy Premium) Act 2008* in providing advice to the Minister relevant to the determination of the premium rate payable by National Energy Retail Law (NERL) retailers supplying electricity to renewable energy generators, and in monitoring compliance with the Electricity Feed-In Scheme through the *Electricity Feed-In Code 2012* for NERL retailers.

The Commission's objectives are defined in the ICRC Act and the Utilities Act. The objectives set out in section 7 of the ICRC Act are to:

- promote effective competition in the interests of consumers;
- facilitate an appropriate balance between efficiency and environmental and social considerations; and
- ensure non-discriminatory access to monopoly and near-monopoly infrastructure.

Section 3 of the Utilities Act reinforces those objectives and adds others, as follows:

- to encourage the provision of safe, reliable, efficient and high-quality utility services at reasonable prices;
- to minimise the potential for misuse of monopoly power in the provision of utility services;
- to promote competition in the provision of utility services;
- to encourage long-term investment, growth and employment in utility services;
- to promote ecologically sustainable development in the provision of utility services;
- to protect the interests of consumers;
- to ensure that advice given to the Commission by the ACT Civil and Administrative Tribunal (ACAT) or the Director-General of the Environment and Planning Directorate under Part 5 (technical regulation) is properly considered;
- to ensure that the Government's programs concerning the provision of utility services are properly addressed; and
- to give effect to directions of the Minister under section 19 (which may only be given to ensure the achievement of the objects set out in the subsections above).

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The *Financial Management Act 1996* (FMA) requires the preparation of financial statements for Territory Authorities.

The FMA and the *Financial Management Guidelines* issued under the Act, requires that a Territory Authority's financial statements include:

- (i) an Operating Statement for the year;
- (ii) a Balance Sheet at the end of the year;
- (iii) a Statement of Changes in Equity for the year;
- (iv) a Cash Flow Statement for the year;
- (v) a Statement of Appropriation for the year;
- (vi) a summary of the significant accounting policies adopted for the year; and
- (vii) such other statements as are necessary to fairly reflect the financial operations of the Territory Authority during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required by the FMA. These financial statements have been prepared in accordance with:

- (i) Australian Accounting Standards; and
- (ii) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention.

These financial statements are presented in Australian Dollars, which is the Commission's functional currency.

The Commission is an individual reporting entity.

(b) The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Commission for the year ended 30 June 2015 together with the financial position of the Commission as at 30 June 2015.

(c) Comparative Figures

Budget Figures

The *Financial Management Act 1996* requires the statements to facilitate a comparison with the Statement of Intent. All references to "Original Budget" refer to the budget figures presented in the Statement of Intent and these figures have not been adjusted to reflect supplementary appropriation or appropriation instruments.

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for all amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed. Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

(d) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000). Use of "-" represents zero amounts or amounts rounded down to zero. Column totals may not add due to figures being rounded to the nearest thousand dollars.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies - Continued

(e) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Commission and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised:

- Government Payment for Outputs (GPO) are recognised as revenues when the Commission gains control over the funding. Control over appropriated funds is normally obtained upon the receipt of cash;
- User charges are recognised when the stage of completion of the services at the reporting date can be measured reliably and the costs of rendering those services can be measured reliably. In the event that at the reporting date the stage of completion cannot be reliably measured, but the cost of rendering the services can be reliably measured and the costs are recoverable, revenue is recognised to the extent of recoverable costs incurred; and
- Utility licence fees are collected from entities providing water and wastewater services and gas transmission services, to recover the reasonable costs incurred by the Commission, the Environment and Planning Directorate (EPD) and the ACT Civil and Administrative Tribunal (ACAT) in discharging their respective regulatory responsibilities. These fees are collected under the *Utilities Act 2000*. The fees are based on the estimated cost of regulatory activities for the financial year. It is the Commission's practice to make adjustments to the fees in the following year if the actual costs incurred at the end of the financial year vary from the original estimate. The Commission recognises Utility Licence Fees in its financial statements based on its revised end of year estimate, as this recognises future fee adjustments for any over or under collection of fees identified in the current financial year.

Significant judgements and assumptions are included in the estimation of revenue recognised as User Charges and Utility Licence Fees. The Commission estimates the amount of revenue to be recognised for User Charges and Utility Licence Fees using an activity based costing model. The Commission's model determines the amount of revenue to be recognised for an activity based on the amount of time Commission staff spend on the activity, direct costs associated with the activity and proportional allocation of indirect costs. The Commission reviews this model on an ongoing basis and revises the model as appropriate. Further information about Revenue estimates is provided in Note 2(u) Significant Accounting Judgements and Estimates - Revenue and Revenue Received in Advance.

(f) Taxation

The Commission's activities are exempt from all forms of taxation except Fringe Benefits Tax and Goods and Services Tax.

(g) Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Balance Sheet. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Assets or liabilities which do not fall within the current classification are classified as non-current.

(h) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank, cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Bank overdrafts are included in cash and cash equivalents in the cash flow statement but not in the cash and cash equivalents line in the Balance Sheet.

(i) Receivables

Accounts receivable (including trade receivables and other receivables) are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

Trade receivables arise in the normal course of providing services to other agencies and to the public. Trade receivables are usually payable within 30 days after the issue of an invoice or within 30 days of provision of services where services have been provided under a contractual arrangement.

The Commission assesses at each reporting date whether there is any indication that receivables may be impaired. If any indication of impairment is identified a provision for doubtful debts is recognised in the balance sheet with the corresponding entry recognised as a doubtful debts expense in the Operating Statement.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies - Continued

(j) Acquisition and Recognition of Plant and Equipment

Plant and equipment is initially recorded at cost. Cost includes the purchase price, directly attributable costs and the estimated cost of dismantling and removing the item where, upon acquisition, there is an obligation to remove the item. Where plant and equipment is acquired at no, or minimal cost, it is recognised at fair value as at date of acquisition. Plant and equipment with a minimum value of \$5,000 is capitalised.

(k) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

(l) Measurement of Plant and Equipment After Initial Recognition

The Commission measures plant and equipment at cost.

(m) Depreciation of Non-Current Assets

Non-current assets, with a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. The useful life commences when an asset is ready for use.

Depreciation for non-current assets is determined as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Office Furniture and Equipment	Straight Line	10 Years

The useful lives of all assets are reassessed on an annual basis.

(n) Impairment

The Commission assesses at each reporting date whether there are any indicators that plant and equipment assets may be impaired.

Any identified impairment losses for plant and equipment are recognised as an expense in the Operating Statement with a corresponding adjustment to the carrying value for plant and equipment.

The Commission measures plant and equipment at cost; assets are considered to be impaired when there are indicators that the recoverable value of the asset is less than the carrying value.

(o) Payables

Payables are a financial liability and are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. Amounts are usually settled within 30 days after the invoice date.

Payables include Trade Payables and Accrued Expenses.

Trade payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period relating to the normal operations of the Commission.

Accrued expenses represent goods and services provided by other parties during the reporting period that are unpaid at the end of the reporting period and where an invoice has not been received by period end.

(p) Leases

The Commission has entered into operating leases.

Operating Leases

Operating leases do not effectively transfer to the Commission substantially all the risks and rewards incidental to ownership of the asset. Operating lease payments are recorded as an expense in the Operating Statement on a straight-line basis over the term of the lease.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies - Continued

(q) Employee Benefits

Employee benefits include:

- short-term employee benefits, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services, such as wages and salaries, annual leave loading, and applicable on-costs;
- other long-term benefits such as long service leave and annual leave; and
- termination benefits.

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual leave and long service leave.

Wages and Salaries

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period.

Annual and Long Service Leave

Annual and long service leave including applicable on-costs that are not expected to be wholly settled before twelve months after the end of the reporting period when the employees render the related service are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At the end of each reporting period, the present value of future annual and long service leave payments are estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption they will be wholly settled with three years. In 2014-15 the rate used to estimate the present value of future payments is 101.0% (100.9% in 2013-14).

In 2014-15, the rate used to estimate the present value of future payments for long service leave is 104.2% (103.5 % in 2013-14).

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years of qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and applicable on-costs.

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in-service, the probability that employees will take annual and long service leave while in service has been taken into account in estimating the liability for on-costs.

The significant judgements and assumptions included in the estimation of annual and long service leave liabilities include an assessment by an actuary. The Australian Government Actuary performed this assessment in May 2014. The assessment by an actuary is performed every 5 years. However it may be performed more frequently if there is a significant contextual change in the parameters underlying the 2014 report. The next actuarial review is expected to be undertaken by May 2019. Further information about this estimate is provided in Note 2(u) Significant Accounting Judgements and Estimates.

Annual leave and long service leave liabilities are classified as current liabilities in the Balance Sheet where there are no unconditional rights to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities are classified as non-current because the Commission has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies - Continued

(r) Superannuation

Superannuation payments are made to the Territory Banking Account each year to cover the Commission's superannuation liability for the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). This payment covers the CSS/PSS employer contributions but does not include the productivity component. The productivity component is paid directly to Comsuper by the Commission. The CSS and PSS are defined benefit superannuation plans, meaning that the defined benefits received by employees of the Commission are based on the employee's years of service and average final salary.

Superannuation payments have also been made directly to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation Scheme Accumulation Plan (PSSAP) and schemes of employee choice.

Superannuation employer contribution payments for CSS and PSS are calculated by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal CSS or PSS employer contribution rate for each employee. The productivity component is calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee. Superannuation payments for the PSSAP are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate. Superannuation payments for fund of choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

The ACT Government's Superannuation Provision Account recognises the total Territory superannuation liability for CSS and PSS. Comsuper and external schemes recognise the superannuation liability for the PSSAP and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of the ACT Government service after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account.

(s) Insurance

The Commission insures its insurable risks through the ACT Insurance Authority. The excess payable, under this arrangement, varies depending on each class of insurance held by the Commission.

(t) Budgetary Reporting

Explanations of major variances between the 2014-15 original budget and the 30 June 2015 actual results are discussed in Note 27 Budgetary Reporting.

The definition of 'major variances' is provided in Note 2(u) Significant Accounting Estimates and Judgements – Budgetary Reporting. Original budget refers to the original budgeted financial statements presented in the Statement of Intent. The 2014-15 budget numbers have not been audited.

Budgetary reporting is disclosed for the financial statements with the exception of Statement of Changes in Equity, as relevant line items are included in other financial statements.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 2 Summary of Significant Accounting Policies - Continued

(u) Significant Accounting Estimates and Judgements

In the process of applying the accounting policies listed in this note, the Commission has made the following judgements and estimates that have the most significant impact on the amounts recorded in the financial statements.

Employee Benefits

Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for annual and long service leave requires a consideration of the future wage and salary levels, experience of employee departures, probability that leave will be taken in service and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and that on-costs will become payable. Further information on this estimate is provided in Note 2(q) Employee Benefits and Note 3 Changes in Accounting Estimates.

Revenue and Revenue Received in Advance

Significant judgements have been applied in estimating Revenue and Revenue Received in Advance. The Commission provides agreed services on a cost recovery basis and where payments for these services are received in advance, consideration of the percentage of the services completed is required. The Commission estimates the percentage of the services completed based on costs incurred compared to the budget for the agreed services with the uncompleted proportion being recorded in Other Liabilities as Revenue Received in Advance. Consideration is also given to whether the agreed budget for the services continues to be a reasonable estimate of the cost for providing the services. Further information is provided in Note 2(e) Revenue Recognition.

Utility Licence Fees and Regulatory Costs

Significant judgements have been applied in estimating Utility Licence Fees and Regulatory Costs. Fees charged to utility providers are calculated on the basis of the estimated costs expected to be incurred by the Commission, the Environment and Planning Directorate (EPD) and the ACT Civil and Administrative Tribunal (ACAT) in undertaking their respective utility regulatory activities. Adjustments are made to fees recognised at the end of each financial year based on revised estimated costs. Any variance between the estimate and the actual figures is recognised as an adjustment against revenue in the following year. Further information is provided in Note 2(e) Revenue Recognition.

Budgetary Reporting

Significant judgements have been applied in determining what variances are considered as 'major variances' requiring explanations in Note 27 Budgetary Reporting. Variances are considered to be major variances if both of the following criteria are met:

- The line item is a significant line item: the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- The variances (original budget to actual) are greater than plus (+) or minus (-) 10% for the budget for the financial statement line item.

Further information on this is provided in Note 2(t) Budgetary Reporting.

(v) Impact of Accounting Standards Issued but yet to be Applied

It has been assessed that new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board that apply to future reporting periods will not have a material financial impact on the Commission's future financial statements.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 3 Changes in Accounting Estimates

Change in an Accounting Estimate for Annual and Long Service Leave Liabilities

As disclosed in Note 2(q) Employee Benefits, annual and long service leave liabilities that do not fall due within the next 12 months are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the reporting date.

The rate used to estimate the present value of the long service leave payments increased from 103.5% in 2013-14 to 104.2% in 2014-15. This change has resulted in a increase to the estimated long service leave liability and related expense of \$371.

The rate used to estimate the present value of annual leave payments increased from 100.9% in 2013-14 to 101.0% in 2014-15. This change has resulted in a increase to the estimated annual leave liability and related expense of \$91.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 4 Government Payment for Outputs

	2015 \$'000	2014 \$'000
Revenue from the ACT Government		
Government Payment for Outputs ^(a)	534	406
Total Government Payment for Outputs	<u>534</u>	<u>406</u>

Government Payment for Outputs (GPO) meets the estimated cost of the Commission's regulatory activities under the *Utilities Act 2000* in relation to prescribed electricity and gas distribution and National Energy Retail Law (NERL) retailers supplying energy who are subject to the energy industry levy.

a) The Commission's GPO for 2014-15 is greater than 2013-14, due to the Commission identifying in 2014-15 a need to draw the full allowable amount of GPO each year in order to meet the cyclical funding requirements of its regulatory activities under the *Utilities Act 2000*.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 5 User Charges

	2015 \$'000	2014 \$'000
User Charges – ACT Government		
General Government Sector ^(a)	458	641
Public Trading Enterprises ^(b)	324	132
Total User Charges – ACT Government	783	773
User Charges – Non-ACT Government		
Service Revenue ^(c)	1	715
Total User Charges – Non-ACT Government	1	715
Total User Charges for Services	784	1,488

User Charges – Revenue derived by providing services to ACT Government and Non-ACT Government entities. These services are provided under purchase agreements with the Chief Minister, Treasury and Economic Development Directorate for activities under the *Independent Competition and Regulatory Commission Act 1997*, and for monitoring and reporting services under the *Climate Change and Greenhouse Gas Reduction Act 2010*. The services also include provision of commissioned advice, and the conduct of referred inquiries for which costs are recovered. For details on how the Commission recognises revenue and revenue received in advance, see notes 2(e) and 2(u).

a) The decrease in revenue from General Government Sector entities is due to the 4 year service agreement with the Environment and Planning Directorate (EPD) for greenhouse gas annual reports being completed in November 2014.

b) The increase in revenue from Public Trading Enterprises is due to the Commission commencing work on the biennial price review for Regulated Water and Sewerage Services. The biennial price review was aborted at the direction of the industry panel.

c) The reduction in service revenue from Non-ACT Government entities in 2014-15 relates to the Retail Electricity Price Determination for Small Franchise Customers 2014-17 being completed in 2013-14.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 6 Fees

	2015 \$'000	2014 \$'000
Revenue from Regulatory Activities		
Fees	774	639
Total Fees	<u><u>774</u></u>	<u><u>639</u></u>

Utility Licence Fees are collected under the *Utilities Act* to cover the Commission's, the Environment and Planning Directorate's (EPD), and the ACT Civil and Administrative Tribunal's (ACAT) reasonable costs for utility regulatory activities in relation to water, sewerage, and gas transmission utilities. For details on how the Commission recognises revenue see notes 2(e) and 2(u).

The \$135,000 increase in Fees in 2014-15 is due to the annual reconciliation of estimated and actual costs of technical regulation activities for EPD, ACAT and the Commission, with 2014 accrued revenue being adjusted downwards to reflect prior year adjustments. The Commission adjusts the annual fee determination each year for any under or over collection of prior year fees (compared to actual costs incurred), with prior year differences recognised as revenue adjustments in the current year. In the *Utilities (Annual Licence Fees Determination 2014-15) Notice 2014*, 2013-14 actual regulatory costs are identified as \$763,948.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 7 Interest

	2015 \$'000	2014 \$'000
Revenue from Non-ACT Government Entities		
Interest Revenue on Cash at Bank	52	51
Total Interest Revenue from Non-ACT Government Entities	<u>52</u>	<u>51</u>
Total Interest Revenue	<u><u>52</u></u>	<u><u>51</u></u>

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 8 Employee Expenses

	2015	2014
	\$'000	\$'000
Wages and Salaries	942	1,163
Annual Leave Expense	(21)	4
Long Service Leave Expense	(38)	44
Fringe Benefits Tax	7	5
Total Employee Expenses	890	1,216

The reduction in Total Employee Expenses of \$326,000 in 2014-15 is reflective of the cyclical nature of the Commission's activities. Due to the Commission presently having a minimal workload, employees on temporary contracts have not been extended or renewed and permanent positions are not being filled when vacated. As employees leave the Commission annual leave and long service leave entitlements have been paid out as Wages and Salaries or transferred to other ACT Government entities. The impact of entitlements paid out or transferred are reflected in the negative Annual Leave and Long Service Leave Expenses.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 9 Superannuation Expenses

	2015 \$'000	2014 \$'000
Superannuation Contributions - Defined Benefit Schemes	7	47
Superannuation Contributions - Defined Contribution Schemes	87	96
Total Superannuation Expenses	94	143

The reduction in superannuation contributions of \$49,000 reflects the Commission's reduction in staff and reduced employee expenses.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 10 Supplies and Services

	2015 \$'000	2014 \$'000
Information and Communication Technology	84	85
Office Rental and Operating Costs	185	171
Printing and Publishing	0	18
Professional Services ^(a)	140	175
Stationery	5	11
Subscriptions, Membership and Conferences	37	32
Utilities Act - External Administration Costs ^(b)	646	456
Workers Compensation Premium ^(c)	7	33
Other	74	67
Total Supplies and Services	1,177	1,049

Total Supplies and Services expenditure increased by \$128,000 in 2014-15.

a) Professional Services costs decreased by \$35,000 in 2014-15. This reduction in costs is reflective of the Commission's reduced activity levels.

b) In 2014-15 an additional \$190,000 has been recorded for Utilities Act - External Administration costs. These costs relate to utility regulatory activities in relation to water, sewerage, and gas transmission utilities performed by the Environment and Planning Directorate (EPD), and the ACT Civil and Administrative Tribunal's (ACAT) reasonable costs and are based on the actual costs for 2013-14 and 2014-15 estimates provided by these entities for the *Utilities (Annual Licence Fees Determination 2014-15) Notice 2014*. See note 2(u).

c) The reduction in Workers Compensation Premium of \$26,000 reflects the Commission's reduction in staff and reduced employee expenses for 2014-15 and a credit for excess premium paid in 2013-14.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 11 Depreciation

	2015 \$'000	2014 \$'000
Depreciation		
Office Furniture and Equipment	52	52
Total Depreciation	<u>52</u>	<u>52</u>

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 12 Borrowing Costs

	2015 \$'000	2014 \$'000
Borrowing costs		
Finance Cost on Make Good ^(a)	(4)	4
Total Borrowing Costs	<u>(4)</u>	<u>4</u>

a) The finance cost on Make Good reflects the unwinding of the present value calculation of the Commission's Make Good obligation for its office accommodation. The negative expense for 2015 reflects the impact on the estimated Make Good costs of a reduction in the Consumer Price Index (CPI) and 10 year Australian Government bond rates.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 13 Auditor's Remuneration

	2015 \$'000	2014 \$'000
Audit Services		
Audit Fees for Audit Services Performed by the ACT Audit Office	24	24
Total Audit Fees	<u>24</u>	<u>24</u>

Audit fees relate to financial audit services provided by the ACT Audit Office. The Commission did not engage the ACT Audit Office to provide any other services.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 14 Cash and Cash Equivalents

	2015	2014
	\$'000	\$'000
Cash at Bank	2,148	1,838
Total Cash and Cash Equivalents	<u>2,148</u>	<u>1,838</u>

The Commission had one bank account in 2014-15 and this account was with Westpac Banking Corporation, being the ACT Government's preferred provider of bank services. As part of these arrangements, the Commission received interest revenue on these accounts. The \$310,000 increase in cash during 2014-15 primarily relates to the Commission reducing its receivables by \$254,000.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 15 Receivables

	2015 \$'000	2014 \$'000
Current Receivables		
Trade Receivables	-	34
Accrued Revenue ^(a)	178	388
Net Goods and Services Tax Receivable	-	10
Total Current Receivables	178	432
Total Receivables	178	432

a) The \$178,000 in accrued revenue only relates to 2014-15 activities and includes: Regulated Water and Sewerage Services - 2015-16 Price Adjustment; Retail Electricity Price Recalibration 2015-16; and the Industry Panel's Substituted Price Direction for Regulated Water and Sewerage Services 1 July 2013 to 30 June 2018. No receivables from 2014 are owing.

Ageing of Receivables

	Not Overdue \$'000	Past Due			Total \$'000
		Less Than 30 Days \$'000	30 to 60 Days \$'000	Greater Than 60 Days \$'000	
2015					
Not Impaired⁽¹⁾					
Receivables	178	-	-	-	178
Impaired					
Receivables	-	-	-	-	-
2014					
Not Impaired⁽¹⁾					
Receivables	432	-	-	-	432
Impaired					
Receivables	-	-	-	-	-

1) 'Not Impaired' refers to Net Receivables (that is Gross Receivables less Impaired Receivables).

Additional Guidance

The above table should be read in conjunction with the Commission's accounting policy in relation to receivables (see note 2(i)). The Commission's policy regarding the normal credit terms of receivables is that debtors must pay an invoice within 30 days.

Classification of ACT Government/Non-ACT Government Receivables	2015 \$'000	2014 \$'000
Receivables with ACT Government Entities		
Accrued Revenue	90	133
Total Receivables with ACT Government Entities	90	133
Receivables with Non-ACT Government Entities		
Trade Receivables	-	34
Accrued Revenue	88	254
Accrued Interest	-	-
Net Goods and Services Tax Receivable	-	10
Total Receivables with Non-ACT Government Entities	88	298
Total Receivables	178	432

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 16 Plant and Equipment

	2015	2014
	\$'000	\$'000
Plant and Equipment		
Office Furniture and Equipment at Cost ^(a)	510	509
Less: Accumulated Depreciation	(162)	(110)
Total Written Down Value of Plant and Equipment	<u>348</u>	<u>399</u>
	2015	2014
	\$'000	\$'000
Reconciliation of Plant and Equipment		
Carrying Amount at the Beginning of the Reporting Period	399	451
Depreciation	(52)	(52)
Carrying Amount at the End of the Reporting Period	<u>348</u>	<u>399</u>

a) Office Furniture and Equipment includes office furniture, fixtures, fittings and make good.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 17 Payables

	2015 \$'000	2014 \$'000
Current Payables		
Trade Payables	26	31
Net Goods and Services Tax Payable ^(a)	33	-
Accrued Expenses	26	29
Total Current Payables	85	60
Total Payables	85	60
<p>a) The \$33,000 Goods and Services Tax Payable relates to the Business Activity Statement for the quarter ending 30 June 2015. At 30 June 2014 Goods and Services Tax Input Tax Credits of \$10,000 were recognised in receivables.</p>		
Payables are aged as follows:		
Not Overdue	85	60
Overdue for Less than 30 Days	-	-
Overdue for 30 to 60 Days	-	-
Overdue for More than 60 Days	-	-
Total Payables	85	60
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Trade Payables	-	1
Accrued Expenses	24	24
Total Payables with ACT Government Entities	24	25
Payables with Non-ACT Government Entities		
Trade Payables	26	30
Net Goods and Services Tax Receivable ^(a)	33	-
Accrued Expenses	2	5
Total Payables with Non ACT Government Entities	61	35
Total Payables	85	60

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 18 Employee Benefits

	2015 \$'000	2014 \$'000
Current Employee Benefits		
Annual Leave ^(a)	92	113
Long Service Leave ^(a)	56	98
Accrued Salaries and Superannuation ^(b)	47	74
Total Current Employee Benefits	195	286
Non-Current Employee Benefits		
Long Service Leave	19	14
Total Non-Current Employee Benefits	19	14
Total Employee Benefits	214	300

Estimate of when Leave is Payable	2015 \$'000	2014 \$'000
Estimated Amount Payable within 12 Months		
Annual Leave	73	97
Long Service Leave	20	32
Accrued Salaries and Superannuation	47	74
Total Employee Benefits Payable within 12 Months	140	203
Estimated Amount Payable after 12 Months		
Annual Leave	19	16
Long Service Leave	55	81
Total Employee Benefits Payable after 12 Months	74	97
Total Employee Benefits	214	300

a) The decrease in Annual Leave and Long Service Leave is mainly due to staff movements and leave entitlements being paid out or transferred to other ACT Government entities.

b) The decrease in Accrued Salaries and Superannuation costs corresponds with the reduction in Commission activities and the reduction in staffing.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 19 Other Liabilities

	2015 \$'000	2014 \$'000
Current Other Liabilities		
Revenue Received in Advance ^(a)	-	83
Total Other Liabilities	<u>-</u>	<u>83</u>

a) Revenue Received in Advance related to the provision of greenhouse gas annual reports and analytical advice under a purchase agreement with the EPD, due to the agreed payment schedule not aligning with the timing of the deliverables. All agreed services under the purchase agreement with EPD were completed in 2014-15 and all payments have now been recognised as income. See Note 5 - User Charges.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 20 Other Provisions

	2015 \$'000	2014 \$'000
Current Other Provisions		
Provision for Utilities Regulation Costs	760	544
Total Current Other Provisions	<u>760</u>	<u>544</u>
Non-Current Other Provisions		
Provision for Make Good	60	64
Total Non-Current Other Provisions	<u>60</u>	<u>64</u>
Total Other Provisions	<u><u>821</u></u>	<u><u>608</u></u>

Provision for Utilities Regulation Costs

Utility Licence Fees are collected under the *Utilities Act 2000* to cover the estimated costs incurred by the Commission, the technical regulator in the Environment and Planning Directorate (EPD), and the ACT Civil and Administrative Tribunal (ACAT) for regulatory activities in relation to water, sewerage, and gas transmission utilities. See also Notes 2(e) and 2(u).

	2015 \$'000	2014 \$'000
Reconciliation of the Provision for Utilities Regulation Costs		
Provision for Utilities Regulation Costs at the Beginning of the Reporting Period	544	900
Increase in Provision for Annual Licence Fee Determination - Current Year Estimate	808	743
Annual Licence Fee Determination - Prior Years Adjustment	21	(265)
Reduction in Provision for Commission Regulatory Costs	(128)	(177)
Reduction in Provision for EPD Payments and Trade Creditors	(483)	(593)
Reduction in Provision for ACAT Payments and Trade Creditors		(65)
Provision for Utilities Regulation Costs as at the End of the Reporting Period	<u><u>760</u></u>	<u><u>544</u></u>

Provision for Make Good

On 1 October 2011 the Australian Capital Territory entered into a lease agreement for office space to be used by the Commission. There are clauses within the lease agreement which require the Australian Capital Territory upon cessation of the tenancy, to return the office space to the condition it was in before it was leased (this is referred to as 'make good'). The ACT Government Accommodation Framework requires agencies to account for fit-outs and Australian Accounting Standard AASB 116 Property, Plant and Equipment paragraph 16(c) requires the cost of dismantling and removal of items (also known as Make Good) to be included.

	2015 \$'000	2014 \$'000
Reconciliation of the Provision for Make Good		
Provision for Make Good at the Beginning of the Reporting Period	64	60
(Decrease)/Increase in Provision due to unwinding of discount	(4)	4
Provision For Make Good as at the End of the Reporting Period	<u><u>60</u></u>	<u><u>64</u></u>

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 21 Financial Instruments

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Commission's financial assets are held in floating interest rate arrangements. However, the Commission has no financial liabilities that are subject to a floating interest rate. This means that the Commission's only exposure is to movements in interest receivable. The weighted average interest rate decreased from 3.14 percent for the year ended 30 June 2014 to 3.09 percent for the year ended 30 June 2015, with actual interest received consistent to 2013-14 allowing for differences in the average cash balance.

Interest rate risk for financial assets is managed by the Commission by only investing in floating interest rate investments that are low risk.

Sensitivity Analysis

A sensitivity analysis has not been undertaken for interest rate risk as it has been determined that the possible impact on income and expenses or total equity from fluctuations in interest rates is immaterial.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Commission's credit risk is limited to the amount of the financial assets it holds net of any allowance for impairment. Credit risk is managed by investing surplus funds with a high credit quality financial institution (Westpac Bank).

Nearly all receivables consist of fees charged to ACT Government entities and other entities with strong credit histories. These agencies and entities are generally required by legislation to pay the fees charged by the Commission.

Credit risk is therefore considered to be low with no significant concentrations of credit risk.

Liquidity Risk

Liquidity risk is the risk that the Commission will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the Commission ensures that at any particular point in time it has a sufficient amount of funds in bank accounts to meet its current financial liabilities. This is achieved by constantly monitoring receivables and payables levels and ensuring ongoing cash flows are sufficient to meet the Commission's obligations as they fall due.

The Commission's exposure to liquidity risk and the management of this risk has not changed since the previous reporting period.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Commission has assessed its exposure to price risk as low given the nature and limited amount and values of its financial instruments.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 21 Financial Instruments - Continued

Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents is the carrying value recorded in the Balance Sheet. The carrying amounts and fair values of financial assets and liabilities at the end of the reporting period are:

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2015	2015	2014	2014
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	2,148	2,148	1,838	1,838
Receivables	178	178	432	432
Total Financial Assets	2,326	2,326	2,270	2,270
Financial Liabilities				
Payables	85	85	60	60
Total Financial Liabilities	85	85	60	60

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 21 Financial Instruments - Continued

The following tables set out the Commission's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2014 and 30 June 2015. All financial assets which have a floating interest rate or are non-interest bearing will mature in one year or less. All financial assets and liabilities appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

		Fixed Interest maturing in:						
		Weighted Average Interest Rate	Floating Interest Rate \$'000	Over 1			Non- Interest Bearing \$'000	Total \$'000
				1 Year or Less \$'000	Year to 5 Years \$'000	Over 5 Years \$'000		
Financial Instruments	Note							
2015								
Financial Assets								
Cash and Cash Equivalents	14	3.09%	2,148	-	-	-	-	2,148
Receivables	15		-	-	-	-	178	178
Total Financial Assets			2,148	-	-	-	178	2,326
Financial Liabilities								
Payables	17		-	-	-	-	85	85
Total Financial Liabilities			-	-	-	-	85	85
Net Financial Assets			2,148	-	-	-	93	2,241
2014								
Financial Assets								
Cash and Cash Equivalents	14	3.14%	1,838	-	-	-	-	1,838
Receivables	15		-	-	-	-	432	432
Total Financial Assets			1,838	-	-	-	432	2,270
Financial Liabilities								
Payables	17		-	-	-	-	60	60
Total Financial Liabilities			-	-	-	-	60	60
Net Financial Assets			1,838	-	-	-	372	2,210

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 21 Financial Instruments - Continued

		2015	2014
		\$'000	\$'000
Carrying Amount of Each Category of Financial Asset and Financial Liability			
Financial Assets			
Loans and Receivables Measured at Amortised Cost	Note 15	178	432
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost	Note 17	85	60

The Commission does not have any financial assets in the 'Financial Assets at fair value through Profit and Loss' category, 'Available for Sale' category or the 'Held to Maturity' category. As such these categories are not included above. Also, the Commission does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category. As such, this category is also not included above.

Fair Value Hierarchy

The Commission does not have any financial assets or liabilities measured at fair value. As such no fair value hierarchy disclosures have been made.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 22 Commitments

	2015 \$'000	2014 \$'000
Operating Lease Commitments - Plant and Equipment		
Non-Cancellable operating lease commitments are payable as follows:		
Within one year	5	4
Later than one year but not later than five years	13	1
Total Operating Lease Commitments - Plant and Equipment	<u>18</u>	<u>5</u>

All of the Commission's Operating Lease Commitments relate to Information and Communication Technology (ICT) equipment leased from Shared Services ICT.

Other Commitments

Other Commitments contracted at reporting date that have not been recognised as liabilities, are payable as follows:

Within one year	83	49
Later than one year but not later than five years	152	-
Total Other Commitments	<u>236</u>	<u>49</u>

All of the Commission's Other Commitments relate to outsourced accounting services. The Commission outsources accounting services due the diversity of accounting services required and the Commission not having the internal expertise or staff to perform these functions.

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 23 Cash Flow Reconciliation

(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period in the Cash Flow Statement to the equivalent items in the Balance Sheet.

	2015 \$'000	2014 \$'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	2,148	1,838
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	2,148	1,838

(b) Reconciliation of Net Cash (Outflows)/Inflows from Operating Activities to the Operating Surplus

Operating (Deficit)/Surplus	(65)	120
Add Non-Cash Items		
Depreciation of Plant and Equipment	52	52
Borrowing Costs	(4)	4
Cash Before Changes in Operating Assets and Liabilities	(17)	176
Changes in Operating Assets and Liabilities		
Decrease in Receivables	254	316
Increase/(Decrease) in Payables	25	(116)
(Decrease)/Increase in Employee Benefits	(86)	32
(Decrease) in Other Liabilities	(83)	(168)
Increase/(Decrease) in Other Provisions	217	(356)
Net Changes in Operating Assets and Liabilities	327	(292)
Net Cash Inflows/(Outflows) from Operating Activities	310	(116)

Independent Competition and Regulatory Commission
Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 24 Waivers, Impairment Losses and Write-offs

No waivers, impairment losses or write-offs have occurred during the reporting period for the Commission (2013-14: Nil).

Note 25 Contingent Liabilities

There are no known contingent liabilities as at 30 June 2015 (2013-14: Nil).

Note 26 Events Occurring After Balance Date

There were no events occurring after balance date that had a material effect on the Financial Statements in the current reporting period or in future reporting periods.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 27 Budgetary Reporting

The following are brief explanations of major line item variances between budget estimates and actual outcomes. Variances are considered to be major variances if **both** of the following criteria are met:

(a) The line item is a significant line item: the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and

(b) The variances (original budget to actual) are greater than plus (+) or minus (-) 10% of the budget for the financial statement line item.

Note: # in the Line Item Variance % column represents a variance that is greater than 999 per cent or less than -999 per cent.

Operating Statement Line Items	Actual	Original	Variance	Variance
	2015	Budget		
	\$'000	2015	\$'000	%
		\$'000		
Fees ^(a)	774	905	(131)	-14%
User Charges - ACT Government ^(b)	783	478	305	64%
Supplies & Services ^(c)	1,177	857	320	37%

Variance Explanations

a) Fees - The lower than budgeted result of \$131,000 relates to the budget being based on recovering historic regulatory costs. The determination for fees is completed annually in September (4 months after the budget process is completed) and estimated and actual fees collected on behalf of the Environment and Planning Directorate's (EPD) and the ACT Civil and Administrative Tribunal's (ACAT) vary significantly each year, making accurate projections difficult.

b) User Charges - ACT Government - The higher than budgeted result of \$305,000 relates to the biennial price review for Regulated Water and Sewerage Services. As this is not an annual activity and had not been performed by the Commission previously, it was unclear when the budget was prepared of the resources needed to perform the activity and the revenue that would be recovered.

c) Supplies and Services - The higher than budgeted result of \$320,000 relates to Commission activities that are not recurrent, making it difficult to determine the cost of services each year or activities where the costs are not able to be determined until after the budget process is completed. The main cause of the 2014-15 variance relates to Professional Service payments for advice on technical regulation and legislation; and Utilities Act external administration payments to EPD and ACAT. As the Commission principally operates on a cost recovery basis, these additional costs have had a negligible impact on the operating result.

Balance Sheet Line Items	Actual	Original	Variance	Variance
	2015	Budget		
	\$'000	2015	\$'000	%
		\$'000		
Receivables ^(d)	178	462	(284)	-61%
Payables ^(e)	85	179	(94)	-53%
Employee Benefits - Current ^(f)	195	261	(66)	-25%
Other Provisions - Current ^(g)	760	625	135	22%
Employee Benefits - Non Current ^(h)	19	29	(10)	-34%

Variance Explanations

d) Receivables - The lower than budgeted result of \$284,000 relates to the Commission's activities not being annually recurrent and it being difficult to determine the value of services to be recovered at 30 June each year. The Commission has also been progressively invoicing for services while activities are being performed to minimise the receivables balance.

Independent Competition and Regulatory Commission

Notes to and forming part of the financial statements for the year ended 30 June 2015

Note 27 Budgetary Reporting - Continued

e) Payables - The lower than budgeted result of \$94,000 relates to many of the Commission's activities not being annually recurrent and it being unclear when the budget was prepared of the timing and resources needed to perform the activities. In 2014 \$65,000 was included for amounts payable to the ACT Civil and Administrative Tribunal's (ACAT) for utilities regulation, however in 2015 there was less certainty of the amount payable and so an allowance for these costs is included in Other Provisions - Current.

f) The lower than budgeted Employee Benefits - Current of \$66,000 is reflective of the cyclical nature of the Commission's activities. Due to the Commission presently having a minimal workload, employees on temporary contracts have not been extended or renewed and permanent positions are not being filled when vacated. As employees leave the Commission, annual leave and long service leave entitlements have been paid out as Wages and Salaries or transferred to other ACT Government entities.

g) The higher than budgeted Other Provisions of \$135,000 relates to amounts owing to ACAT for utilities regulation costs being not being recognised in payables in 2015 due to less certainty of the amount payable.

h) The lower than budgeted Employee Benefits - Non Current of \$10,000 is reflective of the cyclical nature of the Commission's activities. Due to the Commission presently having a minimal workload, employees on temporary contracts have not been extended or renewed and permanent positions are not being filled when vacated. As employees leave the Commission long service leave entitlements have been paid out as Wages and Salaries or transferred to other ACT Government entities.

Statement of Changes in Equity	Actual \$'000	Original Budget \$'000	Variance \$'000	Variance %
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These line items are covered in other financial statements variance explanations

Cash Flow Statement Line Items	Actual \$'000	Original Budget \$'000	Variance \$'000	Variance %
User Charges - ACT Government ⁽ⁱ⁾	737	478	259	54%
User Charges - Non ACT Government ⁽ⁱ⁾	209	-	209	#
Employee Payments ^(k)	976	880	96	11%

Variance Explanations

i) The higher than budgeted User Charges - ACT Government of \$259,000 relates to the biennial price review for Regulated Water and Sewerage Services. As this is not an annual activity and had not been performed by the Commission previously, it was unclear when the budget was prepared of the revenue that would be generated by this activity.

j) The higher than budgeted User Charges - Non ACT Government of \$209,000 is due to payment being received in 2014-15 for the Retail Electricity Price Determination for Small Franchise Customers 2014-17, that was finalised in 2013-14.

k) The higher than budgeted Employee Payments of \$96,000 is reflective of the cyclical nature of the Commission's activities. Due to the Commission presently having a minimal workload, employees on temporary contracts have not been extended or renewed and permanent positions are not being filled when vacated. Annual leave and long service leave entitlements have been paid out when employees have ceased employment with the Commission and the ACT Government.