



ICRC

independent competition and regulatory commission

Annual Report **2017–18**

**Report 7 of 2018
27 September 2018**

The Independent Competition and Regulatory Commission (Commission)¹ is a Territory Authority established under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act). The Commission is constituted under the ICRC Act by one or more standing commissioners and any associated commissioners appointed for particular purposes. Commissioners are statutory appointments. Joe Dimasi is the current Senior Commissioner who constitutes the Commission and takes direct responsibility for delivery of the outcomes of the Commission.

The Commission has responsibilities for a broad range of regulatory and utility administrative matters. The Commission has responsibility under the ICRC Act for regulating and advising government about pricing and other matters for monopoly, near-monopoly and ministerially declared regulated industries, and providing advice on competitive neutrality complaints and government-regulated activities. The Commission also has responsibility for arbitrating infrastructure access disputes under the ICRC Act. In discharging its objectives and functions, the Commission provides independent, robust analysis and advice.

The Commission's objectives are set out in section 7 of the ICRC Act and section 3 of the *Utilities Act 2000* (Utilities Act).

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¹ In this report, a reference to 'Independent Competition and Regulatory Commission', 'ICRC', or 'Commission' is to the Independent Competition and Regulatory Commission ABN 88 647 913 351.

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Senior Commissioner's overview

The 2017–18 year has been a busy one for the Commission. The Commission invested in building the expertise of its staff and implemented approaches to better address the cyclical nature of its work. This helped to manage a heavy workload during the year.

The Commission completed two major investigations during the reporting period: it released a final report and price direction for water and sewerage services for the 2018–2023 regulatory period,² and made a final determination on an industry code covering capital contributions for water and sewerage infrastructure upgrades that are triggered through development projects.³ In addition, the Commission set maximum standing offer prices for the electricity services provided to small residential and business customers⁴ for 2018–19 by applying the method set out in the Commission's 2017 price determination (which covers the period 2017–18 to 2019–20) and adjusting prices for regulatory changes and pass through events since the price determination was made.

At the same time, the Commission continued to meet its ongoing responsibility for ensuring that utilities providing services within the ACT comply with licence conditions and industry and technical codes. It also commenced work to update the consumer protection code.

Activities for 2017–18

The Commission completed a number of tasks during 2017–18. These included:

- the determination of the 2017–18 utility licence fees;
- the determination of the 2017–18 energy industry levy;
- monitoring and reporting on licensed utilities' compliance with their licence conditions in 2016–17;
- the investigation into, and making of a price direction for, water and sewerage services for the 2018–2023 regulatory period;
- the approval of Icon Water's standard customer contract for water and sewerage services;
- the annual adjustment of maximum standing offer prices for the electricity services provided to small residential and business customers for 2018–19; and
- the investigation into, and making of a determination on, an industry code covering capital contributions for water and sewerage infrastructure upgrades.

Looking forward

The Commission expects another busy year in 2018–19. It has received terms of reference from the ACT Government to monitor and report on the impact on ACT beverage prices and competition in the ACT beverage industry of the introduction of the ACT Container Deposit

² Following the receipt of terms of reference from the Treasurer; <http://www.legislation.act.gov.au/di/2016-297/default.asp>.

³ <http://www.icrc.act.gov.au/water-and-sewerage/capital-contribution-code>

⁴ Small customers are defined in the terms of reference as a customer who consumes less than 100 MWh of electricity over any period of 12 consecutive months.

scheme from 30 June 2018.⁵ The Commission is also reviewing the retail electricity pricing model and methodology that will be used in making a determination for standing offer prices for the electricity services provided to small residential and business customers in the regulatory period after 30 June 2020.

The Commission will undertake adjustments both for retail electricity prices and for water and sewerage service prices for 2019–20 to account for any regulatory change or pass-through events in accordance with the respective price directions. In addition, it will continue to discharge its functions relating to competitive neutrality and the annual programs for the utility licence fee, energy industry levy and Utility Licence Annual Report, and will continue its review of the consumer protection code.

The Commission's approach

In exercising its regulatory judgement, the Commission is required under its enabling legislation to balance a number of economic, social and environmental considerations, taking into account the long term interests of ACT consumers. The Commission aims to balance the impact on consumers of price increases, whilst ensuring that the businesses it regulates are able to recover their efficient costs whilst being able to invest to provide reliable utility services into the future.

The Commission understands that the large increase in maximum retail electricity prices for 2018–19 places financial pressure on small residential and business customers. These increases reflect a 'catch-up' flow through of very large wholesale electricity price increases over the past two years and significant increases in the costs of national green schemes.

The retail electricity pricing model and methodology review undertaken by the Commission will ensure that the method used in arriving at a price direction remains current, accurate and consistent with its obligations under the ICRC Act and that prices reflect only efficient costs, including a reasonable return on investment.

I would like to express my thanks to the staff of the Commission for their commitment and hard work.

Joe Dimasi
Senior Commissioner

⁵ The terms of reference were given to the Commission on 4 April 2018 by the Minister for Transport Canberra and City Services; <http://www.legislation.act.gov.au/di/2018-69/default.asp>.



Part A Transmittal certificate

Mr Andrew Barr MLA
Treasurer
ACT Legislative Assembly
Canberra ACT 2601

Dear Treasurer,

The attached Independent Competition and Regulatory Commission: Annual Report 2017–2018 has been prepared in accordance with section 7(2) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements under the Annual Report Directions.

It has been prepared in conformity with other legislation applicable to the preparation of the annual report by the Independent Competition and Regulatory Commission.

We certify that the information in the attached Annual Report, and information provided for whole of government reporting, is an honest and accurate account and that all material information on the operations of the Independent Competition and Regulatory Commission has been included for the period 1 July 2017 to 30 June 2018.

We also certify that fraud prevention has been managed in accordance with the *Public Sector Management Standards 2006*, Part 2.

We note that section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you present the Report to the Legislative Assembly within 15 weeks of the end of the reporting year.

Yours sincerely,

Mr Joe Dimasi
Senior Commissioner
27 September 2018

Dr Annette Weier
Chief Executive Officer
27 September 2018

Part B Organisation overview and performance

B.1 Organisation overview

Commission's mission and vision

The Independent Competition and Regulatory Commission (the Commission) was established in 1997, originally as the Independent Pricing and Regulatory Commission, with the role of regulating pricing, access and other matters in relation to industries involving the supply of water, electricity, sewerage services and other industries. The Commission's enabling legislation, the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act), has since been amended, changing the name of the Commission and the scope of its operations, reflecting the emergence of national energy regulation and competition policy.

In exercising its functions under the ICRC Act, the Commission's objective is to promote effective competition in the interests of consumers while facilitating an appropriate balance between efficiency, environmental and social considerations. When it makes pricing directions, the Commission is required to consider the interests of consumers in promoting efficient investment in and operation of regulated services into the future. These objectives, as well as the more detailed requirements of section 20 of the ICRC Act, guide the decision making of the Commission.

In short, the Commission must balance the interests of consumers who want reliable services at the lowest price, with the need to ensure that the regulated service provider earns sufficient revenue to cover its efficient costs as well as provide an appropriate return on investment. In doing this, the Commission takes into account a number of environmental and social considerations as well as any service quality, safety, reliability and security standards. In balancing these considerations, the Commission's regulatory approach aims to deliver both viable utility services and reasonable prices.

Under the *Utilities Act 2000* (Utilities Act), the Commission is responsible for managing the licensing framework for non-National Energy Retail Law (NERL) utility service providers in the ACT, including issuing licences and monitoring of licence compliance. The Commission has responsibility for industry codes of practice and approving standard customer contracts. The Commission's functions include determining fees and levies paid by utilities in the ACT in respect of the regulatory functions undertaken by the Commission and other Territory bodies such as the Technical Regulator and the ACT Civil and Administrative Tribunal (ACAT).

Challenges and priorities

The Commission has noted in its previous annual reports that one of the risks it faces is retaining expert staff. This remains an ongoing challenge. During 2016–17, the Commission recruited qualified and experienced staff to fill a number of vacancies, and this has allowed the Commission to build its expertise and to successfully manage the heavy workload experienced over 2017–18. In early 2018, the Commission recruited a new CEO with

extensive regulatory experience to replace the interim CEO who had expertly filled the position since early 2017.

Supporting its recruitment activities, the Commission has focussed on more effectively managing its cyclical work program to avoid placing undue pressure on staff in meeting the deadlines associated with the Commission's decision-making responsibilities. Typically, the Commission's workload has been periodic with peaks and troughs following the pattern of the regular investigations into determining prices for the utility services it regulates. The Commission has worked to smooth out, where possible, the peaks and troughs in its work and provide a more stable workload.

An example of this approach is the Commission's decision to conduct a review during 2018–19 of the retail electricity pricing model and methodology used to make a determination for standing offer prices for the electricity services provided to small residential and business customers. Any changes to the Commission's pricing method will be applied in the regulatory period after 30 June 2020.

This approach has two significant benefits. First, regulatory processes are improved by providing greater time and scope for stakeholders, the regulated businesses and the broader community to be involved, submit information, and contribute their views on whether and how the approach to regulation should be modified. This also allows sufficient lead time to implement any changes to the regulatory approach.

Second, the approach supports the Commission's efforts to establish and maintain a deeper pool of expertise that is available to respond to government requests for advice, by giving staff a more stable career path and thereby improving staff retention. The ACT Government's request that the Commission monitor and report on the impact on ACT beverage prices and competition in the ACT beverage industry of the introduction of the ACT Container Deposit scheme is an example of using the Commission's expertise in meeting the needs of the ACT community.

Performance during 2017–18

The significant increase in the Commission's workload in 2016–17 was maintained in 2017–18. In accordance with terms of reference (received in December 2016) to investigate water and sewerage service prices for the 2018–23 regulatory period, the Commission released its draft decision in December 2017 and completed its investigation with the release of its final decision and price direction in May 2018.⁶ In June 2018, the Commission released its annual update of regulated retail electricity prices for services provided to small residential and business customers for 2018–19, taking into account the pass through and regulatory change events provided for in the Commission's 2017 price direction.⁷

Under the Utilities Act, the Commission determined the fees payable by Icon Water and levies payable by retail electricity businesses operating in the ACT.⁸ The Commission worked

⁶ <http://www.icrc.act.gov.au/water-and-sewerage/regulated-water-and-sewerage-services-prices-2018-23/>

⁷ <http://www.icrc.act.gov.au/energy/electricity/retail-electricity-prices-2017-2020/>

⁸ <http://www.icrc.act.gov.au/utilities-licensing/licence-fees-and-the-energy-industry-levy/>

closely with the Technical Regulator in regard to the consumer standards applicable to those utilities.

All of these outcomes were within the specified timelines and consistent with the Commission's performance measures for 2017–18, as reported in the Statement of Performance (section C.6 of this report).

In addition, during 2017–18, the Commission made a determination on Icon Water's application for an industry capital contribution code for water and sewerage infrastructure upgrades.⁹ The Commission also revised its levy model to reflect legislative changes to the Utilities Act and continued its work on reviewing the consumer protection code and its associated service level requirements. Following the receipt of terms of reference from the ACT Government, the Commission commenced work for its inquiry to monitor and report on the impact on ACT beverage prices and competition on the ACT beverage industry of the introduction of the ACT Container Deposit scheme from 30 June 2018.¹⁰

The Commission monitored licensed utilities' performance and compliance with their licence conditions in 2016–17, the results of which will be published as a separate report rather than included as a summary in the Commission's annual report (as in previous years).

While the Commission has a role to respond to the Government's requirements for advice on competition policy matters and discharging the Commission's statutory role in competitive neutrality complaints handling, there were no requests for advice or complaints received about competitive neutrality during the reporting period.

Aboriginal and Torres Strait Islander reporting

The Commission's work is governed by its enabling legislation. Much of the Commission's work, for example making price directions for regulated water and sewerage services and for electricity services provided to small customers on standard contracts, affects all residents of the ACT who receive these services. The Commission's work is not directed at one group of residents and therefore it does not have a specific program or initiative directed at Aboriginal and Torres Strait Islander people.

⁹ <http://www.icrc.act.gov.au/water-and-sewerage/capital-contribution-code/>

¹⁰ <http://www.icrc.act.gov.au/competition-issues/container-deposit-scheme/>

Commission executive

The Commission is constituted by Senior Commissioner Joe Dimasi.



Mr Dimasi was appointed Senior Commissioner from 1 June 2016, for a term of 5 years. Mr Dimasi is an applied economist with over twenty years' involvement in the area of competition and regulation matters particularly in the regulation and reform of utilities, was involved in the establishment of the Australian Energy Regulator, and is a former Commissioner of the Australian Competition and Consumer Commission. Mr Dimasi is a Professorial Fellow at the Monash Business School and is also the Tasmanian Economic Regulator.

The Commission's CEO is Annette Weier. Dr Weier has more than twenty years' experience in economic policy and research, competition and regulatory matters, and financial market analysis. She has been a senior executive of the Australian Department of Industry, Innovation and Science and the Australian Competition and Consumer Commission. Before that, she undertook environmental policy analysis at the Productivity Commission and water regulation at the Victorian Essential Services Commission. Dr Weier has tertiary qualifications in economics, is a graduate of the Australian Institute of Company Directors, and has served as a non-executive director on not-for-profit boards.

Executive remuneration

The remuneration of the Senior Commissioner and CEO is determined by the ACT Remuneration Tribunal.

Significant committees

The Commission is not a member of any significant committees of an ACT directorate or public sector body.

B.2 Performance analysis

B.2.1 Regulated water and sewerage services investigation and price direction

On 14 December 2016, the Commission received terms of reference from the Treasurer to determine a price direction for regulated water and sewerage services provided by Icon Water from 1 July 2018 to 30 June 2023.¹¹

The Commission released its final report and price direction for regulated water and sewerage services for the period 2018–2023 on 1 May 2018.¹² The Commission’s decision will result in a fall in the prices ACT residential and business consumers pay for water and sewerage services in 2018–19, with prices in the subsequent years to increase broadly in line with expected inflation.

Prices will be lower than initially proposed by Icon Water in its June 2017 pricing proposal. The lower prices determined by the Commission resulted from several factors: Icon Water’s reconsideration of its capital expenditure program in response to the Commission’s efficiency review; small operating cost savings; lower interest rates; and the Commission’s decision on the method of calculating the return on capital.

The Commission is satisfied that its price direction appropriately balances efficiency, environmental and social considerations, adequately provides for Icon Water’s financial viability, and ensures Icon Water has incentives to invest in meeting future demand.

During its investigation, the Commission provided a number of opportunities for submissions and feedback from the regulated business, consumers and other interested stakeholders. Public consultation is a vital part of the Commission’s investigations as it informs the Commission about the views of parties other than the regulated business. Feedback and information provided by consumers and consumer groups helps the Commission meet its objective of ensuring that prices promote efficient investment in and operation of regulated services in the long-term interests of consumers.

In reaching its decision, the Commission took into account: submissions on its March 2017 issues paper, which outlined the proposed investigation approach; Icon Water’s June 2017 pricing proposal, which included proposed capital and operating expenditures and water and sewerage services demand forecasts; public feedback provided at a community consultation forum held in September 2017 to discuss Icon Water’s pricing proposal; submissions on the Commission’s December 2017 draft report and proposed price direction; findings from the independent review of Icon Water’s proposed operating and capital expenditure by consulting firm Calibre; public feedback provided at a public hearing held in February 2018; and Icon Water’s February 2018 revised price proposal, which addressed issues raised in the draft report and provided updated forecasts for expenditure and demand.

¹¹ The terms of reference are available at <http://www.legislation.act.gov.au/di/2016-297/default.asp>

¹² <http://www.icrc.act.gov.au/water-and-sewerage/regulated-water-and-sewerage-services-prices-2018-23/>

The modelling and calculations used in reaching the Commission's final decision on Icon Water's water and sewerage service prices were independently audited for accuracy and consistency by consulting firm SIP Advisory.

B.2.2 Water and sewerage capital contribution code

In December 2017 the Commission released its final determination on the industry code proposed by Icon Water for water and sewerage capital contributions, under section 58 of the *Utilities Act 2000*. The Code came into effect from 1 January 2018, with an 18 month transition period for properties purchased prior to this date.

The code provides a fairer, more efficient and more transparent framework for developers of projects that trigger infrastructure upgrades to contribute to funding those upgrades. The framework is consistent with the Commission's objectives under the ICRC Act and the Utilities Act, including promoting efficient investment in regulated services in the long-term interests of consumers and encouraging the provision of safe, reliable, efficient and high quality utility services at reasonable prices.

The Commission undertook two rounds of public consultation on the Code: on Icon Water's original proposal which was released by the Commission for comment in April 2017; and on the Commission's draft decision and draft code which were released for comment in October 2017.

In June 2018, the Commission approved under the Code an update to the precinct map to apply from 1 July 2018.

B.2.3 Retail electricity price reset and review of the pricing model and methodology

In June 2018, the Commission released its annual update of regulated retail electricity prices to apply from 1 July 2018.¹³ The price adjustment was made in accordance with the *Price Direction: Standing Offer Prices for the Supply of Electricity to Small Customers, 1 July 2017 to 30 June 2020*. The price adjustment reflected changes in regulatory costs and other pass through events that are provided for in the price direction.

The Commission's decision set the maximum average nominal increase in ActewAGL Retail's basket of regulated tariffs for 2018–19 at 14.29 per cent. Higher wholesale electricity purchase costs contributed more than half of the total retail price increase. The national green schemes administered by the Clean Energy Regulator contributed more than a third of the total retail price increase, mainly due to greater than expected take-up of residential solar energy.

The price adjustment was calculated using the Commission's pricing model. The pricing model determines the maximum average annual percentage change that ActewAGL Retail

¹³ <http://www.icrc.act.gov.au/energy/electricity/retail-electricity-prices-2017-2020/>

can apply to its regulated (standing offer) prices. It does so by estimating three main cost categories:

- retail costs, which comprise retail operating costs, Energy Efficiency Improvement Scheme compliance costs and the retail margin;
- network costs, which include transmission, distribution and the ACT Government's renewable energy scheme costs. These costs are approved by the Australian Energy Regulator and are passed through to the retailer and in turn to consumers; and
- wholesale electricity costs, which comprise energy purchase costs, Large-scale Renewable Energy Target and Small-scale Renewable Energy Scheme costs, energy losses, energy contracting costs and National Electricity Market fees.

Around 87 per cent of total costs are determined outside of ActewAGL Retail's control and are therefore not subject to the Commission's oversight. These include electricity purchase costs, green scheme costs and network costs.

During the current financial year (2018–19), the Commission will review its retail electricity pricing model and methodology. This will ensure the method by which a price direction arrived at remains current, accurate and consistent with the Commission's objectives of promoting competition and efficient investment in and operation of regulated services in the long term interests of consumers, while taking into account environmental and social considerations.

B.2.4 Container Deposit Scheme price monitoring inquiry

On 4 April 2018 the Commission received terms of reference from the ACT Government to monitor and report on the impact on ACT beverage prices and competition in the ACT beverage industry of the introduction of the ACT Container Deposit Scheme (CDS) from 30 June 2018.¹⁴ The Commission will monitor the impact of the CDS from 1 June 2018 to 30 June 2019.

The Commission's monitoring and reporting will focus on: the effect of the CDS on prices of beverages supplied in specified types of containers in the ACT; the performance and conduct of beverage suppliers in the ACT before and after the implementation of the Scheme; and any other market impacts from the implementation of the Scheme.

During the reporting period, the Commission prepared an issues paper, which was released on 5 July 2018. The paper seeks submissions from stakeholders on the Commission's proposed approach to price and competition monitoring and any other information that is relevant to the Commission's inquiry. The Commission will also seek information and data directly from participants in the ACT beverage industry, including beverage suppliers and retailers, and CDS participants, including the Scheme Coordinator and Network Operator. In addition, the Commission has provided a form on its website to facilitate feedback from interested parties through the course of its inquiry. There will be a further opportunity for submissions in response to the release of the draft report in February 2019.

¹⁴ The Terms of Reference are available at <http://www.legislation.act.gov.au/di/2018-69/default.asp>.

Submissions and feedback from consumers and other stakeholders will form a vital part of Commission's inquiry and its development of any recommendations to the Government on potential improvements to the CDS. Receiving the views and insights of a range of stakeholders, including consumers, will assist the Commission in taking into account in the interests of ACT beverage consumers, including promoting competition in the ACT beverage industry.

B.2.5 Utility licence annual report

The Commission administers an ongoing annual reporting framework for licensed utilities in the ACT. The framework aims to encourage utilities to provide safe, reliable, efficient and high-quality utility services by increasing utility accountability for service provision through a transparent and open reporting process. The framework also has a key focus on protecting the interests of consumers by reporting on licensed utilities' performance, particularly as it relates to network outages, consumer complaint figures and rebates.

The Commission released its monitoring report for the 2015–16 utility reporting year as part of the Commission's 2016–17 Annual Report (Appendix 4, Annual Report 2016–17, Report 9 of 2017, 29 September 2017). During the 2017–18 year, the Commission has been completing its work on the monitoring report for the 2016–17 utility reporting year. The Commission will release a stand-alone monitoring report for the 2016–17 utility reporting year and future years, and expects the report for 2016–17 to be released in the second half of 2018.

B.3 Scrutiny

No recommendations were made in relation to the Commission in reports produced in 2017–18 by entities charged with responsibility for scrutiny.

B.4 Risk management

Risk assessment and management is an integral part of the Commission's governance processes and systems. It underpins each of the components of the Commission's governance mechanisms including strategic and operational planning, business improvement initiatives, decision-making, review and compliance processes.

In accordance with the ACT Government Risk Management Policy and Framework, the Commission has a Business Continuity Plan, a Risk Management Policy and Guidelines that require the preparation and regular updates of a risk register. This ensures there are processes for identifying risks, assessing opportunities to improve performance and ensure appropriate actions are taken to avoid or reduce the chance of loss. The Commission's risk register is reviewed on an annual basis, as the Commission's size and stable operating environment do not result in significant or rapid changes to the Commission's risk profile.

The CEO and Senior Commissioner have broad responsibility for overseeing risk management in the Commission.

B.5 Internal audit

The Commission is a small organisation and the establishment of a formal internal audit committee is not considered appropriate. The Commission is committed and attentive to the need for strong controls to identify and manage risk, as well as developing a risk management culture within the organisation. The Commission has regular Commission meetings, which consider matters of risk including their identification and management.

The Commission has engaged an accountant under contract who takes on the role of the Commission's Chief Finance Officer. This provides an additional level of financial oversight. Accounts are reconciled monthly and a finance report prepared for and discussed at each Commission meeting.

B.6 Fraud prevention

The Commission has strong controls over its finances. The Commission's fraud policy was updated in April 2017. Fraud awareness and the existence of the Commission's fraud policy has been drawn to the attention of staff. A risk report is a standing item in the CEO's report to Commission meetings, which are also attended by the Commission's designated disclosure officer.

In terms of the Commission's operations, the risks of mishandling funds or fraud are actively managed through the separation of roles between initiator and authorisation of payments. Authority limits appropriate to the Commission's operations, scale and size are also in effect. Financial accounts are reconciled monthly by the Chief Finance Officer, reviewed by the CEO and discussed at Commission meetings. Most revenue transactions are by direct credit to the Commission's bank account. There are no cash payments for services supplied and there is an appropriate checks-and-balances authorisation and payment process.

During 2017–18 there were no instances of fraud or misuse of Commission funds.

B.7 Work health and safety

The Commission's approach to workplace health and safety is that it is a shared responsibility between staff, the CEO and the Senior Commissioner. Ensuring a working environment that is healthy and safe for all Commission staff is a high priority. Monthly Commission meetings, weekly staff meetings, bi-monthly all-staff meetings, and regular operational team meetings provide opportunities to discuss workplace health and safety concerns.

The Commission had a Health and Safety Representative in 2017–18 and has several staff with first aid and fire warden responsibilities.

In 2017–18 the Commission again coordinated and funded an annual influenza vaccination program for staff.

During 2017–18 no notices were issued to the Commission under Part 10 of the *Work Health and Safety Act 2011*. There were no enforceable undertakings under Part 11, nor any findings of a failure to comply with a safety duty under Part 2 Division 2.2, 2.3 or 2.4 of the *Work Health and Safety Act 2011*. There were no instances of serious injury or illness or of dangerous incidents that required notification to the regulator in accordance with part 3 section 38 of the *Work Health and Safety Act 2011*.

B.8 Human resources management

In 2017–18 the staffing profile of the Commission has changed due to a number of contract staff finishing their employment, recruitment of new staff to meet the Commission's ongoing high workload, and internal promotion. Part P of this annual report describes the Commission's staffing profile.

As noted in B.1, the Commission has taken active steps to more effectively manage its cyclical work program and consequently avoid placing undue pressure on staff in meeting the deadlines associated with the Commission's decision-making responsibilities. The Commission has, to a significant extent, been able to smooth out the peaks and troughs in its work and provide a more stable workload. These actions will allow the Commission to provide a more stable workload and career path, facilitating staff retention, collaboration and development.

The Commission's work is highly technical, requiring a good understanding of regulatory economics, financial and economic modelling, regulatory law and regulatory policy. The Commission's staff has expertise covering these key skill areas, with several staff having advanced postgraduate qualifications in economics and in law. Staff also have experience in regulation and economic policy. Reflecting the high level of training and expertise of Commission staff, learning and development plans are individually tailored to meet the particular development needs of each staff member and to broaden and deepen their existing skills and expertise. During 2017–18, Commission staff participated in the study assistance program, training courses provided through the ACTPS Training Calendar, seminars, and relevant courses offered by the Australian Public Service Commission and other training providers.

The Commission has contributed to ACT whole of government learning and development initiatives by providing training and development opportunities through the ACTPS Graduate Program and the Work Experience and Support Program placement for Canberra residents from culturally and linguistically diverse backgrounds. Participation in these programs also gave Commission staff opportunities to further develop their leadership and coaching skills.

The Commission has a small number of staff and information on matters such as length of service, age, cultural background, and other reportable data may identify individual staff, making it difficult to protect staff privacy. The Commission therefore does not publish this information.

B.9 Ecologically sustainable development

In exercising its functions under the ICRC Act, the Commission's objective is to promote effective competition in the interests of consumers while facilitating an appropriate balance between efficiency, environmental and social considerations. In pursuing this objective, the Commission takes into account economic efficiency considerations along with a range of environmental and social considerations as well as any service quality, safety, reliability and security standards. In this way, the ACT Government's ecologically sustainable development principles are integrated into the Commission's decision-making processes.

The Commission takes into account the ecologically sustainable development principles and relevant legislative requirements in its operational processes. Consistent with the ACT Government Carbon Neutral Framework, the Commission makes careful use of its resources and works to reduce its resource consumption where possible.

Table 1 indicates that the Commission reduced its consumption of paper and increased paper and cardboard recycling in 2018–19, largely by improving staff awareness. The figures for reams of paper purchased are obtained from the Commission's stationery purchase records. The figures for paper and cardboard recycled (including secure paper) have been estimated according to the ACT Government's 2018 Annual Report Directions using information supplied by the Commission's paper recycling service provider.

Table 1 also shows that the Commission's greenhouse gases from stationary energy use fell in 2018–19, although the reduction partly reflects better measurement of the Commission's actual electricity use compared to previous years. In previous years, the Commission's electricity use was estimated based on a pro rata allocation of aggregate electricity use for ACT Government tenants in the building based on floor space. Identification of a meter that records electricity use in the floor space occupied by the Commission has improved the accuracy of the Commission's actual electricity use figure for 2017–18.

The Commission did not receive any requests during 2017–18 for staff to assist in the preparation of the State of the Environment Report, nor were there any investigations carried out by the Commissioner for Sustainability and the Environment of any activities carried out by the Commission.

Table 1 Sustainable development performance, 2017–18 and 2016–17

Indicator as at 30 June 2018	Unit	2017–18	2016–17	Percentage change (%)
Commission staff and area				
Commission staff	FTE	10	10	0
Workplace floor area	Area (m ²)	330	330	0
Stationary energy usage				
Electricity use	Kilowatt hours	21,042	28,749	- 27
Natural gas use	Megajoules	0	0	0
Diesel	Kilolitres	0	0	0
Transport fuel usage				
Electric vehicles	Number	0	0	0
Hybrid vehicles	Number	0	0	0
Other vehicles (not electric/hybrid)	Number	0	0	0
Total number of vehicles	Number	0	0	0
Total kilometres travelled	Kilometres	0	0	0
Fuel use – Petrol	Kilolitres	0	0	0
Fuel use – Diesel	Kilolitres	0	0	0
Fuel use – Liquid petroleum gas (LPG)	Kilolitres	0	0	0
Fuel use – Compressed natural gas (CNG)	Kilolitres	0	0	0
Water usage				
Water use	Kilolitres	Data not available as building is leased	Data not available as building is leased	n/a
Resource efficiency and waste				
Reams of paper purchased	Reams	22	29	- 24
Recycled content of paper	Percentage	50	50	
Waste to landfill	Litres	Data not captured	Data not captured	n/a
Co-mingled material recycled	Litres	Data not available as building is leased	Data not available as building is leased	0
Paper & cardboard recycled (incl. secure paper)	Litres	4,286.82	2,427.67	43
Organic material recycled	Litres	0	0	0
Greenhouse gas emissions				
Emissions from stationary energy use	Tonnes CO ₂ -e	9.57	16.00	- 40
Emissions from transport	Tonnes CO ₂ -e	-	-	-
Total emissions	Tonnes CO ₂ -e	9.57	16.00	- 40

Part C Financial management reporting

C.1 Financial management analysis

C.1.1 General overview

Objectives

The Independent Competition and Regulatory Commission (the Commission) has responsibilities for a broad range of regulatory and utility administrative matters. The Commission has responsibility under the ICRC Act for regulating and advising government on pricing and other matters for monopoly, near-monopoly and ministerially declared regulated industries, providing advice on competitive neutrality complaints and government-regulated activities. The Commission also has responsibility for arbitrating infrastructure access disputes under the ICRC Act.

Under the Utilities Act, the Commission is responsible for managing the licensing framework for non-National Energy Retail Law (NERL) utility service providers in the ACT, including issuing licences and monitoring licence compliance. The Commission also has responsibility for industry codes of practice and approving some standard customer contracts.

The Commission 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 electricity suppliers to renewable energy generators.

The Commission's objectives and functions are set out in sections 7 and 19L of the ICRC Act and section 3 of the Utilities Act. The Commission principally operates on a reasonable cost recovery basis.

Financial performance

The following financial information is based on audited financial statements for 2016–17 and 2017–18, and the forward estimates contained in the 2018–19 Budget Statements.

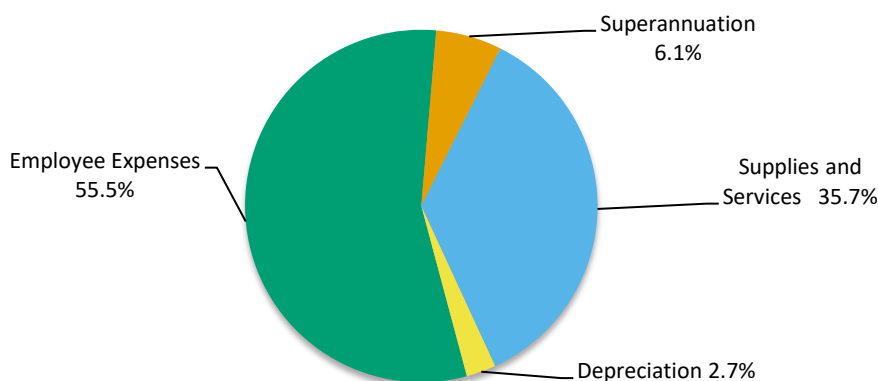
C.1.2 Total Expenditure

Components of Expenditure

Figure 1 shows the components of the Commission's expenditure for 2017–18. The main components of ordinary expenditure were:

- Employee Expenses of **\$1.310 million** (55.5 per cent); and
- Supplies and Services of **\$0.842 million** (35.7 per cent).

Figure 1 Components of Expenditure 2017–18



Comparison to Budget

Total expenditure was **\$2.359 million**, which is consistent with the budget of \$2.522 million.

Comparison to 2016–17 Actual Expenditure

Total expenditure was **\$2.359 million** and was \$0.660 million (38.8 per cent) higher than the 2016–17 actual result. The increased expenditure mainly relates to additional employees who were engaged for the investigation into, and price direction for, regulated water and sewerage services provided by Icon Water in the ACT for the period from 1 July 2018 to 30 June 2023.

Future Trends

For 2018–19 expenditure is expected to decrease to **\$2.152 million** due to the Commission completing in 2017–18 the investigation into, and price direction for, regulated water and sewerage services. This decrease will be partially offset by costs associated with the Commission:

- reviewing its electricity pricing model and methodology to ensure retail electricity prices are not higher than reasonably justified; and
- conducting an inquiry to monitor ACT beverage prices and competition following the introduction of the ACT's Container Deposit Scheme.

More generally, expenses may vary over the forward estimates for activities that are not performed on an annual basis, including unanticipated references or other requests for Commission services from government and non-government sources.

C.1.3 Total Income

Components of Income

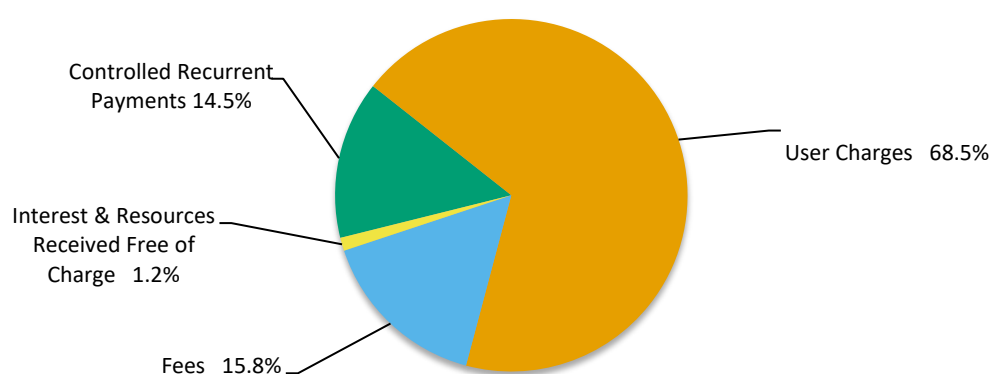
Figure 2 shows the components of the Commission's income for 2017–18. The main components of income were:

- User Charges of **\$1.651 million** (68.5 per cent) for:

Part C: Financial management reporting

- the investigation and price determination for regulated water and sewerage services (\$1.191 million);
 - the purchase agreement with the Chief Minister, Treasury and Economic Development Directorate for services under the ICRC Act (\$0.404 million), and
 - the Container Deposit Scheme price and competition monitoring inquiry (\$0.056 million).
- Fees of **\$0.380 million** (15.8 per cent) for water, sewerage and gas transmission regulatory activities under the Utilities Act; and
 - Controlled Recurrent Payments of **\$0.350 million** (14.5 per cent) for the Commission's energy industry regulatory activities.

Figure 2 Total Income 2017–18



Comparison to Budget

Income for the year was **\$2.411 million**, which is consistent with the budget of \$2.550 million.

Comparison to 2016–17 Actual Income

Total income in 2017–18 was **\$2.411 million**, an increase of \$0.812 million (50.8 per cent) from the 2016–17 actual result. The increase in income mainly relates to:

- User Charges being **\$0.604 million** (57.7 per cent) higher than in 2016–17 due to the investigation and price direction for regulated water and sewerage services; and
- the Commission receiving **\$0.350 million** from its Controlled Recurrent Payments appropriation to fund energy regulatory activities. In 2016–17 the Commission funded these activities, as it had accumulated cash reserves that were excess to its requirements.

Future Trends

For 2018–19 income is expected to decrease to **\$1.980 million** due to the Commission completing in 2017–18 the investigation into, and price direction for, regulated water and

sewerage services. This decrease will be partially offset by the Commission receiving funding to:

- review its electricity pricing model and methodology to ensure retail electricity prices are not higher than reasonably justified; and
- monitor and report on the price and competition impacts of the ACT's Container Deposit Scheme.

More generally, income may vary over the forward estimates due to activities that are not performed on an annual basis, including receipt of unanticipated references or other requests for Commission services from government and non-government sources.

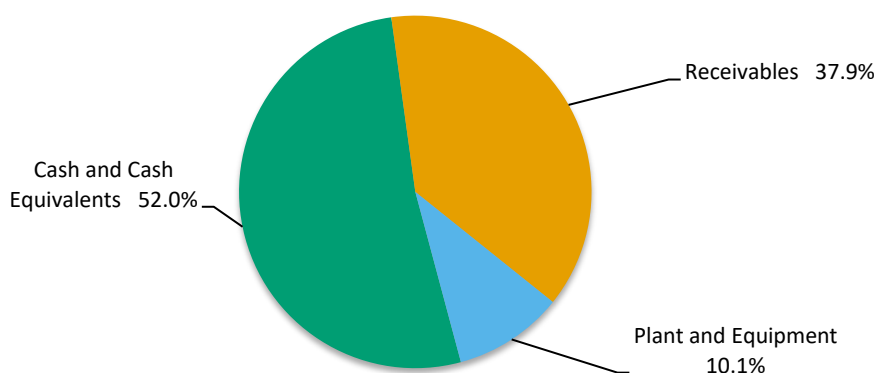
C.1.4 Total Assets

Components of Total Assets

Figure 3 shows the components of the Commission's Total Assets at 30 June 2018. The components were:

- Cash and Cash Equivalents of **\$1.230 million** (67.5 per cent);
- Receivables of **\$0.482 million** (26.4 per cent); and
- Plant and Equipment of **\$0.111 million** (6.1 per cent).

Figure 3 Total assets at 30 June 2018



Comparison to Budget

At 30 June 2018, Total Assets were **\$1.823 million** and this was consistent with the budget of \$1.662 million.

Comparison to 2016–17 Actuals

At 30 June 2018, Total Assets were **\$1.823 million** and this was consistent with the 2016–17 actuals of \$1.735 million.

Liquidity

A common indicator used to measure liquidity is the current ratio, which measures the ability to fund short-term liabilities from short-term cashable assets. A ratio of less than 1:1 may indicate a reliance on future revenue streams to meet short-term debts.

At 30 June 2018, the Commission's current ratio was 6.5:1 indicating a strong financial position. It is necessary for the Commission to maintain a high level of liquidity due to the cost recovery model it principally operates under, where significant expenditure can be required to perform an activity and those costs may not be recovered for an extended period of time.

Table 2 shows the Commission's liquidity position for the prior year, current year and forward year estimates.

Table 2 Current Ratio

Description	Prior year actual \$'000 2016–17	Current year budget \$'000 2017–18	Current year actual \$'000 2017–18	Forward year budget \$'000 2018–19	Forward year budget \$'000 2019–20	Forward year budget \$'000 2020–21
Current assets	1,560	1,465	1,712	1,528	1,611	1,696
Current liabilities	245	233	263	251	257	265
Current ratio	6.4:1	6.3:1	6.5:1	6.1:1	6.3:1	6.4:1

At 30 June 2017, the current ratio was 6.4:1 and shows the Commission is in a strong financial position. It is necessary for the Commission to maintain a high level of liquidity due to the cost recovery model it principally operates under, where significant expenditure can be required to perform an activity and those costs may not be recovered for an extended period of time.

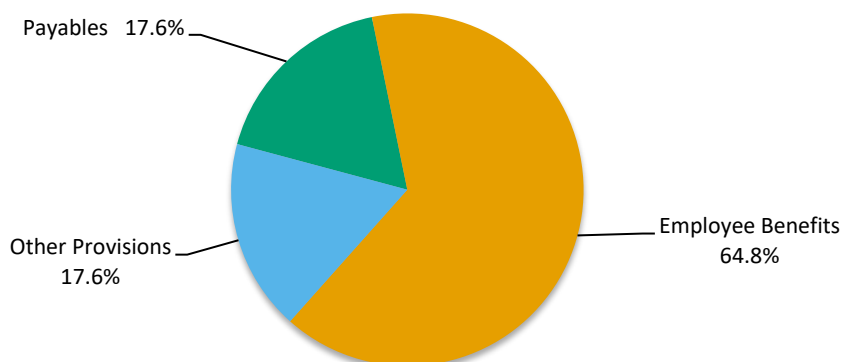
C.1.5 Total Liabilities

Components of Total Liabilities

Figure 4 shows the components of the Commission's Total Liabilities as at 30 June 2018. The components were:

- Employee Benefits of **\$0.248 million** (64.8 per cent);
- Other Provisions of **\$0.067 million** (17.6 per cent); and
- Payables of **\$0.067 million** (17.6 per cent).

Figure 4 Total Liabilities at 30 June 2018



Comparison to Budget

At 30 June 2018, Total Liabilities were **\$0.383 million** and this was \$0.062 million higher than budget of \$0.321 million. This variance mainly relates to the recognition of employee benefits for employees who were appointed to the Commission during 2017–18 with accumulated benefits.

Comparison to 2017–18 Actuals

At 30 June 2018, Total Liabilities were **\$0.383 million**, which is consistent with the 2016–17 actual of \$0.347 million.

C.2 Financial statements

The Commission has prepared financial statements for 2017–18 in accordance with the relevant accounting standards. The statements were independently audited as required by the *Financial Management Act 1996*, ACT Accounting Standards, and the 2018 Annual Report Directions. The audit opinion, financial statements and accompanying notes to the statements are set out in Appendix 1.

C.3 Capital works

The Commission does not have a capital works program.

C.4 Asset management

For the financial year ended 30 June 2018, the Commission had plant and equipment of a total written down value of \$111,000. This consisted of office furniture and equipment. The Commission is located on Level 8, 221 London Circuit where it occupies less than half of the floor.

C.5 Government contracting

Table 3 sets out information relating to the Commission's procurement and contracting activities for 2017–18. The contracts in Table 3 relate to goods and services provided to the Commission in 2017–18 with a value of \$25,000 or more. The information is obtained from the ACT Contract Register and is available at <http://www.procurement.act.gov.au/contracts>. As per the annual reports direction, the information has not been reformatted. All three contractors in Table 3 are small to medium business enterprises.

Table 3 Procurement and contracting activities for the Commission for 2017–18

Contract title	Contract for Economic Advice	Provision of Economic & Regulatory Advice	Accounting and Financial Management Services	Market Data Agreement	Review of Icon Water's CAPEX/OPEX for Water and Sewerage Services	Bloomberg Data Licence Agreement
Procurement methodology	Single Select	Quotation	Single Select	Single Select	Public	Single Select
Procurement type	Consultancy	Consultancy	Services (non-consultancy)	Services (non-consultancy)	Consultancy	Goods
Exemption from quotation and tender	Yes	No	Yes	Yes	No	No
Contractor name	Economic Insights Pty Ltd	Economic Insights Pty Ltd	Niche Advantage Pty Ltd	ICAP Brokers Pty Ltd	Calibre Consulting Pty Ltd	Bloomberg Australia
Contract amount	231,000.00	198,000	385,241.00	26,400.00	216,898.00	35,719.20
Execution date	27/09/2016	20/07/2017	05/03/2015	01/05/2012	24/07/2017	04/04/2018
Expiry date	26/09/2017	30/06/2018	31/03/2019	31/12/2025 ¹⁵	23/10/2017	04/04/2020
Small to medium enterprise	Yes	Yes	Yes	Yes	No	No

¹⁵ The ICAP procurement operates on a rolling month-by-month contract. ACT Procurement Services inserted the date of 31 December 2025 due to a clerical recording requirement.

C.6 Statement of performance



ICRC
independent competition and regulatory commission

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

Statement of Performance for the Year Ended 30 June 2018

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Independent Competition and Regulatory Commission's records and fairly reflects the service performance of the Independent Competition and Regulatory Commission for the financial year ended 30 June 2018 and also fairly reflects the judgements exercised in preparing the Statement of Performance for the financial year ended 30 June 2018.

Dr Annette Weier
Chief Executive Officer
Independent Competition and Regulatory Commission
1 August 2018

Table 4 Statement of performance for the year ended 30 June 2018

Statement of intent accountability indicators	Original target 2017–18	Actual result 2017–18	%Variance from original target	Explanation of material variances
Water and sewerage services pricing ¹	Price determination	Price determination	–	
Retail electricity pricing ²	Price adjustment	Price adjustment	–	
Utilities compliance and performance ³	1 report	1 report	–	
Utility licence fees (water, sewerage services and certain energy sector utilities not subject to energy industry levy) ⁴	Licence fees determination and collection	Licence fees determination and collection	–	
Utility levies (energy sector) ⁵	3 determinations	4 determinations	+33%	1 additional determination
Advice on referred matters ⁶	Subject to receipt of references	No references were received	–	

The above accountability indicators were reviewed by the ACT Audit Office in accordance with the *Financial Management Act 1996*.

Explanation of accountability indicators for the year ended 30 June 2018

The Statement of Performance is to be read in conjunction with the following information:

Notes

1. Terms of reference were received on 13 December 2016 for an investigation into regulated water and sewerage services for the regulatory period 1 July 2018 to 30 June 2023. The Commission released a draft report on 12 December 2017 and a final report and price direction on 1 May 2018, in accordance with the terms of reference. The Commission's reports and price direction are available on its website.

In addition, the Commission undertook an investigation into Icon Water's application for an industry code for capital contributions for water and sewerage infrastructure upgrades, under section 58 of the *Utilities Act 2000*. The Commission released a draft report on 4 October 2017 and its final report and determination on the code on 8 December 2017. The Commission's reports and determination on the code are available on its website.

2. The Commission adjusted the maximum average increase in the prices ActewAGL can charge for providing electricity services to small customers on standard retail contracts

for the 2018–19 financial year. The adjustment was made in accordance with the Commission’s price direction for the regulatory period 1 July 2017 to 30 June 2020. The Commission’s report is available on its website.

3. Licensed utilities providing certain infrastructure services submit annually to the Commission details of how they met their non-technical licence conditions, relevant laws, industry codes and other relevant regulatory obligations. Consistent with the Commission’s previous practice, the Commission published a report on the utilities’ performance in 2015–16 as an attachment to its 2016–17 Annual Report (published in September 2017 and available on the Commission’s website). The Commission will, from now on, publish the Utility Licence Annual Report as a stand-alone report (that is, separate to this and subsequent Annual Reports).
4. On 28 September 2017, the Commission determined the annual licence fee payable by certain licensed utilities under the *Utilities Act 2000* for the year ending 30 June 2018 and collected those fees accordingly. The determination can be accessed through the Commission’s website or on the ACT Legislation Register.
5. The Chief Executive Officer of the Commission made three determinations on 28 September 2017 under Part 3A of the *Utilities Act 2000* for the 2017–18 financial year. These determinations are used to impose a levy on energy utilities to recover the amount of the ACT’s national regulatory costs and local regulatory costs in relation to energy industry sectors. In addition to the original performance target, the Chief Executive Officer made a determination on 27 September 2017 of the base amount for an energy industry sector for the period 2017–18 to 2021–22, under section 54C of the *Utilities Act*. The determinations can be accessed through the Commission’s website or on the ACT Legislation Register.

To reflect legislative changes to the *Utilities Act*, the Commission also revised the levy model that is used in making the determinations.

6. The Commission may receive references under Part 3 of the *Independent Competition and Regulatory Commission Act 1997*.

C.6.1 Report of factual findings



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

REPORT OF FACTUAL FINDINGS

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

To the Members of the ACT Legislative Assembly

Review opinion

I am providing an **unqualified review opinion** on the statement of performance of the Independent Competition and Regulatory Commission for the year ended 30 June 2018.

During the review no matters were identified which indicate that the results of the accountability indicators reported in the statement of performance are not fairly presented in accordance with the *Financial Management Act 1996*.

Basis for the review opinion

The review was conducted in accordance with the Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the review to provide a basis for the review opinion.

Responsibility for preparing and fairly presenting the statement of performance

The Chief Executive Officer is responsible for:

- preparing and fairly presenting the statement of performance in accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2017*; and
- determining the internal controls necessary for the preparation and fair presentation of the statement of performance so that the results of accountability indicators and accompanying information are free from material misstatements, whether due to error or fraud.

Responsibility for the review of the statement of performance

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2017*, I am responsible for issuing a report of factual findings on the statement of performance of the Independent Competition and Regulatory Commission.

As required by Australian Auditing Standards, the auditors:

- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud* and implemented procedures to address these risks so that sufficient evidence was obtained to form a review opinion; and
- reported the scope and timing of the review and any significant deficiencies in reporting practices identified during the review to the Chief Executive Officer.

(*The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls.)

Limitations on the scope of the review

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide limited assurance that the results of the accountability indicators reported in the statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Independent Competition and Regulatory Commission, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

This review does not provide assurance on the:

- relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets;
- accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations;
- adequacy of controls implemented by the Independent Competition and Regulatory Commission; or
- integrity of reviewed statement of performance presented electronically or information hyperlinked to or from the statement of performance. Assurance can only be provided for the printed copy of the reviewed statement of performance.

Ajay Sharma
Director, Financial Audits
6 August 2018

Part D Notices of non-compliance

D.1 Dangerous substances

This section is not applicable to the Commission.

D.2 Medicines, poisons and therapeutic goods

This section is not applicable to the Commission.

Part E Chief Minister, Treasury and Economic Development

E.1 Tobacco compliance testing

This section is not applicable to the Commission.

Part F Education and training

F.1 Investigation of complaints

This section is not applicable to the Commission.

F.2 Teacher Quality Institute

This section is not applicable to the Commission.

Part G Health

G.1 Mental health

This section is not applicable to the Commission.

Part D to M not applicable

Part H Gambling and racing

This section is not applicable to the Commission.

Part I Ministerial and director-general directions

This section is not applicable to the Commission.

Part J Public land management plans

This section is not applicable to the Commission.

Part K Third party insurance

This section is not applicable to the Commission.

Part L Victims of crime

This section is not applicable to the Commission.

Part M Waste minimisation conventions

This section is not applicable to the Commission.

Part N Community engagement and support

Part N is reported on under whole of government reporting in the Chief Minister, Treasury and Economic Development Directorate Annual Report 2017–18.

Part O Justice and community safety

O.1 Bushfire risk management

The Commission does not have reporting obligations under the Strategic Bushfire Management Plan.

O.2 Freedom of information

Part O.2 is reported on under whole of government reporting in the Justice and Community Safety Directorate’s Annual Report 2017–18.

O.3 Human rights

The *Human Rights Act 2004* (Human Rights Act) imposes a duty on the Commission, as an ACT Government instrumentality, to interpret the ICRC Act and Utilities Act, as far as possible and consistent with the operation of those Acts, in a way that is compatible with the human rights enshrined in the Human Rights Act.

Human rights are defined under section 5 of the Human Rights Act to mean civil, political, economic, social and cultural rights. Article 11 of the International Covenant on Economic, Social and Cultural Rights sets out a broad right to an adequate standard of living.

In exercising its functions under the ICRC Act, the Commission’s objective is to promote effective competition in the interests of consumers while facilitating an appropriate balance between efficiency, environmental and social considerations. When it makes pricing directions, the Commission is required to consider the interests of consumers in promoting efficient investment in and operation of regulated services into the future. In balancing economic, investment, environmental and social considerations, the Commission’s regulatory approach aims to deliver both viable utility services and reasonable prices. The Commission’s approach is compatible, as far as possible, with the human rights enshrined in the Human Rights Act.

Under the Utilities Act, the Commission is responsible for managing the licensing framework for non-National Energy Retail Law (NERL) utility service providers in the ACT, for industry codes of practice, and for approving standard customer contracts. In undertaking these activities, the Commission takes into account economic, environmental and social

considerations as well as any service quality, safety, reliability and security standards. The Commission's approach is compatible, as far as possible, with the human rights enshrined in the Human Rights Act.

The Commission has not been involved in any litigation involving arguments concerning the Human Rights Act.

O.4 Legal services directions

The Commission is required to report on its compliance with legal services directions set out under the *Law Officers Act 2011*.

Law Officer (Model Litigant) Guidelines 2010 (No 1) (NI2010-88)

During 2017–18, the Commission was not involved in any litigation proceedings before the courts.

Law Officers (General) Legal Services Directions 2012 (NI2012-292)

Under clause 1.1 of the *Law Officers (General) Legal Services Directions 2012* (Legal Services Direction) all Territory legal work is to be performed by the Government solicitor. During 2017–18, we sought legal services from the ACT Government Solicitor in relation to one matter.

Part P Public sector standards and workforce profile

P.1 Culture and behaviour

The Commission is a small organisation that conducts complex investigations and utility administration work. An open and collaborative workplace that values critical thinking is essential to its effective operation. Staff are encouraged to be open and respectful and these behaviour expectations are clarified and discussed during performance planning and in regular development and feedback discussions.

In addition, staff are given the Commission's Office and Induction Manual and made aware of the ACT Public Service Induction Manual and the courses available on the ACTPS Training Calendar. These resources, which include explanations of the ACTPS Code of Conduct, ACTPS Values and the Respect, Equity and Diversity framework, support staff to understand the behaviour standards expected of them.

P.2 Public interest disclosure

The *Public Interest Disclosure Act 2012* provides a mechanism for any member of the public, including ACT public servants, to report wrongdoings in the ACTPS. The Commission follows the *Public Interest Disclosure Guidelines 2013*, issued by the Commissioner for Public Administration. The Commission's Designated Disclosure Officer (DDO (NI2015-162)) or the Commission's CEO investigate all disclosures received.

During 2017–18 no disclosures were received.

P.3 Workforce profile

The following table shows the Commission's workforce profile as at 30 June 2018.

Table 5 2017–18 Workforce profile¹⁶

EBA Classification	Male	Female	Total
ASO3	1	1	2
ASO4			
ASO5	2	1	3
ASO6			
SOGC		1	1
SOGB	1	1	2
SOGA	2		2
Total	6	4	10

¹⁶ The table does not include senior executive positions.

Part P: Public sector standards and workforce profile

There were no staff on Attraction and Retention Initiatives (ARins), Special Employment Arrangements (SEAs) or Australian Workplace Agreements (AWAs) in 2017–18. Around one-third of staff identified as being from culturally or linguistically diverse backgrounds. The Commission does not publish further details on reportable data including length of service and age, as such details may, due to the small number of Commission staff, identify individual staff, making it difficult to protect staff privacy.

Part Q Territory records

Part Q is reported on under whole of government reporting in the Chief Minister, Treasury and Economic Development Directorate Annual Report 2017–18.

Appendix 1 Financial statements and audit report

- **Auditor’s opinion on the financial statements**
- **Statement of responsibility – Chief Executive Officer**
- **Statement of responsibility – Chief Financial Officer**
- **Independent Competition and Regulatory Commission Operating Statement for the year ended 30 June 2018**
- **Independent Competition and Regulatory Commission Balance Sheet as at 30 June 2018**
- **Independent Competition and Regulatory Commission Statement of Changes in Equity for the year ended 30 June 2018**
- **Independent Competition and Regulatory Commission Cash Flow Statement for the year ended 30 June 2018**
- **Independent Competition and Regulatory Commission Statement of Appropriation for the year ended 30 June 2018**
- **Independent Competition and Regulatory Commission Notes to and forming part of the financial statements for the year ended 30 June 2018**
- **Independent Competition and Regulatory Commission Appendix A - Basis of preparation of the financial statements forming part of Note 2 of the financial statements for the year ended 30 June 2018**
- **Independent Competition and Regulatory Commission Appendix B – Significant accounting policies forming part of Note 2 of the financial statements for the year ended 30 June 2018**
- **Independent Competition and Regulatory Commission Appendix C – Impact of accounting standards issued but yet to be applied forming part of Note 2 of the financial statements for the year ended 30 June 2018**

**Independent Competition and
Regulatory Commission**

Financial Statements

For the Year Ended

30 June 2018

INDEPENDENT AUDIT REPORT**INDEPENDENT COMPETITION AND REGULATORY COMMISSION****To the Members of the ACT Legislative Assembly****Audit opinion**

I am providing an **unqualified audit opinion** on the financial statements of the Independent Competition and Regulatory Commission for the year ended 30 June 2018. The financial statements comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement, statement of appropriation and accompanying notes.

In my opinion, the financial statements:

- (i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Independent Competition and Regulatory Commission and results of its operations and cash flows.

Basis for the audit opinion

The audit was conducted in accordance with the Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the audit to provide a basis for the audit opinion.

Responsibility for preparing and fairly presenting the financial statements

The Chief Executive Officer is responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996* and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Independent Competition and Regulatory Commission to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Responsibility for the audit of the financial statements

Under the *Financial Management Act 1996*, I am responsible for issuing an audit report that includes an independent audit opinion on the financial statements of the Independent Competition and Regulatory Commission.

As required by Australian Auditing Standards, the auditors:

- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud and implemented procedures to address these risks so that sufficient evidence was obtained to form an audit opinion. The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls;
- obtained an understanding of internal controls to design audit procedures for forming an audit opinion;
- evaluated accounting policies and estimates used to prepare the financial statements and disclosures made in the financial statements;
- evaluated the overall presentation and content of the financial statements, including whether they present the underlying transactions and events in a manner that achieves fair presentation;
- reported the scope and timing of the audit and any significant deficiencies in internal controls identified during the audit to the Chief Executive Officer; and
- assessed the going concern* basis of accounting used in the preparation of the financial statements.

(*Where the auditor concludes that a material uncertainty exists which cast significant doubt on the appropriateness of using the going concern basis of accounting, the auditor is required to draw attention in the audit report to the relevant disclosures in the financial statements or, if such disclosures are inadequate, the audit opinion is to be modified. The auditor's conclusions on the going concern basis of accounting are based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.)

Limitations on the scope of the audit

An audit provides a high level of assurance about whether the financial statements are free from material misstatements, whether due to fraud or error. However, an audit cannot provide a guarantee that no material misstatements exist due to the use of selective testing, limitations of internal control, persuasive rather than conclusive nature of audit evidence and use of professional judgement in gathering and evaluating evidence.

An audit does not provide assurance on the:

- reasonableness of budget information included in the financial statements;
- prudence of decisions made by the Independent Competition and Regulatory Commission;
- adequacy of controls implemented by the Independent Competition and Regulatory Commission; or
- integrity of audited financial statements presented electronically or information hyperlinked to or from the financial statements. Assurance can only be provided for the printed copy of the audited financial statements.

Ajay Sharma
Acting Auditor-General
13 August 2018

**Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2018**

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 2018 and the financial position of the Commission on that date.

Dr Annette Weier
Chief Executive Officer
Independent Competition and Regulatory Commission
1 August 2018

Independent Competition and Regulatory Commission
Financial Statements
For the Year Ended 30 June 2018

Statement by the Chief Finance Officer

In my opinion, the Financial Statements have been prepared in accordance with the Australian Accounting Standards, 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 2018 and the financial position of the Commission on that date.

Scott Hickey

Chief Finance Officer

Independent Competition and Regulatory Commission

1 August 2018

Independent Competition and Regulatory Commission
Operating Statement
For the Year Ended 30 June 2018

	Note No.	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
Income				
Controlled Recurrent Payments	3	350	350	-
Fees	4	380	374	519
User Charges	5	1,651	1,798	1,047
Interest		25	28	28
Resources Received Free of Charge		4	-	4
Total Income		2,411	2,550	1,598
Expenses				
Employee Expenses	6	1,310	1,274	824
Superannuation Expenses		143	129	87
Supplies and Services	7	842	1,068	668
Depreciation		64	51	121
Total Expenses		2,359	2,522	1,699
Operating Surplus/(Deficit)		52	28	(101)
Total Comprehensive Income/(Deficit)		52	28	(101)

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

Independent Competition and Regulatory Commission
Balance Sheet
At 30 June 2018

	Note No.	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
Current Assets				
Cash and Cash Equivalents	8	1,230	1,034	902
Receivables	9	482	431	658
Total Current Assets		1,712	1,465	1,560
Non-Current Assets				
Plant and Equipment	10	111	197	175
Total Non-Current Assets		111	197	175
Total Assets		1,823	1,662	1,735
Current Liabilities				
Payables	11	67	105	181
Employee Benefits	12	196	128	64
Total Current Liabilities		263	233	245
Non-Current Liabilities				
Employee Benefits	12	52	21	35
Other Provisions	13	67	67	67
Total Non-Current Liabilities		120	88	102
Total Liabilities		383	321	347
Net Assets		1,440	1,341	1,388
Equity				
Accumulated Funds		1,440	1,341	1,388
Total Equity		1,440	1,341	1,388

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 2018

	Accumulated Funds Actual 2018 \$'000	Total Equity Actual 2018 \$'000	Original Budget 2018 \$'000
Balance at 1 July 2017	1,388	1,388	1,313
<i>Comprehensive Income</i>			
Operating Surplus	52	52	28
Total Comprehensive Income	52	52	28
Balance at 30 June 2018	1,440	1,440	1,341

	Accumulated Funds Actual 2017 \$'000	Total Equity Actual 2017 \$'000
Balance at 1 July 2016	1,490	1,490
<i>Comprehensive Income</i>		
Operating (Deficit)	(101)	(101)
Total Comprehensive (Deficit)	(101)	(101)
Balance at 30 June 2017	1,388	1,388

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 2018

	Note No.	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
Cash Flows from Operating Activities				
Receipts				
Controlled Recurrent Payments		350	350	-
Fees		254	384	794
User Charges		1,826	1,928	397
Interest Received		25	28	28
Goods and Services Tax Collected from Customers and Refunded by the Australian Taxation Office		214	-	61
Other		92	51	-
Total Receipts from Operating Activities		2,761	2,741	1,280
Payments				
Employee		1,252	1,274	934
Superannuation		143	131	92
Supplies and Services		828	1,250	655
Goods and Services Tax Paid to Suppliers and Remitted to the Australian Taxation Office		211	-	63
Total Payments from Operating Activities		2,434	2,655	1,743
Net Cash Inflows/(Outflows) from Operating Activities	15(b)	328	86	(463)
Net Increase/(Decrease) in Cash and Cash Equivalents		328	86	(463)
Cash and Cash Equivalents at the Beginning of the Reporting Period		902	948	1,365
Cash and Cash Equivalents at the End of the Reporting Period	15(a)	1,230	1,034	902

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 2018**

	Original Budget 2018 \$'000	Total Appropriated 2018 \$'000	Appropriation Drawn 2018 \$'000	Appropriation Drawn 2017 \$'000
Controlled Recurrent Payments (CRP)	350	350	350	-
Total Appropriation	350	350	350	-

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.

Independent Competition and Regulatory Commission
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
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Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2018

Note 1 Objectives of the Independent Competition and Regulatory Commission

Operations and Principal Activities

The Independent Competition and Regulatory Commission (the Commission) has statutory and 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:

- making 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 2015 for NERL retailers.

The Commission's objectives are outlined in the ICRC Act and the Utilities Act. The objectives set out in section 7 and 19L 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;
- ensure non-discriminatory access to monopoly and near-monopoly infrastructure; and
- when making a price direction in a regulated industry, is to promote the efficient investment in, and efficient operation and use of regulated services for the long term interests of consumers in relation to the price, quality, safety, reliability and security of the service.

Section 3 of the Utilities Act provides the Commission with additional functions in accordance with the following objectives:

- 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) 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 of the Utilities Act.

Note 2 Significant Accounting Policies

Refer to the following appendices for the notes comprising significant accounting policies and other explanatory information.

Appendix A - Basis of Preparation of the Financial Statements

Appendix B - Significant Accounting Policies

Appendix C - Impact of Accounting Standards Issued But Yet to be Applied

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2018

Note 3 Controlled Recurrent Payments

	2018	2017
	\$'000	\$'000
Revenue from the ACT Government		
Controlled Recurrent Payments ^(a)	350	-
Total Controlled Recurrent Payments	350	-

Controlled Recurrent Payments (CRP) are revenue received from the ACT Government to fund the estimated cost of the Commission's regulatory activities under the *Utilities Act 2000*.

a) In 2017-18 CRP increased by \$350,000 as the Commission resumed drawing on its CRP to fund regulatory activities under the Utilities Act 2000. These activities in 2016-17 were funded from the Commission's cash reserves.

Note 4 Fees

	2018	2017
	\$'000	\$'000
Revenue from Regulatory Activities		
Utility Licence Fees ^(a)	380	519
Total Fees	380	519

Utility Licence Fees are collected by the Commission under the *Utilities Act 2000* to cover the Commission's, the Technical Regulator's and the ACT Civil and Administrative Tribunal's (ACAT) reasonable costs for utility regulatory activities in relation to water, sewerage, and gas transmission utilities. In accordance with the accounting policy described in Appendix B - Fees, the above fees only include the fee income relating to the Commission's own activities.

a) The decrease in Utilities Licence Fees of \$138,000 mainly relates to the completion of the review of Icon Water Limited's (Icon's) water and sewerage services tariffs in 2016-17. The Commission's regulatory projects change on an annual basis, so the costs recovered from regulating utilities can fluctuate significantly from year to year depending on the work performed.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2018

Note 5 User Charges

	2018	2017
	\$'000	\$'000
User Charges – ACT Government		
General Government Sector	459	397
Public Trading Enterprises ^(a)	1,193	254
	1,651	651
User Charges – Non-ACT Government		
Service Revenue ^(b)	-	396
	-	396
Total User Charges for Services	1,651	1,047

User Charges relates to revenue derived by providing services to ACT Government and Non-ACT Government entities.

a) The increase in revenue in 2017-18 of \$939,000 relates to the Commission's investigation into, and price direction for regulated water and sewerage services provided by Icon Water Limited for the period 1 July 2018 to 30 June 2023.

b) The decrease in revenue in 2017-18 of \$396,000 relates to the Commission completing in 2016-17 the investigation into, and price determination for, the standing offer prices for the supply of electricity to small customers who consume less than 100MWh of electricity over any period of 12 consecutive months for the period 1 July 2017 to 30 June 2020.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2018

Note 6 Employee Expenses

	2018	2017
	\$'000	\$'000
Annual Leave Expense	36	(45)
Fringe Benefits Tax	25	17
Long Service Leave Expense	5	(72)
Wages and Salaries ^(a)	1,237	915
Workers' Compensation Insurance Premium	7	8
Total Employee Expenses	<u>1,310</u>	<u>824</u>

a) The increase in Wages and Salaries of \$322,000 mainly relates to additional staff being employed to work on the investigation into, and price direction for, regulated water and sewerage services provided by Icon Water Limited for the period 1 July 2018 to 30 June 2023.

Note 7 Supplies and Services

	2018	2017
	\$'000	\$'000
Audit Fees ^(a)	27	26
Information and Communication Technology	88	80
Office Rental and Operating Costs	171	141
Printing and Stationery	17	13
Professional Services	385	299
Recruitment Costs	55	20
Subscriptions, Membership and Conferences	40	32
Other	59	58
Total Supplies and Services	<u>843</u>	<u>668</u>

a) Audit fees paid to the ACT Audit Office for the audit of the financial statements. No other services were provided by the ACT Audit Office.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2018

Note 8 Cash and Cash Equivalents

	2018 \$'000	2017 \$'000
Cash at Bank ^(a)	1,230	902
Total Cash and Cash Equivalents	<u>1,230</u>	<u>902</u>

The Commission managed two bank accounts in 2017-18 with Westpac Banking Corporation. The first account was the Commission's operating account and the second bank account was for Third Party Monies. Details of transactions relating to Third Party Monies are provided in Note 17.

a) The increase of Cash at Bank of \$328,000 mainly relates to the Commission reducing its receivables, by recovering costs on a more regular basis.

Note 9 Receivables

	2018 \$'000	2017 \$'000
Current Receivables		
Accrued Revenue	482	658
Total Receivables ^(a)	<u>482</u>	<u>658</u>

a) No receivables are past due or impaired.

Classification of ACT Government/Non-ACT Government Receivables

Receivables with ACT Government Entities

Accrued Revenue	482	259
Total Receivables with ACT Government Entities	<u>482</u>	<u>259</u>

Receivables with Non-ACT Government Entities

Accrued Revenue	-	399
Total Receivables with Non-ACT Government Entities	<u>-</u>	<u>399</u>
Total Receivables	<u>482</u>	<u>658</u>

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2018

Note 10 Plant and Equipment

	2018	2017
	\$'000	\$'000
Plant and Equipment		
Office Furniture and Equipment at Cost ^(a)	509	509
Less: Accumulated Depreciation	(398)	(334)
Total Plant and Equipment	<u><u>111</u></u>	<u><u>175</u></u>

Reconciliation of Plant and Equipment

Carrying Amount at the Beginning of the Reporting Period	175	296
Depreciation	(64)	(121)
Carrying Amount at the End of the Reporting Period	<u><u>111</u></u>	<u><u>175</u></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 2018

Note 11 Payables

	2018 \$'000	2017 \$'000
Current Payables		
Trade Payables	11	19
Utilities Licence Fees ^(a)	-	120
Accrued Expenses	56	42
Total Payables	<u><u>67</u></u>	<u><u>181</u></u>

Payables are aged as follows:

Not Overdue	67	181
Total Payables	<u><u>67</u></u>	<u><u>181</u></u>

Classification of ACT Government/Non-ACT Government Payables

Payables with ACT Government Entities

Trade Payables	-	5
Accrued Expenses	27	26
Total Payables with ACT Government Entities	<u><u>27</u></u>	<u><u>31</u></u>

Payables with Non-ACT Government Entities

Trade Payables	11	14
Utilities Licence Fees ^(a)	-	120
Accrued Expenses	29	16
Total Payables with Non ACT Government Entities	<u><u>40</u></u>	<u><u>150</u></u>
Total Payables	<u><u>67</u></u>	<u><u>181</u></u>

a) Utilities Licence Fees are collected in accordance with the accounting policy described in Appendix B. The \$nil amount payable at 30 June 2018 (2017: \$120,000) is due to the actual costs for this activity exceeding the fees collected by approximately \$6,000.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2018

Note 12 Employee Benefits

	2018	2017
	\$'000	\$'000
Current Employee Benefits		
Annual Leave	97	38
Long Service Leave	57	-
Accrued Salaries and Superannuation	42	26
	196	64
Non-Current Employee Benefits		
Long Service Leave	52	35
	52	35
	248	98
Estimate of when Leave is Payable		
Estimated Amount Payable within 12 Months		
Annual Leave	74	38
Long Service Leave	2	-
Accrued Salaries and Superannuation	42	26
	118	64
Estimated Amount Payable after 12 Months		
Annual Leave	23	-
Long Service Leave	107	35
	130	35
	248	98

a) The increase of \$150,000 in Employee Benefits mainly relates to the recognition of employee benefits for employees who were appointed to the Commission during 2017-18 with accumulated benefits.

Note 13 Other Provisions

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').

	2018	2017
	\$'000	\$'000
Reconciliation of the Provision for Make Good		
Provision for Make Good at the Beginning of the Reporting Period	67	65
Increase in Provision due to Unwinding of Discount	-	2
	67	67
	67	67

Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2018

Note 14 Financial Instruments

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).

The majority of receivables consist of fees charged to ACT Government entities or entities where the ACT Government has entered into a joint venture agreement. These entities are 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 its bank account 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 is low and the management of this risk has not changed since the previous reporting period.

Carrying Amount and Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents is the carrying value recorded in the Balance Sheet.

	Note No.	Carrying Amount 2018 \$'000	Fair Value 2018 \$'000	Carrying Amount 2017 \$'000	Fair Value 2017 \$'000
Financial Assets					
Cash and Cash Equivalents	8	1,230	1,230	902	902
Receivables	9	482	482	658	658
Total Financial Assets		1,712	1,712	1,560	1,560
Financial Liabilities					
Payables	11	67	67	181	181
Total Financial Liabilities		67	67	181	181

	Note No.	2018 \$'000	2017 \$'000
Carrying Amount of Each Category of Financial Asset and Financial Liability			
Financial Assets			
Loans and Receivables Measured at Amortised Cost	9	482	658
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost	11	67	181

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2018

Note 15 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.

	2018	2017
	\$'000	\$'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	1,230	902
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	<u>1,230</u>	<u>902</u>
 (b) Reconciliation of Operating Surplus/(Deficit) to Net Cash Inflows from Operating Activities.		
Operating Surplus/(Deficit)	52	(101)
 Add Non-Cash Items		
Depreciation of Plant and Equipment	64	121
Borrowing Costs	-	2
 Cash Before Changes in Operating Assets and Liabilities	<u>116</u>	<u>22</u>
 Changes in Operating Assets and Liabilities		
Decrease/(Increase) in Receivables	176	(503)
(Decrease)/Increase in Payables	(114)	135
Increase/(Decrease) in Employee Benefits	149	(116)
 Net Changes in Operating Assets and Liabilities	<u>212</u>	<u>(484)</u>
 Net Cash Inflows/(Outflows) from Operating Activities	<u>328</u>	<u>(463)</u>

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2018

Note 16 Commitments

	2018	2017
	\$'000	\$'000
Operating Lease Commitments - Plant and Equipment		
Non-cancellable operating lease commitments are payable as follows:		
Within one year	4	3
Later than one year but not later than five years	22	4
Later than five years	1	1
	27	9
Total Operating Lease Commitments - Plant and Equipment	27	9

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	69	66
Total Other Commitments	69	66

All of the Commission's Other Commitments relate to outsourced accounting services. The Commission outsources accounting services due the Commission not having the internal expertise or staff to perform these functions, and the nature, scale and size of the Commission not making it economically feasible to employ staff directly to provide these services.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2018

Note 17 Third Party Monies

The Commission holds the following third party monies:

	2018	2017
	\$'000	\$'000
Utility Licence Fees		
Balance at the Beginning of the Reporting Period	53	580
Cash Receipts		
- East Australian Pipeline Limited	4	-
- Icon Water Limited	814	1,249
- TransGrid (NSW Electricity Networks Operations Pty Ltd)	78	322
- Interest Received	2	7
Cash Payments		
- Independent Competition and Regulatory Commission	(254)	(794)
- ACT Civil and Administrative Tribunal (ACAT).	(107)	(237)
- Access Canberra (technical regulation)	(588)	(1,030)
- East Australian Pipeline Limited	-	(46)
Balance at the End of the Reporting Period	<u>2</u>	<u>53</u>

Utility Licence Fees are collected and administered by the Commission under the *Utilities Act 2000*. The annual licence fee for a particular utility is the amount considered by the Commission to be a reasonable contribution towards the costs incurred, or expected to be incurred -

- (a) by the following entities in the exercise of functions, in the ACT or elsewhere, in relation to utility services:
- (i) Independent Competition and Regulatory Commission (Commission);
 - (ii) the Technical Regulator on behalf of the Territory; and
- (b) by ACAT in hearing and deciding matters to which a utility is a party.

As the administrator, fees collected by the Commission and subsequently transferred to the Technical Regulator and ACAT are not controlled by the Commission. Further the Commission does not obtain any benefit from those fees.

On the basis that the Commission does not control the component of the fees relating to the Technical Regulator or ACAT, it follows that the Commission does not control the cash or receivables relating to those fees and therefore it does not recognise them as assets. The associated amounts payable to the Technical Regulator and ACAT are also excluded from the Commission's liabilities.

Independent Competition and Regulatory Commission
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2018

Note 18 Budgetary Reporting

Operating Statement Line Items	Actual 2018 \$'000	Original Budget 2018 \$'000	Variance \$'000	Variance %
Supplies and Services ^(a)	842	1,068	(226)	-21%

Variance Explanations

a) The budget variance of \$226,000 mainly relates to the cost of consultants for the investigation into, and price direction for, regulated water and sewerage services provided for the period 1 July 2018 to 30 June 2023 being lower than anticipated.

Balance Sheet Line Items	Actual \$'000	Original Budget \$'000	Variance \$'000	Variance %
Cash and Cash Equivalents ^(b)	1,230	1,034	196	19%
Receivables ^(c)	482	431	51	12%
Plant and Equipment ^(d)	111	197	(86)	-44%
Payables ^(e)	67	105	(38)	-36%
Employee Benefits - Current ^(f)	196	128	68	53%
Employee Benefits - Non-Current ^(f)	52	21	31	148%

Variance Explanations

b) The budget variance of \$196,000 mainly relates to activities performed by the Commission in 2016-17 for which costs were recovered in 2017-18.

c) The budget variance of \$51,000 mainly relates to the inquiry into beverage price impacts relating to the ACT Container Deposit Scheme, with this work not anticipated when the budget was prepared and the payment receivable for this activity accrued at 30 June 2018.

d) The budget variance of \$86,000 mainly relates to the Commission revising the estimated useful life of its office furniture and equipment down by 2 years, as it is anticipated the Commission will be relocated to a different office location in 2020. This revision was not anticipated in the budget.

e) The budget variance of \$38,000 mainly relates to the Commission completing the investigation into, and price direction for, regulated water and sewerage services provided for the period 1 July 2018 to 30 June 2023 earlier than anticipated, so no costs specific to this activity were included in the payables balance at 30 June 2018. It was anticipated that some costs for this activity would be payable when the budget was prepared.

f) Employee Benefits: The budget variance of \$68,000 (current) and \$31,000 (non-current) mainly relates to the recognition of employee benefits for employees who were appointed to the Commission during 2017-18 with accumulated benefits. The value of these benefits was not anticipated when the budget was prepared.

Cash Flow Statement Line Items	Actual \$'000	Original Budget \$'000	Variance \$'000	Variance %
Supplies and Services ^(g)	828	1,250	(422)	-34%

Variance Explanations

g) The budget variance of \$422,000 is mainly due to the payments to consultants for the investigation into, and price direction for, regulated water and sewerage services provided for the period 1 July 2018 to 30 June 2023 being lower than anticipated.

Independent Competition and Regulatory Commission

Notes to and Forming Part of the Financial Statements

For the Year Ended 30 June 2018

Note 19 Related Party Disclosures

A related party is a person that controls or has significant influence over the reporting entity, or is a member of the Key Management Personnel (KMP) of the reporting entity or its parent entity, and includes their close family members and entities in which the KMP and/or their close family members individually or jointly have controlling interests.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Commission, directly or indirectly.

KMP of the Commission are the Commissioner and Chief Executive Officer.

This note does not include typical citizen transactions between the KMP and the Commission that occur on terms and conditions no different to those applying to the general public.

(A) KEY MANAGEMENT PERSONNEL

A.1 Compensation of Key Management Personnel

Compensation by the Commission to KMP is set out below.

	2018	2017
	\$'000	\$'000
Short-term employee benefits	347	329
Post employment benefits	40	29
Other long-term benefits	(13)	-
Total Compensation by the Commission to KMP	374	355

A.2 Transactions with Key Management Personnel

There were no transactions with KMP that were material to the financial statements of the Commission.

Independent Competition and Regulatory Commission
Appendix A - Basis of Preparation of the Financial Statements
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2018

LEGISLATIVE REQUIREMENT

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Government Agencies.

The FMA and the *Financial Management Guidelines* issued under the FMA require the Commission's financial statements to 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. the significant accounting policies adopted for the year; and
- vii. other statements as necessary to fairly reflect the financial operations of the agency during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared to comply with Australian Accounting Standards as required by the FMA. The financial statements have been prepared in accordance with:

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

ACCRUAL ACCOUNTING

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.

CURRENCY

These financial statements are presented in Australian dollars.

INDIVIDUAL REPORTING ENTITY

The Commission is an individual reporting entity.

REPORTING PERIOD

These financial statements state the financial performance, changes in equity and cash flows for the year ended 30 June 2018 together with the financial position of the Commission at 30 June 2018.

BUDGET FIGURES

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2017-18 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

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.

Independent Competition and Regulatory Commission
Appendix A - Basis of Preparation of the Financial Statements
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2018

GOING CONCERN

The 2017-18 financial statements have been prepared on a going concern basis as the Commission has been funded in the 2018-19 Budget and Budget Papers include forward estimates for the Commission.

Independent Competition and Regulatory Commission

Appendix B – Significant Accounting Policies

Forming Part of Note 2 of the Financial Statements

For the Year Ended 30 June 2018

SIGNIFICANT ACCOUNTING POLICIES – INCOME

Controlled Recurrent Payments

Controlled Recurrent Payments are recognised as revenue when the Commission gains control over the funding. Control over appropriated funds is obtained upon the receipt of cash.

Fees

Utilities Licence Fees

Utility licence fees are collected from utilities providing water and wastewater services, electricity and gas transmission services to recover the reasonable costs incurred by the Commission, the Technical Regulator 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, which are adjusted based on revised end of year estimates and any over or under collection of fees identified in the current 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 only records fee income relating to its own activities in its operating statement. Fees received by the Commission and ultimately transferred to the Technical Regulator and ACAT are not recorded as income (or expenses) by the Commission, as the Commission does not control the future economic benefits embodied in the fees. Information on utility licence fees collected and paid to the Technical Regulator and ACAT is included in Note 17 Third Party Monies.

User Charges

Rendering of Services

Revenue from rendering of services is recognised when at the stage of completion the transaction reporting date and costs of rendering services can be measured reliably.

Resources Received Free Of Charge

Resources received free of charge are recorded as a revenue and as an expense in the Operating Statement at fair value. The revenue is separately disclosed under resources received free of charge, with the expense being recorded in the line item to which it relates. Goods and services received free of charge from ACT Government agencies are recorded as resources received free of charge, whereas goods and services received free of charge from entities external to the ACT Government are recorded as donations.

Service that are received free of charge are only recorded in the Operating Statement if they can be reliably measured and would have been purchased if not provided to the Commission free of charge.

Significant Accounting Judgements and Estimates - User Charges and Fees.

The Commission has made significant estimates regarding the amount of revenue to be recognised as User Charges and Utility Licence Fees using an activity based costing model. The Commission's model is used to determine 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.

Independent Competition and Regulatory Commission

Appendix B – Significant Accounting Policies

Forming Part of Note 2 of the Financial Statements

For the Year Ended 30 June 2018

SIGNIFICANT ACCOUNTING POLICIES – EXPENSES

Employee Expenses

Employee benefits include:

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

(See Appendix B – Employee Benefits for accrued wages and salaries, and annual and long service leave).

Superannuation Expenses

Employees of the Commission will have different superannuation arrangements due to the type of superannuation scheme available at the time of commencing employment, including both defined benefit and defined contribution superannuation scheme arrangements.

For employees who are members of the defined benefit Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS), the Commission makes employer superannuation contribution payments to the Territory Banking Account at a rate determined by the Chief Minister, Treasury and Economic Development Directorate. The Commission also makes productivity superannuation contribution payments on behalf of these employees to the Commonwealth Superannuation Corporation, which is responsible for administration of the schemes.

For employees who are members of defined contribution superannuation schemes (the Public Sector Superannuation Scheme Accumulation Plan (PSSAP) and schemes of employee choice), the Commission makes employer superannuation contribution payments directly to the employees' relevant superannuation fund.

All defined benefit employer superannuation contributions are recognised as expenses on the same basis as the employer superannuation contributions made to defined contribution schemes. The accruing superannuation liability obligations are expensed as they are incurred and extinguished as they are paid.

Superannuation Liability Recognition

For Commission employees who are members of the defined benefit CSS or PSS, the employer superannuation liabilities for superannuation benefits payable upon retirement are recognised in the financial statements of the Superannuation Provision Account.

Supplies and Services

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

Appendix B – Significant Accounting Policies

Forming Part of Note 2 of the Financial Statements

For the Year Ended 30 June 2018

Depreciation

Depreciation is applied to physical assets such as plant and equipment.

All depreciation is calculated after first deducting any residual value which remains for each asset.

Depreciation for Plant and Equipment is determined using straight line method, with 8 years of useful life.

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

SIGNIFICANT ACCOUNTING POLICIES – ASSETS

ASSETS – CURRENT AND NON-CURRENT

Assets are classified as current or non-current in the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date.

Assets which do not fall within the current classification are classified as non-current.

Cash and Cash Equivalents

Cash includes cash at bank and cash on hand.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Receivables

Accounts Receivables

Accounts receivable (including trade receivables and other trade 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.

The total receivables comprise of fees and user charges receivables. An assessment has been undertaken at the end of the financial year to determine collectability by debt recovery measures and/or payment by instalments, or where appropriate, recognition of impairment loss in the financial statements.

Plant and Equipment

Acquisition and Recognition of Plant and Equipment

Plant and equipment is initially recorded at cost.

Where property, plant and equipment is acquired at no cost, or minimal cost, cost is its fair value as at the date of acquisition. Property, plant and equipment with a minimum value of \$5,000 (ex GST) is capitalised.

Measurement of Property, Plant and Equipment After Initial Recognition

The Commission measures plant and equipment at cost. For disclosures concerning assets useful life see “Depreciation”.

Impairment of Assets

The Commission assesses, at each reporting date, whether there is any indication that an asset may be impaired. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Independent Competition and Regulatory Commission

Appendix B – Significant Accounting Policies

Forming Part of Note 2 of the Financial Statements

For the Year Ended 30 June 2018

SIGNIFICANT ACCOUNTING POLICIES – LIABILITIES

LIABILITIES – CURRENT AND NON-CURRENT

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.

Liabilities which do not fall within the current classification are classified as non-current.

Payables

Payables 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. All amounts are normally settled within 30 days after the invoice date.

Payables include Trade Payables and Accrued Expenses.

Employee Benefits

Employee Benefits are listed in Appendix B - Employee Expenses.

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 leave 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 that they will be wholly settled within three years. In 2017-18 the rate used to estimate the present value of future annual leave payments is 99.7% (99.8% in 2016-17).

In 2017-18, the rate used to estimate the present value of future payment for long service leave 100.9% (103.4% in 2016-17).

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 seven 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, a 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.

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
Appendix B – Significant Accounting Policies
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2018

Employee Benefits - Continued

Significant Judgements and Estimates – 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.

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.

SIGNIFICANT ACCOUNTING POLICIES – OTHER NOTES

Budgetary Reporting

Significant Accounting Judgements and Estimates – Note 18: BUDGET REPORTING

Significant judgements have been applied in determining what variances are considered ‘major variances’. Variances are considered major if both of the following criteria are met:

- The line item is a significant line item: where either the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or more than 10% of the 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% of the budget for the financial statement line item.

Independent Competition and Regulatory Commission
Appendix C – Impact of Accounting Standards Issued But Yet to be Applied
Forming Part of Note 2 of the Financial Statements
For the Year Ended 30 June 2018

ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The Independent Competition and Regulatory Commission does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their application date.

- **AASB 15 Revenue from Contracts with Customers** (application date 1 January 2018 for for-profit entities, 1 Jan 2019 for not-for-profit entities);

AASB 15 is the new standard for revenue recognition. It establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 111 Construction Contracts and AASB 118 Revenue. The Commission is currently assessing the impact of this standard and has identified there could be a potential impact on the timing of the recognition of revenue for user charges. Some revenue may need to be deferred to a future reporting period if the Commission has received cash and has not met its associated performance obligations (this would create a liability until the performance obligations are met). At this stage the Commission is not able to estimate the impact of this new standard on its financial statements and will make a more detailed assessment of the impact over the next 12 months.

It has been assessed that other 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.

Appendix 2 Section 9 reporting requirements

Section 9 of the ICRC Act sets out specific reporting requirements the Commission must address in its annual report.

- (a) investigations;
- (b) final reports and special reports;
- (c) price directions;
- (d) advice about proposed access agreements;
- (e) the number of access agreements notified;
- (f) arbitration disputes;
- (g) determinations of arbitration disputes;
- (h) number of notices issued under section 41;
- (i) general use by the Commission of information and documents obtained as a result of notices issued under section 41; and
- (j) any other functions exercised by the commission.

Investigations

The Commission undertakes investigations under Part 3 of the ICRC Act.

Water and sewerage services

On 14 December 2016, the Commission received terms of reference from the Treasurer to undertake an investigation and make a price direction for water and sewerage services provided by Icon Water for the period 1 July 2018 to 30 June 2023.

The terms of reference are available at <http://www.legislation.act.gov.au/di/2016-297/default.asp>.

The investigation and determination of the final price direction was completed in May 2018. See Report 1 2018, Final report—Regulated water and sewerage services prices 2018–23 (May 2018) and Report 2 2018, Price direction—Regulated water and sewerage services prices 2018–23 (May 2018).

Container Deposit Scheme

On 4 April 2018 the Commission received an industry reference from the Minister for Transport and City Services to monitor and report on the impact on ACT beverage prices and competition in the ACT beverage industry of the introduction of the ACT Container Deposit Scheme (CDS) from 30 June 2018.

The Terms of Reference can be found at <http://www.legislation.act.gov.au/di/2018-69/default.asp>.

As required by the terms of reference, the Commission will monitor the impact of the CDS from 1 June 2018 to 30 June 2019. The Commission released an issues paper in July 2018. It will release draft and final reports under the ICRC Act and in accordance with the terms of reference.

Further information is available at <http://www.icrc.act.gov.au/competition-issues/container-deposit-scheme/>

Final reports and special reports

The Commission issued one final report during 2017–18:¹⁷

Report 1 2018, Final report—Regulated water and sewerage services prices 2018–23 (May 2018).

Price directions

The Commission determined one price direction during 2017–18:

Report 2 2018, Price direction—Regulated water and sewerage services prices 2018–23 (May 2018).

Access agreements

The Commission’s responsibilities for access agreements, in relation to infrastructure facilities, are set out in Part 5 of the ICRC Act. During 2017–18, the Commission did not provide advice on any proposed access agreements and no access agreements were notified.

Arbitration of disputes

Part 6 of the ICRC Act provides for the referral of disputes to the Commission in relation to an access regime for arbitration. During 2017–18, no disputes were referred to the Commission.

Notices issued under section 41

Section 41 of the ICRC Act provides that the Commission can, by written notice, require a person to give it information or a document that may assist it in exercising its functions. During 2017–18, the Commission did not issue any notices under section 41.

Other functions exercised by the Commission

Section 8(1)(g) of the ICRC Act sets out other functions of the Commission. The Commission exercised the following functions under Utilities Act in 2017–18:¹⁸

- determination of energy industry levy (NI2016-548, NI2016-549 and NI2016-550);

¹⁷ Note: ‘Final report’ under section 9 refers to formal final reports issued under section 21 of the ICRC Act.

¹⁸ Note: Notifiable (NI) and disallowable (DI) instruments are available at the ACT Legislation Register website at <http://www.legislation.act.gov.au/>.

Appendix 2: Section 9 reporting requirements

- determination of licence fees (NI2016-551);
- approval of standard customer contract (NI2017-301); and
- utility licence annual reporting under section 25(2)(d) of the Utilities Act.

Appendix 3 Annual Reports (Government Agencies) Notice 2017 (NI2017-280) compliance statement

The Commission must comply with the 2018 Annual Report Directions. The Directions are found at the ACT Legislation Register: www.legislation.act.gov.au.

This Compliance Statement indicates the subsections, under the five Parts of the Directions that are applicable to the Commission and the location of information that satisfies these requirements.

Part 1 Directions overview

The requirements under Part 1 of the Directions relate to the purpose, timing and distribution, and records keeping of annual reports. The Commission complies with all subsections of Part 1 under the Directions.

In compliance with Section 13 Feedback, Part 1 of the Directions, contact details for the Commission are provided within the 2017–18 Annual Report to provide readers with the opportunity to provide feedback.

Part 2 Directorate and public sector body annual report requirements

The requirements within Part 2 of the Directions are mandatory for all directorates and public sector bodies and the Commission complies with all subsections. The information that satisfies the requirements of Part 2 is found in the 2017–18 Annual Report as follows:

- A. Transmittal Certificate, see page 1
- B. Organisational Overview and Performance, inclusive of all subsections, see page 2
- C. Financial Management Reporting, inclusive of all subsections, see page 14

Part 3 Reporting by exception

The Commission has no information to report by exception under Part 3 of the Directions for the 2017–18 reporting period.

Part 4 Directorate and public sector body specific annual report requirements

The following subsections of Part 4 of the 2018 Directions are applicable to the Commission and can be found within the 2017–18 Annual Report:

Appendix 2: Section 9 reporting requirements.

Part 5 Whole of government annual reporting

All subsections of Part 5 of the Directions apply to the Commission. Consistent with the Directions, the information satisfying these requirements (that was requested from the

relevant coordinating directorates) is reported in the one place for all ACT Public Service directorates, as follows:

N. Community Engagement and Support, see the annual report of Chief Minister, Treasury and Economic Development Directorate;

O. Justice and Community Safety, including subsections O.1 – O.2, see the annual report of the Justice and Community Safety Directorate; and

Q. Territory Records, see the annual report of Chief Minister, Treasury and Economic, Development Directorate.

ACT Public Service Directorate annual reports are found at the following web address:

http://www.cmd.act.gov.au/open_government/report/annual_reports

As required by Australian Auditing Standards, the ACT Audit Office checks financial statements included in annual reports (and information accompanying financial statements) for consistency with previously audited financial statements. This includes checking the consistency of statements of performance with those statements previously reviewed (where a statement of performance is required by legislation).

Appendix 4 Commission's publications 2017–18¹⁹

- Report 8 of 2017: Draft decision – Water and Sewerage Capital Contribution Code (September 2017)
- Report 9 of 2017: Annual Report 2016–17 (October 2017)
- Report 10 of 2017: Final determination – Water and Sewerage Capital Contribution Code (December 2017)
- Report 11 of 2017: Draft report – Regulated water and sewerage services prices 2018–23 (December 2017)
- Report 12 of 2017: Proposed price direction – Regulated water and sewerage services prices 2018–23 (December 2017)
- Report 1 of 2018: Final report – Regulated water and sewerage services prices 2018–23 (May 2018)
- Report 2 of 2018: Price direction - Regulated water and sewerage services prices 2018–23 (May 2018)
- Report 3 of 2018: Retail electricity price recalibration 2018–19 (June 2018)

¹⁹ <http://www.icrc.act.gov.au/report-paper/>

Glossary and abbreviations

ABN	Australian Business Number
ACAT	ACT Civil Administrative Tribunal
ACT	Australian Capital Territory
ASO4	Administrative Services Office Level 4
ASO5	Administrative Services Office Level 5
ASO6	Administrative Services Office Level 6
ACTPS	ACT Public Service
CDS	Container Deposit Scheme
CEO	Chief Executive Officer
CNG	Compressed natural gas
CPC	Consumer Protection Code
CRP	Controlled Recurrent Payments
DI	Disallowable instrument
DDO	Designated Disclosure Officer
FOI	Freedom of information
FOI Act	<i>Freedom of Information Act 1989</i>
FTE	Full-time equivalent
FY	Financial year
GPO	General payment for outputs
Human Rights Act	<i>Human Rights Act 2004</i>
ICRC	Independent Competition and Regulatory Commission
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997</i>
LPG	Liquid Petroleum Gas
MLA	Member of the Legislative Assembly
NERL	National Energy Retail Law

NSW	New South Wales
NI	Notifiable instrument
PO	Post Office
SOGA	Senior Officer Grade A
SOGB	Senior Officer Grade B
SOGC	Senior Officer Grade C
Utilities Act	<i>Utilities Act 2000</i>

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