



Financial Statements

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Financial Statements

Certification of Financial Statements

For the year ended 30 June 2017

The accompanying financial statements of the Parliamentary Commissioner for Administrative Investigations have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2017 and the financial position as at 30 June 2017.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Mary White
Chief Finance Officer

1 August 2017



Chris Field
Accountable Authority

1 August 2017

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
COST OF SERVICES			
Expenses			
Employee benefits expense	<u>6.</u>	8,431,813	7,796,100
Supplies and services	<u>8.</u>	1,029,470	1,165,365
Depreciation and amortisation expense	<u>9.</u>	177,906	252,109
Accommodation expenses	<u>10.</u>	1,427,269	1,417,842
Other expenses	<u>11.</u>	39,877	31,693
Total cost of services		11,106,335	10,663,109
Income			
<i>Revenue</i>			
Other revenue	<u>13.</u>	2,055,313	2,048,126
Total Revenue		2,055,313	2,048,126
<i>Net Gain/(Loss)</i>			
Net gain or loss on disposal of non-current assets	<u>14.</u>	-	(18)
Total Gain/(Loss)		-	(18)
Total income other than income from State Government		2,055,313	2,048,108
NET COST OF SERVICES		9,051,022	8,615,001
Income from State Government			
	<u>15.</u>		
Service appropriation		8,166,000	8,641,000
Services received free of charge		484,292	508,249
Total income from State Government		8,650,292	9,149,249
(DEFICIT)/SURPLUS FOR THE PERIOD		(400,729)	534,248
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(400,729)	534,248

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

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	<u>25.</u>	1,849,259	2,342,055
Restricted cash and cash equivalents	<u>16. 25.</u>	2,873	-
Other current assets	<u>34.</u>	95,169	95,272
Receivables	<u>17.</u>	44,404	79,284
Amounts receivable for services	<u>18.</u>	208,000	208,000
Total Current Assets		2,199,706	2,724,611
Non-Current Assets			
Restricted cash and cash equivalents	<u>16. 25.</u>	32,202	-
Amounts receivable for services	<u>18.</u>	1,971,000	1,958,000
Plant and equipment	<u>19.</u>	96,572	94,036
Intangible assets	<u>20.</u>	267,279	47,261
Total Non-Current Assets		2,367,053	2,099,297
TOTAL ASSETS		4,566,759	4,823,908
LIABILITIES			
Current Liabilities			
Payables	<u>22.</u>	83,715	67,439
Provisions	<u>23.</u>	1,479,979	1,558,557
Other current liabilities	<u>35.</u>	48,184	-
Total Current Liabilities		1,611,877	1,625,996
Non-Current Liabilities			
Provisions	<u>23.</u>	464,679	360,778
Other non-current liabilities	<u>35.</u>	53,798	-
Total Non-Current Liabilities		518,477	360,778
TOTAL LIABILITIES		2,130,355	1,986,774
NET ASSETS		2,436,404	2,837,134
EQUITY			
	<u>24.</u>		
Contributed equity		1,206,000	1,206,000
Accumulated surplus		1,230,404	1,631,134
TOTAL EQUITY		2,436,404	2,837,134

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

Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Contributed equity \$	Reserves \$	Accumulated surplus/(deficit) \$	Total equity \$
Balance at 1 July 2015	<u>24.</u>	1,206,000	-	1,096,886	2,302,886
Surplus		-	-	534,248	534,248
Total comprehensive income for the year		-	-	534,248	534,248
Balance at 30 June 2016		1,206,000	-	1,631,134	2,837,134
Balance at 1 July 2016		1,206,000	-	1,631,134	2,837,134
Surplus/(Deficit)		-	-	(400,729)	(400,729)
Total comprehensive income for the year		-	-	(400,729)	(400,729)
Balance at 30 June 2017		1,206,000	-	1,230,404	2,436,404

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

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		7,945,000	8,392,000
Capital appropriations		-	-
Holding account drawdown		208,000	208,000
Net cash provided by State Government		8,153,000	8,600,000
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(8,385,880)	(7,959,285)
Supplies and services		(866,505)	(1,062,815)
Accommodation		(1,112,101)	(1,072,318)
GST payments on purchases		(230,234)	(228,677)
GST payments to taxation authority		-	(16,779)
Other payments		(25,100)	(24,600)
Receipts			
User charges and fees		2,061,435	2,034,831
GST receipts on sales		197,407	198,284
GST receipts from taxation authority		48,736	38,856
Net cash used in operating activities	<u>25.</u>	(8,312,241)	(8,092,503)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(298,480)	(112,807)
Payment for disposal of non-current assets		-	(18)
Net cash used in investing activities		(298,480)	(112,825)
Net (decrease)/increase in cash and cash equivalents		(457,721)	394,672
Cash and cash equivalents at the beginning of the period		2,342,055	1,947,383
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>25.</u>	1,884,334	2,342,055

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

Statement of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2017

	2017 Estimate \$	2017 Actual \$	Variance \$	2017 Actual \$	2016 Actual \$	Variance \$
Delivery Services						
Item 4 Net amount appropriated to deliver services	7,507,000	7,507,000	-	7,507,000	7,982,000	(475,000)
Amount Authorised by Other Statutes						
- <i>Parliamentary Commissioner Act 1971</i>	659,000	659,000	-	659,000	659,000	-
Total appropriations provided to deliver services	8,166,000	8,166,000	-	8,166,000	8,641,000	(475,000)
Capital						
Item 118 Capital appropriations	-	-	-	-	-	-
GRAND TOTAL	8,166,000	8,166,000	-	8,166,000	8,641,000	(475,000)
Details of Expenses by Service						
Resolving complaints about decision making of public authorities and improving the standard of public administration	10,595,000	11,106,335	511,335	11,106,335	10,663,109	443,226
Total Cost of Services	10,595,000	11,106,335	511,335	11,106,335	10,663,109	443,226
Less Total Income	(1,989,000)	(2,055,313)	(66,313)	(2,055,313)	(2,048,126)	(7,187)
Net Cost of Services	8,606,000	9,051,022	445,022	9,051,022	8,614,983	436,039
Adjustment ^(a)	(440,000)	(885,022)	(445,022)	(885,022)	26,017	(911,039)
Total appropriations provided to deliver services	8,166,000	8,166,000	-	8,166,000	8,641,000	(475,000)
Capital Expenditure						
Purchase of non-current assets	208,000	298,480	90,480	298,480	112,807	185,673
Adjustments for other funding sources	(208,000)	(298,480)	(90,480)	(298,480)	(216,200)	(82,280)
Capital appropriations	-	-	-	-	(103,393)	103,393

(a) Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 29 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2017 and between the actual results for 2017 and 2016.

Notes to the Financial Statements For the year ended 30 June 2017

Note 1. Australian Accounting Standards

General

The financial statements for the Parliamentary Commissioner for Administrative Investigations (**the Ombudsman**) for the year ended 30 June 2017 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**).

The office of the Ombudsman (**the Office**), has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by *TI 1101 Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of any other Australian Accounting Standards that have been issued or amended (but not operative) by the Office for the annual reporting period ended 30 June 2017.

Note 2. Summary of significant accounting policies

(a) General statement

The Office is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar.

Note 3 'Judgments made by management in applying accounting policies' discloses judgments that have been made in the process of applying the Office's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting entity

The reporting entity comprises the Parliamentary Commissioner for Administrative Investigations, generally known as the Ombudsman.

Mission

The mission of the Ombudsman is to serve Parliament and Western Australians by:

- Resolving complaints about decision making of public authorities; and
- Improving the standard of public administration.

The Office is predominantly funded by Parliamentary appropriation. The Ombudsman also performs the functions of the Energy and Water Ombudsman Western Australia (**EWOWA**) under a services agreement with the Board of Energy and Water Ombudsman (Western Australia) Limited, the governing body of EWOWA. The Office recoups the costs for EWOWA from the Board. The financial statements encompass all funds through which the Office controls resources to carry on its functions.

Services

The Office provides the following service:

Service 1: Resolving complaints about decision making of public authorities and improving the standard of public administration

Investigating and resolving complaints from members of the public about Western Australian public authorities and improving the standard of public administration by identifying and investigating concerns that affect the broader community, making recommendations for improvement and identifying and promoting good decision making and practices.

The Office does not administer assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to, the function of the Office.

(d) Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly-Owned Public Sector Entities* and have been credited directly to Contributed equity.

(e) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Service appropriations

Service appropriations are recognised as revenues at fair value in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Office. In accordance with the most recent determination, as quantified in the 2016-17 Budget Statements, the Office retained **\$2,055,313** in 2017 (**\$2,048,108** in 2016) from the following:

- GST Input Credits;
- Proceeds from fees and charges; and
- Other Office receipts.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Office obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.



Gains

Realised or unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

(f) Plant and equipment

Capitalisation/expensing of assets

Items of plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

Plant and equipment are initially recognised at cost.

For items of plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

Subsequent measurement

Subsequent to initial recognition of an asset, the historical cost is used for plant and equipment. All items of plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Furniture and fittings	10 years
Plant and machinery	10 years
Computer hardware	3 years
Office equipment	5 years

(g) Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Office have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

Software (a) 3 years

(a) Software that is not integral to the operation of any related hardware.

Computer software

Software that is an integral part of the related hardware is recognised as plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

(h) Impairment of assets

Plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit and loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Office is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence.

Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

(i) Leases

The Office holds operating leases for its office buildings and motor vehicles. Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased property.

(j) Financial instruments

In addition to cash, the Office has two categories of financial instrument:

- Receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
 - Cash and cash equivalents
 - Restricted cash and cash equivalents
 - Receivables
 - Amounts receivable for services
- Financial Liabilities
 - Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(k) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(l) Accrued salaries

Accrued salaries (see note 22 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Office considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (see note 16 'Restricted cash & cash equivalents'), consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

(m) Amounts receivable for services (holding account)

The Office receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

(n) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Office will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(o) Payables

Payables are recognised at the amounts payable when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

(p) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions - employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields

at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Office does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Office has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Superannuation

The Government Employees Superannuation Board (**GESB**) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (**GSS**), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (**WSS**). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (**GESBS**). From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Office makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Office's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Office to GESB extinguishes the agency's obligations to the related superannuation liability.

The Office has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Office to GESB.

GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

Provisions - other

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Office's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

(q) Superannuation expense

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation funds. The employer contribution paid to GESB in respect of the GSS is paid back into the Consolidated Account by GESB.

(r) Asset and services received free of charge or for nominal cost

Assets or services received free of charge or for nominal cost, that the Office would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(s) Comparative Figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

Note 3. Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the

amounts recognised in the financial statements. The Office evaluates these judgements regularly.

Operating lease commitments

The Office has entered into a lease for a building used for office accommodation. It has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, this lease has been classified as an operating lease.

Note 4. Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long Service Leave

Several estimations and assumptions used in calculating the Office's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Note 5. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 July 2016 that impacted on the Office.

AASB 1057	<i>Application of Australian Accounting Standards</i> <i>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.</i>
AASB 2014-4	<i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]</i> <i>The adoption of this Standard has no financial impact for the Office as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.</i>
AASB 2014-9	<i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</i> <i>This Standard amends AASB 127, and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.</i>

As the Office has no joint ventures and associates, the application of the Standard has no financial impact.

AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]*

These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRS 2012-2014 Cycle in September 2014, and editorial corrections. The Office has determined that the application of the Standard has no financial impact.

AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]*

This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.

AASB 2015-6 *Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]*

The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.

AASB 2015-10 *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 & 128*

This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & AASB 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. There is no financial impact.

Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. By virtue of a limited exemption, the Office has early adopted AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Where applicable, the Office plans to apply following Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 9	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>This Standard establishes the principles that the Office shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The Office's income is principally derived from appropriations which will be measured under AASB 1058 <i>Income of Not-for-Profit Entities</i> and will be unaffected by this change. However, the Office has not yet determined the potential impact of the Standard on 'User charges and fees' and 'Sales' revenues. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the Office has discharged its performance obligations.</p>	1 Jan 2019

AASB 16

Leases

1 Jan 2019

This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Whilst the impact of AASB 16 has not yet been quantified, the Office currently has operating lease commitments for \$1,020,114. The Office anticipates this amount will be brought onto the statement of financial position, excepting amounts pertinent to short-term or low-value leases. Interest and amortisation expense will increase and rental expense will decrease.

AASB 1058

Income of Not-for-Profit Entities

1 Jan 2019

This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The Department has not yet determined the application or the potential impact of the Standard.

AASB 2010-7

Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]

1 Jan 2018

This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.

The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Office has not yet determined the application or the potential impact of the Standard.

AASB 2014-1	<p><i>Amendments to Australian Accounting Standards</i></p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Office to determine the application or potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-5	<p><i>Amendments to Australian Accounting Standards arising from AASB 15</i></p> <p>This Standard gives effect to consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Office has not yet determined the application or the potential impact of the Standard .</p>	1 Jan 2018
AASB 2014-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 2014-10	<p><i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]</i></p> <p>This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The mandatory effective date (application date) for the Standard has been deferred to 1 Jan 2018 by AASB 2015-10. The Office has determined that the Standard has no financial impact.</p>	1 Jan 2018

AASB 2015-8	<i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	1 Jan 2019
	<p>This Standard amends the mandatory effective date (application date) of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. For Not-For-Profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 2016-7. The Office has not yet determined the application or the potential impact of AASB 15.</p>	
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 Jan 2017
	<p>This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.</p>	
AASB 2016-3	<i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	1 Jan 2018
	<p>This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The Office has not yet determined the application or the potential impact.</p>	
AASB 2016-4	<i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	1 Jan 2017
	<p>This Standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 <i>Fair Value Measurement</i>. The Office has not yet determined the application or the potential impact.</p>	

<i>AASB 2016-7</i>	<i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	1 Jan 2017
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This Standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in *AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15* for not-for-profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018. There is no financial impact.

<i>AASB 2016-8</i>	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	1 Jan 2019
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This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.

<i>AASB 2017-2</i>	<i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i>	1 Jan 2017
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This Standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.

Note 6. Employee benefits expense

	2017 \$	2016 \$
Wages and salaries ^(a)	7,671,948	7,047,867
Superannuation - defined contribution plans ^(b)	756,003	725,443
Other related expenses	3,862	22,789
	8,431,813	7,796,100

(a) Includes the value of the fringe benefit to the employee plus the fringe benefit tax component and leave entitlements including superannuation contribution component.

(b) Defined contribution plans include West State, Gold State, GESB Super Scheme and other eligible funds.

Employment on-costs expenses, such as workers' compensation insurance are included at Note 11 'Other expenses'.

Employment on-costs liability is included in Note 23 'Provisions'.

Note 7. Compensation of Key Management Personnel

The Office has determined that key management personnel are the Ombudsman and senior officers of the Office. Total compensation for the Ombudsman and senior officers of the Office for the reporting period are presented within the following bands:

\$	2017	2016
1 - 10,000	1 ^(a)	-
60,001 - 70,000	-	1
80,001 - 90,000	-	1
100,001 - 110,000	1 ^(b)	-
140,001 - 150,000	-	1
180,001 - 190,000	1	1
190,001 - 200,000	2	-
200,001 - 210,000	1	1
220,001 - 230,000	1	-
260,001 - 270,000	-	1
270,001 - 280,000	1	-
400,001 - 410,000	-	1
420,001 - 430,000	1	-

	2017 \$	2016 \$
Short-term employee benefits	1,609,638	1,280,403
Post-employment benefits	166,245	143,663
Other long-term benefits	48,542	(58,285)
Termination benefits	-	-
Total compensation of key management personnel	1,824,425	1,365,781

(a) The Senior Officer within the 1 - 10,000 band in 2017 commenced in June 2017.

(b) The Senior Officer within the 100,001 - 110,000 band in 2017 is employed part-time and commenced in October 2016.

Note 8. Supplies and services

	2017 \$	2016 \$
Communications	69,708	82,902
Consumables	106,084	145,675
Other ^(a)	266,602	271,143
Services and contracts	378,400	456,946
Services received free of charge	169,236	161,622
Travel	39,440	47,076
	1,029,470	1,165,365

(a) Includes expenses relating to motor vehicles, parking, utilities and insurance.

Note 9. Depreciation and amortisation expense

	2017 \$	2016 \$
<u>Depreciation</u>		
Furniture fixtures and fittings	681	682
Computer hardware	43,829	36,772
Communications	-	6,488
Office equipment	11,245	11,301
Total depreciation	55,755	55,243
<u>Amortisation</u>		
Intangible assets	122,151	196,866
Total amortisation	122,151	196,866
Total depreciation and amortisation	177,906	252,109

Note 10. Accommodation expenses

	2017 \$	2016 \$
Lease rentals	1,111,761	1,064,186
Repairs and maintenance	451	7,029
Services received free of charge ^(a)	315,057	346,627
	1,427,269	1,417,842

(a) Relates to the notional value of the depreciation of the fit-out of office accommodation provided through Building Management and Works.

Note 11. Other expenses

	2017 \$	2016 \$
Employment on-costs ^(a)	7,907	23
Audit fee	25,400	25,100
Other	6,570	6,570
	39,877	31,693

(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at Note 23 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

Note 12. Related Party Transactions

The Office is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, the Office is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to the State.

Related parties of the Office include:

- All Ministers, the Ombudsman and senior officers and their close family members, and their controlled or jointly controlled entities;
- Other departments and public sector entities, including related bodies included in the whole of government consolidated financial statements;
- Associates and joint ventures, that are included in the whole of government consolidated financial statements; and
- The Government Employees Superannuation Board (**GESB**).

Significant transactions with government related entities

Significant transactions include:

- Service appropriations (Note 15);
- Services received free of charge from the Department of Finance, State Solicitor's Office, and the Department of the Premier and Cabinet (Note 15);
- Accommodation lease rental payments to the Department of Finance (Note 10); and
- Vehicle lease rental payments to the Department of Finance (Note 8 - Services and Contracts).
- Insurance and workers compensation premiums payments of \$53,656 to Insurance Commission of Western Australia

Material transactions with other related parties

Significant transactions include:

- Superannuation payments to GESB (Note 6);

The Office had no material related party transaction with Ministers, the Ombudsman and senior officers or their close family members or their controlled (or jointly controlled) entities for disclosure.

Note 13. Other revenue

	2017 \$	2016 \$
Other revenue - general	104,870	65,024
Other recoup ^(a)	1,950,443	1,983,101
	2,055,313	2,048,126

(a) Includes recoup for the costs of the functions of the Energy and Water Ombudsman Western Australia (see Note 1(c)) and services of the Office in relation to complaints involving the Indian Ocean Territories (see Note 32).

Note 14. Net gain/(loss) on disposal of non-current assets

	2017 \$	2016 \$
<u>Net gain/(loss) from disposal of non-current assets</u>		
Plant and equipment	-	(18)
<u>Carrying amount of non-current assets disposed</u>		
Plant and equipment	-	-
Net gain/(loss)	-	(18)

Note 15. Income from State Government

	2017 \$	2016 \$
Appropriation received during the period:		
Service appropriations ^(a)		
- Recurrent	7,507,000	7,982,000
- Special Acts	659,000	659,000
	8,166,000	8,641,000

Services received free of charge from other State Government Agencies during the period:^(b)

State Solicitor's Office	13,271	29,367
Department of the Premier and Cabinet	155,965	132,255
Department of Finance	315,057	346,627
	484,292	508,249
	8,650,292	9,149,249

- (a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.
- (b) Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services in the nature of contributions by owners are recognised direct to equity.

Note 16. Restricted cash and cash equivalents

	2017 \$	2016 \$
<u>Current</u>		
Indian Ocean Territories ^(a)	2,873	-
	2,873	-
<u>Non-Current</u>		
Accrued salaries suspense account ^(b)	32,202	-
	32,202	-

- (a) Funds held in restricted cash for the purpose of providing services to the Indian Ocean Territories. See Note 32 'Indian Ocean Territories'.
- (b) Funds held in the suspense account for the purpose of meeting the 27th pay in a financial year that occurs every 11th year.

Note 17. Receivables

	2017 \$	2016 \$
<u>Current</u>		
Receivables	30,959	45,011
GST receivable	5,390	20,070
Purchased leave receivable	8,055	14,203
Total current	44,404	79,284

There were no allowances made in the current year for the impairment of receivables (2015-16: nil).

The Office does not hold any collateral or other credit enhancements as security for receivables.

Note 18. Amounts receivable for services (Holding Accounts)

	2017 \$	2016 \$
Current	208,000	208,000
Non-Current	1,971,000	1,958,000
	2,179,000	2,166,000

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability. See Note 2(m) 'Amounts receivable for services (Holding Account)'.

Note 19. Plant and equipment

	2017 \$	2016 \$
<u>Furniture fixtures and fittings</u>		
At cost	6,814	6,814
Accumulated depreciation	(3,577)	(2,895)
Accumulated impairment losses	-	-
	3,237	3,919
<u>Computer hardware</u>		
At cost	303,063	244,771
Accumulated depreciation	(227,534)	(183,705)
Accumulated impairment losses	-	-
	75,529	61,066
<u>Office equipment</u>		
At cost	56,844	56,844
Accumulated depreciation	(39,038)	(27,793)
Accumulated impairment losses	-	-
	17,806	29,051

	2017 \$	2016 \$
Communications		
At cost	213,050	213,050
Accumulated depreciation	(213,050)	(213,050)
Accumulated impairment losses	-	-
	-	-
	96,572	94,036

Reconciliation

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the reporting period are set out in the table below:

	Furniture and Fittings	Computer Hardware	Office Equipment	Communications	Total
2017	\$	\$	\$	\$	\$
Carrying amount at start of period	3,919	61,066	29,051	-	94,035
Additions	-	58,292	-	-	58,292
Depreciation	(681)	(43,829)	(11,245)	-	(55,755)
Carrying amount at end of period	3,237	75,529	17,806	-	96,572
2016	\$	\$	\$	\$	\$
Carrying amount at start of period	4,601	66,438	38,994	6,488	116,521
Additions	-	31,400	1,357	-	32,757
Depreciation	(682)	(36,772)	(11,301)	(6,488)	(55,243)
Carrying amount at end of period	3,919	61,066	29,051	-	94,035

Note 20. Intangible assets

	2017 \$	2016 \$
Computer Software		
At cost	1,537,710	1,195,541
Accumulated amortisation	(1,270,431)	(1,148,280)
Accumulated impairment losses	-	-
Total intangible assets	267,279	47,261

Reconciliation

	2017 \$	2016 \$
Computer Software		
Carrying amount at start of period	47,261	165,003
Additions	342,169	79,124
Amortisation expense	(122,151)	(196,866)
Carrying amount at end of period	267,279	47,261

Note 21. Impairment of assets

There were no indications of impairment to plant and equipment or intangible assets as at 30 June 2017.

The Office held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

All surplus assets at 30 June 2017 have either been classified as assets held for sale or written-off.

Note 22. Payables

	2017 \$	2016 \$
Current		
Trade payables	-	-
Accrued expenses	50,913	66,090
Accrued salaries ^(a)	29,836	-
Accrued superannuation ^(a)	2,956	-
Other payables	10	1,349
Total current	83,715	67,439

(a) In 2015-16 there was no accrued salaries or superannuation due to the final pay occurring on 30 June 2016.

Note 23. Provisions

	2017 \$	2016 \$
Current		
<i>Employee benefits provision</i>		
Annual leave ^(a)	524,936	518,913
Long service leave ^(b)	931,374	1,034,229
Purchased leave scheme ^(c)	16,992	4,705
	1,473,302	1,557,847
<i>Other provisions</i>		
Employment on-costs ^(d)	6,677	710
	6,677	710
	1,479,979	1,558,557

	2017 \$	2016 \$
Non-current		
<i>Employee benefits provision</i>		
Long service leave ^(b)	462,574	360,613
	462,574	360,613
<i>Other provisions</i>		
Employment on-costs ^(d)	2,105	165
	2,105	165
	464,679	360,778

- (a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2017 \$	2016 \$
Within 12 months of the end of the reporting period	403,829	381,325
More than 12 months after the end of the reporting period	121,107	137,588
	524,936	518,913

- (b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2017 \$	2016 \$
Within 12 months of the end of the reporting period	351,517	323,625
More than 12 months after the end of the reporting period	1,042,431	1,071,217
	1,393,948	1,394,842

- (c) Purchased leave liabilities have been classified as current as they must be cleared or paid out within 12 months.
- (d) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in Note 11 'Other Expenses'.

Movement in other provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below.

	2017 \$	2016 \$
<u>Employment on-cost provision</u>		
Carrying amount at start of period	875	852
Additional provisions recognised	7,907	23
Carrying amount at end of period	8,782	875

Note 24. Equity

The Western Australian Government holds the equity interest in the Office on behalf of the community. Equity represents the residual interest in the net assets of the Office.

Contributed equity

	2017 \$	2016 \$
Balance at start of period	1,206,000	1,206,000
<u>Contributions by owners</u>		
Capital appropriation	-	-
Total contributions by owners	-	-
Balance at end of period	1,206,000	1,206,000

Accumulated surplus/(deficit)

	2017 \$	2016 \$
Balance at start of period	1,631,134	1,096,886
Result for the period	(400,729)	534,248
Balance at end of period	1,230,404	1,631,134
Total Equity at the end of period	2,436,404	2,837,134

Note 25. Notes to the Statement of Cash Flows

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2017 \$	2016 \$
Cash and cash equivalents	1,849,259	2,342,055
Indian Ocean Territories	2,873	-
Restricted cash and cash equivalents (Note 16 'Restricted cash and cash equivalents')	32,202	-
	1,884,334	2,342,055

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

	2017 \$	2016 \$
Net cost of services	(9,051,022)	(8,615,001)
<u>Non-cash items:</u>		
Depreciation and amortisation expense (Note 9. Depreciation and amortisation expense)	177,906	252,109
Services received free of charge (Note 15. Income from State Government)	484,292	508,249
Net (gain)/loss on disposal of non-current assets	-	18
<u>(Increase)/decrease in assets:</u>		
Current receivables ^(a)	20,200	(19,182)
Other current assets	103	7,526
<u>Increase/(decrease) in liabilities:</u>		
Accrued salaries	29,836	(197,982)
Accrued superannuation	2,956	(20,355)
Accrued expenses	(15,177)	7,734
Current payables ^(a)	(1,339)	(62,612)
Current provisions	(78,577)	71,125
Non-current provisions	103,901	(26,814)
Net GST (payments)/receipts ^(b)	14,679	4,972
Change in GST in receivables/payables ^(c)		(2,290)
Net cash (used in) operating activities	(8,312,241)	(8,092,503)

(a) Note that the Australian Taxation Office (**ATO**) receivable/payable in respect of Good and Services Tax (**GST**) and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e. cash transactions.

(c) This reverses out the GST in receivables and payables.

Note 26. Commitments

The commitments below are inclusive of GST where relevant.

Lease commitments

Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows:

Non-cancellable operating lease commitments

	2017 \$	2016 \$
Commitments for minimum leases payments are payable as follows:		
Within 1 year	984,135	974,925
Later than 1 year and not later than 5 years	35,979	972,277
Later than 5 years	-	-
	1,020,114	1,947,202

The Office has entered into a memorandum of understanding with the Department of Finance's Building Management and Works division for leasing floor space at Albert Facey House. The memorandum of understanding is not a legally binding agreement, however, it has been agreed that all parties will comply with the terms and conditions as if they were legally enforceable obligations. The memorandum of understanding covers a three year occupancy period from 2011-12 with an option to renew occupancy for an additional three years. Rent is payable monthly in arrears. In 2014-15 the Office renewed its occupancy for an additional three years to 30 June 2018. Contingent rent provisions within the memorandum of understanding require that the lease payments shall be subject to market indices each financial year.

The motor vehicle lease is a non-cancellable lease with a three year term, with lease payments payable monthly. New vehicle leases are negotiated at the end of this period, the number of vehicle leases being subject to the Office's operational needs.

Capital expenditure commitments

	2017 \$	2016 \$
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year ^(a)	4,143	103,393
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	4,143	103,393

- (a) Due to the timing of the replacement of Office assets, some assets were committed in 2016-17 but not paid until 2017-18. The majority of the capital expenditure commitments relate to intangible assets and the remainder relates to computer hardware.

Other expenditure commitments

	2017 \$	2016 \$
Other expenditure commitments, being expenditure commitments additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	3,300	3,300
Later than 1 year and not later than 5 years	-	3,300
Later than 5 years	-	-
	3,300	6,600

Note 27. Contingent liabilities and contingent assets

The Office is not aware of any contingent liabilities or contingent assets at the end of the reporting period.

Note 28. Events occurring after the end of the reporting period

The Office is not aware of any event after the end of the reporting period that may have an impact on the financial statements.



Note 29. Explanatory statement

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

- 5% and \$211,000 for the Statements of Comprehensive Income and Cash Flows; and
- 5% and \$88,000 for the Statement of Financial Position.

		Variance Note	Estimate 2017	Actual 2017	Actual 2016	Variance between estimate and actual	Variance between actual results for 2017 and 2016
			\$	\$	\$	\$	\$
Statement of Comprehensive Income							
(Controlled Operations)							
Employee benefits expense	1, A		7,309,000	8,431,813	7,796,100	1,122,813	635,713
Supplies and services	2		1,374,000	1,029,470	1,165,365	(344,530)	(135,895)
Depreciation and amortisation expense			215,000	177,906	252,109	(37,094)	(74,203)
Accommodation expenses			1,542,000	1,427,269	1,417,842	(114,731)	9,427
Other expenses			155,000	39,877	31,693	(115,123)	8,184
Total cost of services			10,595,000	11,106,335	10,663,109	511,335	443,226
Income							
<i>Revenue</i>							
Other revenue			1,989,000	2,055,313	2,048,126	66,313	7,187
Total Revenue			1,989,000	2,055,313	2,048,126	66,313	7,187
<i>Net Gain/(Loss)</i>							
Net gain or loss on disposal of non-current assets			-	-	(18)	-	18
Total Gain/(Loss)			-	-	(18)	-	18
Total income other than income from State Government							
			1,989,000	2,055,313	2,048,108	66,313	7,205
NET COST OF SERVICES			8,606,000	9,051,022	8,615,001	445,022	436,021
Income from State Government							
Service appropriation	B		8,166,000	8,166,000	8,641,000	-	(475,000)
Services received free of charge			440,000	484,292	508,249	44,292	(23,957)
Total income from State Government			8,606,000	8,650,292	9,149,249	44,292	(498,957)
(DEFICIT)/SURPLUS FOR THE PERIOD			-	(400,729)	534,248	(400,729)	(934,977)
OTHER COMPREHENSIVE INCOME							
			-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			-	(400,729)	534,248	(400,729)	(934,977)

	Variance				Variance	Variance
	Note	Estimate 2017	Actual 2017	Actual 2016	between estimate and actual	between actual results for 2017 and 2016
		\$	\$	\$	\$	\$
Statement of Financial Position						
(Controlled Operations)						
ASSETS						
Current Assets						
Cash and cash equivalents		1,692,000	1,849,259	2,342,055	157,259	(492,796)
Restricted cash and cash equivalents		-	2,873	-	2,873	2,873
Other current assets		103,000	95,169	95,272	(7,831)	(103)
Receivables		164,000	44,404	79,284	(119,596)	(34,880)
Amounts receivable for services		208,000	208,000	208,000	-	-
Total Current Assets		2,167,000	2,199,706	2,724,611	32,706	(524,905)
Non-Current Assets						
Restricted cash and cash equivalents		20,000	32,202	-	12,202	32,202
Amounts receivable for services		1,971,000	1,971,000	1,958,000	-	13,000
Plant and equipment		102,000	96,572	94,036	(5,428)	2,536
Intangible assets	3,C	165,000	267,279	47,261	102,279	220,018
Total Non-Current Assets		2,258,000	2,367,053	2,099,297	109,053	267,756
TOTAL ASSETS		4,425,000	4,566,759	4,823,908	141,759	(257,149)
LIABILITIES						
Current Liabilities						
Payables		165,000	83,715	67,439	(81,285)	16,276
Provisions		1,526,000	1,479,979	1,558,557	(46,021)	(78,578)
Other current liabilities		44,000	48,184	-	4,184	48,184
Total Current Liabilities		1,735,000	1,611,877	1,625,996	(123,123)	(14,119)
Non-Current Liabilities						
Provisions	D	388,000	464,679	360,778	76,679	103,901
Other non-current liabilities		-	53,798	-	53,798	53,798
Total Non-Current Liabilities		388,000	518,477	360,778	130,477	157,699
TOTAL LIABILITIES		2,123,000	2,130,355	1,986,774	7,355	143,581
NET ASSETS		2,302,000	2,436,404	2,837,134	134,404	(400,730)
EQUITY						
Contributed equity		1,206,000	1,206,000	1,206,000	-	-
Accumulated surplus		1,096,000	1,230,404	1,631,134		
TOTAL EQUITY		2,302,000	2,436,404	2,837,134	134,404	(400,730)

					Variance between estimate and actual	Variance between actual results for 2017 and 2016
	Variance Note	Estimate 2017	Actual 2017	Actual 2016		
		\$	\$	\$	\$	\$
Statement of Cash Flows						
(Controlled Operations)						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation	B	7,945,000	7,945,000	8,392,000	-	(447,000)
Capital appropriations		-	-	-	-	-
Holding account drawdown		208,000	208,000	208,000	-	-
Net cash provided by State Government		8,153,000	8,153,000	8,600,000	-	(447,000)
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits	1,A	(7,283,000)	(8,385,880)	(7,959,285)	(1,102,880)	(426,595)
Supplies and services	2	(1,201,000)	(866,505)	(1,062,815)	334,495	196,310
Accommodation		(1,163,000)	(1,112,101)	(1,072,318)	50,899	(39,783)
GST payments on purchases	4	-	(230,234)	(228,677)	(230,234)	(1,557)
GST payments to taxation authority		-	-	(16,779)	-	16,779
Other payments	4	(538,000)	(25,100)	(24,600)	512,900	(500)
Receipts						
User charges and fees		1,989,000	2,061,435	2,034,831	72,435	26,604
GST receipts on sales		271,000	197,407	198,284	(73,593)	(877)
GST receipts from taxation authority		-	48,736	38,856	48,736	9,880
Net cash used in operating activities		(7,925,000)	(8,312,241)	(8,092,503)	(387,241)	(219,738)
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets		(208,000)	(298,480)	(112,807)	(90,480)	(185,673)
Payment for disposal of non-current assets		-	-	(18)	-	18
Net cash used in investing activities		(208,000)	(298,480)	(112,825)	(90,480)	(185,655)
Net (decrease)/increase in cash and cash equivalents		20,000	(457,721)	394,672	(477,721)	(852,393)
Cash and cash equivalents at the beginning of the period		1,692,000	2,342,055	1,947,383	650,055	394,672
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,712,000	1,884,334	2,342,055	172,334	(457,721)

Major Estimate and Actual (2017) Variance Narratives

- 1) The variance in employee benefits expense and payments is primarily due to the staffing required to monitor the Infringement Notices provisions of *The Criminal Code* being higher than estimated, as a result of a change in the timing of the commencement of the function in 2014-15 and, as a consequence, a change in the completion date in 2016-17. In addition, unfilled vacancies arising from staff movements within the Office's Full Time Equivalent (**FTE**) budget have been filled to provide additional staffing required to undertake the Energy and Water Ombudsman function (offset by a commensurate increase in income) and enable the Office to meet the workload associated with an increase in complaints to the Ombudsman in 2016-17.
- 2) The variance in supplies and services expense and payments is primarily due to some expenses and payments, included in supplies and services for the estimate, being included in employee benefits for the actual due to the filling of vacant positions.
- 3) The variance in intangible assets is primarily due to asset purchases committed in 2015-16 but paid in 2016-17 and fluctuations in the value and timing of the amortisation of assets.
- 4) The variance in GST payments on purchases, GST payments to the taxation authority and other payments is primarily due to some payments, included as other payments for the estimate, being included in GST payments on purchases and GST payments to the taxation authority in the actual.

Major Actual (2017) and Comparative (2016) Variance Narratives

- A) The variance in employee benefits expense and payments is primarily due to unfilled vacancies arising from staff movements within the Office's FTE budget being filled to provide additional staffing required to undertake the Energy and Water Ombudsman function (offset by a commensurate increase in income) and enable the Office to meet the workload associated with an increase in complaints to the Ombudsman in 2016-17.
- B) The variance in service appropriation is primarily due to a lower level of funding in the final year of the function to monitor the Infringement Notices provisions of *The Criminal Code*, in line with the approved funding over the three years of the function.
- C) The variance in intangible assets is primarily due to asset purchases committed in 2015-16 but paid in 2016-17 and fluctuations in the value and timing of the amortisation of assets.
- D) The variance in non-current provisions is primarily due to an increase in Long Service Leave that is not yet available for clearance. The total of the actual current and non-current provisions in 2016 17 is comparable to 2015-16.

Note 30. Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Office are cash and cash equivalents, restricted cash and cash equivalents, receivables and payables. The Office has limited exposure to financial risks. The Office's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Office's receivables defaulting on their contractual obligations resulting in financial loss to the Office.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment, as shown in the table at Note 30(c) 'Financial instruments disclosures' and Note 17 'Receivables'.

Credit risk associated with the Office's financial assets is minimal because the main receivable is the amounts receivable for services (holding accounts). For receivables other than government, the Office trades only with recognised, creditworthy third parties. The Office has policies in place to ensure that services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Office's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Office is unable to meet its financial obligations as they fall due. The Office is exposed to liquidity risk through its trading in the normal course of business. The Office has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Office's income or the value of its holdings of financial instruments. The Office does not trade in foreign currency and is not materially exposed to other price risks.

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2017 \$	2016 \$
Financial Assets		
Cash and cash equivalents	1,849,259	2,342,055
Restricted cash and cash equivalents	35,075	-
Receivables ^(a)	39,014	59,214
Amount receivable for services	2,179,000	2,166,000
Financial Liabilities		
Financial liabilities measured at amortised cost	83,715	67,439
Other liabilities	101,982	-

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

(c) Financial instrument disclosures

Credit risk

The following table details the Office's maximum exposure to credit risk and the ageing analysis of financial assets. The Office's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Office.

The Office does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

The Office does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

Aged analysis of financial assets								
	Carrying amount \$	Not past due and not impaired \$	Up to 1 month \$	1 – 3 months \$	Past due but not impaired			Impaired financial assets \$
					3 months – 1 year \$	1 – 5 Years \$	More than 5 Years \$	
2017								
Cash and cash equivalents	1,849,259	1,849,259	-	-	-	-	-	-
Restricted cash and cash equivalents	35,075	35,075	-	-	-	-	-	-
Receivables ^(a)	39,014	19,381	9,207	-	-	10,426	-	-
Amount receivable for services	2,179,000	2,179,000	-	-	-	-	-	-
	4,102,348	4,082,715	9,207	-	-	10,426	-	-
2016								
Cash and cash equivalents	2,342,055	2,342,055	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables ^(a)	59,214	48,788	-	-	-	10,426	-	-
Amount receivable for services	2,166,000	2,166,000	-	-	-	-	-	-
	4,567,269	4,556,843	-	-	-	10,426	-	-

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

Liquidity risk and interest rate exposure

The following table details the Office's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flow. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities											
2017	Weighted average effective interest rate %	Interest rate exposure				Nominal Amount	Maturity date				
		Carrying Amount	Fixed interest rate	Variable interest rate	Non-interest bearing		Up to 1 month	1 – 3 months	3 months – 1 year	1 – 5 Years	More than 5 Years
	€	€	€	€	€	€	€	€	€	€	
Financial Assets											
Cash and cash equivalents	1,849,259	-	-	1,849,259	1,849,259	1,849,259	-	-	-	-	
Restricted cash and cash equivalents	35,075	-	-	35,075	35,075	2,873	-	-	-	32,202	
Receivables ^(a)	39,014	-	-	39,014	39,014	39,014	-	-	-	-	
Amount receivable for service	2,179,000	-	-	2,179,000	2,179,000	-	-	208,000	832,000	1,139,000	
	4,102,348	-	-	4,102,348	4,102,348	1,891,146	-	208,000	832,000	1,171,202	
Financial Liabilities											
Payables	83,715	-	-	83,715	83,715	83,715	-	-	-	-	
Other liabilities	101,982	-	-	101,982	101,982	-	-	48,184	53,798	-	
	185,697	-	-	185,697	185,697	83,715	-	48,184	53,798	-	

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

Interest rate exposure and maturity analysis of financial assets and financial liabilities											
2016	Weighted average effective interest rate %	Interest rate exposure				Nominal Amount	Maturity date				
		Carrying Amount	Fixed interest rate	Variable interest rate	Non-interest bearing		Up to 1 month	1 – 3 months	3 months – 1 year	1 – 5 Years	More than 5 Years
	€	€	€	€	€	€	€	€	€	€	
Financial Assets											
Cash and cash equivalents	2,342,055	-	-	2,342,055	2,342,055	2,342,055	-	-	-	-	
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	
Receivables ^(a)	59,214	-	-	59,214	59,214	59,214	-	-	-	-	
Amount receivable for service	2,166,000	-	-	2,166,000	2,166,000	-	-	208,000	832,000	1,126,000	
	4,567,269	-	-	4,567,269	4,567,269	2,401,269	-	208,000	832,000	1,126,000	
Financial Liabilities											
Payables	67,439	-	-	67,439	67,439	67,439	-	-	-	-	
Other liabilities	-	-	-	-	-	-	-	-	-	-	
	67,439	-	-	67,439	67,439	67,439	-	-	-	-	

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

Interest rate sensitivity analysis

None of the Office's financial assets and liabilities at the end of the reporting period are sensitive to movements in interest rates. Movements in interest rates would therefore have no impact on the Office's surplus or equity.

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Note 31. Remuneration of auditor

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2017	2016
	\$	\$
Auditing the accounts, controls, financial statements	25,400	25,100
	25,400	25,100

Note 32. Indian Ocean Territories

The Indian Ocean Territories Reimbursement Fund (**the Fund**) was established in March 1996 and became operational in July 1996. The purpose of the Fund is to meet the cost of the services of the Office in relation to complaints involving the Indian Ocean Territories. Any balance of the Fund at the end of the financial year is included in the Office's Operating Account. Any under or over expenditure at the end of the reporting period, for example, due to fluctuations in complaint numbers, is refunded or recouped from the Commonwealth Department of Infrastructure and Regional Development (**DIRD**) in the subsequent reporting period. Where, by agreement with DIRD, any funds are retained for expenditure in the next year, this is treated as restricted cash. The figures presented below for the Fund have been prepared on a cash basis.

	2017 \$	2016 \$
Opening Balance	(14,798)	41,389
Receipts	47,096	24,832
Payments	(29,425)	(81,019)
Closing Balance	2,873	(14,798)

Note 33. Supplementary financial information

(a) Write-offs

There was no write-off during the period.

(b) Losses through theft, defaults and other causes

There were no losses of public money and public and other property during the period.

(c) Gifts of public property

There were no gifts of public property provided by the Office during the period.

Note 34. Other assets

	2017 \$	2016 \$
Current		
Prepayments	95,169	95,272
Total current	95,169	95,272

Note 35. Other liabilities

	2017 \$	2016 \$
<u>Current</u>		
Contracts software	48,184	-
Total current	48,184	-
<u>Non-Current</u>		
Contracts software	53,798	-
	53,798	-