# Financial Statements

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# Financial Statements

## Certification of Financial Statements

### For the year ended 30 June 2014

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 2014 and the financial position as at 30 June 2014.

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

31 July 2014

Chris Field
Accountable Authority

31 July 2014

# Statement of Comprehensive Income

## For the year ended 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| **COST OF SERVICES** | | | |
| **Expenses** | | | |
| Employee benefits expense | 6. | 7,595,856 | 7,285,808 |
| Supplies and services | 7. | 1,224,528 | 1,366,280 |
| Depreciation and amortisation expense | 8. | 275,299 | 193,698 |
| Accommodation expenses | 9. | 1,427,151 | 1,508,533 |
| Net Loss on disposal of non-current asset | 12. | - | 12 |
| Other expenses | 10. | 28,500 | 43,284 |
| **Total cost of services** | | **10,551,334** | **10,397,615** |
| **Income** | | | |
| *Revenue* | | | |
| Other revenue | 11. | 2,506,130 | 2,615,119 |
| **Total Revenue** | | **2,506,130** | **2,615,119** |
| **Total income other than income from State Government** | | 2,506,130 | 2,615,119 |
| **NET COST OF SERVICES** | | **8,045,204** | **7,782,496** |
| **Income from State Government** | 13. | | |
| Service appropriation | | 7,334,000 | 7,262,000 |
| Services received free of charge | | 459,162 | 423,461 |
| **Total income from State Government** | | **7,793,162** | **7,685,461** |
| **SURPLUS/(DEFICIT) FOR THE PERIOD** | | **(252,042)** | **(97,035)** |
| **OTHER COMPREHENSIVE INCOME** | | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **(252,042)** | **(97,035)** |

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

Financial Statements

# Statement of Financial Position

## As at 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 23. | 838,572 | 923,439 |
| Prepayments | 33. | 93,669 | 94,417 |
| Receivables | 15. | 15,760 | 125,536 |
| Amounts receivable for services | 16. | 196,000 | 157,000 |
| **Total Current Assets** | | **1,144,001** | **1,300,392** |
| | | | |
| **Non-Current Assets** | | | |
| Restricted cash and cash equivalents | 14. 23. | 235,352 | 215,784 |
| Amounts receivable for services | 16. | 1,827,000 | 1,891,000 |
| Plant and equipment | 17. | 116,888 | 137,137 |
| Intangible assets | 18. | 307,279 | 420,254 |
| **Total Non-Current Assets** | | **2,486,519** | **2,664,175** |
| **TOTAL ASSETS** | | **3,630,520** | **3,964,567** |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Payables | 20. | 267,894 | 307,589 |
| Provisions | 21. | 1,347,618 | 1,395,467 |
| Other current liabilities | 34. | 45,951 | 20,736 |
| **Total Current Liabilities** | | **1,661,463** | **1,723,792** |
| | | | |
| **Non-Current Liabilities** | | | |
| Provisions | 21. | 437,664 | 385,164 |
| Other non-current liabilities | 34. | - | 72,177 |
| **Total Non-Current Liabilities** | | **437,664** | **457,341** |
| **TOTAL LIABILITIES** | | **2,099,127** | **2,181,133** |
| **NET ASSETS** | | **1,531,393** | **1,783,435** |
| | | | |
| **EQUITY** | 22. | | |
| Contributed equity | | 1,206,000 | 1,206,000 |
| Accumulated surplus/(deficit) | | 325,393 | 577,435 |
| **TOTAL EQUITY** | | **1,531,393** | **1,783,435** |

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 2014

| | Note | Contributed equity | Reserves | Accumulated surplus/(deficit) | Total equity |
|---|---|---|---|---|---|
| **Balance at 1 July 2012** | 22. | **930,000** | - | **674,470** | **1,604,470** |
| Changes in accounting policy or correction of prior period error | | - | **-** | - | - |
| **Restated balance at 1 July 2012** | | **930,000** | **-** | **674,470** | **1,604,470** |
| Surplus/Deficit | | - | - | (97,035) | (97,035) |
| Total comprehensive income for the year | | 930,000 | - | 577,435 | 1,507,435 |
| Transactions with owners in their capacity as owners: | | | | | |
| Capital appropriations | | 276,000 | - | - | 276,000 |
| Total | | 276,000 | - | - | 276,000 |
| **Balance at 30 June 2013** | | **1,206,000** | **-** | **577,435** | **1,783,435** |
| | | | | | |
| **Balance at 1 July 2013** | | **1,206,000** | - | **577,435** | **1,783,435** |
| Changes in accounting policy or correction of prior period error | | | | | |
| **Restated Balance at 1 July 2013** | | **1,206,000** | **-** | **577,435** | **1,783,435** |
| Surplus/Deficit | | | | (252,042) | (252,042) |
| Total comprehensive income for the year | | 1,206,000 | - | 325,393 | 1,531,393 |
| Transactions with owners in their capacity as owners: | | | | | |
| Capital appropriations | | **-** | **-** | **-** | **-** |
| Total | | - | - | - | - |
| **Balance at 30 June 2014** | | **1,206,000** | - | **325,393** | 1,531,393 |

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 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| **CASH FLOWS FROM STATE GOVERNMENT** | | | |
| Service appropriation | | 7,202,000 | 7,061,000 |
| Capital appropriation | | - | 276,000 |
| Holding account drawdowns | | 157,000 | 190,000 |
| **Net cash provided by State Government** | | **7,359,000** | **7,527,000** |
| Utilised as follows: | | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Payments** | | | |
| Employee benefits | | (7,503,237) | (7,064,773) |
| Supplies and services | | (1,178,953) | (1,579,735) |
| Accommodation | | (1,086,451) | (1,267,207) |
| GST payments on purchases | | (256,589) | (311,154) |
| GST payments to taxation authority | | (25,148) | - |
| Other payments | | (23,000) | (43,296) |
| **Receipts** | | | |
| User charges and fees | | 2,494,362 | 2,790,173 |
| GST receipts on sales | | 252,859 | 180,340 |
| GST receipts from taxation authority | | 90,893 | 80,511 |
| **Net cash provided by/(used in) operating activities** | 23. | (7,235,264) | (7,215,141) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **Payments** | | | |
| Purchase of non-current physical assets | | (189,035) | (516,205) |
| **Receipts** | | - | - |
| **Net cash provided by/(used in) investing activities** | | (189,035) | (516,205) |
| Net increase/(decrease) in cash and cash equivalents | | (65,299) | (204,346) |
| Cash and cash equivalents at the beginning of period | | 1,139,223 | 1,343,569 |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD** | 23. | **1,073,924** | **1,139,223** |

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

# Summary of Consolidated Account Appropriations and Income Estimates

## For the year ended 30 June 2014

| | 2014 Estimate $ | 2014 Actual $ | Variance $ | 2014 Actual $ | 2013 Actual $ | Variance $ |
|---|---|---|---|---|---|---|
| Delivery Services | | | | | | |
| Item 4 Net amount appropriated to deliver services | 7,409,000 | 6,686,000 | (723,000) | 6,686,000 | 6,665,000 | 21,000 |
| Amount Authorised by Other Statutes | | | | | | |
| - *Parliamentary Commissioner Act 1971* | 648,000 | 648,000 | - | 648,000 | 597,000 | 51,000 |
| **Total appropriations provided to deliver services** | **8,057,000** | **7,334,000** | **(723,000)** | **7,334,000** | **7,262,000** | **72,000** |
| Capital | | | | | | |
| Item 118 Capital appropriations | - | - | - | - | 276,000 | (276,000) |
| **GRAND TOTAL** | **8,057,000** | **7,334,000** | **(723,000)** | **7,334,000** | **7,538,000** | **(204,000)** |
| Details of Expenses by Service | | | | | | |
| Resolving complaints about decision making of public authorities and improving the standard of public administration | 10,625,000 | 10,551,334 | (73,666) | 10,551,334 | 10,397,615 | 153,719 |
| Total Cost of Services | **10,625,000** | **10,551,334** | **(73,666)** | **10,551,334** | **10,397,615** | **153,719** |
| Less Total Income | (2,462,000) | (2,506,130) | (44,130) | (2,506,130) | (2,615,119) | 108,989 |
| Net Cost of Services | **8,163,000** | **8,045,204** | **(117,796)** | **8,045,204** | **7,782,496** | **262,708** |
| Adjustment [(a)] | (106,000) | (711,204) | (605,204) | (711,204) | (244,496) | (466,708) |
| **Total appropriations provided to deliver services** | **8,057,000** | **7,334,000** | **(723,000)** | **7,334,000** | **7,538,000** | **(204,000)** |
| Capital Expenditure | | | | | | |
| Purchase of non-current physical assets | 157,000 | 189,035 | 32,035 | 189,035 | 516,205 | (327,171) |
| Adjustments for other funding sources | (157,000) | (189,035) | (32,035) | (189,035) | (240,205) | 51,171 |
| **Capital appropriations** | **-** | **-** | **-** | **-** | **276,000** | **(276,000)** |

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

Note 27 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2014 and between the actual results for 2013 and 2014.

Financial Statements

## Note 1. Australian Accounting Standards

### General

The Office's financial statements for the year ended 30 June 2014 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 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 Australian Accounting Standards that have been issued or amended (but not operative) by the Office for the annual reporting period ended 30 June 2014.

## 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* 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 'Judgements made by management in applying accounting policies' discloses judgements 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 Office of the Parliamentary Commissioner for Administrative Investigations, generally known as the Ombudsman Western Australia (**the Office**).

Mission

The mission of the Ombudsman Western Australia 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 Western Australia also performs the functions of the Energy and Water Ombudsman Western Australia (**EWOWA)** under a services agreement with the Board of Energy and Water Industry 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 determination specified in the 2013-2014 Budget Statements, the Office retained **$2,506,130** in 2014 (**$2,615,119** in 2013) 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.

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 cost model 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 20 ‘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 14 ‘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.

<u>Provisions - employee benefits</u>

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 varies 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 Department 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 the GESB.

The 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 the GESB in respect of the GSS is paid back into the Consolidated Account by the 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 Authority 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 are 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 for annual reporting periods beginning on or after 1 July 2013 that impacted on the Authority.

| | |
|---|---|
| *AASB 13* | *Fair Value Measurement*<br><br>This Standard defines fair value, sets out a framework for measuring fair value and requires additional disclosures for assets and liabilities measured at fair value. There is no financial impact. |
| *AASB 119* | *Employee Benefits*<br><br>This Standard supersedes *AASB 119* (October 2010), making changes to the recognition, presentation and disclosure requirements.<br><br>The Office assessed employee leave patterns to determine whether annual leave is a short-term or other long-term employee benefit. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material. |
| *AASB 1048* | *Interpretation of Standards*<br><br>This Standard supersedes *AASB 1048* (June 2012), enabling references to the Interpretations in all other Standards to be updated by reissuing the service Standard. There is no financial impact. |
| *AASB 2011-8* | *Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]*<br><br>This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing *AASB 13* in September 2011. There is no financial impact. |

| | |
|---|---|
| ***AASB 2011-10*** | *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)[AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]*<br><br>This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing *AASB 119* in September 2011. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material. |
| ***AASB 2012-2*** | *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]*<br><br>This Standard amends the required disclosures in *AASB 7* to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There is no financial impact. |
| ***AASB 2012-5*** | *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1,101, 116, 132 & 134 and Int 2]*<br><br>This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact. |
| ***AASB 2012-6*** | *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures[AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]*<br><br>This Standard amends the mandatory effective date of *AASB 9* Financial Instruments to 1 January 2015 (instead of 1 January 2013). Further amendments are also made to numerous consequential amendments arising from *AASB 9* that will now apply from 1 January 2015. There is no financial impact. |
| ***AASB 2012-9*** | *Amendment to AASB 1048 arising from the Withdrawal of Australian Int 1039*<br><br>The withdrawal of Int 1039 Substantive Enactment of Major Tax Bills in Australia has no financial impact for the Office during the reporting period and at balance date. Measurement of tax assets and liabilities continues to be measured in accordance with enacted or substantively enacted tax law pursuant to *AASB 112.46-47*. |
| ***AASB 2012-10*** | *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5,7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Int 12]*<br><br>The Standard introduces a number of editorial alterations and |

| | |
|---|---|
| | amends the mandatory application date of Standards for not for profit entities accounting for interests in other entities. There is no financial impact. |
| *AASB 2013-9* | *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*<br><br>Part A of this omnibus Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for periods ending on or after 20 December 2013. Other Parts of this Standard become operative in later periods. There is no financial impact for Part A of the Standard. |

**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*. Consequently, the Office has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Office. Where applicable, the Office plans to apply these Australian Accounting Standards from their application date.

| | | ***Operative for reporting periods beginning on/after*** |
|---|---|---|
| *AASB 9* | *Financial Instruments*<br><br>This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.<br><br>The mandatory application date of this Standard was amended to 1 January 2018 by AASB 2014-1 Amendments to Australian Accounting Standards. The Office has not yet determined the application or the potential impact of the Standard. | 1 Jan 2018 |
| *AASB 1031* | *Materiality*<br><br>This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality not available in IFRSs and refers to guidance on materiality in other Australian pronouncements. There is no financial impact. | 1 Jan 2014 |

| | | Operative for reporting periods beginning on/after |
|---|---|---|
| *AASB 1055* | *Budgetary Reporting*<br><br>This Standard requires specific budgetary disclosures in the financial statements of not-for-profit entities within the General Government Sector. The Office will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact. | 1 Jul 2014 |
| *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]*<br><br>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing *AASB 9* in December 2010.<br><br>*AASB 2012-6* amended the mandatory application date of this Standard to 1 January 2015. The Office has not yet determined the application or the potential impact of the Standard. | 1 Jan 2015 |
| *AASB 2012-3* | *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]*<br><br>This Standard adds application guidance to *AASB 132* to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.<br><br>The Office does not routinely hold financial assets and financial liabilities that it intends to settle on a net basis, therefore there is not financial impact. | 1 Jan 2014 |
| *AASB 2013-3* | *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.*<br><br>This Standard introduces editorial and disclosure changes. There is no financial impact. | 1 Jan 2014 |

| | | ***Operative for reporting periods beginning on/after*** |
|---|---|---|
| *AASB 2013-9* | *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments.*<br><br>This omnibus Standard makes amendments to other Standards arising from the deletion of references to *AASB 1031* in other Standards for periods beginning on or after 1 January 2014 (Part B), and, defers the application of *AASB 9* to 1 January 2017 (Part C). The application date of *AASB 9* was subsequently deferred to 1 January 2018 by *AASB 2014-1*.The Office has not yet determined the application or the potential impact of *AASB 9*, otherwise there is no financial impact for Part B. | 1 Jan 2014<br><br>1 Jan 2017 |
| *AASB 2014-1* | *Amendments to Australian Accounting Standards*<br><br>The Office has not yet determined the application or the potential impact of the Standard. | 1 Jul 2014<br><br>1 Jan 2015<br><br>1 Jan 2016<br><br>1 Jan 2018 |

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### Note 6. Employee benefits expense

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Wages and salaries [(a)] | 6,800,652 | 6,621,688 |
| Superannuation - defined contribution plans [(b)] | 642,693 | 612,972 |
| Other related expenses | 152,511 | 51,148 |
| | **7,595,856** | **7,285,808** |

(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 10 'Other expenses'.

Employment on-costs liability is included in Note 21 'Provisions'.

### Note 7. Supplies and services

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Communications | 77,852 | 99,673 |
| Consumables | 152,388 | 162,022 |
| Other | 213,228 | 224,459 |
| Services and contracts | 611,300 | 745,189 |
| Services received free of charge | 118,695 | 89,218 |
| Travel | 51,065 | 45,719 |
| | **1,224,528** | **1,366,280** |

### Note 8. Depreciation and amortisation expense

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Depreciation | | |
| Furniture fixtures and fittings | 681 | 681 |
| Computer hardware | 18,618 | 25,287 |
| Communications | 37,702 | 41,820 |
| Office equipment | 10,340 | 8,214 |
| **Total depreciation** | **67,341** | **76,002** |
| | | |
| Amortisation | | |
| Intangible assets | 207,958 | 117,696 |
| **Total amortisation** | **207,958** | **117,696** |
| **Total depreciation and amortisation** | **275,299** | **193,698** |

## Note 9. Accommodation expenses

| | 2014 $ | 2013 $ |
|---|---|---|
| Lease rentals | 1,085,049 | 1,163,144 |
| Repairs and maintenance | 1,635 | 11,146 |
| Services received free of charge[a] | 340,467 | 334,243 |
| | **1,427,151** | **1,508,533** |

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

## Note 10. Other expenses

| | 2014 $ | 2013 $ |
|---|---|---|
| Employment on-cost [a] | - | 84 |
| Audit Fee [b] | 25,000 | 43,200 |
| Other Miscellaneous Expenses | 3,500 | - |
| | **28,500** | **43,284** |

(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 21 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

(b) Includes fees for the Office of the Auditor General for annual audits and a one-off fee for the rollout audit for the Office of Shared Services for the 2012/13 financial year, see also Note 30 'Remuneration of auditor'.

## Note 11. Other revenue

| | 2014 $ | 2013 $ |
|---|---|---|
| Other revenue - general | 43,906 | 226,777 |
| Other recoup | 2,462,224 | 2,388,342 |
| | **2,506,130** | **2,615,119** |

Revenue is classified as recoup revenue where the Office has incurred specific costs, including salary costs, that are recoverable from another person or organisation. Revenue is classified as Other revenue - general when the Office receives revenue of a fixed amount for services provided, rather than a recoup of specific costs. These classifications were clarified by the Office in 2014 and accordingly, figures for 2013 have been restated in line with the 2014 classifications. In 2013, recoup revenue was reported as $46,872 and general revenue was reported as $2,568,247.

### Note 12. Net gain/(loss) on disposal of non-current assets

| | 2014 $ | 2013 $ |
|---|---|---|
| Proceeds from disposal of non-current asset | | |
| Plant and Equipment | - | 18 |
| | | |
| Cost of disposal of non-current assets | | |
| Plant and Equipment | - | 30 |
| Net gain/(loss) | - | (12) |

### Note 13. Income from State Government

| | 2014 $ | 2013 $ |
|---|---|---|
| Appropriation received during the period: | | |
| Service appropriations [(a)] | | |
| - Recurrent | 6,686,000 | 6,665,000 |
| - Special Acts | 648,000 | 597,000 |
| | **7,334,000** | **7,262,000** |
| Services received free of charge from other State Government Agencies during the period [(b)] | | |
| - State Solicitors Office | 5,206 | 2,908 |
| - Department of the Premier and Cabinet Corporate and Business Services | 113,489 | 86,310 |
| - Department of Finance - Building Management and Works | 340,467 | 334,243 |
| | **459,162** | **423,461** |
| | | |
| | **7,793,162** | **7,685,461** |

(a) Service appropriations funds 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 liability 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 14. Restricted cash and cash equivalents

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Non-current | | |
| Accrued salaries suspense account [(a)] | 235,352 | 215,784 |
| | **235,352** | **215,784** |

(a) Funds held in the suspense account for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

## Note 15. Receivables

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Current | | |
| Receivables | 14,097 | 52,883 |
| GST receivable | 1,663 | 72,653 |
| **Total current** | **15,760** | **125,536** |

There were no allowances made in the current year for the impairment of receivables (2012/13: nil)

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

## Note 16. Amounts receivable for services (Holding Account)

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Current | 196,000 | 157,000 |
| Non-Current | 1,827,000 | 1,891,000 |
| | **2,023,000** | **2,048,000** |

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.

## Note 17. Plant and Equipment

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Furniture fixtures and fittings | | |
| At cost | 6,814 | 6,814 |
| Accumulated depreciation | (1,532) | (851) |
| Accumulated impairment losses | - | - |
| | **5,282** | **5,963** |

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Computer Hardware | | |
| At Cost | 211,677 | 186,076 |
| Accumulated depreciation | (165,130) | (146,511) |
| Accumulated impairment losses | - | - |
| | **46,547** | **39,564** |
| Office equipment | | |
| At cost | 75,993 | 64,054 |
| Accumulated depreciation | (39,839) | (29,499) |
| Accumulated impairment losses | - | - |
| | **36,154** | **34,555** |
| | | |
| Communications | | |
| At cost | 203,222 | 193,670 |
| Accumulated depreciation | (174,317) | (136,615) |
| Accumulated impairment losses | - | - |
| | **28,905** | **57,055** |
| | **116,888** | **137,137** |

**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:

| 2014 | Furniture and Fittings<br>$ | Computer hardware<br>$ | Office Equipment<br>$ | Plant and Machinery<br>$ | Communications<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| Carrying amount at start of period | 5,963 | 39,564 | 34,555 | - | 57,055 | 137,137 |
| Additions | - | 25,601 | 11,939 | - | 9,552 | 47,092 |
| Transfers | - | - | - | - | - | - |
| Retirements | - | - | - | - | - | - |
| Correction prior period error | - | - | - | - | - | - |
| Depreciation | (681) | (18,618) | (10,340) | - | (37,702) | (67,341) |
| Carrying amount at end of period | **5,282** | **46,547** | **36,154** | **-** | **28,905** | **116,888** |

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| 2013 | $ | $ | $ | $ | $ | $ |
|---|---|---|---|---|---|---|
| Carrying amount at start of period | 6,644 | 18,742 | 20,133 | - | 68,199 | 113,718 |
| Additions | - | 46,304 | 22,636 | - | 28,638 | 97,578 |
| Transfers | - | (195) | - | - | 2,038 | 1,843 |
| Retirements | - | - | - | - | - | - |
| Correction prior period error | - | - | - | - | - | - |
| Depreciation | (681) | (25,287) | (8,214) | - | (41,820) | (76,002) |
| Carrying amount at end of period | **5,963** | **39,564** | **34,555** | **-** | **57,055** | **137,137** |

## Note 18. Intangible assets

| | 2014 $ | 2013 $ |
|---|---|---|
| Computer Software | | |
| At cost | 1,024,121 | 929,138 |
| Accumulated amortisation | (716,842) | (508,884) |
| Accumulated impairment losses | - | - |
| **Total intangible assets** | **307,279** | **420,254** |
| | | |
| **Reconciliation:** | | |
| Computer Software | | |
| Carrying amount at start of period | 420,254 | 63,047 |
| Additions | 94,983 | 476,747 |
| Transfer | - | (1,843) |
| Amortisation expense | (207,958) | (117,696) |
| **Carrying amount at end of period** | **307,279** | **420,254** |

## Note 19. Impairment of assets

There were no indications of impairment to plant and equipment or intangible assets at 30 June 2014.

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 as at 30 June 2014 have either been classified as assets held for sale or written-off.

## Note 20. Payables

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Current | | |
| Trade payables | - | 91,847 |
| Accrued Expenses | 82,315 | 45,186 |
| Accrued Salaries | 169,283 | 155,144 |
| Accrued Superannuation | 16,286 | 15,402 |
| Other payables | 10 | 10 |
| **Total current** | **267,894** | **307,589** |

## Note 21. Provisions

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Current | | |
| *Employee benefits provision* | | |
| Annual leave [(a)] | 540,596 | 593,973 |
| Long service leave [(b)] | 787,908 | 786,251 |
| Purchased leave scheme [(c)] | 18,509 | 14,615 |
| | **1,347,013** | **1,394,839** |
| *Other provisions* | | |
| Employment on-costs [(d)] | 605 | 628 |
| | **605** | **628** |
| | **1,347,618** | **1,395,467** |
| Non-current | | |
| *Employee benefits provision* | | |
| Long service leave [(b)] | 437,467 | 384,990 |
| | **437,467** | **384,990** |
| *Other provisions* | | |
| Employment on-costs [(d)] | 197 | 174 |
| | **197** | **174** |
| | **437,664** | **385,164** |

(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 reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

| | 2014 $ | 2013 $ |
|---|---:|---:|
| Within 12 months of the end of the reporting period | 337,526 | 389,724 |
| More than 12 months after the end of the reporting period | 203,070 | 204,249 |
| | **540,596** | **593,973** |

(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 reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

| | 2014 $ | 2013 $ |
|---|---:|---:|
| Within 12 months of the end of the reporting period | 261,795 | 205,214 |
| More than 12 months after the end of the reporting period | 963,580 | 966,027 |
| | **1,225,375** | **1,171,241** |

(c) Purchase 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 worker's 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 10 'Other Expenses'.

**Movement in other provisions**

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

| | 2014 $ | 2013 $ |
|---|---:|---:|
| Employment on-cost provision | | |
| Carrying amount at start of year | 802 | 718 |
| Additional provisions recognised | 0 | 84 |
| **Carrying amount at end of year** | **802** | **802** |

## Note 22. 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**

| | 2014 $ | 2013 $ |
|---|---|---|
| Balance at start of period | 1,206,000 | 930,000 |
| Contributions by owners | | |
| Capital appropriation | - | 276,000 |
| **Total contributions by owners** | **-** | **276,000** |
| | | |
| **Balance at end of period** | **1,206,000** | **1,206,000** |

**Accumulated surplus/(deficit)**

| | 2014 $ | 2013 $ |
|---|---|---|
| Balance at start of period | 577,435 | 674,470 |
| Result for the period | (252,042) | (97,035) |
| **Balance at end of period** | **325,393** | **577,435** |
| | | |
| **Total Equity at the end of period** | **1,531,393** | **1,783,435** |

## Note 23. 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:

| | 2014 $ | 2013 $ |
|---|---|---|
| Cash and cash equivalents | 838,572 | 923,439 |
| Restricted cash and cash equivalents (note 14 'Restricted cash and cash equivalents) | 235,352 | 215,784 |
| | **1,073,924** | **1,139,223** |

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

| | 2014 $ | 2013 $ |
|---|---|---|
| Net cost of services | **(8,045,204)** | **(7,782,496)** |
| Non-cash items: | | |
| Depreciation and amortisation expense | 275,299 | 193,698 |
| Services received free of charge | 459,162 | 423,461 |
| | | |
| (Increase)/decrease in assets: | | |
| Current receivables[(a)] | 38,786 | 175,054 |
| Other current assets | 747 | (94,417) |

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| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Increase/(decrease) in liabilities: | | |
| Accrued salaries | 14,139 | 16,672 |
| Accrued superannuation | 884 | 4,903 |
| Accrued expenses | 37,129 | (153,243) |
| Current payables[(a)] | (91,847) | (153,536) |
| Current provisions | (47,849) | 160,609 |
| Non-current provisions | 52,500 | 38,851 |
| Net GST receipts/(payments) [(b)] | 70,830 | (50,303) |
| Change in GST in receivables/payables [(c)] | 160 | 5,606 |
| **Net cash provided by/(used in) operating activities** | **(7,235,264)** | **(7,215,141)** |

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of 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 24. 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 leases commitments**

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Commitments for minimum leases payments are payable as follows: | | |
| Within 1 year | 964,124 | 931,761 |
| Later than 1 year and not later than 5 years | 28,179 | 965,031 |
| | **992,303** | **1,896,792** |

The Office has entered into a property lease which is a non-cancellable lease with a three year term, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by the lower of CPI or 3.5% per annum. An option exists to renew the lease at the end of the three year term for an additional term of five years.

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.

## Note 25. 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 26. Events occurring after the end of the reporting period

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

## Note 27. Explanatory statement

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Account Appropriations and Income Estimates' are shown below. Significant variations are considered to be those greater than 10% or $100,000.

**Total appropriations provided to deliver services**

Significant variances between estimate and actual for 2014

The significant variance between the total estimate and actual for 2014 was primarily due to the deferral of the commencement of the Criminal Penalties Infringement Notices function from 2013-14 to 2014-15 and higher services received free of charge for the depreciation of the fit-out of office accommodation provided through the Department of Finance (Building Management and Works). The significant variances between the estimate and actual for 2014 for specific items are set out below.

| | 2014 Estimate $ | 2014 Actual $ | Variance $ |
|---|---|---|---|
| Supplies and services | 886,000 | 1,224,528 | 338,528 |
| Accommodation expenses | 1,199,000 | 1,427,151 | 228,151 |
| Depreciation and amortisation | 235,000 | 275,299 | 40,299 |
| Other expenses | 714,000 | 28,500 | (685,500) |
| | | | |
| Service appropriation | 8,057,000 | 7,334,000 | (723,000) |
| Services received free of charge | 106,000 | 459,162 | 353,162 |

Supplies and services

The increase is primarily due to some expenses, included in the estimate as other expenses, being included in supplies and services for actual expenses.

Accommodation Expenses

The increase is primarily due to higher resources received free of charge for the depreciation of the fit-out of office accommodation provided through the Department of Finance (Building Management and Works). The additional expense is offset by increased revenue for services received free of charge.

Depreciation and amortisation

The increase is primarily due to the first full year of amortisation of the finance system, that was commissioned in early 2013 to support the financial operations of the Office, following the decommissioning of the Office of Shared Services.

Other expenses

The decrease in other expenses is primarily due to the deferral of the Criminal Penalty Infringement Notices function, from 2013-14 to 2014-15, and some expenses, included in the estimate as other expenses, being included in supplies and services for actual expenses.

Service appropriation

The decrease in service appropriation is due to the deferral of the commencement of the Criminal Penalty Infringement Notices function, from 2013-14 to 2014-15.

Services received free of charge

The increase in income for services received free of charge is primarily due to the income to offset the increased expense incurred for the depreciation of the fit-out of office accommodation provided through the Department of Finance (Building Management and Works).

**Service Expenditure**

Significant variances between actual results for 2014 and 2013

The significant variance between the total actual results for 2014 and 2013 was primarily due to the approved additional expense required for a one-off voluntary separation payment. The significant variances between the total actual result for 2014 and 2013 for specific items are set out below.

| | 2014<br>$ | 2013<br>$ | Variance<br>$ |
|---|---|---|---|
| Expenses | | | |
| Employee benefits expense | 7,595,856 | 7,285,808 | 310,048 |
| Supplies and Services | 1,224,528 | 1,366,280 | (141,752) |
| Depreciation and amortisation expense | 275,299 | 193,698 | 81,601 |
| Other expenses | 28,500 | 43,284 | (14,784) |
| | | | |
| Other revenue | 2,506,130 | 2,615,119 | (108,989) |

Employee benefits expense

The increase in employee benefits expense is primarily due to a one-off voluntary separation payment and general salary cost escalation.

Supplies and Services

The decrease in supplies and services expense is primarily due to additional costs in 2013 for financial services, including services required for the implementation of a finance system to support the financial operations of the Office, and reduced expenses for services, in 2014, as a result of those activities being undertaken by staff of the Office.

Depreciation and amortisation expense

The increase is primarily due to the first full year of amortisation of the finance system, that was commissioned in early 2013 to support the financial operations of the Office, following the decommissioning of the Office of Shared Services.

Other expenses

The decrease in other expenses is primarily due to the inclusion in 2013 of two audit fees, one for payment of 2011-12 fees and one for the accrual of 2012-13 fees.

Other revenue

The decrease in other revenue is primarily due to revenue recognised in 2013 to offset past period errors that had resulted in uncleared purchase orders being retained in the system.

**Capital contribution**

Significant variances between actuals for 2014 and 2013

The significant variance between the actual results for 2014 and 2013 for capital contribution is associated with capital appropriations as detailed below.

| | 2014 Actual $ | 2013 Actual $ | Variance $ |
|---|---|---|---|
| Capital appropriation | - | 276,000 | 276,000 |

Capital appropriation

The decrease in the capital appropriation is due to a one-off capital appropriation in 2013 for the purchase of a finance system to support the financial operations of the Office following the decommissioning of the Office of Shared Services.

## Note 28. 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 28(c) 'Financial instruments disclosures' and Note 15 'Receivables'.

Credit risk associated with the Office's financial assets is minimal because the main receivable is the amounts receivables 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:

| | 2014 $ | 2013 $ |
|---|---|---|
| Financial Assets | | |
| Cash and cash equivalents | 838,572 | 923,439 |
| Restricted cash and cash equivalents | 235,352 | 215,784 |
| Receivables [(a)] | 14,097 | 52,883 |
| Amount receivable for services | 2,023,000 | 2,048,000 |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | 267,894 | 307,589 |
| Other liabilities | 45,951 | 92,913 |

(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 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 in 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 (a)**

| | Carrying Amount | Not past due and not impaired | Past due but not impaired: Up to 1 month | 1- 3 months | 3 to 12 months | 1 - 2 Years | 2 – 5 Years | More than 5 Years | Impaired financial assets |
|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **2014** | | | | | | | | | |
| Cash and cash equivalents | 838,572 | 838,572 | - | - | - | - | - | - | - |
| Restricted cash and cash equivalent | 235,352 | 235,352 | - | - | - | - | - | - | - |
| Receivables[a] | 14,097 | 14,097 | - | - | - | - | - | - | - |
| Amount receivable for services | 2,023,000 | 2,023,000 | - | - | - | - | - | - | - |
| | **3,111,021** | **3,111,021** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **2013** | | | | | | | | | |
| Cash and cash equivalents | 923,439 | 923,439 | - | - | - | - | - | - | - |
| Restricted cash and cash equivalent | 215,784 | 215,784 | - | - | - | - | - | - | - |
| Receivables[a] | 52,883 | 52,883 | - | - | - | - | - | - | - |
| Amount receivable for services | 2,048,000 | 2,048,000 | - | - | - | - | - | - | - |
| | **3,240,106** | **3,240,106** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

(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 analysis only the carrying amounts of each item.

**Interest rate exposure and maturity analysis of financial assets and financial liabilities**

| 2014 | Weighted average effective interest rate % $ | Carrying Amount $ | Fixed interest rate $ | Variable interest rate $ | Non-interest bearing $ | Nominal Amount $ | Up to 1 months $ | 1 to 3 months $ | 3 to 12 Months $ | 1 – 5 Years $ | More than 5 Years $ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Interest rate exposure** | | | | | **Maturity date** | | | | |
| Financial Assets | | | | | | | | | | | |
| Cash and cash equivalents | | 838,572 | - | - | 838,572 | 838,572 | 838,572 | - | - | - | - |
| Restricted cash and cash equivalent | | 235,352 | - | - | 235,352 | 235,352 | - | - | - | 235,352 | - |
| Receivables (a) | | 14,097 | - | - | 14,097 | 14,097 | 14,097 | - | - | - | - |
| Amount receivable for service | | 2,023,000 | - | - | 2,023,000 | 2,023,000 | - | - | 196,000 | 624,000 | 1,203,000 |
| | | **3,111,021** | - | **-** | **3,111,021** | **3,111,021** | **852,669** | **-** | **196,000** | **859,352** | **1,203,000** |
| Financial liabilities | | | | | | | | | | | |
| Payables | | 267,894 | - | - | 267,894 | 267,894 | 267,894 | - | - | - | - |
| Other Liabilities | | **45,951** | - | - | **45,951** | **45,951** | **-** | - | **45,951** | - | - |
| | | **313,845** | - | - | **313,845** | **313,845** | **267,894** | - | **45,951** | - | - |

(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 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Interest rate exposure | | | | | Maturity date | | | | |
| | Weighted average effective interest rate % | Carrying Amount | Fixed interest rate | Variable interest rate | Non-interest bearing | Nominal Amount | Up to 1 month | 1- 3 months | 3 to 12 Months | 1 – 5 Years | More than 5 Years |
| 2013 | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Financial Assets | | | | | | | | | | | |
| Cash and cash equivalents | | 923,439 | - | - | 923,439 | 923,439 | 923,439 | - | - | - | - |
| Restricted cash and cash equivalent | | 215,784 | - | - | 215,784 | 215,784 | | - | - | 215,784 | - |
| Receivables (a) | | 52,883 | - | - | 52,883 | 52,883 | 52,883 | - | - | - | - |
| Amount receivable for service | | 2,048,000 | - | - | 2,048,000 | 2,048,000 | - | - | 157,000 | 612,000 | 1,279,000 |
| | | **3,240,106** | - | **-** | **3,240,106** | **3,240,106** | **976,322** | **-** | **157,000** | **827,784** | **1,279,000** |
| Financial liabilities | | | | | | | | | | | |
| Payables | | 307,589 | | | 307,589 | 307,589 | 307,589 | - | - | - | - |
| Other liabilities | | 92,913 | - | - | 92,913 | 92,913 | - | - | 20,736 | 72,177 | - |
| | | **400,501** | - | - | **400,501** | **400,501** | **307,589** | - | **20,736** | 72,177 | - |

(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 29. Remuneration of senior officers

The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

| $ | 2014 | 2013 |
|---|---|---|
| 120,001 - 130,000 | - | 1 |
| 150,001 - 160,000 | 1 | - |
| 160,001 - 170,000 | - | 1 |
| 170,001 - 180,000 | 2 | 1 |
| 180,001 - 190,000 | 1 | 1 |
| 200,001 - 210,000 | - | 2 |
| 220,001 - 230,000 | 2 | - |
| 430,001 - 440,000 | 1 | 1 |

| | | |
|---|---|---|
| Base remuneration and superannuation | 1,518,000 | 1,361,765 |
| Annual leave and long service leave accruals | (53,103) | 49,308 |
| Other benefits | 109,591 | 86,008 |
| | $ | $ |
| **Total remuneration of senior officers** | **1,574,488** | **1,497,081** |

In 2013 superannuation expenses incurred by the Office in respect of senior officers was included in other benefits. The figure for 2013 has been restated to include superannuation in base remuneration and superannuation to enable comparison with 2014.

## Note 30. Remuneration of auditor

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

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Auditing the accounts, financial statements and key performance indicators | 24,000 | 22,000 |
| | **24,000** | **22,000** |

## Note 31. Indian Ocean Territories

The Indian Ocean Territories Reimbursement 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 involved the Indian Ocean Territories.

The balance of the Fund at the end of the financial year is included in the Office's Operating Account.

The figures presented below for the Fund have been prepared on a cash basis.

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Opening Balance | 3,995 | (3,891) |
| Receipts | 27,992 | 31,304 |
| Payments | (29,884) | (23,418) |
| **Closing Balance** | 2,103 | 3,995 |

## Note 32. 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 33. Other Assets

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| *Current* | | |
| Prepayments | 93,669 | 94,417 |
| | 93,669 | 94,417 |

## Note 34. Other Liabilities

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Current | | |
| Contracts Software | 45,951 | 20,736 |
| **Total current** | 45,951 | 20,736 |
| | | |
| Non Current | | |
| Contracts Software | - | 72,177 |
| **Total non-current** | - | 72,177 |