

INDEPENDENT AUDITOR'S OPINION

OFFICE OF THE AUDITOR GENERAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007



**RIX LEVY FOWLER**  
AUDIT & CORPORATE PTY LTD

**INDEPENDENT AUDIT REPORT  
TO THE PARLIAMENT OF WESTERN AUSTRALIA**

**OFFICE OF THE AUDITOR GENERAL  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**SCOPE**

I have audited the accounts, financial statements and controls of the Office of the Auditor General. The financial statements comprise the Balance Sheet as at 30 June 2007, Income Statement, Statement of Changes in Equity, Cash Flow Statement and Summary of Consolidated Account Appropriations and Income Estimates for the year ended 30 June 2007, a summary of significant accounting policies and other explanatory notes under the provisions of the Financial Management Act 2006 and Auditor General Act 2006.

The Accountable Authority is responsible for keeping proper accounts and maintaining adequate system of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Accountable Officer.

My audit was performed in accordance with section 40 of the Auditor General Act 2006 to express an opinion on the financial statements and controls based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Office of the Auditor General to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, so as to present a view which is consistent with our understanding of the Office of the Auditor General's financial position, the results of its operations and its cash flows.

The audit opinion expressed below has been formed on the above basis.

**AUDIT OPINION**

In my opinion:

- (i) The financial statements of the Office of the Auditor General are based on proper accounts and present fairly, in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Office of the Auditor General as at 30 June 2007 and operating results and cash flows ended on that date; and
- (ii) The controls exercised by the Office of the Auditor General provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions.

**RIX LEVY FOWLER**  
Audit & Corporate Pty Ltd

**PHILLIP RIX** FCA, F.Fin.  
Director

DATED at PERTH this 23<sup>rd</sup> day of August 2007

When in place, liability will be limited by a scheme approved under Professional Standards Legislation.

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OFFICE OF THE AUDITOR GENERAL

INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2007

<b>COST OF SERVICES</b>		Note	2 007 \$'000	2 006 \$'000
<b>Expenses</b>				
Employee benefits expense	7		8 793	7 660
Supplies and services	8		5 531	5 573
Depreciation and amortisation expense	9		417	338
Accommodation expenses	10		708	609
Capital user charge	11		153	49
Loss on disposal of non-current assets	12		32	0
Other expenses	13		20	20
<b>Total cost of services</b>			<u>15 654</u>	<u>14 249</u>
<b>Income</b>				
<b>Revenue</b>				
Other revenue	14		23	100
<b>Total revenue</b>			<u>23</u>	<u>100</u>
<b>Total Income other than income from State Government</b>			<u>23</u>	<u>100</u>
<b>NET COST OF SERVICES</b>			15 631	14 149
<b>INCOME FROM STATE GOVERNMENT</b>				
Service Appropriation	15		15 389	14 535
Liabilities assumed by the Treasurer			82	84
Resources received free of charge			15	12
<b>Total income from State Government</b>			<u>15 486</u>	<u>14 631</u>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>			( 145)	482

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

OFFICE OF THE AUDITOR GENERAL

BALANCE SHEET  
AT 30 JUNE 2007

	Note	2 007 \$'000	2 006 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	26	957	2 094
Receivables	17	638	498
Amounts receivable for services	18	513	446
<b>Total Current Assets</b>		<u>2 108</u>	<u>3 038</u>
<b>Non Current Assets</b>			
Restricted cash and cash equivalents	16	61	25
Property, plant and equipment	19	896	844
Intangible assets	20	111	62
<b>Total Non-Current Assets</b>		<u>1 068</u>	<u>931</u>
<b>TOTAL ASSETS</b>		<b>3 176</b>	<b>3 969</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	22	151	51
Provisions	23	1 246	1 308
Other current liabilities	24	458	1 193
<b>Total Current Liabilities</b>		<u>1 855</u>	<u>2 553</u>
<b>Non-Current Liabilities</b>			
Provisions	23	382	332
<b>Total Non-Current Liabilities</b>		<u>382</u>	<u>332</u>
<b>TOTAL LIABILITIES</b>		<b>2 237</b>	<b>2 885</b>
<b>NET ASSETS</b>		<b>939</b>	<b>1 084</b>
<b>EQUITY</b>			
Contributed equity	25	629	629
Accumulated surplus / (deficiency)		310	455
<b>TOTAL EQUITY</b>		<b>939</b>	<b>1 084</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3 176</b>	<b>3 969</b>

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

OFFICE OF THE AUDITOR GENERAL

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2 007 \$'000	2 006 \$'000
<b>Balance of equity at start of period</b>		1 084	575
<b>CONTRIBUTED EQUITY</b>			
Balance at start of period		629	602
Capital contribution		0	27
Other contributions by owners			
Distributions to owners			
<b>Balance at end of period</b>	25	<u>629</u>	<u>629</u>
<b>ACCUMULATED SURPLUS</b>			
Balance at start of period		455	( 27)
Surplus/(deficit) for the period		( 145)	482
<b>Balance at end of period</b>	25	<u>310</u>	<u>455</u>
<b>BALANCE OF EQUITY AT END OF PERIOD</b>		939	1 084
<b>Total income and expense for the period</b>		( 145)	482

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

OFFICE OF THE AUDITOR GENERAL

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2 007 \$'000	2 006 \$'000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		14 893	14 089
Capital contributions		0	27
Holding account drawdowns		429	419
<b>Net cash provided by State Government</b>		<b>15 322</b>	<b>14 535</b>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(8 860)	(7 675)
Supplies and services		(5 303)	(3 975)
Capital User Charge		( 120)	0
Accommodation		( 705)	( 615)
GST payments on purchases		(1 047)	( 593)
GST payments to taxation authority		0	0
Other payments		( 586)	( 713)
<b>Receipts</b>			
GST receipts on sales		26	3
GST receipts from taxation authority		771	521
Other receipts		23	18
<b>Net cash used in operating activities</b>	26	<b>(15 801)</b>	<b>(13 029)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		0	0
Purchase of non-current physical assets		( 622)	( 369)
<b>Net cash provided by investing activities</b>		<b>( 622)</b>	<b>( 369)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1 101)</b>	<b>1 137</b>
Cash and cash equivalents at the beginning of period		2 119	982
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	26	<b>1 018</b>	<b>2 119</b>

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

OFFICE OF THE AUDITOR GENERAL

SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS AND INCOME ESTIMATES  
FOR THE YEAR ENDED 30 JUNE 2007

	2 007 Estimate \$'000	2 007 Actual \$'000	Variance \$'000	2 007 Actual \$'000	2 006 Actual \$'000	Variance \$'000
<b>DELIVERY OF SERVICES</b>						
Item 39 Net amount appropriated to deliver services (I)	13 939	14 912	973	14 912	14 204	( 708)
Amount Authorised by Other Statutes <i>Salaries and Allowance Act 1975</i>	249	477	228	477	331	( 146)
<b>Total appropriations provided to deliver services</b>	<b>14 188</b>	<b>15 389</b>	<b>(1 201)</b>	<b>15 389</b>	<b>14 535</b>	<b>( 854)</b>
<b>CAPITAL</b>						
Item 140 Capital Contribution	0	0	0	0	27	27
<b>GRAND TOTAL</b>	<b>14 188</b>	<b>15 389</b>	<b>(1 201)</b>	<b>15 389</b>	<b>14 562</b>	<b>( 827)</b>
<b>Details of Expenses by Service</b>						
Performance Auditing	14 176	15 654	1 478	15 654	14 249	(1 405)
Total Cost of Service	14 176	15 654	1 478	15 654	14 249	(1 405)
Less total income	(20)	(23)	(3)	(23)	(100)	(77)
Net Cost of Services	14 156	15 631	1 475	15 631	14 149	(1 482)
Adjustments (II)	32	(242)	(274)	(242)	386	628
<b>Total appropriations provided to deliver services</b>	<b>14 188</b>	<b>15 389</b>	<b>1 201</b>	<b>15 389</b>	<b>14 535</b>	<b>( 854)</b>
<b>Capital Expenditure</b>						
Purchase of non-current physical assets	479	622	143	622	369	(253)
Adjustment for other funding sources	(479)	(622)	(143)	(622)	(342)	280
<b>Capital Contribution (appropriation)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>27</b>
<b>DETAILS OF INCOME ESTIMATES</b>						
Income disclosed as Administered Income	11 412	11 772	360	11 772	11 143	( 629)

- (I) Net amount appropriated to deliver services is inclusive of Capital User Charge of \$76 000 for 2007.  
(II) Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

The Summary of Consolidated Account Appropriations and Income Estimates should be read in conjunction with the accompanying notes.

Note 36 'Explanatory statement' provides details of any significant variations between estimates and actual results for 2007 and between the actual results for 2006 and 2007.

## OFFICE OF THE AUDITOR GENERAL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

#### 1 OFFICE MISSION AND FUNDING

The Office of the Auditor General's mission, through Performance Auditing, is to enable the Auditor General to serve the public interest by communicating to Parliament independent and impartial information regarding public sector accountability and performance.

The Office is predominantly funded by Parliamentary appropriation. The financial statements include all funds through which the Office controls resources to carry out its functions.

#### 2 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

##### General

The Office's financial statements for the year ended 30 June 2007 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Office has adopted, where relevant to its operations, new and revised standards and interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

##### Early adoption of standards

The Office cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Office for the annual reporting period ended 30 June 2007.

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board 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 are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has 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 in accordance with Accounting Standard AAS 29 'Financial Reporting by Government Departments' 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 thousand dollars (\$'000).

The judgements that have been made in the process of applying the Office's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at Note 4 'Judgements made by management in applying accounting policies'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed at Note 5 'Key sources of estimation uncertainty'.

### **(c) Reporting Entity**

The reporting entity comprises the Office of the Auditor General. The Office administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Office. These administered balances and transactions are not recognised in the principal financial statements of the Office but schedules are prepared using the same basis as the financial statements and are presented at Note 39 'Administered expenses and income' and Note 40 'Administered assets and liabilities'.

### **(d) Contributed Equity**

UIG Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers in the nature of equity contributions 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 contributions (appropriations) have been designated as contributions by owners by Treasurer's Instruction (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 measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

#### *Sale of Goods*

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser and can be measured reliably.

#### *Rendering of Services*

Revenue is recognised upon delivery of the service to the client or by reference to the stage of completion of the transaction. Audit fees are recognised in accordance with the percentage of the audit completed. The percentage of audit completed is measured by reference to labour hours incurred to balance sheet date as a percentage of the estimated total hours.

#### *Service Appropriations*

Service Appropriations are recognised as revenues 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 into the Office's bank account or credited to the holding account held at the Department of Treasury and Finance.

#### *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 2006-07 Budget Statements, the Office retained \$23 000 in 2007 (\$100 000 in 2006) from the following:

- Government Vehicle Scheme;
- Other Revenue

Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

#### ***Gains***

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

### **(f) Property, Plant and Equipment**

#### ***Capitalisation/Expensing of Assets***

Items of property, plant and equipment costing over \$1 000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$1 000 are immediately expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

### *Initial Recognition and Measurement*

All items of property, plant and equipment are initially recognised at cost. For items of property, plant and equipment acquired at no cost or for nominal consideration, the cost is their fair value at the date of acquisition.

### *Subsequent Measurement*

Items of property, plant and equipment are carried 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 which reflects the consumption of their future economic benefits. Depreciation is calculated using the straight line method, using rates which are reviewed annually. Expected useful lives for each class of depreciable asset are:

<b>Asset category</b>	<b>Life (years)</b>
Computer equipment	3
Office equipment	10
Furniture & fittings	10

### **(g) Intangible Assets**

#### *Capitalisation/Expensing of Assets*

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

All acquired and internally developed 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) on the straight line basis using rates which are reviewed annually. 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	3 years
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#### *Computer Software*

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

### **(h) Impairment of Assets**

Property, plant and equipment are tested for any indication of impairment at each reporting date. 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. 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 or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs. See Note 21 'Impairment of assets' for the outcome of impairment reviews and testing.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each balance sheet date 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 each balance sheet date.

#### **(i) Leases**

The Office has entered into a number of operating lease arrangements for accommodation, certain equipment and motor vehicles where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating lease. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased items.

#### **(j) Financial Instruments**

The Office has two categories of financial instrument:

- Receivables (including cash and cash equivalents)
- Non trading 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 Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These are comprised of cash on hand and at call bank deposits.

#### **(l) Accrued Salaries**

The accrued salaries suspense account (refer Note 16 'Restricted cash and 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.

Accrued salaries (refer Note 24 'Other liabilities') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with 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 net fair value.

#### **(m) Amounts Receivable for Services (Holding Account)**

The Office receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as asset replacement and leave entitlements.

#### **(n) Receivables**

Receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off. 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. See Note 3(j) 'Financial Instruments' and Note 17 'Receivables'.

#### **(o) Payables**

Payables are recognised 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 they are generally settled within 30 days. See Note 3(j) 'Financial Instruments' and Note 22 'Payables'.

## **(p) Provisions**

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable 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 each balance sheet reporting date. See Note 23 'Provisions'.

### **(i) Provisions – Employee Benefits**

#### *Annual Leave and Long Service Leave*

The liability for annual and long service leave expected to be settled within 12 months after the end of the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the balance sheet date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the balance sheet date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and 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 balance sheet date.

#### *Superannuation*

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes:

Employees may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. The Office has no liabilities for superannuation charges under the Pension or the GSS Schemes as the liability has been assumed by the Treasurer.

Employees commencing employment prior to 16 April 2007 who are not members of either the Pension or GSS Schemes become 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). Both of these schemes are accumulation schemes. The Office makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Scheme.

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

See also Note 3(q) 'Superannuation expense'.

### **(ii) 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'. See Note 13 'Other Expenses' and Note 23 'Provisions'.

#### (g) Superannuation Expense

The following elements are included in calculating the superannuation expense in the Income Statement:

- (a) Defined benefit plans – Change in the unfunded employer’s liability (i.e. current service cost and, actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme (GSS); and
- (b) Defined contribution plans – Employer contributions paid to the West State Superannuation Scheme (WSS), GESB Super Scheme (GESBS), and the equivalent of employer contributions to the GSS.

Defined benefit plans – in order to reflect the true cost of services, the movements (i.e. current service cost and, actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS Scheme transfer benefits are recognised as expenses directly in the Income Statement. As these liabilities are assumed by the Treasurer [refer Note 3(p) (i)], a revenue titled ‘Liabilities assumed by the Treasurer’ equivalent to the expense is recognised under Income from State Government in the Income Statement. See Note 15 ‘Income from State Government’.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided in the current year.

Defined contribution plans – in order to reflect the true cost of services of the Office, the Office is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these employer contributions in respect of the GSS Scheme to the Consolidated Account.

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

#### (r) Resources Received Free of Charge or for Nominal Cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as revenues and as assets or expenses as appropriate, at fair value.

#### (s) Comparative Figures

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

### **4 JUDGEMENTS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES**

There have been no judgements made in the process of applying accounting policies that have had a significant effect on the amounts recognised in the financial statements.

### **5 KEY SOURCES OF ESTIMATION UNCERTAINTY**

The key estimates and assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- Discount rates used in estimating provisions.
- Estimating useful life of key assets.

## 6 DISCLOSURE OF CHANGES IN ACCOUNTING POLICY AND ESTIMATES

### Initial Application of an Australian Accounting Standard

The Office has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006:

1. AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Office does not currently undertake these types of transactions, resulting in no financial impact in applying the standard.
2. UIG Interpretation 4 'Determining whether an Arrangement contains a Lease' as issued in June 2005. This interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At balance sheet date, the Office has not entered into any arrangements as specified in the interpretation, resulting in no impact in applying the interpretation.
3. UIG Interpretation 9 'Reassessment of Embedded Derivatives'. This interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Office has not entered into any contracts as specified in the Interpretation resulting in no impact in applying the interpretation.

The following Australian Accounting Standards and Interpretations are not applicable to the Office as they have no impact or do not apply to not-for-profit entities:

#### AASB Standards

2005-1	'Amendments to Australian Accounting Standard' (AASB 139 – Cash flow hedge accounting of forecast intragroup transactions)
2005-5	'Amendments to Australian Accounting Standards (AASB 1 & AASB 139)
2006-1	'Amendments to Australian Accounting Standards[AASB 121]'
2006-3	'Amendments to Australian Accounting Standards[AASB 1045]'
2006-4	'Amendments to Australian Accounting Standards[AASB 134]'
2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – Paragraph 9
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.
UIG 8	'Scope of AASB 2'

### Future impact of Australian Accounting Standards not yet operative

The Office cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Office has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]'). This standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Office's exposure to risks, enhanced disclosure regarding components of the Office's financial position and performance and possible changes to the way of presenting certain items in the financial statements. The Office does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
2. AASB 2005-10 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)'. The amendments are as a result of the issue of AASB 7 'Financial Instruments: Disclosures', which amends the financial instrument disclosure requirements in these standards. The Office does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
3. AASB 101 'Presentation of Financial Statements'. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 'Presentation of Financial Statements' (as issued by the IASB) in respect of for-profit entities. The Office is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
4. AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)'. This Standard introduces policy options and modifies disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
5. AASB 2007-5 'Amendment to Australian Accounting Standard – Inventories Held for Distribution by Not-for Profit Entities (AASB 102)'. This amendment changes AASB 102 'Inventories' so that inventories held for distribution by not-for-profit entities are measured at cost, adjusted when applicable for any loss of service potential. The Office does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
6. AASB Interpretation 4 'Determining whether an Arrangement Contains a Lease [revised]'. This Interpretation was revised and issued in February 2007 to specify that if a public-to-private service concession arrangement meets the scope requirements of AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Office has not entered into any arrangements as specified in the interpretation or within the scope of Interpretation 12, resulting in no impact when the interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

7. AASB Interpretation 12 'Service Concession Arrangements'. This interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity) for public-to-private service concession arrangements. It does not address the accounting by grantor (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Office if and when public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Office has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
  
8. AASB Interpretation 129 'Service Concession Arrangements: Disclosures [revised]'. This Interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Office has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

The following Australian Accounting Standards and Interpretations are not applicable to the Office as they have no impact or do not apply to not-for-profit entities:

AASB Standards and Interpretations

AASB 8	'Operating Segments'
AASB 1049	'Financial Reporting of General Government Sectors by Governments'
AASB 2007-1	'Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]'
AASB 2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – paragraphs 1 to 8
AASB 2007-3	'Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]'
Interpretation 10	'Interim Financial Reporting and Impairment'
Interpretation 10	'AASB 2 – Group and Treasury Share Transactions'

## 7 EMPLOYEE BENEFITS EXPENSE

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries <sup>(a)</sup>	7 007	6 177
Superannuation - defined contribution plans <sup>(b)</sup>	499	415
Superannuation - defined benefit plans <sup>(c) (d)</sup>	306	320
Annual leave <sup>(e)</sup>	755	619
Long Service Leave <sup>(e)</sup>	226	129
	<u>8 793</u>	<u>7 660</u>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component

(b) Defined contribution plans include West State and Gold State (contributions paid).

(c) Defined benefit plans include Pension scheme and Gold State (pre-transfer benefit)

(d) An equivalent notional income is also recognised (*see Note 15 'Income from State Government'*).

(e) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at Note 13 'Other Expenses'. The employment on-costs liability is included at Note 23 'Provisions'.

## 8 SUPPLIES AND SERVICES

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Contracted audit work	3 986	4 129
Other services and contracts	445	289
Communications	74	64
Consumables	128	200
Repairs and maintenance	233	215
Administration	267	329
Other staffing costs	251	215
Advertising	20	30
Lease expenses	114	94
Other	13	8
	<u>5 531</u>	<u>5 573</u>

## 9 DEPRECIATION AND AMORTISATION EXPENSE

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Depreciation</b>		
Office and computer equipment	363	314
Furniture and Fittings	29	23
Total Depreciation	<u>392</u>	<u>337</u>
<b>Amortisation</b>		
Intangible assets	<u>25</u>	<u>1</u>
Total depreciation and amortisation	<u>417</u>	<u>338</u>

## 10 ACCOMMODATION EXPENSES

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Office rent	468	383
Office parking	62	65
Monthly Outgoings	178	161
	<u>708</u>	<u>609</u>

## 11 CAPITAL USER CHARGE

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Capital user charge	<u>153</u>	<u>49</u>

The charge was a levy applied by the Government for the use of its capital. 2006-07 is the final year in which the charge was levied. A single payment was made to Department of Treasury and Finance, which is equal to the appropriation for 2006-07 and adjustments relating to 2005-06.

## 12 NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Costs of Disposal of Non-Current Assets</u>		
Office and Computer Equipment	32	0
<u>Proceeds from Disposal of Non-Current Assets</u>		
Office and Computer Equipment	0	0
Net Gain/(Loss)	<u>(32)</u>	<u>0</u>

### 13 OTHER EXPENSES

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Employment on-costs <sup>(a)</sup>	9	9
Audit fee <sup>(b)</sup>	11	11
	<u>20</u>	<u>20</u>

(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.

(b) Audit fee, see also Note 29 'Remuneration of auditor'.

### 14 OTHER REVENUE

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Contributions for the use of motor vehicles	22	14
Miscellaneous	1	86
	<u>23</u>	<u>100</u>

## 15 INCOME FROM STATE GOVERNMENT

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Appropriation received during the year:		
Service appropriations <sup>(a)</sup>	<u>15 389</u>	<u>14 535</u>
	15 389	14 535
The following liabilities have been assumed by the Treasurer during the financial year:		
- Superannuation <sup>(b)</sup>	<u>82</u>	<u>84</u>
Total liabilities assumed by the Treasurer	82	84
Resources received free of charge <sup>(c)</sup>		
Determined on the basis of the following estimates provided by agencies:		
State Solicitor's Office	<u>15</u>	<u>12</u>
Total resources received free of charge	15	12
Total income from State Government	<u>15 486</u>	<u>14 631</u>

- a) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.
- b) The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension Scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation scheme. (The notional superannuation expense is disclosed at Note 7 'Employee Benefits Expense').
- c) Where assets or services have been received free of charge or for nominal cost, the Office recognises revenues (except where the contributions of assets or services are in the nature of contributions by owners in which case the Office shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.

## 16 RESTRICTED CASH AND CASH EQUIVALENTS

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Non-current</u>		
Accrued salaries suspense account <sup>(a)</sup>	<u>61</u>	<u>25</u>

- (a) Amount held in the suspense account is only to be used for the purpose of meeting the 27<sup>th</sup> pay in a financial year that occurs every 11 years.

## 17 RECEIVABLES

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Current</u>		
Receivables	38	61
Other Receivables	4	33
GST Receivable	457	208
	<u>499</u>	<u>302</u>
Prepayments	139	196
Total Current	<u>638</u>	<u>498</u>

## 18 AMOUNTS RECEIVABLE FOR SERVICES

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Current	<u>513</u>	<u>446</u>

Represents the non-cash component of service appropriations. See Note 3(m) 'Amounts receivable for services (Holding Account)'. It is restricted in that it can only be used for asset replacement or payment of leave liability.

19 PROPERTY, PLANT AND EQUIPMENT

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>FURNITURE &amp; FITTINGS</b>		
At Cost	333	307
Accumulated depreciation	<u>( 109)</u>	<u>( 80)</u>
	<u>224</u>	<u>227</u>
<b>OFFICE &amp; COMPUTER EQUIPMENT</b>		
At Cost	1 913	1 842
Accumulated depreciation	<u>(1 241)</u>	<u>(1 225)</u>
	<u>672</u>	<u>617</u>
	<u>896</u>	<u>844</u>

Reconciliations of the carrying amounts of office and computer equipment and furniture and fittings at the beginning and end of the reporting period are set out below:

	<b>Furniture and Fittings</b>	<b>Office and Computer Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2007</b>			
Carrying amount at start of year	227	617	844
Additions	25	523	548
Disposals	0	( 104)	( 104)
Depreciation	<u>( 29)</u>	<u>( 363)</u>	<u>( 392)</u>
Carrying amount at end of year	223	673	896

	<b>Furniture and Fittings</b>	<b>Office and Computer Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2006</b>			
Carrying amount at start of year	191	685	876
Additions	59	245	304
Disposals	0	0	0
Depreciation	<u>( 23)</u>	<u>( 313)</u>	<u>( 336)</u>
Carrying amount at end of year	227	617	844

## 20 INTANGIBLE ASSETS

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Computer software</u>		
At Cost	137	63
Accumulated amortisation	<u>( 26)</u>	<u>( 1)</u>
	<u>111</u>	<u>62</u>
Reconciliations:		
<u>Software</u>		
Carrying amount at start of year	62	0
Additions	74	63
Amortisation expense	<u>( 25)</u>	<u>( 1)</u>
Carrying amount at end of year	<u>111</u>	<u>62</u>

## 21 IMPAIRMENT OF ASSETS

There were no indications of impairment to property, plant and equipment and intangible assets at 30 June 2007.

The Office held no goodwill or intangible assets with an indefinite useful life during the reporting period and at balance sheet date there were no intangible assets not yet available for use.

## 22 PAYABLES

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Current	<u>151</u>	<u>51</u>

See also note 3(o) 'Payables' and Note 37 'Financial instruments'.

## 23 PROVISIONS

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Current</u></b>		
Employee benefits provision		
Annual leave <sup>(a)</sup>	627	513
Long service leave <sup>(b)</sup>	619	795
	<u>1 246</u>	<u>1 308</u>
	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Non-Current</u></b>		
Employee benefits provision		
Long service leave <sup>(b)</sup>	382	332
	<u>382</u>	<u>332</u>

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

Within 12 months of balance sheet date	627	513
More than 12 months from balance sheet date	0	0
	<u>627</u>	<u>513</u>

- (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 balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of balance sheet date	189	162
More than 12 months from balance sheet date	812	965
	<u>1 001</u>	<u>1 127</u>

## 24 OTHER CURRENT LIABILITIES

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Work in Progress - Contractor payments	426	1 083
Accrued Salaries	32	110
	<u>458</u>	<u>1 193</u>

## 25 EQUITY

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

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Contributed Equity</b>		
Balance at the start of the year	629	602
<b>Contributions by owners</b>		
Capital contribution	0	27
Total contributions by owners	<u>0</u>	<u>27</u>
Balance at the end of the year	<u>629</u>	<u>629</u>
<b>Accumulated surplus/(deficit)</b>		
Balance at the start of the year	455	( 27)
Result for the period	<u>( 145)</u>	<u>482</u>
Balance at the end of the year	<u>310</u>	<u>455</u>
<b>TOTAL EQUITY</b>	<u>939</u>	<u>1 084</u>

26 NOTES TO THE CASH FLOW STATEMENT

Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	957	2 091
Cash advances	0	3
Restricted cash and cash equivalents (refer to note 16)	61	25
	<u>1 018</u>	<u>2 119</u>

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

Net cost of services	(15 631)	(14 149)
Non-cash items:		
Depreciation and amortisation expense	417	338
Liabilities assumed by the Treasurer	82	84
Resources received free of charge	15	12
Trade-in of assets	73	0
Net (gain)/loss on sale of non-current assets	32	0
<u>(Increase)/decrease in assets:</u>		
Current receivables <sup>(c)</sup>	109	( 107)
<u>Increase/(decrease) in liabilities:</u>		
Current payables <sup>(c)</sup>	100	( 62)
Current provisions	( 62)	72
Other current liabilities	( 735)	904
Non-current provisions	50	( 55)
Net GST receipts/(payments) <sup>(a)</sup>	( 1)	1
Change in GST in receivables/payables <sup>(b)</sup>	( 249)	( 68)
Net cash provided by/(used in) operating activities	<u>(15 801)</u>	<u>(13 029)</u>

## 27 COMMITMENTS

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Private Sector Contracts Commitments		
Expenditure commitments in relation to audit services contracted for at the balance sheet date but not recognised as liabilities are payable as follows:		
Within one year	3 804	4 715
Later than one year but not later than five years	1 321	2 875
Later than five years	<u>0</u>	<u>0</u>
	<u>5 125</u>	<u>7 590</u>
Non-cancellable operating Lease Commitments		
Commitments for minimum lease payments as follows:		
Within one year	647	586
Later than one year but not later than five years	2 272	1 992
Later than five years	<u>92</u>	<u>540</u>
	<u>3 011</u>	<u>3 118</u>

\* These commitments are all inclusive of GST.

## 28 REMUNERATION OF SENIOR OFFICERS

Senior Officers are classified as those members of Corporate Executive.

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

	<b>2007</b>	<b>2006</b>
\$30 001 - 40 000	0	1
\$60 001 - 70 000	0	1
\$80 001 - 90 000	1	0
\$90 001 - 100 000	0	1
\$130 001 - 140 000	2	3
\$140 001 - 150 000	0	1
\$150 001 - 160 000	2	0
\$220 001 - 230 000	1	0
\$250 001 - 260 000	1	0
\$280 001 - 290 000	0	1

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
The total remuneration of senior officers is:	<u>896</u>	<u>1 025</u>

The total remuneration includes the superannuation expense incurred by the Office in respect of senior officers.

No senior officers are members of the Pension Scheme.

## 29 REMUNERATION OF AUDITOR

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
An independent auditor is appointed by the Governor under section 38 (2) of the <i>Auditor General Act (2006)</i> to audit the accounts, financial statements and performance indicators of the Office with the fee being paid by this Office	<u>11</u>	<u>11</u>

The expense is included at Note (13) 'Other Expenses'.

## 30 RESOURCES PROVIDED FREE OF CHARGE

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
During the year, audit services were provided free of charge to a number of Departments, Authorities and for Request audits.	<u>36</u>	<u>55</u>

## 31 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at balance sheet date.

## 32 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There are no significant events that occurred after balance sheet date.

## 33 RELATED BODIES

The Office did not have any related bodies during the financial year.

## 34 AFFILIATED BODIES

The Office did not have any affiliated bodies during the financial year.

## 35 SPECIAL PURPOSE ACCOUNTS

The Office does not have any special purpose accounts at balance sheet date.

### 36 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 per cent or \$250 000.

#### (i) Significant variances between estimate and actual for 2007 – Total appropriation to deliver services.

	2007 Estimate \$'000	2007 Actual \$'000	Variation \$'000
Total appropriations provided to deliver services	14 188	15 389	1 201

The variance in the total amount appropriated to deliver services was primarily due to extra funding in relation to payment for additional audit fees to private sector audit contractors and cost associated with undertaking investigations of Public Interest Disclosures.

#### (ii) Significant variances between actuals for 2006 and 2007 – Total appropriation to deliver services.

	2007 \$'000	2006 \$'000	Variation \$'000
Total appropriation provided to deliver services	15 389	14 535	854

The variance is due to additional funding required for increase and payments to contractors for audit services mainly due to the Government approved 90 day timeframe and additional audit hours undertaken.

#### iii) Significant variances between estimate and actual for 2007 – Capital Contribution.

	2007 Estimate \$'000	2007 Actual \$'000	Variation \$'000
Purchase of non-current physical assets	479	622	143

Total funding for 2006-07 capital works program is \$479 000. This amount combined with a carryover from 2005-06 of \$290 000 totals to \$769 000. Actual capital expenditure for 2006-07 is \$622 000. Total funding for the 2007 capital works program is \$769 000. This leaves an actual variance of \$147 000 to be carried forward to 2007-08.

#### iv) Significant variances between actuals for 2006 and 2007 – Capital Contribution.

	2007 \$'000	2006 \$'000	Variation \$'000
Purchase of non-current physical assets	622	369	253

The increase in the purchase of assets from prior year was mainly attributable to the Office laptop replacements which occurred in 2006-07.

v) Significant variances between estimate and actual for 2007, and actuals for 2006 and 2007 – Administered income.

	2007 Estimate \$'000	2007 Actual \$'000	Variation \$'000
Administered Income	11 412	11 772	360

	2007 Actual \$'000	2006 Actual \$'000	Variation \$'000
Administered Income	11 772	11 143	629

The variance between 2007 Estimate and Actual is due to additional fees charged to Agencies for extra work undertaken.

The variance between 2007 and 2006 Actuals is due to an increase in contractors fees charged and additional work undertaken.

### 37 FINANCIAL INSTRUMENTS

#### *(a) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES*

Financial instruments held by the Office are 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*

The Office transacts 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 credit risk is minimal. There are no significant concentrations of credit risk.

##### *LIQUIDITY RISK*

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.

##### *CASH FLOW INTEREST RATE RISK*

The Office is not exposed to interest rate risk because cash and cash equivalents and restricted cash and cash equivalents are non-interest bearing. The Office has no borrowings.

##### *FAIR VALUES*

All financial assets and liabilities recognised in the balance sheet, are recognised at amounts that represent a reasonable approximation of fair value.

### 38 SUPPLEMENTARY FINANCIAL INFORMATION

#### Write-Offs

During the financial year \$3 029 (2006:\$0) was written off the Office's asset register under the authority of:

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
The Accountable Authority	3	0
<b>Losses Through Theft, Defaults And Other Causes</b>		
Losses of public moneys and public or other property through theft or default	0	0
Amount Recovered	0	0
<b>Gifts of Public Property</b>		
Gifts of Public Property	0	0

### 39 ADMINISTERED EXPENSES AND INCOME

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Expenses</b>		
Receipts paid into Consolidated Fund	<u>12 569</u>	<u>10 177</u>
<b>Total administered expenses</b>	<u>12 569</u>	<u>10 177</u>
<b>Income</b>		
Fees for Audit Services <sup>(a)</sup>	<u>11 772</u>	<u>11 143</u>
<b>Total administered income</b>	<u>11 772</u>	<u>11 143</u>

### 40 ADMINISTERED ASSETS AND LIABILITIES

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>		
Cash and cash equivalents	145	147
Receivables and accrued fees <sup>(a)</sup>	<u>4 365</u>	<u>5 197</u>
<b>Total Administered Current Assets</b>	<u>4 510</u>	<u>5 344</u>
<b>Current Liabilities</b>		
GST Payable	<u>110</u>	<u>145</u>
<b>Total Administered Current Liabilities</b>	<u>110</u>	<u>145</u>

#### Notes to Administered Items

- a) Fees for Audit Services in 2007 includes accrued fees valued at \$4 226 196 (2006: \$4 735 786). Accrued fees are calculated in accordance with the percentage of audit completed. The percentage of audit completed is measured by reference to labour hours incurred to balance sheet date as a percentage of the estimated total audit hours.

OFFICE OF THE AUDITOR GENERAL

PERFORMANCE INDICATORS

**Performance Indicators Certification**

The attached performance indicators have been prepared and are reported as indicators of the performance of the Office of the Auditor General for the year ending 30 June 2007.

I certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office's performance, and fairly represent the indicated performance of the Office.



COLIN MURPHY  
ACCOUNTABLE AUTHORITY  
30 August 2007

INDEPENDENT AUDIT REPORT

OFFICE OF THE AUDITOR GENERAL

PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007



**RIX LEVY FOWLER**  
AUDIT & CORPORATE PTY LTD

**Directors**  
Phillip Rix FCA  
Ranko Matić CA  
Chris Watts CA

**INDEPENDENT AUDIT REPORT  
TO THE PARLIAMENT OF WESTERN AUSTRALIA**

**OFFICE OF THE AUDITOR GENERAL  
PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007**

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**SCOPE**

I have audited the key effectiveness and efficiency performance indicators of the Office of the Auditor General for the year ended 30 June 2007 under the provisions of the Financial Management Act 2006 and Auditor General Act 2006.

The Accountable Authority is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act.

My audit was performed in accordance with section 40 of the Auditor General Act 2006 to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the performance of the Office of the Auditor General. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

**AUDIT OPINION**

In my opinion, the key effectiveness and efficiency performance indicators of the Office of the Auditor General are relevant and appropriate for assisting users to assess the Office's performance and fairly represent the indicated performance for the year ended 30 June 2007.

**RIX LEVY FOWLER**  
Audit & Corporate Pty Ltd

**PHILLIP RIX** FCA, F.Fin.  
Director

DATED at PERTH this 23<sup>rd</sup> day of August 2007

## OFFICE OF THE AUDITOR GENERAL

### PERFORMANCE INDICATORS

Government goal: To govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future.

Desired outcome: An informed Parliament on public sector accountability and performance.

Service: Performance Auditing

### KEY EFFECTIVENESS INDICATORS

All Members of Parliament are surveyed annually to determine the extent to which the Office's reports and service fulfil the needs of Parliament. Responses to specific questions relating to the achievement of our Outcome were sought by the Office and are reported as key effectiveness indicators below.

Table 1: Effectiveness KPIs (Parliamentary Census)	2003-04	2004-05	2005-06	2006-07	2006-07 Target
The Office of the Auditor General is effective in achieving its desired outcome of informing Parliament on accountability and performance in the public sector	66%	80%	92%	78%	85%
Reports dealt with matters of significance to Parliament	76%	90%	85%	89%	90%
Services and reports of the Office of the Auditor General are useful to Parliament	83%	78%	89%	89%	80%

### KEY EFFICIENCY INDICATORS

The key efficiency indicators reported below incorporate the cost and quantity units of the Office's single service of performance auditing, and gauge the overall efficiency in achieving the desired outcome of an informed Parliament on public sector accountability and performance.

Table 2: Efficiency KPIs		2003-04 Actual (adjusted) \$	2004-05 Actual \$	2005-06 Actual \$	2006-07 Actual \$	2006-07 Target \$
Cost per Matter of Significance (MoS)		30 494	50 781	29 600	32 522	33 927
Average cost per Audit Opinion	Cost per major audit	109 539	128 293	134 979	137 039	140 634
	Cost per other audit	17 101	17 265	23 192	25 646	20 057

## OFFICE OF THE AUDITOR GENERAL

### PERFORMANCE INDICATORS

#### EXPLANATORY NOTES FOR PERFORMANCE INDICATORS

##### How were the performance indicators derived?

#### KEY EFFECTIVENESS INDICATORS

The key effectiveness indicators are measured via an annual census of all Members of Parliament administered by an independent consultant. Respondents are not identifiable when the results are presented.

All 91 Members of Parliament were invited to participate in the 2007 Parliamentary Census using several response options. Follow-ups were made until an outcome was reached – either an agreement or refusal to participate. This year's response rate decreased to 42 per cent (from 53 per cent in 2006).

Three measures are used as indicators to show the extent to which Parliamentarians felt that: the Auditor General was achieving his desired outcome of informing Parliament on accountability and performance of the public sector; reports dealt with matters of significance; and services and reports were useful to Parliament. Responses were sought on a five point rating scale, with the measure being calculated as the number of responses with a rating of either four or five divided by the total number of responses to that question.

#### Key efficiency Indicators

Key efficiency indicators are formulated to measure the cost per quantity unit. The total cost for 2006-07 is derived from the Office's Cost Allocation Model in the Financial Management Information System. Projects are costed by the Cost Allocation Model using labour hours and direct costs, and allocating indirect costs. Quantity measures used to calculate key efficiency indicators are extracted from the Office's Resource Management Information System and departmental files.

Matters of Significance (MoS) are considered by the Office as being the key messages contained in reports submitted to Parliament. Key messages are defined as those issues a general parliamentary reader would take away from the report after the detail of specific findings and recommendations have receded into the background. MoS are included in all the Auditor General's reports tabled in Parliament under s.95 of the *Financial Administration and Audit Act 1985* and more recently under s.24 and s.25 of the *Auditor General Act 2006*.

Draft MoS are subject to internal review and the final MoS are determined by the Auditor General. Generally, these were identified in the Executive Summary of each Report and at the beginning of each chapter as a series of dot points.

A single, overall 'cost per audit' would not be a particularly useful key efficiency indicator because of the variation in the size and complexity of the Office's clients. Two average costs have therefore been calculated:

- major audits – the largest and/or more complex and sensitive attest audits undertaken each year. These agencies cover approximately 94 per cent of State assets.
- other audits – the remaining smaller, less complex attest audits.

A full list of Audit Clients is provided elsewhere in this Annual Report, with 'major audits' being separately identified.

##### What are the variations from previous indicators?

#### KEY EFFECTIVENESS INDICATORS

This year's Census data has been weighted by political party grouping to adjust for the lower response rate. The procedures involved weighting the raw score results by membership of political group (Government, Opposition or Independent/Minor Party) to correct for the under-representation of Government members and over-representation of Independents/Minor Party members. The variation between weighted and unweighted results for each indicator is less than one per cent.

## Key efficiency Indicators

In 2004-05 the Office's internal Cost Allocations Model in the Financial Management Information System was altered. This had the effect of redistributing certain costs as allocated overheads which were previously viewed as directly attributable to the production of MoS. The adjustment of key efficiency indicators for the previous year enables direct comparison to later years' results.

This practice has been continued for the 2006-07 Annual Report and the indicators for 2003-04 included in Table 2 above have been adjusted to account for these changes in costing systems.

### Why are the indicators considered relevant to the outcome and service?

The Office's desired outcome for 2006-07 is 'an informed Parliament on public sector accountability and performance'.

Parliament is the Auditor General's principal client and as such, the indicators relate to the service that the Auditor General provides to Parliament, which in turn contributes to the desired outcome. Members' satisfaction with the Auditor General's reports, service and his contribution to public sector accountability and performance directly measures the effectiveness of informing Parliament.

MoS are included in all reports tabled in Parliament under s.95 of the *Financial Administration and Audit Act 1985* and s.24 and s.25 of the *Auditor General Act 2006*.

The key efficiency indicators incorporate the cost and quantity measures of the Office's single service and gauge the overall efficiency in achieving the desired outcome of an informed Parliament on public sector accountability and performance.

### Why are they key indicators of performance?

The chosen indicators directly measure the Office's effectiveness and efficiency in delivering its service and meeting its desired outcome.

### How can the indicators assist the reader to assess performance?

The key effectiveness indicators inform the reader how well the service of performance auditing contributes to improved public sector accountability and performance as perceived by the Auditor General's principal major client, Parliament. Key efficiency indicators gauge the unit cost of each sub-service. Results are presented as simple percentages or ratios for easy comprehension. Results for both effectiveness and efficiency can be directly compared with performance from previous years, with efficiency results prior to 2004-05 adjusted to ensure comparability.

It should be noted a proportion of the MoS identified in performance examinations and controls, compliance and accountability reports tabled in Parliament during the financial year result from work which occurred in the previous financial year. This impacts on the final cost per MoS and was particularly evident in 2005-06.

### What major movements in the measurements occurred as a result of unusual events or circumstances?

#### KEY EFFECTIVENESS INDICATORS

This year's Census data was collected from fewer parliamentary respondents and, although considered reliable for statistical purposes, the results present challenges for the Office to maintain an effective participation rate.

One of the three indicators improved and another remained at a level equal to the Office's highest historical result for eight years. This is a significant achievement as both indicators were close to or outperformed the targets set.

However, the decline to 78 per cent of respondents who considered that the Auditor General was effective in achieving its desired outcome of informing Parliament on accountability and performance of the public sector remains a challenge. This indicator decreased by 14 per cent from the seven year high result of 92 per cent recorded last year. This year's result is less than the target set but is above average compared to the previous five years. The decline on this indicator is inconsistent with other survey results including overall satisfaction with OAG reports and services which increased from 90 to 94 per cent.

The reasons for the movement in this indicator, from the exceptionally high level the previous year, are not immediately apparent and do not appear to relate to exceptional events. However, during 2006-07 there was a change in position holder of Auditor General for the first time in fifteen years. The recently appointed Auditor General has since met with Members of Parliament through its committees and at briefings after tabling reports. Their comments and other qualitative information provided in Parliamentarians' survey responses will be used to continue to improve the Auditor General's reports and services to Parliament.

Eighty-nine per cent of respondents indicated that the Office's services and reports are useful to Parliament. This is a similar result to the previous year and outperforms the target by nine per cent.

Eighty-nine per cent of respondents agreed that the Auditor General's reports deal with matters of significance to Parliament. This result is close to the 2006-07 target and outperforms last year's performance by four per cent.

### **Key efficiency Indicators**

The average cost per MoS was \$32 522. This was four per cent below the target for 2006-07 although an increase of 10 per cent from the previous year. A similar number of MoS were reported to Parliament in 2006-07. This was slightly higher than the estimated achievement level. The variation in comparison to previous year results were expected as the 2005-06 figures benefited from MoS identified but not finalised and reported in the 2004-05 year.

The average cost per major audit varied only slightly from target and the previous year. This was a good outcome.

The average cost per other audit was 28 per cent above target and 11 per cent higher than the previous year. This variation largely arose from the need to contract out more audits to meet earlier reporting deadlines. Contracted audits increased by 138 per cent over the prior year. Although this had been anticipated in the setting of the target, the full impact was underestimated.