

APPENDIX 5: FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Prime Minister

I have audited the accompanying annual financial statements of the Office of the Commonwealth Ombudsman for the year ended 30 June 2015, which comprise:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments; and
- Notes to and Forming Part of the Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Accountable Authority's Responsibility for the Financial Statements

The Commonwealth Ombudsman, as Accountable Authority, is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Commonwealth Ombudsman is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the

accounting policies used and the reasonableness of accounting estimates made by the Commonwealth Ombudsman, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Office of the Commonwealth Ombudsman:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Office of the Commonwealth Ombudsman as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Kristian Gage
Audit Principal

Delegate of the Auditor-General

Canberra
16 September 2015

OFFICE OF THE COMMONWEALTH OMBUDSMAN

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2015 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*, and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Office of the Commonwealth Ombudsman will be able to pay its debts as and when they fall due.



Signed.....

Colin Neave
Commonwealth Ombudsman
Accountable Authority

16 September 2015



Signed.....

Dermot Walsh
Chief Financial Officer

16 September 2015

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2015

	Notes	2015 \$	2014 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	3A	16,122,625	15,419,450
Supplier	3B	4,907,218	4,633,554
Depreciation and amortisation	3C	697,321	731,324
Write-down and impairment of assets	3D	7,859	25,510
Total expenses		21,735,024	20,809,838
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	2,600,601	2,052,225
Total own-source revenue		2,600,601	2,052,225
Gains			
Other gains	4B	43,000	43,000
Total gains		43,000	43,000
Total own-source income		2,643,601	2,095,225
Net cost of services		19,091,423	18,714,613
Revenue from Government	4C	18,392,296	18,022,000
Surplus / (Deficit)		(699,127)	(692,613)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		-	541,406
Total other comprehensive income		-	541,406
Total comprehensive (loss)		(699,127)	(151,207)

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	Notes	2015 \$	2014 \$
ASSETS			
Financial assets			
Cash and cash equivalents	6A	975,069	471,327
Trade and other receivables	6B	9,327,455	9,297,815
Other financial assets	6C	44,625	72,810
Total financial assets		10,347,149	9,841,952
Non-financial assets			
Land and buildings	7A-C	1,197,993	1,401,182
Property, plant and equipment	7A-C	1,039,686	715,067
Intangibles	7D-E	389,864	339,644
Other non-financial assets	7F	293,995	352,899
Total non-financial assets		2,921,538	2,808,792
Total assets		13,268,688	12,650,744
LIABILITIES			
Payables			
Suppliers	8A	525,744	343,458
Other payables	8B	4,322,288	3,831,419
Total payables		4,848,032	4,174,877
Provisions			
Employee provisions	9A	3,527,494	3,618,578
Other provisions	9B	138,216	138,216
Total provisions		3,665,710	3,756,794
Total liabilities		8,513,742	7,931,671
Net assets		4,754,946	4,719,073
EQUITY			
Contributed equity		5,602,000	4,867,000
Reserves		1,112,416	1,112,416
Accumulated deficit		(1,959,470)	(1,260,343)
Total equity		4,754,946	4,719,073

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2015

	Retained earnings		Asset revaluation reserve		Contributed equity/capital		Total equity	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	(1,260,343)	(567,730)	1,112,416	571,010	4,867,000	4,348,000	4,719,073	4,351,280
Opening balance	(1,260,343)	(567,730)	1,112,416	571,010	4,867,000	4,348,000	4,719,073	4,351,280
Comprehensive income								
Other comprehensive income	-	-	-	541,406	-	-	-	541,406
Surplus (Deficit) for the period	(699,127)	(692,613)	-	-	-	-	(699,127)	(692,613)
Total comprehensive income (loss)	(699,127)	(692,613)	-	541,406	-	-	(699,127)	(151,207)
of which:								
Attributable to the Australian Government	(699,127)	(692,613)	-	541,406	-	-	(699,127)	(151,207)
Transactions with owners								
Distributions to owners								
Reduction to appropriation	-	-	-	-	(25,000)	(89,000)	(25,000)	(89,000)
Contributions by owners								
Departmental capital budget	-	-	-	-	760,000	608,000	760,000	608,000
Sub-total transactions with owners	-	-	-	-	735,000	519,000	735,000	519,000
Closing balance as at 30 June	(1,959,470)	(1,260,343)	1,112,416	1,112,416	5,602,000	4,867,000	4,754,946	4,719,073
Closing balance attributable to the Australian Government	(1,959,470)	(1,260,343)	1,112,416	1,112,416	5,602,000	4,867,000	4,754,946	4,719,073

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
CASH FLOW STATEMENT
for the period ended 30 June 2015

	Note	2015 \$	2014 \$
OPERATING ACTIVITIES			
Cash received			
Sales of goods and rendering of services		2,825,626	2,459,907
Appropriations		21,439,801	20,788,769
Net GST received		364,784	322,685
Other		118,571	439,283
Total cash received		<u>24,748,782</u>	<u>24,010,644</u>
Cash used			
Employees		15,714,553	15,429,374
Suppliers		5,254,839	5,384,303
Section 74 receipts transferred to the OPA		3,007,816	2,961,701
Total cash used		<u>23,977,208</u>	<u>23,775,378</u>
Net cash from operating activities	10	<u>771,574</u>	<u>235,267</u>
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		625,387	78,657
Purchase of intangibles		251,444	230,522
Total cash used		<u>876,831</u>	<u>309,179</u>
Net cash (used) by investing activities		<u>(876,831)</u>	<u>(309,179)</u>
FINANCING ACTIVITIES			
Cash received			
Departmental Capital Budget		609,000	459,000
Total cash received		<u>609,000</u>	<u>459,000</u>
Net cash from financing activities		<u>609,000</u>	<u>459,000</u>
Net increase in cash held		<u>503,743</u>	<u>385,088</u>
Cash and cash equivalents at the beginning of the reporting period		471,327	86,239
Cash and cash equivalents at the end of the reporting period	6A	<u>975,069</u>	<u>471,327</u>

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
SCHEDULE OF COMMITMENTS
as at 30 June 2015

	2015	2014
	\$	\$
BY TYPE		
Commitments receivable		
Sale of services	-	110,000
Net GST recoverable on commitments	<u>1,504,784</u>	<u>1,587,704</u>
Total commitments receivable	<u>1,504,784</u>	<u>1,697,704</u>
Commitments payable		
Operating leases	<u>15,024,343</u>	16,931,567
Other	<u>1,528,281</u>	643,175
Total commitments payable	<u>16,552,624</u>	<u>17,574,742</u>
Net commitments by type	<u>15,047,840</u>	<u>15,877,038</u>
BY MATURITY		
Commitments receivable		
Sale of services		
One year or less	-	110,000
Total services income	<u>-</u>	<u>110,000</u>
GST recoverable on commitments		
One year or less	<u>217,163</u>	190,495
From one to five years	<u>652,670</u>	632,474
Over five years	<u>634,951</u>	764,735
Total GST recoverable	<u>1,504,784</u>	<u>1,587,704</u>
Commitments payable		
Operating lease commitments		
One year or less	<u>1,899,298</u>	1,907,224
From one to five years	<u>6,140,586</u>	6,612,255
Over five years	<u>6,984,459</u>	8,412,088
Total operating lease commitments	<u>15,024,343</u>	<u>16,931,567</u>
Other Commitments		
One year or less	<u>489,496</u>	298,216
From one to five years	<u>1,038,785</u>	344,959
Total other commitments	<u>1,528,281</u>	643,175
Net commitments by maturity	<u>15,047,840</u>	<u>15,877,038</u>

NB: Commitments are GST inclusive where relevant.

This schedule should be read in conjunction with the accompanying notes.

The other commitments payable relate to office administration contracts including ICT services, internal audit and travel management services.

Operating leases included are effectively non-cancellable and comprise leases for office

General description of all leasing arrangements (the office was the lessee)

Leases for office accommodation: lease payments for Canberra, Adelaide, Melbourne and Brisbane were subject to a fixed rate increase in accordance with each contract. The initial periods of office accommodation leases are still current.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note

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**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note 1: Summary of Significant Accounting Policies

1.1 Office of the Commonwealth Ombudsman Objectives

The Office of the Commonwealth Ombudsman is an Australian Government controlled entity. It is a not for profit entity. The objective of the Office is to assist the Commonwealth Ombudsman to carry out his duties and responsibilities under the *Ombudsman Act 1976* and other relevant legislation.

The Office is structured to meet one outcome:

Fair and accountable administrative action by Australian Government agencies by investigating complaints, reviewing administrative action and inspecting statutory compliance by law enforcement agencies.

The continued existence of the Office in its present form and with its present programmes is dependent on Government policy and on continuing appropriations by Parliament for the Office's administration and programs.

The Office's activities contributing toward this outcome are classified as departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Office in its own right.

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The Financial Statements have been prepared in accordance with the:

- a) Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2014; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars.

Unless an alternative treatment is specifically required by an accounting standard or the FRR, assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the note of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note 1: Summary of Significant Accounting Policies

1.3 Significant Accounting Judgements and Estimates

No accounting assumptions or estimates or other judgements have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

The following standard was issued prior to the signing of the statement by the accountable authority and chief financial officer, was applicable to the current reporting period and had a material effect on the agency's financial statements:

- *AASB 1055 Budgetary Reporting* (March 2013) (operative from 1 July 2014). The disclosure requires the inclusion of the budgeted figures from the Portfolio Budget Statements (PBS) to be disclosed with material variances against actuals explained. This disclosure will provide users with information relevant to assessing the performance of an entity, including accountability for resources entrusted to it.

All other new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on the agency's financial statements.

Consistent with section 19 of the FRRs, the Office has decided to adopt the amendments to *AASB 13 - Fair Value Measurement* for the 2015 financial year. These amendments reduce the fair value measurement of property, plant and equipment assets required disclosure which was previously required for assets primarily held for internal or policy use, rather than to earn revenue. More specifically, the disclosure is no longer required for quantitative information regarding the significant unobservable inputs used in fair value measurements and the sensitivity of certain fair value measurements to changes in unobservable inputs.

There have been no further new standards, revised standards, amended standards or interpretations that were issued by the AASB prior to the sign off date, which are applicable to the current reporting period and have a material financial impact on the Office.

Future Australian Accounting Standard Requirements

New standards, reissued standards, amendments to standards or interpretations ("the new requirements") applicable to future reporting periods have been issued by the Australian Accounting Standards Board during the year. It is anticipated that the new requirements will have no material financial impact on future reporting periods.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note 1: Summary of Significant Accounting Policies

1.5 Revenue

Other Types of Revenue

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of reporting period. Allowances are made when collectability of the debt is no longer probable.

The majority of revenue received by the Office relates to the ACT Ombudsman service provided to the ACT Government and international programmes funded by the Department of Foreign Affairs and Trade.

Revenue from Government

Amounts appropriated for departmental outcomes for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the Office gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

1.6 Gains

Resources Received Free of Charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government Office or authority as a consequence of a restructuring of administrative arrangements (Refer to Note 1.7).

Sale of Assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note 1: Summary of Significant Accounting Policies

1.7 Transactions with the Government as Owner

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Office is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Office's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the estimated future cash flows to be made in respect to all employees as at 30 June 2015. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Office recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Employees of the Office are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other contributory funds as nominated by the employee.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap and the other funds are defined contribution schemes.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance as an administered item.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note 1: Summary of Significant Accounting Policies

The Office makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Office accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final nine working days of the year.

1.9 Leases

An operating lease is a lease when the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.10 Fair Value Measurement

The Office deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

1.11 Cash

Cash and cash equivalents includes cash on hand, cash held by outsiders, demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.12 Financial Assets

The Office classifies its financial assets as loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note 1: Summary of Significant Accounting Policies

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the statement of comprehensive income.

1.13 Financial Liabilities

Financial liabilities are recognised and derecognised upon 'trade date'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.14 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

The Office had no contingent assets or liabilities in 2015 (2014: Nil).

The Office has identified in its contracts and leases a number of indemnity provisions. None of these are quantifiable and all are considered remote. There are no existing or likely claims of which the Office is aware (2014: nil).

1.15 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note 1: Summary of Significant Accounting Policies

1.16 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'makegood' provisions in property leases taken up by the Office where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Office's leasehold improvements with a corresponding provision for the 'makegood' recognised.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset Class	Fair value measured at:
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Office using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2015	2014
Leasehold improvements	Lease term	Lease term
Plant and Equipment	3 to 10 years	3 to 10 years

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015**

Note 1: Summary of Significant Accounting Policies

Impairment

All assets were assessed for impairment at 30 June 2015. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Office were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.17 Intangibles

The Office's intangibles comprise internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Office's software are 1 to 8 years (2014: 1 to 8 years).

All software assets were assessed for indications of impairment as at 30 June 2015.

1.18 Taxation

The Office is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

1.19 Constitutional breach risk

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

Note 2: Events After the Reporting Period

The *Private Health Insurance Amendment Act 2015* (the Act) provides for the merger of the Private Health Insurance Ombudsman (PHIO) functions with the Office of the Commonwealth Ombudsman on 1 July 2015.

PHIO ceased as a separate entity and its assets, liabilities, funding, policy and programme responsibilities transferred to the Office on 1 July 2015.

There were no other subsequent events.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Note 3: Expenses

	2015	2014
	\$	\$
Note 3A: Employee Benefits		
Wages and salaries	11,353,255	11,666,730
Superannuation:		
Defined contribution plans	842,361	841,373
Defined benefit plans	1,280,050	1,328,722
Leave and other entitlements	1,644,525	1,525,362
Separation and redundancies	1,002,434	57,263
Total employee benefits	16,122,625	15,419,450
Note 3B: Suppliers		
Goods and services		
Travel	823,432	655,088
Information technology and communications	589,714	632,869
Employee related	467,030	348,853
Property operating expenses	297,130	308,885
Media related	131,955	188,395
Consultants and contractors	246,940	231,351
Printing, stationery and postage	78,583	106,200
Legal	667	41,080
Other	228,883	235,525
Total goods and services	2,864,334	2,748,246
Goods and services are received in connection with:		
Provision of goods – external parties	124,531	144,428
Rendering of services – related entities	330,377	337,729
Rendering of services – external parties	2,409,426	2,266,089
Total goods and services	2,864,334	2,748,246
Other supplier expenses		
Operating lease rentals – external parties:		
Minimum lease payments	1,579,681	1,589,645
Workers compensation expenses	463,203	295,663
Total other supplier expenses	2,042,884	1,885,308
Total supplier expenses	4,907,218	4,633,554
Note 3C: Depreciation and Amortisation		
Depreciation:		
Leasehold improvements	233,117	288,945
Property, plant and equipment	262,981	291,429
Amortisation:		
Intangibles - Computer Software	201,223	150,950
Total depreciation and amortisation	697,321	731,324
Note 3D: Write-Down and Impairment of Assets		
Asset write-downs and impairments from:		
Impairment of property, plant and equipment	7,859	25,510
Total write-down and impairment of assets	7,859	25,510

Note 4: Own-Source Income

	2015	2014
	\$	\$
OWN-SOURCE REVENUE		
Note 4A: Sale of Goods and Rendering of Services		
Rendering of services - related entities	1,569,103	1,036,388
Rendering of services - external parties	<u>1,031,498</u>	<u>1,015,837</u>
Total sale of goods and rendering of services	<u>2,600,601</u>	<u>2,052,225</u>
Note 4B: Other Gains		
Resources received free of charge		
Remuneration of auditors	<u>43,000</u>	43,000
Total other gains	<u>43,000</u>	<u>43,000</u>
REVENUE FROM GOVERNMENT		
Note 4C: Revenue from Government		
Appropriations:		
Departmental appropriation	<u>18,392,296</u>	18,022,000
Total revenue from Government	<u>18,392,296</u>	<u>18,022,000</u>

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Note 5: Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used

	Fair value measurements at the end of the reporting period			Valuation techniques ¹
	2015 \$	2014 \$	Category (Level 1, 2 or 3)	
Non-financial assets:				
Leasehold improvements	1,197,993	1,399,682	Level 3	Cost Approach
Property, plant and equipment	1,039,686	715,067	Level 2	Market Approach
Total non-financial assets	2,237,679	2,114,749		

(a) All non-financial assets were measured at fair value in the statement of financial position.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 6: Financial Assets

	2015	2014
	\$	\$
Note 6A: Cash and Cash Equivalents		
Cash on hand or on deposit	975,069	471,327
Total cash and cash equivalents	975,069	471,327
Note 6B: Trade and Other Receivables		
Good and Services:		
Goods and services - related entities	183,468	261,235
Goods and services - external parties	798	26
Total receivables for goods and services	184,266	261,261
Appropriations receivable:		
For existing programmes	9,047,640	8,961,329
Total appropriations receivable	9,047,640	8,961,329
Other receivables:		
GST receivable from the Australian Taxation Office	95,549	75,225
Total trade and other receivables (gross)	9,327,455	9,297,815
Receivables are expected to be recovered within 12 months.		
Receivables are aged as follows:		
Not overdue	9,311,710	9,297,815
Overdue by:		
31 to 60 days	15,745	-
Total trade and other receivables (gross)	9,327,455	9,297,815
No receivables are deemed to be impaired as at 30 June 2015.		
Note 6C: Other Financial Assets		
Lease incentives	44,625	72,810
Total other financial assets	44,625	72,810

Total other financial assets are expected to be recovered within the term of the lease.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 7: Non-Financial Assets

	2015 \$	2014 \$
Note 7A: Land and Buildings		
Leasehold improvements:		
Fair value	1,440,286	1,408,858
Work in progress	-	1,500
Accumulated depreciation	<u>(242,293)</u>	<u>(9,176)</u>
Total leasehold improvements	1,197,993	1,401,182
Total Land and Buildings	1,197,993	1,401,182
Note 7B: Property, Plant and Equipment		
Other property, plant and equipment:		
Fair value	1,281,927	719,804
Accumulated depreciation	<u>(242,241)</u>	<u>(4,737)</u>
Total other property, plant and equipment	1,039,686	715,067

All revaluations were conducted in accordance with the revaluation policy stated at Note 1. An independent valuer conducted the revaluations as at 30 June 2014.

No indicators of impairment were found for property, plant and equipment.

Note 7C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2014-15)

	Leasehold improvements \$	Other property, plant & equipment \$	Total \$
As at 1 July 2014			
Gross book value	1,410,358	719,804	2,130,162
Accumulated depreciation and impairment	<u>(9,176)</u>	<u>(4,737)</u>	<u>(13,913)</u>
Net book value 1 July 2014	1,401,182	715,067	2,116,249
Additions:			
By purchase	29,928	595,459	625,387
Depreciation expense	(233,117)	(262,981)	(496,098)
Disposals:			
Other	-	(7,859)	(7,859)
Net book value 30 June 2015	1,197,993	1,039,686	2,237,679
Net book value as of 30 June 2015 represented by:			
Gross book value	1,440,286	1,281,927	2,722,213
Accumulated depreciation	<u>(242,293)</u>	<u>(242,241)</u>	<u>(484,534)</u>
Net book value 30 June 2015	1,197,993	1,039,686	2,237,679

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 7: Non-Financial Assets

Note 7C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2013-14)

	Leasehold improvements \$	Other property, plant & equipment \$	Total \$
As at 1 July 2013			
Gross book value	1,886,936	1,471,155	3,358,091
Accumulated depreciation and impairment	(601,925)	(668,526)	(1,270,451)
Net book value 1 July 2013	1,285,011	802,629	2,087,640
Additions:			
By purchase	15,192	63,465	78,657
Revaluations recognised in the operating result	389,924	165,912	555,836
Depreciation expense	(288,945)	(291,429)	(580,374)
Disposals:			
Other	-	(25,510)	(25,510)
Net book value 30 June 2014	1,401,182	715,067	2,116,249
Net book value as of 30 June 2014 represented by:			
Gross book value	1,410,358	719,804	2,130,162
Accumulated depreciation	(9,176)	(4,737)	(13,913)
Net book value 30 June 2014	1,401,182	715,067	2,116,249

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 7: Non-Financial Assets

	2015	2014
	\$	\$
Note 7D: Intangibles		
Computer software:		
Purchased	1,756,098	1,657,588
Work in progress	132,430	35,064
Accumulated amortisation	<u>(1,498,664)</u>	<u>(1,353,008)</u>
Total computer software	<u>389,864</u>	<u>339,644</u>
Total intangibles	<u>389,864</u>	<u>339,644</u>

Impairment tests were carried out during the year which resulted in no assets being impaired (2014: Nil).

Note 7E: Reconciliation of the Opening and Closing Balances of Intangibles (2014-15)

	Computer software purchased \$
As at 1 July 2014	
Gross book value	1,692,652
Accumulated amortisation and impairment	<u>(1,353,008)</u>
Net book value 1 July 2014	<u>339,644</u>
Additions:	
By purchase	154,077
Internally developed	97,367
Impairments recognised in the operating result	
Amortisation	<u>(201,223)</u>
Net book value 30 June 2015	<u>389,864</u>
Net book value as of 30 June 2015 represented by:	
Gross book value	1,888,528
Accumulated amortisation and impairment	<u>(1,498,664)</u>
Net book value 30 June 2015	<u>389,864</u>

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 7: Non-Financial Assets

Note 7E: Reconciliation of the Opening and Closing Balances of Intangibles (2013-14)

	Computer software purchased \$
As at 1 July 2013	
Gross book value	1,464,218
Accumulated amortisation and impairment	(1,204,147)
Net book value 1 July 2013	260,071
Additions:	
By purchase	196,734
Internally developed	33,789
Impairments recognised in the operating result	
Amortisation	(150,950)
Net book value 30 June 2014	339,644
Net book value as of 30 June 2014 represented by:	
Gross book value	1,692,652
Accumulated amortisation and impairment	(1,353,008)
Net book value 30 June 2014	339,644

	2015 \$	2014 \$
Note 7F: Other Non-Financial Assets		
Prepayments	293,995	352,899
Total other non-financial assets	293,995	352,899

No indicators of impairment were found for other non-financial assets.
 Total other non-financial assets are expected to be recovered in within 12 months.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 8: Payables

	2015	2014
	\$	\$
Note 8A: Suppliers		
Trade creditors and accruals	525,744	343,458
Total supplier payables	<u>525,744</u>	<u>343,458</u>
Supplier payables are expected to be settled within 12		
Related entities	76,052	67,161
External parties	449,692	276,297
Total supplier payables	<u>525,744</u>	<u>343,458</u>

Settlement is usually made within 30 days.

Note 8B: Other Payables

Salaries and wages	559,024	414,462
Superannuation	72,839	65,562
Separations and redundancies	348,621	-
Lease incentives	1,273,799	1,464,704
Fixed lease increase	1,209,488	1,105,848
Unearned income	723,198	721,855
Other	135,319	58,988
Total other payables	<u>4,322,288</u>	<u>3,831,419</u>
Total other payables are expected to be settled in:		
No more than 12 months	2,105,352	1,471,882
More than 12 months	2,216,936	2,359,537
Total operating leases	<u>4,322,288</u>	<u>3,831,419</u>

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 9: Provisions

	2015	2014
	\$	\$
Note 9A: Employee Provisions		
Leave	3,378,152	3,618,578
Separations and redundancies	<u>149,342</u>	-
Total employee provisions	<u>3,527,494</u>	<u>3,618,578</u>
Employee provisions are expected to be settled in:		
No more than 12 months	1,558,773	1,177,076
More than 12 months	<u>1,968,721</u>	<u>2,441,502</u>
Total employee provisions	<u>3,527,494</u>	<u>3,618,578</u>
Note 9B: Other Provisions		
Provision for restoration obligations	<u>138,216</u>	138,216
Total other provisions	<u>138,216</u>	<u>138,216</u>
Other provisions are expected to be settled in:		
No more than 12 months	68,400	-
More than 12 months	<u>69,816</u>	138,216
Total other provisions	<u>138,216</u>	<u>138,216</u>

There was no change in the carry amount of the provision for restorations in 2014-15
 (2014: \$14,430)

The Office currently has three agreements (2014: three) for the leasing of premises which have provisions requiring the Office to restore the premises to their original condition at the conclusion of the lease. The Office has made a provision to reflect the value of this obligation. Adjustments to provisions have been taken to the asset revaluation surplus.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Note 10: Cash Flow Reconciliation

	2015	2014
	\$	\$
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	975,069	471,327
Statement of Financial Position	975,069	471,327
Difference	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(19,091,423)	(18,714,613)
Add revenue from Government	18,392,296	18,022,000
Adjustments for non-cash items		
Depreciation / amortisation	697,321	731,324
Net write down of non-financial assets	7,859	25,510
Changes in assets / liabilities		
(Increase) / decrease in net receivables	96,361	(372,673)
decrease in other financial assets	30,533	47,190
(Increase) in prepayments	(6,537)	(121,692)
Increase in employee provisions	107,166	103,463
Increase / (decrease) in supplier payables	623,919	(46,738)
Increase / (decrease) in other payable	(85,922)	561,495
Net cash from (used by) operating activities	<u>771,574</u>	<u>235,267</u>

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 11: Senior Management Personnel Remuneration

Note 11: Substantive Senior Executive Remuneration Expense for the Reporting Period

	2015	2014
	\$	\$
Short-term employee benefits:		
Salary	1,406,081	1,405,289
Motor vehicle and other allowances	141,514	151,835
Total short-term employee benefits	<u>1,547,595</u>	<u>1,557,125</u>
Post-employment benefits:		
Superannuation	246,299	236,281
Total post-employment benefits	<u>246,299</u>	<u>236,281</u>
Other long-term benefits:		
Annual leave accrued	118,095	103,362
Long-service leave	37,726	44,895
Total other long-term benefits	<u>155,821</u>	<u>148,257</u>
Total	<u>1,949,715</u>	<u>1,941,663</u>

The total number of senior management personnel that are included in the above table are 7 individuals (2014: 7 individuals).

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Note 12: Financial Instruments

	Note	2015 \$	2014 \$
Note 12A: Categories of Financial Instruments			
Financial Assets			
Loans and receivables:			
Cash and cash equivalents	6A	975,069	471,327
Trade and other receivables	6B	184,266	261,261
Carrying amount of financial assets		1,159,335	732,588
Financial Liabilities			
At amortised cost:			
Supplier payables	8A	525,744	343,458
Carrying amount of financial liabilities		525,744	343,458

Note 12B: Net Income and Expense from Financial Assets

The net income and expense from financial assets not at fair value from profit and loss is nil (2014: nil).

Note 12C: Net Income and Expense from Financial Liabilities

The net income/expense from financial liabilities not at fair value from profit and loss is nil (2014: nil).

Note 12D: Fair Value of Financial Instruments

The fair values of the financial instruments approximates their carrying amounts.

Note 12E: Credit Risk

The Office is exposed to minimal credit risk due to the nature of its financial assets. The maximum exposure to credit risk is the amount held as trade and other receivables should default occur, \$184,266 (2014: \$261,261). The risk of default on these amounts was assessed to be nil as at 30 June 2015 (2014: nil).

Ageing of financial assets that are past due can be found in note 6B.

Note 12F: Liquidity Risk

The Office's exposure to liquidity risk is minimal due to the appropriation funding mechanisms available from the Department of Finance. The office manages liquidity risk through its policies and procedures.

Maturities for non-derivative financial liabilities 2015

	On demand	within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
Supplier payables	-	525,744	-	-	-	525,744
Total	-	525,744	-	-	-	525,744

Maturities for non-derivative financial liabilities 2015

	On demand	within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
Supplier payables	-	343,458	-	-	-	343,458
Total	-	343,458	-	-	-	343,458

The Office has no derivative financial liabilities in both the current and prior year.

Note 12G: Market Risk

The Office holds only basic financial instruments that do not pose any market risk. The Office is not exposed to currency risk or other price risk.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 13: Financial Assets Reconciliation

	Notes	2015 \$	2014 \$
<u>Financial Assets</u>			
Total financial assets as per the Statement of Financial Position		10,347,149	9,841,952
Less: non-financial instrument components:			
Appropriations receivable	6B	9,047,640	8,961,329
Other receivables	6B,C	140,174	148,035
Total non-financial instrument components		<u>9,187,814</u>	<u>9,109,364</u>
Total financial assets as per the financial instrument note		1,159,335	732,588

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 14: Appropriations

Table A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2015

	Appropriation Act		PGPA Act		Total appropriation	Appropriation applied (current and prior years)	Variance ^(b)	Section 51 determinations ^(c)
	Annual Appropriation	AFM	Section 74	Section 75				
	\$	\$	\$	\$	\$	\$	\$	\$
DEPARTMENTAL								
Ordinary annual services	18,480,296	-	3,007,816	-	21,488,112	21,545,059	(56,947)	(15,704)
Other services	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-
Total departmental	18,480,296	-	3,007,816	-	21,488,112	21,545,059	(56,947)	(15,704)

Notes:

- (a) In 2014-15 there was an adjustment that met the recognition criteria of a formal addition in revenue of \$672,000, which was additional funding for redundancy costs (in accordance with FRR Part 6 Div 3) but at law the appropriation had not been amended before the end of the reporting period.
- (b) The variance of \$56,947 in ordinary annual services was primarily due to separation and redundancy payments.
- (c) \$15,704 was permanently quarantined due to WoAG ICT Internet Based Network Connection Services Panel Procurement Savings.

Annual Appropriations for 2014

	Appropriation Act			FMA Act			Total appropriation	Appropriation applied (current and prior years)	Variance ^(d)
	Annual Appropriation	Appropriations reduced ^(a)	AFM ^(b)	Section 30	Section 31	Section 32			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
DEPARTMENTAL									
Ordinary annual services	18,630,000	(89,000)	-	-	2,961,701	-	21,502,701	20,862,681	640,020
Other services	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
Total departmental	18,630,000	(89,000)	-	-	2,961,701	-	21,502,701	20,862,681	640,020

Notes:

- (a) Appropriations reduced under Appropriation Acts (No.1,3,5) 2013-14: sections 10, 11, and 12 and under Appropriation Acts (No.2,4,6) 2013-14: sections 12,13, and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2014 there was a reduction of \$89,000 pertaining to whole of government savings.
- (b) Advance to the Finance Minister (AFM) - Appropriation Acts (Nos. 1,3&5) 2013-14: reduction 13 and Appropriation Acts (Nos. 2,4&6) 2013-14: section 15.
- (c) There was an \$25,000 reduction to Appropriation Act (No.1) 2013-14 that met the recognition criteria of a formal reduction in revenue (in accordance with FMO Div 101) but at law the appropriations had not been amended before the end of the reporting period.
- (d) The variance of \$0.64m in ordinary annual services was primarily due unspent departmental capital budget.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 14: Appropriations

Table B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')

Appropriation Act	2015 Capital Budget Appropriations		Capital Budget Appropriations applied in 2015 (current and prior years)			
	Annual Capital Budget	PGPA Act Section 75	Total Capital Budget Appropriations	Payments for non-financial assets ^(b)	Total payments	Variance ^(c)
	\$	\$	\$	\$	\$	\$
DEPARTMENTAL						
Ordinary annual services -						
Departmental Capital Budget ^(a)	760,000	-	760,000	876,831	876,831	(116,831)

Notes:

(a) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.

(b) Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised and costs incurred to make good an asset to its original condition.

(c) The increase in 2014-15 related to the desktop and server replacement program.

	2014 Capital Budget Appropriations			Capital Budget Appropriations applied in			Variance
	Appropriation Act	FMA Act	Total Capital Budget	Payments for non-financial assets ³	Payments for other purposes	Total payments	
	Annual Capital Budget	Appropriations reduced ²	Section 32 Appropriations	\$	\$	\$	\$
	\$	\$	\$	\$	\$	\$	\$
DEPARTMENTAL							
Ordinary annual services -							
Departmental Capital Budget ¹	608,000	-	-	608,000	309,179	-	309,179
							298,821

Notes:

(a) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.

(b) Appropriations reduced under Appropriation Acts (No.1,3,5) 2012-13: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.

(c) Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

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Note 14: Appropriations

Table C: Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2015 \$	2014 \$
DEPARTMENTAL		
2012-13 Appropriation Act 1 - Departmental Capital Budget	-	609,000
2013-14 Appropriation Act 1	-	8,215,657
2013-14 Appropriation Act 1 - Departmental Capital Budget	608,000	608,000
2014-15 Appropriation Act 1	7,982,710	-
2014-15 Appropriation Act 1 - Departmental Capital Budget	760,000	-
Total	9,350,710	9,432,657

Notes 15: Reporting of Outcomes**Note 15: Net Cost of Outcome Delivery**

The Office has one outcome, therefore the Major Classes of Departmental Expense, Income, Assets and Liabilities by Outcomes table has not been prepared.

Note 16: Net Cash Appropriation Arrangements

	2015	2014
	\$	\$
Total comprehensive income (loss)		
less depreciation/amortisation		
expenses previously funded through		
revenue appropriations¹	(1,806)	580,117
Plus: depreciation/amortisation expenses		
previously funded through revenue		
appropriation	(697,321)	(731,324)
Total comprehensive (loss) - as per		
the Statement of Comprehensive		
Income	(699,127)	(151,207)

(a) From 2010-11 the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

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Note 17: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2014-15 Portfolio Budget Statements (PBS) to the 2014-15 final outcome as presented in accordance with Australian Accounting Standards for the entity. The Budget is not audited.

Variances are considered to be 'major' based on the following criteria:

- the variance between Budget and actual is greater than 10%; or
- the variance between Budget and actual is greater than 10% of the relevant category (Income, Expenses and Equity totals); or
- an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of the Office.

Note 17A: Departmental Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2015

	Actual	Budget estimate	
	2015	Original ¹ 2015	Variance ² 2015
	\$	\$	\$
NET COST OF SERVICES			
Expenses			
Employee benefits	16,122,625	14,736,000	1,386,625
Suppliers	4,907,218	4,201,000	706,218
Depreciation and amortisation	697,321	680,000	17,321
Write-down and impairment of assets	7,859	-	7,859
Total expenses	21,735,024	19,617,000	2,118,024
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	2,600,601	1,695,000	905,601
Total own-source revenue	2,600,601	1,695,000	905,601
Gains			
Other gains	43,000	43,000	-
Total gains	43,000	43,000	-
Total own-source income	2,643,601	1,738,000	905,601
Net (cost of)/contribution by services	19,091,423	17,879,000	1,212,423
Revenue from Government	18,392,296	17,199,000	1,193,296
Surplus/(Deficit) attributable to the Australian Government	(699,127)	(680,000)	(19,127)
Total comprehensive income/(loss) attributable to the Australian Government	(699,127)	(680,000)	(19,127)

(a) The entity's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from the entity's 2014-15 Portfolio Budget Statements (PBS)).

(b) Between the actual and original budgeted amounts for 2015. Explanations of major variances are provided further below.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2015

Note 17: Budgetary Reports and Explanations of Major Variances

Statement of Financial Position
 as at 30 June 2015

	Actual	Budget estimate	
	2015	Original ¹	Variance ²
	\$	\$	\$
ASSETS			
Financial assets			
Cash and cash equivalents	975,069	114,000	861,069
Trade and other receivables	9,327,455	8,797,000	530,455
Other financial assets	44,625	45,000	(375)
Total financial assets	10,347,150	8,956,000	1,391,150
Non-financial assets			
Land and buildings	1,197,993	1,229,752	(31,759)
Property, plant and equipment	1,039,686	1,067,248	(27,562)
Intangibles	389,864	451,000	(61,136)
Other non-financial assets	293,995	261,000	32,995
Total non-financial assets	2,921,538	3,009,000	(87,462)
Total assets	13,268,688	11,965,000	1,303,688
LIABILITIES			
Payables			
Suppliers	525,744	490,000	35,744
Other payables	4,322,288	2,479,000	1,843,288
Total payables	4,848,032	2,969,000	1,879,032
Provisions			
Employee provisions	3,527,494	4,106,000	(578,506)
Other provisions	138,216	111,000	27,216
Total provisions	3,665,710	4,217,000	(551,290)
Total liabilities	8,513,742	7,186,000	1,327,742
Net assets	4,754,946	4,779,000	(24,054)
EQUITY			
Parent entity interest			
Contributed equity	5,602,000	5,716,000	(114,000)
Reserves	1,112,416	1,033,000	79,416
Retained surplus/(Accumulated deficit)	(1,959,470)	(1,970,000)	10,530
Total parent entity interest	4,754,946	4,779,000	(24,054)

(a) The entity's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from the entity's 2014-15 Portfolio Budget Statements (PBS)).

(b) Between the actual and original budgeted amounts for 2015. Explanations of major variances are provided further below.

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Note 17A: Departmental Budgetary Reports

Statement of Changes in Equity
for the period ended 30 June 2015

55.6(c) & (e)	Retained earnings			Asset revaluation surplus			Contributed equity/capital			Total equity		
	Actual	Budget estimate		Actual	Budget estimate		Actual	Budget estimate		Actual	Budget estimate	
	2015	Original ¹	Variance ²	2015	Original ¹	Variance ²	2015	Original ¹	Variance ²	2015	Original ¹	Variance ²
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance												
Balance carried forward from previous period	(1,260,343)	(1,290,000)	29,657	1,112,416	1,033,000	79,416	4,867,000	4,956,000	(89,000)	4,719,073	4,699,000	20,073
Opening balance	(1,260,343)	(1,290,000)	29,657	1,112,416	1,033,000	79,416	4,867,000	4,956,000	(89,000)	4,719,073	4,699,000	20,073
Comprehensive income												
Surplus/(Deficit) for the period	(699,127)	(680,000)	(19,127)	-	-	-	-	-	-	(699,127)	(680,000)	(19,127)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	(699,127)	(680,000)	(19,127)	-	-	-	-	-	-	(699,127)	(680,000)	(19,127)
Total comprehensive income attributable to												
Australian Government	(699,127)	(680,000)	(19,127)	-	-	-	-	-	-	(699,127)	(680,000)	(19,127)
Transactions with owners												
Distributions to owners												
Reduction to appropriation	-	-	-	-	-	-	(25,000)	-	(25,000)	(25,000)	-	(25,000)
Contributions by owners												
Departmental capital budget	-	-	-	-	-	-	760,000	760,000	-	760,000	760,000	-
Restructuring	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	735,000	760,000	(25,000)	735,000	760,000	(25,000)
Transfers between equity components	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance as at 30 June	(1,959,470)	(1,970,000)	10,530	1,112,416	1,033,000	79,416	5,602,000	5,716,000	(114,000)	4,754,946	4,779,000	(24,054)

- (a) The entity's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from the entity's 2014-15 Portfolio Budget Statements).
(b) Between the actual and original budgeted amounts for 2015. Explanations of major variances are provided further below.

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Note 17A: Departmental Budgetary Reports

Cash Flow Statement

for the period ended 30 June 2015

	Actual	Budget estimate	
	2015	Original ¹	Variance ²
	2015	2015	2015
	\$	\$	\$
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services	2,825,626	1,733,000	1,092,626
Appropriations	21,439,801	17,841,000	3,598,801
Net GST received	364,784	-	364,784
Other	118,571	-	118,571
Total cash received	24,748,782	19,574,000	5,174,782
Cash used			
Employees	15,714,553	15,172,000	542,553
Suppliers	5,254,839	4,402,000	852,839
Section 74 receipts transferred to OPA	3,007,816	-	3,007,816
Total cash used	23,977,208	19,574,000	4,403,208
Net cash from/(used by) operating activities	771,574	-	771,574
INVESTING ACTIVITIES			
Cash used			
Purchase of property; plant and equipment; and intangibles	876,831	760,000	116,831
Total cash used	876,831	760,000	116,831
Net cash from/(used by) investing activities	(876,831)	(760,000)	(116,831)
FINANCING ACTIVITIES			
Cash received			
Contributed equity	609,000	760,000	(151,000)
Total cash received	609,000	760,000	(151,000)
Net cash from/(used by) financing activities	609,000	760,000	(151,000)
Net increase/(decrease) in cash held	503,743	-	503,743
Cash and cash equivalents at the beginning of the reporting period	471,327	114,000	357,327
Cash and cash equivalents at the end of the reporting period	975,069	114,000	861,069

(a) The entity's original budgeted financial statement that was first presented to parliament in respect of the reporting period (i.e. from the entity's 2014-15 Portfolio Budget Statements (PBS)).

(b) Between the actual and original budgeted amounts for 2015. Explanations of major variances are provided further below.

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Note 17B: Departmental Major Budget Variances for 2015

Explanations of major variances	Affected line items (and statement)
<p><u>Employee benefits</u></p> <p>The \$1.387m variance from the original budget mainly comprised:</p> <ul style="list-style-type: none"> - \$0.537m of costs associated with the tax complaints handling function, which was reinstated at 2014-15 Additional Estimates [pending passage of legislation to transfer the function to the Inspector-General of Taxation] - \$1.002m in unforeseen separation and redundancy expenses associated with the re-profiling and restructure of the Office. 	<p><i>Revenue from Government, Employee benefits expense (Statement of Comprehensive Income), Employee provisions (Statement of Financial Position), Operating cash received - Appropriations, Operating cash used - employees (Cash Flow Statement)</i></p>
<p><u>Suppliers</u></p> <p>The variance of \$0.706m from the original budget mainly related to higher than expected workers compensation insurance (\$0.222m) and higher than anticipated international programme activity funded by the Department of Foreign Affairs and Trade. This funding is for our work in actively supporting ombudsmen in the Asia Pacific region by:</p> <ul style="list-style-type: none"> • supporting peer relationships and networks • directly assisting individual offices to build their organisational capacity. 	<p><i>Suppliers expense and Sale of goods and rendering of services (Statement of Comprehensive Income), Operating cash used - suppliers (Cash Flow Statement)</i></p>
<p><u>Sales of goods and rendering of services</u></p> <p>As mentioned above in Suppliers, there was higher than anticipated international programme activity funded by the Department of Foreign Affairs and Trade.</p>	<p><i>Sale of goods and rendering of services (Statement of Comprehensive Income), Operating cash received - Sale of goods and rendering of services (Cash Flow Statement)</i></p>
<p><u>Cash and cash equivalents</u></p> <p>The large variance in the cash balance is associated with cash management arrangements between the Office and the payroll provider.</p>	<p><i>Cash and cash equivalents and Other payables (Statement of Financial Position)</i></p>
<p><u>Other payables</u></p> <p>The variance of \$1.843m from the original budget relates to the cash management arrangements mentioned above and \$0.350m provision for unforeseen separation and redundancies.</p>	<p><i>Cash and cash equivalents and Other payables (Statement of Financial Position)</i></p>

