

PART 6—APPENDICES

Appendix 1—Financial Statements



INDEPENDENT AUDITOR'S REPORT

To the Prime Minister

Opinion

In my opinion, the financial statements of the Office of the Commonwealth Ombudsman for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements 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 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Office of the Commonwealth Ombudsman, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- 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; and
- Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Office of the Commonwealth Ombudsman in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Office of the Commonwealth Ombudsman the Commonwealth Ombudsman 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 – Reduced Disclosure Requirements and the rules made under that Act. The Commonwealth Ombudsman is also responsible for such internal control as the Commonwealth Ombudsman determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commonwealth Ombudsman is responsible for assessing the Office of the Commonwealth Ombudsman's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Commonwealth Ombudsman is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
18 September 2017

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 2017 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.....

Michael Manthorpe PSM
Commonwealth Ombudsman
Accountable Authority

18 September 2017

Signed.....

Mathew Ford
Chief Financial Officer

18 September 2017

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2A	20,370	16,749	16,820
Supplier	2B	8,649	6,716	5,549
Depreciation and amortisation	2C	919	894	940
Write-down and impairment of assets	2D	1	6	-
Total expenses		29,940	24,365	23,309
OWN-SOURCE INCOME				
Own-source revenue				
Sale of goods and rendering of services	3A	8,103	2,559	2,219
Other revenue	3B	54	53	45
Total own-source revenue		8,157	2,612	2,264
Total own-source income		8,157	2,612	2,264
Net cost of services		21,784	21,753	21,045
Revenue from Government	3C	20,957	20,780	20,105
Deficit		(826)	(973)	(940)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		(74)	31	-
Total other comprehensive income		(74)	31	-
Total comprehensive (loss)		(900)	(942)	(940)

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

Budget Variances Commentary

Expenses

Employee benefits increased by \$3.6m and was driven by the expansion of the Office's functions. Supplier expenses increased by \$3.1m and was mainly driven by travel costs, additional consultancies and costs associated with new business represented by the VET Student Loans Ombudsman, ACT Judicial Review, ACT Reportable Conduct Scheme and the expanded Defence Force Ombudsman function. Property costs were higher this year with rent paid on two sites as we changed office premises in Melbourne and Perth. The increase of \$1k for the write-down and impairment of assets is attributed to the results of the annual stocktake.

Own-Source Income and Revenue from Government

Sale of goods and rendering of services increase of \$5.9m is represented by the Defence Force Ombudsman function funded by Department of Defence, ACT Government and the International program funded by the Department of Foreign Affairs and Trade. The Appropriation revenue variance of \$852k is attributed to Appropriation Act 3 appropriated for the new VET Student Loans Ombudsman. The other revenue variance of \$9k is attributed to the increase of external audit services provided by the Australian National Audit Office.

Other Comprehensive Income

The \$74k variance in the asset revaluation reserve is attributed to the revaluation undertaken by an independent valuer as at 30 June 2017.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	4A	198	154	113
Trade and other receivables	4B	11,509	9,573	9,744
Other financial assets	4C	576	547	23
Total financial assets		12,283	10,274	9,880
Non-financial assets				
Land and buildings	5A	1,828	1,493	-
Property, plant and equipment	5A	1,241	942	2,225
Intangibles	5A	808	755	1,310
Other non-financial assets	5B	370	288	298
Total non-financial assets		4,247	3,478	3,833
Total assets		16,530	13,752	13,713
LIABILITIES				
Payables				
Suppliers	7A	731	321	644
Other payables	7B	3,148	2,227	2,824
Leases	7C	1,365	1,266	-
Total payables		5,244	3,814	3,468
Provisions				
Employee provisions	8A	4,821	3,926	4,377
Other provisions	8B	712	188	113
Total provisions		5,533	4,114	4,490
Total liabilities		10,777	7,928	7,958
Net assets		5,753	5,824	5,755
EQUITY				
Contributed equity		8,441	7,613	8,834
Reserves		1,069	1,143	1,213
Accumulated deficit		(3,758)	(2,932)	(4,292)
Total equity		5,753	5,824	5,755

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

Budget Variances Commentary

Assets

This expansion of the Office contributed to the variance of \$1.8m in trade and other receivables. The variance of \$553k in the other financial assets relates to the recognition of two new lease incentives. The variance in the non-financial assets can be attributed to the revaluation provided by an independent valuer as at 30 June 2017 and an increase in prepaid expenses.

Liabilities

Employee provisions variance of \$444k is attributed to the change in the Government bond rate as at 30 June 2017. Other provisions variance of \$599k relates to the movement in the provision for restoration and onerous contracts.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY				
Opening Balance				
Balance carried forward from previous period		7,613	5,602	8,006
Opening Balance		7,613	5,602	8,006
Comprehensive income				
Transactions with owners				
Contributions by owners				
Departmental capital budget		828	1,181	828
Restructuring		-	830	-
Total transactions with owners		828	2,011	828
Transfers between equity components		-	-	-
Closing Balance as at 30 June		8,441	7,613	8,834
RETAINED EARNINGS				
Opening Balance				
Balance carried forward from previous period		(2,932)	(1,959)	(3,282)
Opening Balance		(2,932)	(1,959)	(3,282)
Comprehensive income				
Surplus/(Deficit) for the period		(826)	(973)	(940)
Total comprehensive income		(826)	(973)	(940)
Transactions with owners				
Contributions by owners				
Other		-	-	(70)
Total transactions with owners		-	-	(70)
Closing Balance as at 30 June		(3,758)	(2,932)	(4,292)
ASSET REVALUATION RESERVE				
Opening Balance				
Balance carried forward from previous period		1,143	1,112	1,213
Opening Balance		1,143	1,112	1,213
Comprehensive income				
Other comprehensive income		(74)	31	-
Total comprehensive income		(74)	31	-
Closing Balance as at 30 June		1,069	1,143	1,213
TOTAL EQUITY				
Opening Balance		5,824	4,755	5,937
Balance carried forward from previous period		5,824	4,755	5,937
Adjusted Opening Balance		5,824	4,755	5,937
Comprehensive income				
Surplus/(Deficit) for the period		(826)	(973)	(940)
Other comprehensive income		(74)	31	-
Total comprehensive income		(900)	(942)	(940)
Transactions with owners				
Contributions by owners				
Departmental capital budget		828	1,181	828
Restructuring		-	830	(70)
Total transactions with owners		828	2,011	758
Closing Balance as at 30 June		5,753	5,824	5,755

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

Accounting Policy

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.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Budget Variances Commentary

Contributed Equity

There was an increase in contributed equity relating to the Departmental Capital Budget.

Asset Revaluation Reserve

The variance in the asset revaluation reserve is due to the revaluation provided by an independent valuer as at 30 June 2017.

Total Equity

The variance in total equity can be attributed to the revaluation provided by an independent valuer as at 30 June 2017.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
CASH FLOW STATEMENT
for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original budget \$'000
OPERATING ACTIVITIES				
Cash received				
Sales of goods and rendering of services		6,446	2,289	2,219
Appropriations		27,914	24,039	20,543
Net GST received		632	515	1
Other		901	337	(131)
Total cash received		35,893	27,180	22,632
Cash used				
Employees		18,516	17,390	16,820
Suppliers		10,283	8,036	5,812
Section 74 receipts transferred to the OPA		6,957	2,607	-
Total cash used		35,756	28,033	22,632
Net cash from/(used by) operating activities		137	(853)	-
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		1,310	571	828
Purchase of intangibles		409	293	-
Total cash used		1,719	864	828
Net cash used by investing activities		(1,719)	(864)	(828)
FINANCING ACTIVITIES				
Cash received				
Departmental Capital Budget		1,626	896	828
Total cash received		1,626	896	828
Net cash from financing activities		1,626	896	828
Net increase in cash held		44	(821)	-
Cash and cash equivalents at the beginning of the reporting period		154	975	113
Cash and cash equivalents at the end of the reporting period	4A	198	154	113

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

Budget Variances Commentary

Operating Activities

Cash received

Sales of goods and rendering of services can be attributed to the expansion of Office functions including the Defence Force Ombudsman, ACT Reportable Conduct Scheme and ACT Judicial Review.

Cash used

Supplier expenses was mainly driven by travel costs, additional consultancies, property costs and additional staffing costs associated with expanded Defence Force Ombudsman function, additional ACT Government functions and the new function of VET Student Loans Ombudsman.

Investing Activities

Cash used

The expansion of Office functions and requirements for the enhancement of systems, the purchase of video conferencing and the refurbishment of the new Melbourne office contributed to the entity utilising the Departmental Capital Budget from prior years.

Financing Activities

Cash received

The introduction of new functions, video conferencing and accommodation requirements contributed to the entity utilising the Departmental Capital Budget from prior years.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017**

Note

- 1: Overview
- 2: Expenses
- 3: Income
- 4: Financial Assets
- 5: Non-Financial Assets
- 6: Fair Value Measurement
- 7: Payables
- 8: Provisions
- 9: Key Management Personnel Remuneration
- 10: Related Party Disclosures
- 11: Financial Instruments
- 12: Appropriations

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017**

Note 1: Overview

1.1 Office of the Commonwealth Ombudsman Objectives

The Office of the Commonwealth Ombudsman (the Office) 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 entities and prescribed private sector organisations, by investigating complaints, reviewing administrative action and statutory compliance inspections and reporting.

The continued existence of the Office in its present form and with its present program 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) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)* for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements 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.

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 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 2017 (2016: 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 (2016: nil).

1.5 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.

1.6 Events After the Reporting Period

No significant events occurred after balance date.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2017

Note 2: Expenses

	2017	2016
	\$'000	\$'000
Note 2A: Employee Benefits		
Wages and salaries	15,028	12,354
Superannuation:		
Defined contribution plans	1,467	988
Defined benefit plans	1,507	1,365
Leave and other entitlements	1,984	1,894
Separation and redundancies	384	149
Total employee benefits	<u>20,370</u>	<u>16,749</u>
Note 2B: Suppliers		
Goods and services		
Travel	1,204	1,122
Information technology and communications	928	744
Employee related	839	666
Property operating expenses	939	423
Media related	281	178
Consultants and contractors	914	809
Printing, stationery and postage	249	139
Legal	86	36
Memberships fees and subscriptions	53	68
Translate, Interpret and Transcript	68	70
Insurance premiums	36	37
Other	204	145
Total goods and services	<u>5,801</u>	<u>4,438</u>
Goods and services are received in connection with:		
Provision of goods	973	255
Rendering of services	4,828	4,183
Total goods and services	<u>5,801</u>	<u>4,438</u>
Other supplier expenses		
Operating lease rentals	2,592	1,922
Workers compensation expenses	256	357
Total other supplier expenses	<u>2,848</u>	<u>2,278</u>
Total supplier expenses	<u>8,649</u>	<u>6,716</u>
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	2,545	1,960
Between 1 to 5 years	12,456	7,877
More than 5 years	2,999	6,146
Total operating lease commitments	<u>18,000</u>	<u>15,983</u>

Accounting Policy

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2017

Note 2: Expenses

	2017 \$'000	2016 \$'000
Note 2C: Depreciation and Amortisation		
Depreciation:		
Leasehold improvements	246	271
Property, plant and equipment	316	268
Amortisation:		
Intangibles - Computer Software	357	355
Total depreciation and amortisation	<u>919</u>	<u>894</u>
Note 2D: Write-Down and Impairment of Assets		
Asset write-downs and impairments from:		
Impairment of property, plant and equipment	1	6
Total write-down and impairment of assets	<u>1</u>	<u>6</u>

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2017

Note 3: Income

	2017	2016
OWN-SOURCE REVENUE	\$'000	\$'000

Note 3A: Sale of Goods and Rendering of Services

Rendering of services	8,103	2,559
Total sale of goods and rendering of services	8,103	2,559

Accounting Policy

Rendering of Services

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.

The majority of revenue received by the Office relates to the ACT Ombudsman service provided to the ACT Government, international programs funded by the Department of Foreign Affairs and Trade and the expansion of the Defence Force Ombudsman function funded by the Department of Defence.

Note 3B: Other Revenue

Resources received free of charge

Remuneration of auditors	54	53
Total other revenue	54	53

Accounting Policy

Resources Received Free of Charge

Resources received free of charge are recognised as revenue 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.

Sale of Assets

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

REVENUE FROM GOVERNMENT

Note 3C: Revenue from Government

Appropriations:

Departmental appropriation	20,957	20,780
Total revenue from Government	20,957	20,780

Accounting Policy

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.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2017

Note 4: Financial Assets

	2017 \$'000	2016 \$'000
Note 4A: Cash and Cash Equivalents		
Cash on hand or on deposit	198	154
Total cash and cash equivalents	<u>198</u>	<u>154</u>
Note 4B: Trade and Other Receivables		
Good and Services:		
Goods and services	2,695	48
Total receivables for goods and services	<u>2,695</u>	<u>48</u>
Appropriations receivable:		
For existing programs	8,745	9,421
Total appropriations receivable	<u>8,745</u>	<u>9,421</u>
Other receivables:		
GST receivable from the Australian Taxation Office	89	103
Total trade and other receivables	<u>11,529</u>	<u>9,573</u>
Less impairment allowance account:		
Other	(20)	-
Total impairment allowance account	<u>(20)</u>	<u>-</u>
Total trade and other receivables (net)	<u>11,509</u>	<u>9,573</u>

Receivables are expected to be recovered within 12 months.

There was a \$20k movement in the carrying amount of the impairment allowance for receivables in 2016-17 due to an independent audit of defined superannuation contribution schemes as at 30 June 2017 (2016: nil).

Note 4C: Other Financial Assets

Lease incentives	576	547
Total other financial assets	<u>576</u>	<u>547</u>

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

Accounting Policy

Financial Assets

Refer note 11

Effective Interest Method

Refer note 11

Income

Refer note 3

Receivables

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2017

Note 5: Non-Financial Assets

	2017 \$'000	2016 \$'000
Note 5A: Land and Buildings		
Leasehold improvements:		
Fair value	1,828	1,493
Work in progress	-	-
Accumulated depreciation	-	-
Total leasehold improvements	<u>1,828</u>	<u>1,493</u>
Total Land and Buildings	<u>1,828</u>	<u>1,493</u>
Note 5A: Property, Plant and Equipment		
Other property, plant and equipment:		
Fair value	1,241	1,485
Accumulated depreciation	-	(542)
Total other property, plant and equipment	<u>1,241</u>	<u>942</u>
Total property, plant and equipment	<u>1,241</u>	<u>942</u>
Note 5A: Computer Software		
Computer software		
Fair value	3,804	3,352
Work in progress	20	63
Accumulated depreciation	(3,016)	(2,659)
Total computer software	<u>808</u>	<u>755</u>

Revaluations

All revaluations were conducted in accordance with the valuation policy stated at Note 5. An independent valuer conducted the revaluations as at 30 June 2017.

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

No property, plant and equipment is expected to be sold or disposed of within the next 12 months.

Note 5A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2016-17)

	Leasehold improvements \$'000	Other property, plant & equipment \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2016				
Gross book value	1,493	1,485	3,414	6,392
Accumulated depreciation and impairment	-	(542)	(2,659)	(3,202)
Net book value 1 July 2016	<u>1,493</u>	<u>942</u>	<u>755</u>	<u>3,190</u>
Additions:				
By purchase	768	541	409	1,718
Revaluations recognised in the operating result ^(a)	(102)	75	-	(27)
Depreciation and amortisation	(246)	(316)	(357)	(919)
Other movements				
Restoration of Makegood	(77)	-	-	(77)
Disposals:				
Other	(8)	(1)	-	(9)
Net book value 30 June 2017	<u>1,828</u>	<u>1,241</u>	<u>807</u>	<u>3,877</u>
Net book value as of 30 June 2017 represented by:				
Gross book value	1,828	1,241	3,824	6,893
Accumulated depreciation	-	-	(3,016)	(3,016)
Net book value 30 June 2017	<u>1,828</u>	<u>1,241</u>	<u>808</u>	<u>3,877</u>

(a) The changes in the asset revaluation surplus in the Statement of Comprehensive Income does not reflect the revaluations recognised in the operating result due to other movements in the asset revaluation reserve including an increase and reversal in the provision for restorations.

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

No property, plant and equipment and intangibles are expected to be sold or disposed of within the next 12 months.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Note 5: Non-Financial Assets

Revaluations

All revaluations were conducted in accordance with the valuation policy stated at Note 5. An independent valuer conducted the revaluations as at 30 June 2017.

	2017 \$'000	2016 \$'000
Note 5B: Other Non-Financial Assets		
Prepayments	370	288
Total other non-financial assets	<u>370</u>	<u>288</u>

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2017

Note 5: Non-Financial Assets

Property, Plant and Equipment

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.

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	Depreciated replacement cost & 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:

	2017	2016
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 2017

Note 5: Non-Financial Assets

Property, Plant and Equipment

Impairment

All assets were assessed for impairment at 30 June 2017. 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.

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 (2016: 1 to 8 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2017

Note 6: Fair Value Measurement

The following table provides an analysis of assets and liabilities that are measured at fair value.

Note 6A: Fair Value Measurements

	Fair value measurements at the end of the reporting period	
	2017 \$'000	2016 \$'000
Non-financial assets:		
Leasehold improvements	1,828	1,493
Property, plant and equipment	1,241	942
Total non-financial assets	3,069	2,435

(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 2017

Note 7: Payables

	2017 \$'000	2016 \$'000
Note 7A: Suppliers		
Trade creditors and accruals	731	321
Total supplier payables	<u>731</u>	<u>321</u>

Settlement is usually made within 30 days.

Note 7B: Other Payables

Salaries and wages	223	87
Superannuation	161	3
Separations and redundancies	182	104
Lease incentives	1,574	1,628
Unearned income	940	304
Other	68	99
Total other payables	<u>3,148</u>	<u>2,227</u>

Note 7C: Leases

Operating lease rentals	1,365	1,266
Total leases	<u>1,365</u>	<u>1,266</u>

Minimum lease payments expected to be settled

Within 1 year	2,545	1,960
Between 1 to 5 years	12,456	7,877
More than 5 years	2,999	6,146
Total leases	<u>18,000</u>	<u>15,983</u>

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2017

Note 8: Provisions

	2017 \$'000	2016 \$'000
Note 8A: Employee Provisions		
Leave	4,821	3,926
Total employee provisions	4,821	3,926

Accounting policy

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 2017. 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. 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 2017 represents outstanding contributions for the final working day of the year.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017**

Note 8: Provisions

	2017 \$'000	2016 \$'000
Note 8B: Other Provisions		
Provision for restoration obligations	248	188
Provision for onerous contracts	464	-
Total other provisions	<u>712</u>	<u>188</u>

There was a \$60k movement in the carrying amount of the provision for restorations in 2016-17 due to the recognition of an additional provision (2016: \$60k).

The Office currently has three agreements (2016: two) 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 reserve.

There was a \$464k movement in the provision for onerous contracts. The Office has two onerous lease contracts (2016: nil).

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017**

Note 9: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Ombudsman, Deputy Ombudsman, 6 Senior Assistant Ombudsman and 1 Chief Operating Officer. Key management personnel remuneration is reported in the table below:

	2017	2016
	\$'000	\$'000
Short-term employee benefits:		
Salary	1,727	1,452
Motor vehicle and other allowances	153	149
Total short-term employee benefits	<u>1,880</u>	<u>1,601</u>
Post-employment benefits:		
Superannuation	270	263
Total post-employment benefits	<u>270</u>	<u>263</u>
Other long-term benefits:		
Annual leave accrued	133	125
Long-service leave	43	42
Total other long-term benefits	<u>176</u>	<u>167</u>
Termination benefits	87	-
Total	<u>2,413</u>	<u>2,031</u>

The total number of key management personnel that are included in the above table are 13 individuals (2016: 8 individuals). The increase is a result of four terminations, three commencements and associated acting arrangements as a result.

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017**

Note 10: Related Party Disclosures

Related party relationships:

The entity is an Australian Government controlled entity. Related parties to this entity are Key Management Personnel including the Portfolio Minister and Executive, and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no related party transactions to be separately disclosed.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2017

Note 11: Financial Instruments

	Note	2017 \$'000	2016 \$'000
Note 11A: Categories of Financial Instruments			
Financial Assets			
Loans and receivables:			
Cash and cash equivalents	4A	198	154
Trade and other receivables	4B	2,675	48
Carrying amount of financial assets		2,873	202
Financial Liabilities			
At amortised cost:			
Supplier payables	7A	731	321
Carrying amount of financial liabilities		731	321

Accounting Policy

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

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

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.

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. 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).

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Note 12: Appropriations

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

Annual Appropriations for 2017

	Appropriation Act		PGPA Act		Total Appropriation \$'000	Appropriation applied (current and prior years) \$'000	Variance ^(a) \$'000
	Annual Appropriation \$'000	AFM \$'000	Section 74 \$'000	Section 75 \$'000			
DEPARTMENTAL							
Ordinary annual services	20,957	-	7,079	-	28,036	27,870	166
Capital Budget ^(c)	828	-	-	-	828	1,626	(798)
Total departmental	21,785	-	7,079	-	28,864	29,496	(632)

Notes:

- (a) The variance of \$0.6m in ordinary annual services was primarily due to the fitout of office premises.
(b) \$10,000 was permanently quarantined due to WoAG Public Sector Superannuation Accumulation Plan administration fees.
(c) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3 and 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Annual Appropriations for 2016

	Appropriation Act		PGPA Act		Total Appropriation \$'000	Appropriation applied (current and prior years) \$'000	Variance \$'000
	Annual Appropriation \$'000	AFM \$'000	Section 74 \$'000	Section 75 \$'000			
DEPARTMENTAL							
Ordinary annual services	21,462	-	2,607	-	24,069	24,911	(841)
Capital Budget	1,181	-	-	-	1,181	864	317
Total departmental	22,643	-	2,607	-	25,250	25,775	(524)

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

Authority	2017 \$'000	2016 \$'000
DEPARTMENTAL		
2014-15 Appropriation Act 1- Departmental Capital Budget	-	1,046
2015-16 Appropriation Act 1	-	7,204
2015-16 Appropriation Act 1- Departmental Capital Budget	601	1,181
2016-17 Appropriation Act 1	6,474	-
2016-17 Appropriation Act 1- Departmental Capital Budget	828	-
2016-17 Appropriation Act 3	852	-
Cash on hand or on deposit	198	154
Total	8,953	9,585

Appendix 2—Statistics

Approaches and complaints 2016–17

Jurisdiction/ Portfolio	Received					Finalised					Remedies					Total Remedies
	Cat 1	Cat 2	Cat 3	Cat 4	Cat 5	Total Finalised	Action expedited	Apology	Decision changed or reconsidered	Agency officer counselled or disciplined	Explanation	Financial remedy	Law, policy or practice changed	Other non-financial remedy	Remedy provided by agency without Ombudsman intervention	
ACT	526	154	286	15	1	508	6	5	16	43	43	3	7	1	81	
Commonwealth	23,494	8,487	12,268	441	7	23,239	289	912	261	336	1,925	87	662	61	5,357	
Agriculture and Water Resources	42	11	26	4	1	43	1	1	1	4	2				8	
Attorney-Generals	384	104	234	28	15	382	3	1	3	21	4	4	3		35	
Commonwealth Parliament	2	2				2										
Communication and the Arts ¹	4,228	851	2,352	873	17	4,093	3	829	28	302	737	9	550	10	3,042	
Courts	73	30	39	4		73	1	1	1	4	1	1	1		8	
Defence	635	109	329	91	33	562	24	2	23	76	12	5	11	4	157	
Education and Training	114	17	64	17	12	110	3	7	7	7	6	3	2	1	29	

1. Including Australia Post.