



INDEPENDENT AUDIT REPORT

To the Prime Minister

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the Commonwealth Ombudsman for the year ended 30 June 2005. The Commonwealth Ombudsman is responsible for the integrity of both the annual report and its web site.

The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Commonwealth Ombudsman's annual report.

Scope

The financial statements and Chief Executive's responsibility

The financial statements comprise:

- Statement by the Commonwealth Ombudsman and Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies;
- Schedule of Administered Items; and
- Notes to and forming part of the Financial Statements

of the Commonwealth Ombudsman for the year ended 30 June 2005.

The Commonwealth Ombudsman is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Commonwealth Ombudsman, and that comply with accounting standards, other mandatory financial reporting requirements in Australia, and the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*. The Commonwealth Ombudsman is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

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Audit approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Commonwealth Ombudsman financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Commonwealth Ombudsman.

Independence

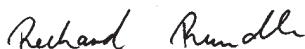
In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

Audit Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (b) give a true and fair view of the Commonwealth Ombudsman financial position as at 30 June 2005 and of its performance and cash flows for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable accounting standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



Richard Rundle
Executive Director

Delegate of the Auditor-General
Canberra

Date: 9 September 2005

OFFICE OF THE COMMONWEALTH OMBUDSMAN

STATEMENT BY THE COMMONWEALTH OMBUDSMAN AND
CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2005 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed.....

Professor John McMillan
Commonwealth Ombudsman

Signed.....

R I Brent
Chief Finance Officer

8 September 2005

8 September 2005

FINANCIAL STATEMENTS

OFFICE OF THE COMMONWEALTH OMBUDSMAN

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005

	Notes	2004-05 \$	2003-04 \$
Revenues from ordinary activities			
Revenues from government	5A	11,479,675	9,461,675
Goods and services	5B	1,253,576	1,000,379
Revenue from sale of assets	5C	4,090	2,877
Interest	5D	-	-
Other revenues	5E	24,383	55,376
Revenues from ordinary activities		12,761,724	10,520,307
Expenses from ordinary activities (excluding borrowing cost expense)			
Employees	6A	8,111,506	6,882,664
Suppliers	6B	3,804,999	3,199,116
Depreciation and amortisation	6C	300,361	274,145
Value of assets sold	5C	4,321	12,310
Write-down and impairment of assets	6D	120,430	195,000
Expenses from ordinary activities (excluding borrowing cost expense)		12,341,617	10,563,235
Borrowing costs expense	7	-	-
Net surplus/(deficit)		420,107	(42,928)
Net credit to asset revaluation reserve	9C	98,322	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		518,429	(42,928)
Total changes in equity other than those resulting from transactions with owners as owners		518,429	(42,928)

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 2005

	Notes	2004–05 \$	2003–04 \$
ASSETS			
Financial assets			
Cash	8A	2,157,387	2,477,239
Receivables	8B	<u>139,487</u>	<u>384,141</u>
Total financial assets		2,296,874	2,861,380
Non-financial assets			
Infrastructure, plant and equipment	9A	1,248,563	641,254
Intangibles	9B	388,232	192,495
Other non-financial assets	9D	<u>31,064</u>	<u>36,121</u>
Total non-financial assets		1,667,859	869,870
Total assets		<u>3,964,733</u>	<u>3,731,250</u>
LIABILITIES			
Provisions			
Employees	11A	<u>2,134,228</u>	<u>2,294,559</u>
Total provisions		<u>2,134,228</u>	<u>2,294,559</u>
Payables			
Suppliers	10A	542,316	703,432
Other payables	10B	<u>515,985</u>	<u>479,484</u>
Total payables		<u>1,058,301</u>	<u>1,182,916</u>
Total liabilities		<u>3,192,529</u>	<u>3,477,475</u>
NET ASSETS		<u>772,204</u>	<u>253,775</u>
EQUITY			
Contributed equity		848,000	848,000
Reserves		215,252	116,930
Accumulated deficits		<u>(291,048)</u>	<u>(711,155)</u>
Total equity	12	<u>772,204</u>	<u>253,775</u>
Current liabilities		1,569,108	2,011,566
Non-current liabilities		1,623,421	1,465,909
Current assets		2,327,938	2,897,501
Non-current assets		1,636,795	833,749

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

FINANCIAL STATEMENTS

OFFICE OF THE COMMONWEALTH OMBUDSMAN

STATEMENT OF CASH FLOWS

for the year ended 30 June 2005

	Notes	2004-05 \$	2003-04 \$
OPERATING ACTIVITIES			
Cash received			
Appropriations		11,837,000	9,071,000
Goods and services		1,297,254	1,315,331
Interest		-	-
GST received from ATO		<u>358,748</u>	<u>215,509</u>
Total cash received		13,493,002	10,601,840
Cash used			
Employees		(8,271,837)	(6,540,474)
Suppliers		(4,415,271)	(2,714,219)
GST paid to the ATO		<u>-</u>	<u>(16,647)</u>
Total cash used		(12,687,108)	(9,271,340)
Net cash from/(used by) operating activities	13	<u>805,894</u>	<u>1,330,500</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		<u>4,090</u>	<u>2,877</u>
Total cash received		4,090	2,877
Cash used			
Purchase of property, plant and equipment		<u>(1,129,836)</u>	<u>(336,742)</u>
Total cash used		(1,129,836)	(336,742)
Net cash from/(used by) investing activities		<u>(1,125,746)</u>	<u>(333,865)</u>
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity		<u>-</u>	<u>430,000</u>
Total cash received		-	430,000
Net cash from financing activities		<u>-</u>	<u>430,000</u>
Net increase in cash held		(319,852)	1,426,635
Cash at the beginning of the reporting period		<u>2,477,239</u>	<u>1,050,604</u>
Cash at the end of the reporting period	8A	<u>2,157,387</u>	<u>2,477,239</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 2005

	2004-05 \$	2003-04 \$
BY TYPE		
Capital commitments	-	-
Total capital commitments	-	-
Other commitments		
Operating leases	3,784,492	4,641,233
Total other commitments	3,784,492	4,641,233
Commitments receivable	(161,342)	(513,720)
Net commitments by type	<u>3,623,150</u>	<u>4,127,513</u>
BY MATURITY		
All net commitments		
One year or less	703,281	359,843
From one to five years	2,248,408	2,622,237
Over five years	671,461	1,145,433
Net commitments by maturity	<u>3,623,150</u>	<u>4,127,513</u>
Operating lease commitments		
One year or less	864,623	873,563
From one year to five years	2,248,408	2,622,237
Over five years	671,461	1,145,433
Total operating lease commitments	<u>3,784,492</u>	<u>4,641,233</u>

NB: Commitments are GST inclusive where relevant.

Operating leases included are effectively non-cancellable and comprise:

- leases for office accommodation;
- agreements for the provision of motor vehicles to senior executive officers; and
- leases for computer equipment.

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

FINANCIAL STATEMENTS

OFFICE OF THE COMMONWEALTH OMBUDSMAN

SCHEDULE OF CONTINGENCIES

as at 30 June 2005

	2004-05 \$	2003-04 \$
CONTINGENT LIABILITIES	-	-
CONTINGENT ASSETS	-	-
Net contingent liabilities	-	-

The Ombudsman has no contingent liabilities.

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.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

Note 1 – Ombudsman Objectives

The Office of the Commonwealth Ombudsman seeks to provide a cost-effective form of independent administrative review, which is timely, informal and involves no direct cost to individuals. Coverage is comprehensive, embracing almost all of the administrative activity of Commonwealth departments and agencies.

Through the handling of complaints and the conduct of own motion investigations, the Office contributes to continuous improvement in the performance of agencies and their accountability to Government, the Parliament and the community.

The Office is structured to meet one outcome:

Outcome 1: To achieve equitable outcomes for complaints from the public and foster improved and fair administration by Commonwealth agencies.

Office activities contributing towards these outcomes are classified as departmental. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Office in its own right. The Office has no administered activities.

Departmental activities are identified under two headings for Outcome 1: Output 1 is Provision of a complaint management service for government and Output 2 is Provision of advice to government to improve public administration.

Note 2 – Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general-purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMO's, being the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 30 June 2004) Orders*);
- Australian Accounting Standards and Accounting Interpretations issued by Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2005

Note 2 – Summary of Significant Accounting Policies (Cont'd)

2.1 Basis of Accounting (Cont'd)

Assets and liabilities are recognised in the Ombudsman's Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Revenues and expenses are recognised in the Ombudsman Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

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

The Ombudsman has had no administered revenues, expenses, assets, liabilities or cash flows in the year ended 30 June 2005 or in the comparative financial year.

2.2 Revenue

(a) Revenues from Government

Amounts appropriated for departmental outputs appropriations for the year (less any savings offered up in Portfolio Additional Estimates Statements) are recognised as revenue, except for certain amounts which relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations received are recognised at their nominal amounts.

(b) Resources Received Free of Charge

Services 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 these resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements.

(c) Other Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

Note 2 – Summary of Significant Accounting Policies (Cont'd)

2.2 Revenue (Cont'd)

Revenue from the rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is judged to be less rather than more likely.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

2.3 Transactions with the Government as Owner

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in Contributed Equity in that year.

Restructuring of Administered Arrangements

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

Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend. In 2004–2005, no amounts were returned to the Official Public Account.

2.4 Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits), annual leave and sick leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

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

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

Note 2 – Summary of Significant Accounting Policies (Cont'd)

2.4 Employee Benefits (Cont'd)

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

(a) 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 Ombudsman is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2005 and is recognised at the nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2005. In determining the present value of the liability, the Ombudsman has taken into account attrition rates and pay increases through promotion and inflation.

(b) Separation and redundancy

Provision is also made for separation and redundancy payments in circumstances where the Ombudsman has formally identified positions as excess to requirements and a reliable estimate of the amount of the payments can be determined.

(c) Superannuation

Staff of the Ombudsman are members of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

The Ombudsman makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Ombudsman's employees.

The liability for superannuation recognised at 30 June represents outstanding contributions for the final fortnight of the year.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

Note 2 – Summary of Significant Accounting Policies (Cont'd)

2.5 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the beginning of the lease and a liability recognised at the same time for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets. The net present value of the future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

Lease incentives taking the form of 'free' leasehold improvements and rent-free holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

2.6 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

2.7 Other Financial Instruments

Accounting policies for financial instruments are stated at note 18.

2.8 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.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring 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 agency's accounts immediately prior to the restructuring.

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

Note 2 – Summary of Significant Accounting Policies (Cont'd)

2.9 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).

Revaluations

Basis

Land, buildings, plant and equipment are carried at valuation, being revalued annually with sufficient frequency such that the carrying amount of each asset class is not materially different at reporting date, from its fair value.

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

Assets which are surplus to requirements are measured at their net realisable value. At 30 June 2005, the Ombudsman had no assets surplus to requirements.

Frequency

Land, buildings, plant and equipment are revalued progressively in successive three-year cycles. All current cycles commenced on 1 July 2004.

Freehold land, buildings on freehold land and leasehold improvements are each revalued progressively on a geographical basis.

Plant and equipment (P&E) assets were revalued as at 1 July 2004. All valuations were completed by an independent valuer, Hyman Valuations Pty Limited.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

Note 2 – Summary of Significant Accounting Policies (Cont'd)

2.9 Property, Plant and Equipment (Cont'd)

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Ombudsman using, in most cases, the straight line method of depreciation. Leasehold improvements are depreciated over the lesser of the estimated useful life of the improvements or the unexpired period of the lease taking into consideration options available at the end of lease.

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 6C.

The useful lives of plant and equipment are 3 to 8 years (2003–04: 3 to 8 years).

2.10 Intangibles

The Ombudsman's intangibles comprise purchased software.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of the software is 5 to 8 years (2003–04: 5 to 8 years).

2.11 Taxation

The Ombudsman is exempt from all forms of taxation except fringe benefits tax 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
- Except for receivables and payables.

2.12 Borrowing Costs

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The Ombudsman does not have any qualifying assets.

2.13 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2005

Note 2 – Summary of Significant Accounting Policies (Cont'd)

2.14 Reporting of Administered Activities

The Ombudsman has had no administered revenues, expenses, assets, liabilities or cash flows in the year ended 30 June 2005 or in the comparative financial year.

Note 3 – Adoption of Australian Equivalents to International Financial Reporting Standards from 2005–2006

The Australian Accounting Standards Board has issued replacement Australian Accounting standards to apply from 2005–06. The new standards are the Australian Equivalents to International Financial Reporting Standards (AEIFRS). The International Financial Reporting Standards are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The Standards being replaced are to be withdrawn with effect from 2005–06, but continue to apply in the meantime, including reporting periods ending on 30 June 2005.

The purpose of issuing AEIFRS is to enable Australian entities reporting under the *Corporations Act 2001* to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

For profit entities complying fully with AEIFRS will be able to make an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS) as well as a statement that the financial report has been prepared in accordance with Australian Accounting Standards.

AEIFRS contain certain additional provisions that will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with the IFRSs and therefore the Ombudsman will only be able to assert that the financial report has been prepared in accordance with Australian Accounting Standards.

AAS 29 *Financial Reporting by Government Departments* will continue to apply under AEIFRS.

Accounting Standard AASB 1047 *Disclosing the impacts of Adopting Australian Equivalents to International Financial Reporting Standards* requires that the financial statements for 2004–05 disclose:

- an explanation of how the transition to AEIFRS is being managed, and
- narrative explanations of the key policy differences arising from the transition the adoption of AEIFRS.
- any known or reliably estimable information about the impacts on the financial report had it been prepared using AEIFRS; and
- if the impacts of the above are not known or reliably estimable, a statement to that effect.

Where an entity is not able to make a reliable estimate, or where quantitative information is not known, the entity should update the narrative disclosures of the key differences in accounting policies that are expected to arise from the adoption of AEIFRS.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

Note 3 – Adoption of AASB Equivalents to International Financial Standards from 2005–2006 (Cont'd)

The purpose of this Note is to make these disclosures.

Management of the transition to AEIFRS

The Ombudsman has taken the following steps for the preparation towards the implementation of AEIFRS:

- The Ombudsman Audit Committee is tasked with oversight of the transition to and implementation of AEIFRS. The Chief Finance Officer is formally responsible for the project and reports regularly to the Audit Committee on progress.
- The following key steps will be undertaken as part of implementing AEIFRS:
 - All major accounting policy differences between current AASB standards and AEIFRS were identified by 30 June 2004.
 - System changes necessary to be able to report under the AEIFRS, including those necessary to capture data under both sets of rules for 2004–05 were completed in 2004. This included the testing and implementation of those changes.
 - A transitional balance sheet as at 1 July 2004 under AEIFRS was completed.
 - An AEIFRS compliant balance sheet as at 30 June 2005 was also prepared during the preparation of the 2004–05 statutory financial reports.
 - The 2004–05 Balance Sheet under AEIFRS will be reported to the Department of Finance and Administration in line with their reporting deadlines
- The Ombudsman has addressed the risks to successful achievement of the above objectives and continues to monitor the implementation.
- External assistance has been engaged where necessary to assist with each of the above steps.

Major changes in accounting policy

The Ombudsman believes that the first financial report prepared under AEIFRS ie at 30 June 2006, will be prepared on the basis that the Ombudsman will be a first time adopter under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Changes in accounting policies under AEIFRS are applied retrospectively i.e. as if the new policy had always applied except in relation to the exemptions available and prohibitions under AASB 1. This means that an AEIFRS compliant balance sheet has to be prepared as at 1 July 2004. This will enable the 2005–06 financial statements to report comparatives under AEIFRS.

A first time adopter of AEIFRS may elect to use exemptions under paragraphs 13 to 25E. When developing the accounting policies applicable to the preparation of the 1 July opening balance sheet, no exemptions were applied by The Ombudsman.

Changes to major accounting policies are discussed in the following paragraphs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2005

Note 3 – Adoption of AASB Equivalents to International Financial Standards from 2005–2006 (Cont'd)

Management's review of the quantitative impacts of AEIFRS represents the best estimates of the impacts of the changes as at reporting date. The actual effects of the impacts of AEIFRS may differ from these estimates due to:

- continuing review of the impacts of AEIFRS on the Ombudsman operations
- potential amendments to the AEIFRS and AEIFRS Interpretations; and
- emerging interpretation as to the accepted practice in the application of AEIFRS and the AEIFRS Interpretations.

Property plant and equipment

It is expected that the 2005–06 *Finance Minister's Orders* will continue to require property plant and equipment assets to be valued at fair value in 2005–06.

Impairment of Non-Current Assets

The Ombudsman's policy on impairment of non-current assets is at note 2.9.

Under AEIFRS, these assets will be subject to assessment for impairment and, if there are indications of impairment, an assessment of the degree of impairment. (Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. "Value in use" is the net present value of net cash inflows for cash generating units of the Ombudsman and depreciated replacement cost for other assets which would be replaced if the Ombudsman were deprived of them.

The most significant changes are that for the Ombudsman's cash generating units, the recoverable amount is only generally to be measured where there is an indication of impairment. Previously all assets' recoverable amount was tested.

However, an impairment assessment of the Ombudsman's assets indicated that no adjustments will be required.

Employee Benefits

The provision for long service leave is measured at the present value of estimated future cash outflows using market yields as at the reporting date on national government bonds.

The 2003–04 Financial Report noted that the AEIFRS standards may require the market yield on corporate bonds to be used. The AASB has decided that a deep market in high quality corporate bonds does not exist and therefore national government bonds will be referenced.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

Note 3 – Adoption of AASB Equivalents to International Financial Standards from 2005–2006 (Cont'd)

AEIFRS require that annual leave that is not expected to be taken within 12 months of balance date is to be discounted. After assessing the staff leave profile, the Ombudsman does not expect that any material amounts of the annual leave balance will not be taken in the next 12 months. Consequently, there are no adjustments for non-current annual leave.

Financial Instruments

AEIFRS include an option for entities not to restate comparative information in respect of financial instruments in the first AEIFRS report. It is expected that Finance Minister's Orders will require entities to use this option. Therefore, the amounts for financial instruments presented in the Ombudsman's 2004–05 primary financial statements are not expected to change as a result of the adoption of AEIFRS.

The Ombudsman will be required by AEIFRS to review the carrying amounts of financial instruments at 1 July 2005 to ensure they align with the accounting policies required by AEIFRS. It is expected that the carrying amounts of financial instruments held by the Ombudsman will not materially change as a result of this process.

Reconciliation of Impacts – AGAAP to AEIFRS

	2005*	2004
	\$	\$
Reconciliation of Departmental Equity		
Total Equity under AGAAP	772,204	253,775
Adjustments to accumulated results	-	-
Total Equity under AEIFRS	<u>772,204</u>	<u>253,775</u>
Reconciliation of Departmental Accumulated Results		
Total Accumulated Results under AGAAP	(291,048)	(711,155)
Adjustments:		
Assets – Carrying Value	-	-
Depreciation	-	-
Total Accumulated Results under AEIFRS	<u>(291,048)</u>	<u>(711,155)</u>
Reconciliation of Net surplus / (deficit) for the year ended 30 June 2005		
Net surplus/(deficit) under AGAAP	420,107	(42,928)
Adjustments:		
Depreciation and Amortisation	-	-
Write-down of Assets	-	-
Total Accumulated Results under AEIFRS	<u>420,107</u>	<u>(42,928)</u>

* 30 June 2005 total represents the accumulated impacts of AEIFRS from the date of transition.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

Note 4 – Events Occurring after Balance Date

No significant events occurred after balance date.

	2004–05 \$	2003–04 \$
Note 5 – Operating Revenues		
<u>Note 5A – Revenues from Government</u>		
Appropriations for outputs	11,463,000	9,445,000
Resources received free of charge		
Australian National Audit Office	16,675	16,675
Provision of audit services	11,479,675	9,461,675
Total revenues from government	<u>11,479,675</u>	<u>9,461,675</u>
<u>Note 5B – Goods and Services</u>		
Goods	-	-
Services	1,253,576	1,000,379
Total sales of goods and services	<u>1,253,576</u>	<u>1,000,379</u>
Provision of goods to:		
Related entities	-	-
External entities	-	-
Total sales of goods	<u>-</u>	<u>-</u>
Rendering of services to:		
Related entities	455,197	202,000
External entities	798,379	798,379
Total rendering of services	<u>1,253,576</u>	<u>1,000,379</u>
Costs of sales of goods	<u>-</u>	<u>-</u>
<u>Note 5C – Net Gain/(Loss) From Sales of Assets</u>		
Infrastructure, plant and equipment		
Proceeds from disposal	4,090	2,877
Net book value of assets disposed	(4,321)	(12,310)
Net gain/(loss) from disposal of infrastructure, plant and equipment	<u>(231)</u>	<u>(9,433)</u>

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

	2004-05 \$	2003-04 \$
Note 5 – Operating Revenues (Cont'd)		
<u>Note 5D – Interest Revenue</u>		
Interest on deposits	-	-
<u>Note 5E – Other Revenue</u>		
Other	24,383	55,376
Note 6 – Operating Expenses		
<u>Note 6A – Employee Expenses</u>		
Wages and salary	6,767,922	5,562,986
Superannuation	1,159,027	967,414
Leave and other entitlements	(19,172)	69,519
Separation and redundancy	-	-
Other employee expenses	168,357	245,850
Total employee benefits expense	8,076,134	6,845,769
Worker compensation premiums	35,372	36,895
Total employee expenses	8,111,506	6,882,664
<u>Note 6B – Supplier Expenses</u>		
Goods from related entities	-	-
Goods from external entities	363,407	293,586
Services from related entities	502,243	386,137
Services from external entities	2,173,351	1,771,447
Operating lease rentals ¹	765,998	747,946
Total supplier expenses	3,804,999	3,199,116

¹ These comprise minimum base payments only.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

	2004–05 \$	2003–04 \$
Note 6 – Operating Expenses (Cont'd)		
<u>Note 6C – Depreciation and Amortisation</u>		
<u>Depreciation</u>		
Other infrastructure, plant and equipment	<u>198,270</u>	<u>166,355</u>
Total depreciation	<u>198,270</u>	<u>166,355</u>
<u>Amortisation</u>		
Intangibles – Computer Software	<u>102,091</u>	<u>107,790</u>
Total depreciation and amortisation	<u>300,361</u>	<u>274,145</u>
The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable assets are as follows:		
Leasehold improvements	106,578	72,105
Plant and equipment	91,962	94,250
Computer software	<u>102,091</u>	<u>107,790</u>
Total depreciation and amortisation	<u>300,631</u>	<u>274,145</u>
No depreciation or amortisation was allocated to the carrying amounts of other assets.		
<u>Note 6D – Write down of assets</u>		
Financial assets		
Bad and doubtful debts expense	-	-
Non-financial assets		
Plant & Equipment	120,430	-
Net write off of intangibles	<u>-</u>	<u>195,000</u>
Total write-down of assets	<u>120,430</u>	<u>195,000</u>
Note 7 – Borrowing Cost Expenses		
Overdraft	<u>-</u>	<u>-</u>

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

	2004-05 \$	2003-04 \$
Note 8 – Financial Assets		
<u>Note 8A – Cash</u>		
Cash on hand:		
Cash at bank and on hand	2,157,387	2,477,239
Total cash	<u>2,157,387</u>	<u>2,477,239</u>
<u>Note 8B – Receivables</u>		
Goods and services	97,888	-
GST receivable from ATO	41,599	10,141
Appropriation receivable – undrawn	-	374,000
Total receivables	<u>139,487</u>	<u>384,141</u>

All receivables are current assets. There is no requirement for a provision for doubtful debts.

All receivables are with entities external to the Commonwealth. Credit terms are net 30 days (2004: 30 days)

Appropriations receivable undrawn are appropriations controlled by the Agency but held in the Official Public Account under the Government's just-in-time drawdown arrangements.

Receivables (gross) are aged as follows:

Current	136,826	384,141
Overdue by:		
less than 30 days	-	-
30 to 60 days	-	-
60 to 90 days	-	-
more than 90 days	2,661	-
	<u>139,487</u>	<u>384,141</u>

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

	2004–05 \$	2003–04 \$
Note 9 – Non-Financial Assets		
<u>Note 9A – Infrastructure, Plant and Equipment</u>		
Leasehold improvements		
- at fair value	623,522	255,031
Accumulated amortisation	(115,695)	(122,630)
	<u>507,827</u>	<u>132,401</u>
Leasehold improvements – at cost	-	69,402
Accumulated amortisation	-	(17,958)
	<u>-</u>	<u>51,444</u>
Plant and equipment		
- at fair value	866,280	141,104
- at 2002 Ombudsman's revaluation (deprival)	-	407,520
Accumulated depreciation	(125,544)	(291,116)
	<u>740,736</u>	<u>257,508</u>
Plant and equipment – at cost	-	227,952
Accumulated depreciation	-	(28,051)
	<u>-</u>	<u>199,901</u>
Total Infrastructure, Plant and Equipment	<u><u>1,248,563</u></u>	<u><u>641,254</u></u>
<u>Note 9B – Intangibles</u>		
Computer software – at cost	734,635	451,585
Accumulated amortisation	(346,403)	(259,090)
Total Intangibles	<u><u>388,232</u></u>	<u><u>192,495</u></u>

On 1 July 2004 all material assets were revalued by an independent valuer, Hyman Valuations Pty Limited. Other tangible non-financial assets were revalued by the Ombudsman. The Ombudsman assessed the fair value of such assets by reference to the written down value of the assets and the current replacement cost.

In between formal revaluations the Ombudsman monitors the assets ensuring the fair value of the assets is materially correct. This is conducted annually and assessed as per above.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

Note 9 – Non-Financial Assets (Cont'd)

Note 9C – Analysis of Infrastructure, Plant, Equipment and Intangibles

TABLE A

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

Item	Leasehold Improvement \$	Plant and Equipment \$	Intangibles \$	Total \$
As at 1 July 2004				
Gross book value	324,433	776,576	451,585	1,552,594
Accumulated depreciation/amortisation	(140,588)	(319,167)	(259,090)	(718,845)
Opening Net Book Value	183,845	457,409	192,495	833,749
Additions:				
by purchase	290,011	538,436	301,389	1,129,836
Net revaluation increment/(decrement)	140,549	(162,657)	-	(22,108)
Depreciation/amortisation expense	(106,579)	(91,691)	(102,091)	(300,361)
Disposals:				
Other disposals	-	(760)	(3,561)	(4,321)
As at 30 June 2005				
Gross book value	623,522	866,280	734,635	2,224,437
Accumulated depreciation/amortisation	(115,695)	(125,544)	(346,403)	(587,642)
Closing Net Book Value	507,827	740,736	388,232	1,636,795

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

Note 9 – Non-Financial Assets (Cont'd)Note 9C – Analysis of Infrastructure, Plant, Equipment and Intangibles (Cont'd)

TABLE B
Summary of balances of assets at valuation as at 30 June 2005

Item	Leasehold Improvements \$	Plant and Equipment \$	Total \$
As at 30 June 2005			
Gross value	299,000	112,014	411,014
Accumulated Depreciation/Amortisation	(76,900)	(22,752)	(99,652)
Net book value	222,100	89,262	311,362
As at 30 June 2004			
Gross value	255,031	548,624	803,655
Accumulated Depreciation/Amortisation	(122,630)	(291,116)	(413,746)
Net book value	132,401	257,508	389,909

	2004–05	2003–04
	\$	\$
<u>Note 9D – Other Non-Financial Assets</u>		
Prepayments	<u>31,064</u>	<u>36,121</u>

All other non-financial assets are current assets.

Note 10 – PayablesNote 10A – Supplier Payables

Trade creditors and accruals (including GST payable)	<u>542,316</u>	<u>703,432</u>
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All supplier payables are current liabilities

Note 10B – Other Payables

Prepaid income	375,172	450,400
Lease incentives	<u>140,813</u>	<u>29,084</u>
Total other payables	<u>515,985</u>	<u>479,484</u>
Current	402,505	458,983
Non Current	113,480	20,501

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**

	2004–05 \$	2003–04 \$
Note 11 – Provisions		
<u>Note 11A – Employee Provisions</u>		
Salaries and wages	33,158	270,060
Leave	1,998,340	1,840,505
Superannuation	102,730	183,994
Separation and redundancy	-	-
Aggregate employee entitlement liability	<u>2,134,228</u>	<u>2,294,559</u>
Workers' compensation	-	-
Aggregate employee benefit liability and related on-costs	<u>2,134,228</u>	<u>2,294,559</u>
 Current	 624,287	 849,151
Non-current	1,509,941	1,445,408

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

Note 12 – Equity**Note 12A – Analysis of Equity**

Item	Accumulated results		Asset revaluation reserves		Contributed Equity		TOTAL EQUITY	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Balance 1 July	(711,155)	(668,227)	116,930	116,930	848,000	418,000	253,775	(133,297)
Net surplus/deficit	420,107	(42,928)	-	-	-	-	420,107	(42,928)
Net revaluation increments/(decrements)	-	-	98,322	-	-	-	98,322	-
Contributions by owner: Appropriations (equity injection)	-	-	-	-	-	430,000	-	430,000
Closing Balance as at 30 June	(291,048)	(711,155)	215,252	116,930	848,000	848,000	772,204	253,775

The Ombudsman has no Administered equity.

OFFICE OF THE COMMONWEALTH OMBUDSMAN

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

	2004–05 \$	2003–04 \$
Note 13 – Cash Flow Reconciliation		
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	2,157,387	2,477,239
Statement of Financial Position items comprising above cash: "Financial Asset – Cash"	2,157,387	2,477,239
Reconciliation of net surplus to net cash from operating activities:		
Net surplus/(deficit)	420,107	(42,928)
Depreciation/Amortisation	300,361	274,145
Net loss/(gain) on disposal of assets	231	9,433
Net write down of assets	120,430	195,000
(Increase)/Decrease in receivables	276,112	(269,443)
(Increase)/Decrease in prepayments	5,057	2,789
Increase/(Decrease) in employee provisions	(160,331)	342,190
Increase/(Decrease) in supplier and other payables	(124,615)	808,753
Increase/(Decrease) in GST receivable	(31,458)	10,561
Net cash from/(used by) operating activities	<u>805,894</u>	<u>1,330,500</u>

OFFICE OF THE COMMONWEALTH OMBUDSMAN

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

	2004–05	2003–04
Note 14 – Executive Remuneration		
The number of executives who received or were due to receive total remuneration of \$100,000 or more:		
	Number	Number
\$130,001 to \$140,000	1	-
\$140,001 to \$150,000	1	-
\$160,001 to \$170,000	-	3
\$170,001 to \$180,000	1	-
\$180,001 to \$190,000	1	-
\$210,001 to \$220,000	-	1
\$220,001 to \$230,000	1	-
\$280,001 to \$290,000	-	1
\$320,001 to \$330,000	1	-
The aggregate amount of total remuneration of executives shown above	\$ 1,185,012	\$ 988,972
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above	\$ -	\$ -

Note 15 – Remuneration of Auditors

Financial statement audit services are provided free of charge to the Ombudsman.

The fair value of the services provided was: **\$ 16,675** **\$ 16,675**

No other services were provided by the Auditor-General.

Note 16 – Act of Grace Payments, Waivers and Defective Administration Scheme

No Act of Grace payments were made during the reporting period.

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997*.

Note 17 – Average Staffing Levels	Number	Number
The average staffing levels for the Ombudsman during the year were :	102	85

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

Note 18 – Financial Instruments

Note 18A – Terms, Conditions and Accounting Policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
Financial Assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	8A	Cash is recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The Ombudsman holds bank accounts with a commercial bank. Monies in the Ombudsman's bank accounts are swept into the Official Public Account nightly and interest is earned on the daily balance at rates based on money market call rates. Interest is paid at month end.
Receivables for goods and services	8B	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	All receivables are with entities external to the Commonwealth. Credit terms are net 30 days (2004: 30 days).

OFFICE OF THE COMMONWEALTH OMBUDSMAN

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

Note 18 – Financial Instruments (Cont'd)

Note 18A – Terms, Conditions and Accounting Policies (Cont'd)

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
Financial Liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors and accruals	10A	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	All creditors are entities that are not part of the Commonwealth legal entity. Settlement is usually made net 30 days.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

Note 18 – Financial Instruments (Cont'd)

Note 18B – Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate	Fixed Interest Rate						Non-Interest Bearing			Total			Weighted Average Effective Interest Rate																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
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OFFICE OF THE COMMONWEALTH OMBUDSMAN

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**Note 18 – Financial Instruments (Cont'd)**Note 18C – Net Fair Values of Financial Assets and Liabilities

	Notes	2004–05	2003–04		
		Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
		\$	\$	\$	\$
Financial Assets					
Cash at Bank	8A	2,157,387	2,157,387	2,477,239	2,477,239
Receivables for Goods and Services	8B	97,888	97,888	-	-
Appropriation Receivable	8B	-	-	374,000	374,000
Total Financial Assets		<u>2,255,275</u>	<u>2,255,275</u>	<u>2,851,239</u>	<u>2,851,239</u>
Financial Liabilities					
Trade creditors	10A	542,316	542,316	703,432	703,432
Total Financial Liabilities		<u>542,316</u>	<u>542,316</u>	<u>703,432</u>	<u>703,432</u>

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts.

The net fair values for trade creditors are approximated by their carrying amounts.

Note 18D – Credit Risk Exposures

The Ombudsman's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Performance.

The Ombudsman has no significant exposures to or concentrations of credit risk.

All figures for credit risk do not take into account the value of any collateral or other security.

OFFICE OF THE COMMONWEALTH OMBUDSMAN

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005**Note 19 – Appropriations**

Note 19A – Acquittal of Authority to Draw cash from the Consolidated Revenue Fund (CRF) for Ordinary Annual Services Appropriations

Particulars	Departmental Outputs
Year ended 30 June 2005	\$
Balance carried from previous year	2,807,840
Appropriation for reporting period (Act 1) 2004-2005	11,340,000
Appropriation for reporting period (Act 3) 2004-2005	123,000
Adjustments by the Finance Minister	-
Comcover Receipts	2,316
Advance to the Finance Minister	-
Adjustment of appropriation on change of entity function (FMA s32)	-
Refunds credited (FMA s30)	-
Sub-Total 2004-05 Annual Appropriation	14,273,156
Appropriations to take account of recoverable GST (FMA s30A)	508,667
Annotations to 'net appropriations' (FMA s31)	1,179,845
Total appropriation available for payments	15,961,668
Cash payments made during the year (GST inclusive)	13,814,055
Balance of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations	2,147,613
Represented by:	
Cash at bank and on hand	2,157,387
Departmental appropriations receivable	-
GST receivable from the ATO	41,599
GST payable from Supplies	(51,373)
Total	2,147,613

Year ended 30 June 2004	
Balance carried from previous year	1,058,485
Appropriation for reporting period (Act 1) 2004-2005	9,376,000
Appropriation for reporting period (Act 3) 2004-2005	69,000
Appropriations to take account of recoverable GST (FMA s30A)	320,057
Adjustments and annotations to appropriations	1,162,380
Transfers to/from other agencies (FMA s32)	-
Estimated Administered appropriation to be lapsed	-
Available for payments	11,985,922
Payments made during the year	9,178,082
Appropriations credited to special accounts	-
Balance carried to next year	2,807,840

OFFICE OF THE COMMONWEALTH OMBUDSMAN

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

Note 19 – Appropriations (Cont'd)

Represented by:	
Cash at bank and on hand	2,477,239
Departmental appropriations receivable	374,000
GST receivable from the ATO	10,141
GST payable from Supplies	(53,540)
Total	2,807,840

There was no savings offered up during the year and there have been no savings offered up in previous years that are still ongoing.

Footnotes:

- (1) Appropriation Acts nos. 1 and 3 (for the ordinary annual services of government) authorise the supplementation of an agency's annual net appropriation by amounts received in accordance with agreements made under section 31 of the *Financial Management and Accountability Act 1997* between the Finance Minister and the responsible Minister or their delegated or authorised officials.

Doubt has arisen as to whether the agency's Section 31 Agreement covering the periods 1998 to 2005 were effective because our signatory may not have had an express delegation or authority for signing the agreement. A new Section 31 Agreement was signed on 1 February 2005. To put the matter beyond doubt, the agency's current agreement was revised on 30 June 2005 to capture all monies that were subject to prior agreement to the extent it may have been ineffective.

The period and amounts covered by the agreement are set out below.

	1998-99	Total Pre-accrual budgeting	1999-00	2000-01	2001-02	2002-03	2003-04	Sub-total	2004-05	Total 1/7/99 to 30/6/05
Receipts affected	432,872	432,872	564,552	563,674	1,096,167	891,817	1,162,380	4,278,590	553,463	4,832,053
Spent	404,895	404,895	50,746	372,281	720,255	818,637	-	1,961,919	629,031	2,590,950
Unspent	27,977	27,977	513,806	191,393	375,912	73,180	1,162,380	2,316,671	(75,568)	2,241,103

Legal advice indicates that in the circumstances a court is unlikely to conclude that the doubtful agreement is invalid for the purposes of determining whether there has been a breach of section 83 of the Constitution.

OFFICE OF THE COMMONWEALTH OMBUDSMAN

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

Note 20 – Reporting of Outcomes

Note 20A – Net Cost of Outcome Delivery

	Outcome 1	
	2005 \$	2004 \$
Administered	-	-
Departmental	12,341,617	10,563,235
Total expenses	12,341,617	10,563,235
<i>Costs recovered from provision of goods and services to the non-government sector</i>		
Administered	-	-
Departmental	798,379	798,379
Total costs recovered	798,379	798,379
<i>Other external revenues</i>		
Administered	-	-
Total Administered	-	-
Departmental		
Interest on cash deposits	-	-
Revenue from disposal of assets	4,090	2,877
Reversals previous asset write-downs	-	-
Other	24,383	55,376
Goods and Services Revenue from Related Entities	455,197	202,000
Total Departmental	483,670	260,253
Total other external revenues	483,670	260,253
Net cost/(contribution) of outcome	11,059,568	9,504,603

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 June 2005

Note 20 – Reporting of Outcomes (Cont'd)**Note 20B – Major Classes of Departmental Revenues and Expenses by Output**

	Output Group 1		Output Group 2		Outcome 1 Total	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
Departmental expenses						
Employees	6,489,205	5,506,131	1,622,301	1,376,533	8,111,506	6,882,664
Suppliers	3,043,999	2,569,293	761,000	639,823	3,804,999	3,199,116
Depreciation and amortisation	240,289	219,316	60,072	54,829	300,361	274,145
Other	99,801	165,848	24,950	41,462	124,751	207,310
Total departmental expenses	9,873,294	8,450,588	2,468,323	2,112,647	12,341,617	10,563,235
Funded by:						
Revenues from government	9,183,740	7,569,340	2,295,935	1,892,335	11,479,675	9,461,675
Sales of goods and services	1,002,861	800,303	250,715	200,076	1,253,576	1,000,379
Other non-taxation revenues	22,778	46,602	5,695	11,651	28,473	58,253
Total departmental revenues	10,209,379	8,416,245	2,552,345	2,104,062	12,761,724	10,520,307

Direct costs for Outputs 1 and 2 are allocated primarily on staff numbers.

Indirect costs, such as corporate support expenses, are allocated on staff numbers and square metres occupied. The provision of services by corporate support areas is predominantly driven by staff demands. Some exceptions exist, but testing has shown that other, more complex allocation methods do not produce a materially different result from that produced by this simple allocation method.