

APPENDIX 5

Financial Statements



INDEPENDENT AUDITOR'S REPORT

To the Prime Minister

I have audited the accompanying financial statements of Office of the Commonwealth Ombudsman for the year ended 30 June 2014, which comprise: a Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies and Notes to and Forming Part of the Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive of the Office of the Commonwealth Ombudsman is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office of the Commonwealth Ombudsman's preparation of the financial statements that give a true and fair view 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 Office of the Commonwealth Ombudsman's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Office of the Commonwealth Ombudsman's, as well as evaluating the overall presentation of the financial statements.

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

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Independence

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

Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders, including the Office of the Commonwealth Ombudsman's financial position as at 30 June 2014 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Kristian Gage
Acting Executive Director

Delegate of the Auditor-General

Canberra
17 September 2014

OFFICE OF THE COMMONWEALTH OMBUDSMAN

STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2014 are 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... 

Colin Neave
Chief Executive

16 September 2014

Signed... 

Joanna Stone
Chief Financial Officer

16 September 2014

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2014

	Notes	2014 \$	2013 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	3A	15,419,450	14,435,160
Supplier	3B	4,633,554	5,009,020
Depreciation and amortisation	3C	731,324	702,620
Write-down and impairment of assets	3D	25,510	67,672
Total expenses		20,809,838	20,214,472
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	2,052,225	2,319,667
Total own-source revenue		2,052,225	2,319,667
Gains			
Other gains	4B	43,000	47,209
Total gains		43,000	47,209
Total own-source income		2,095,225	2,366,876
Net cost of services		18,714,613	17,847,596
Revenue from Government	4C	18,022,000	18,305,000
Surplus (Deficit) attributable to the Australian Government		(692,613)	457,404
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		541,406	-
Total other comprehensive income		541,406	-
Total comprehensive income / (loss) attributable to the Australian Government		(151,207)	457,404

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 2014

	Notes	2014 \$	2013 \$
ASSETS			
Financial assets			
Cash and cash equivalents	6A	471,327	86,239
Trade and other receivables	6B	9,297,815	8,865,143
Other financial assets	6C	72,810	120,000
Total financial assets		9,841,952	9,071,382
Non-financial assets			
Land and buildings	7A-C	1,401,182	1,285,011
Property, plant and equipment	7A-C	715,067	802,629
Intangibles	7D-E	339,644	260,071
Other non-financial assets	7F	352,899	231,206
Total non-financial assets		2,808,792	2,578,917
Total assets		12,650,744	11,650,299
LIABILITIES			
Payables			
Suppliers	8A	343,458	390,195
Other payables	8B	3,831,419	3,269,923
Total payables		4,174,877	3,660,118
Provisions			
Employee provisions	9A	3,618,578	3,515,115
Other provisions	9B	138,216	123,786
Total provisions		3,756,794	3,638,901
Total liabilities		7,931,671	7,299,019
Net assets		4,719,073	4,351,280
EQUITY			
Parent entity interest			
Contributed equity		4,867,000	4,348,000
Reserves		1,112,416	571,010
Accumulated deficit		(1,260,343)	(567,730)
Total parent entity interest		4,719,073	4,351,280

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2014

	Retained earnings		Asset revaluation reserve		Contributed equity/capital		Total equity	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	(567,730)	(1,025,134)	571,010	571,010	4,348,000	3,739,000	4,351,280	3,284,876
Opening balance	(567,730)	(1,025,134)	571,010	571,010	4,348,000	3,739,000	4,351,280	3,284,876
Comprehensive income								
Other comprehensive income	-	-	541,406	-	-	-	541,406	-
Surplus (Deficit) for the period	(692,613)	457,404	-	-	-	-	(692,613)	457,404
Total comprehensive income (loss)	(692,613)	457,404	541,406	-	-	-	(151,207)	457,404
of which:								
Attributable to the Australian Government	(692,613)	457,404	541,406	-	-	-	(151,207)	457,404
Transactions with owners								
Distributions to owners					(89,000)		(89,000)	-
Reduction to appropriation	-	-	-	-	-	-	-	-
Contributions by owners								
Departmental capital budget	-	-	-	-	608,000	609,000	608,000	609,000
Sub-total transactions with owners	(1,260,343)	(567,730)	-	-	519,000	609,000	519,000	609,000
Closing balance as at 30 June	(1,260,343)	(1,112,416)	1,112,416	571,010	4,867,000	4,348,000	4,719,073	4,351,280
Closing balance attributable to the Australian Government	(1,260,343)	(567,730)	1,112,416	571,010	4,867,000	4,348,000	4,719,073	4,351,280

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
CASH FLOW STATEMENT
for the period ended 30 June 2014

	Notes	2014 \$	2013 \$
OPERATING ACTIVITIES			
Cash received			
Sales of goods and rendering of services		2,459,907	2,272,270
Appropriations		20,788,769	19,930,999
Net GST received		322,685	288,999
Other		439,283	361,166
Total cash received		24,010,644	22,853,434
Cash used			
Employees		15,429,374	14,660,098
Suppliers		5,384,303	5,898,457
Section 31 receipts transferred to the OPA		2,961,701	2,607,058
Total cash used		23,775,378	23,165,613
Net cash from (used by) operating activities	10	235,267	(312,179)
INVESTING ACTIVITIES			
Cash received			
Total cash received		-	-
Cash used			
Purchase of property, plant and equipment		78,657	229,630
Purchase of intangibles		230,522	68,060
Total cash used		309,179	297,690
Net cash used by investing activities		(309,179)	(297,690)
FINANCING ACTIVITIES			
Cash received			
Departmental Capital Budget		459,000	448,000
Total cash received		459,000	448,000
Net cash from (used by) financing activities		459,000	448,000
Net increase (decrease) in cash held		385,088	(161,869)
Cash and cash equivalents at the beginning of the reporting period		86,239	248,108
Cash and cash equivalents at the end of the reporting period	6A	471,327	86,239

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

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
SCHEDULE OF COMMITMENTS**

as at 30 June 2014

	2014	2013
	\$	\$
BY TYPE		
Commitments receivable		
Sale of services	110,000	1,226,280
Net GST recoverable on commitments	1,587,704	1,630,008
Total commitments receivable	1,697,704	2,856,288
Commitments payable		
Operating leases	16,931,567	18,397,066
Other	643,175	759,294
Total commitments payable	17,574,742	19,156,360
Net commitments by type	15,877,038	16,300,072
BY MATURITY		
Commitments receivable		
Sale of services		
One year or less	110,000	918,280
From one to five years	-	308,000
Total services income	110,000	1,226,280
GST recoverable on commitments		
One year or less	190,495	103,329
From one to five years	632,474	624,963
Over five years	764,735	901,716
Total GST recoverable	1,587,704	1,630,008
Commitments payable		
Operating lease commitments		
One year or less	1,907,224	1,757,404
From one to five years	6,612,255	6,720,790
Over five years	8,412,088	9,918,872
Total operating lease commitments	16,931,567	18,397,066
Other Commitments		
One year or less	298,216	297,491
From one to five years	344,959	461,803
Total other commitments	643,175	759,294
Net commitments by maturity	15,877,038	16,300,072

NB: Commitments are GST inclusive where relevant.

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

The nature of other commitments are for office administration costs.

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

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

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

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2014**

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OFFICE OF THE COMMONWEALTH OMBUDSMAN

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 1: Summary of Significant Accounting Policies**1.1 Office of the Commonwealth Ombudsman Objectives**

The Office of the Commonwealth Ombudsman is an Australian Government controlled entity. It is a not for profit entity. The objective of the Office of the Commonwealth Ombudsman is 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 the 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: Fair and accountable administrative action by Australian Government agencies by investigating complaints, reviewing administrative action and inspecting statutory compliance by law enforcement agencies.

The continued existence of the Office in its present form and with its present programs 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 49 of the *Financial Management and Accountability Act 1997*.

The Financial Statements have been prepared in accordance with:

- a) Finance Minister's Orders (or FMO) for reporting periods ending on or after 1 July 2011; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

The financial statements are presented in Australian dollars.

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

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

The Office has had no administered revenues, expenses, assets, liabilities or cash flows in the year ended 30 June 2014 or in the comparative financial year.

1.3 Significant Accounting Judgements and Estimates

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

1.4 New Australian Accounting Standards**Adoption of New Australian Accounting Standard Requirements**

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2014

Note 1: Summary of Significant Accounting Policies

The office has adopted AASB 13 Fair Value Measurement. The impact to the 2014 financial statements has been an increase in Non-Financial Assets (+\$555,836) and an increase in the Asset Revaluation Reserve of the same amount.

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

Future Australian Accounting Standard Requirements

New standards, reissued standards, amendments to standards or interpretations ("the new requirements") applicable to future reporting periods have been issued by the Australian Accounting Standards Board during the year. It is anticipated that the new requirements will have no material financial impact on future reporting periods. The Office plans to adopt the pronouncement AASB 1055 Budgetary Reporting when it becomes effective on 1/7/2014 noting the impact will be related to disclosure only.

1.5 Revenue

Other Types of Revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the Office retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

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

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

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

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

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 entity as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

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
2014

Note 1: Summary of Significant Accounting Policies

1.6 Gains

Resources Received Free of Charge

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

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

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

Sale of Assets

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

1.7 Transactions with the Government as Owner

Equity Injections

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

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.

Other Distributions to Owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend. The entity relinquished control of appropriation funding of \$89,000 following the Finance Minister determination to reduce Departmental Appropriations pertaining to Whole of Australian Government savings measures.

1.8 Employee Benefits

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

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

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

Leave

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

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

The liability for long service leave has been determined by reference to the estimated future cash flows to be made in respect to all employees as at 30 June 2014. 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.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2014

Note 1: Summary of Significant Accounting Policies

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 represents outstanding contributions for the final eight working days of the year.

1.9 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 rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. 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 straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.10 Borrowing Costs

All borrowing costs are expensed as incurred.

1.11 Fair Value Measurement

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

1.12 Cash

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

1.13 Financial Assets

The Office classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss; and
- 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.

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- have been acquired principally for the purpose of selling in the near future;

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2014

Note 1: Summary of Significant Accounting Policies

- are a part of an identified portfolio of financial instruments that the Office manages together and has a recent actual pattern of short-term profit-taking; or
- are derivatives that are not designated and effective as a hedging instrument.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Effective Interest Method

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

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

Loans and Receivables

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

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.
- *Available for sale financial assets* - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the statement of comprehensive income.
- *Financial assets held at cost* - If there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.14 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2014

Note 1: Summary of Significant Accounting Policies

Other Financial Liabilities

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

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

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

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

1.15 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. 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 2014 (2013: Nil).

1.16 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.

1.17 Property, Plant and Equipment

Asset Recognition Threshold

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

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2014

Note 1: Summary of Significant Accounting Policies

Revaluations

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

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

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

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

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

Depreciation

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

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

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

	2014	2013
Leasehold improvements	Lease term	Lease term
Plant and Equipment	3 to 10 years	3 to 10 years

Impairment

All assets were assessed for impairment at 30 June 2014. 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.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2014

Note 1: Summary of Significant Accounting Policies

1.18 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 (2013: 1 to 8 years).

All software assets were assessed for indications of impairment as at 30 June 2014.

1.19 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.

1.20 Constitutional breach risk

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2014

Note 2: Events After the Reporting Period

No significant events occurred after balance date that would materially affect the financial statements.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2014

Note 3: Expenses

	2014	2013
	\$	\$
Note 3A: Employee Benefits		
Wages and salaries	11,666,730	10,997,640
Superannuation:		
Defined contribution plans	841,373	767,456
Defined benefit plans	1,328,722	1,230,755
Leave and other entitlements	1,525,362	1,439,309
Separation and redundancies	57,263	-
Total employee benefits	15,419,450	14,435,160

Note 3B: Suppliers

Goods and services		
Travel	655,088	757,254
Information technology and communications	632,869	671,825
Employee related	348,853	533,136
Property operating expenses	308,885	235,704
Media related	188,395	188,631
Consultants and contractors	231,351	395,338
Printing, stationery and postage	106,200	123,471
Legal	41,080	26,714
Other	235,525	209,277
Total goods and services	2,748,246	3,141,350

Goods and services are provided in connection with:

Provision of goods – external parties	144,428	155,191
Rendering of services – related entities	337,729	336,514
Rendering of services – external parties	2,266,089	2,649,645
Total goods and services	2,748,246	3,141,350

Other supplier expenses

Operating lease rentals – external parties:		
Minimum lease payments	1,589,645	1,593,789
Workers compensation expenses	295,663	273,881
Total other supplier expenses	1,885,308	1,867,670
Total supplier expenses	4,633,554	5,009,020

Note 3C: Depreciation and Amortisation

Depreciation:		
Leasehold improvements	288,945	300,677
Property, plant and equipment	291,429	291,951
Amortisation:		
Intangibles - Computer Software	150,950	109,992
Total depreciation and amortisation	731,324	702,620

Note 3D: Write-Down and Impairment of Assets

Asset write-downs and impairments from:		
Impairment on financial instruments	-	19,573
Impairment of property, plant and equipment	25,510	25,965
Impairment on intangible assets	-	22,134
Total write-down and impairment of assets	25,510	67,672

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2014

Note 4: Own-Source Income

	2014	2013
OWN-SOURCE REVENUE	\$	\$

Note 4A: Sale of Goods and Rendering of Services

Rendering of services - related entities	1,036,388	1,303,034
Rendering of services - external parties	1,015,837	1,016,633
Total sale of goods and rendering of services	2,052,225	2,319,667

Note 4B: Other Gains

Resources received free of charge	43,000	47,209
Total other gains	43,000	47,209

REVENUE FROM GOVERNMENT

Note 4C: Revenue from Government

Appropriations:		
Departmental appropriation	18,022,000	18,305,000
Total revenue from Government	18,022,000	18,305,000

OFFICE OF THE COMMONWEALTH OMBUDSMAN

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 5: Fair Value Measurement

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

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

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

Level 3: Unobservable inputs for the asset or liability.

Note 5A: Fair Value Measurement

Fair value measurements at the end of the reporting period by hierarchy for non-financial assets in 2014

	Fair value measurements at the end of the reporting period using			
	Fair value \$	Level 1 inputs \$	Level 2 inputs \$	Level 3 inputs \$
Non-financial assets:				
Leasehold improvements	1,399,682	-	-	1,399,682
Property, plant and equipment	715,067	-	715,067	-
Total non-financial assets	2,114,749	-	715,067	1,399,682
Assets not measured at fair value in the statement of financial position:				
Non-financial assets ¹	-	-	-	-

1. The Office did not measure any non-financial assets at fair value on a non- recurring basis as at 30 June 2014.

Fair value measurement - highest and best use

The Office's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of the assets is considered the highest and best use.

Note 5B: Level 1 and Level 2 transfers for recurring fair value measurements

The Office had no recurring fair value measurements transferred between Level 1 and Level 2 for assets or liabilities in 2014.

The Office's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 5: Fair Value Measurement

Note 5C: Valuation technique and inputs for Level 2 and Level 3 fair value measurements

Level 2 and 3 fair value measurements - valuation technique and the inputs used for assets in 2014

	Category (Level 2 or Level 3)	Fair value \$	Valuation technique(s) ¹	Inputs used	Range (weighted average) ²
Non-financial assets:					
Leasehold improvements	3	1,399,682	Cost Approach	Construction costs new; lease terms; and assets age Consumed economic benefit / Obsolescence of asset (8.4% per annum	6.4% - 32.7%
Property, plant and equipment	2	715,067	Market Approach	Market evidence	

1. No change in valuation technique occurred during the period.

2. Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

There were no significant inter-relationships between unobservable inputs that materially affect fair value.

Recurring and non-recurring Level 3 fair value measurements - valuation processes

The Office procured the service of the Australian Valuation Office (AVO) to undertake a comprehensive valuation of all non-financial assets at 30 June 2014. The Office tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal revaluation undertaken once every three years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation.

There is no change in the valuation technique since the prior year.

Significant Level 3 inputs utilised by the Office are derived and evaluated as follows:

Leasehold Improvements and property, plant and equipment - Consumed economic benefit / Obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit / asset obsolescence (accumulated Depreciation). Consumed economic benefit / asset obsolescence has been determined based on professional judgment regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.

Recurring Level 3 fair value measurements - sensitivity of inputs

Leasehold Improvements & Property, Plant and Equipment - Consumed economic benefit / Obsolescence of asset

The significant unobservable inputs used in the fair value measurement of the Office's leasehold improvements and property, plant and equipment asset classes relate to the consumed economic benefit / asset obsolescence (accumulated depreciation). A significant increase (decrease) in this input would result in a significantly lower (higher) fair value measurement.

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

Note 5: Fair Value Measurement

Note 5D: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets
	Leasehold improvements ⁵
	2014
	\$
Opening balance¹	1,243,640
Total gains/(losses) in net cost of services ²	(288,945)
Total gains/(losses) in other comprehensive income ³	389,924
Purchases	13,692
Other movements ⁴	41,371
Closing balance	1,399,682
Changes in unrealised gains/(losses) recognised ³	389,924

1. Opening balance as determined in accordance with AASB 13

2. These losses are presented in the Statement of Comprehensive Income under depreciation.

3. These gains are presented in the Statement of Comprehensive Income under changes in asset revaluation surplus.

4. Other movements relate to the capitalisation of assets under constructions to leasehold improvements.

5. Leasehold improvements do not include assets under constructions which is carried at cost.

The Office's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1: Significant Accounting Policies.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 6: Financial Assets

	2014	2013
	\$	\$
Note 6A: Cash and Cash Equivalents		
Cash on hand or on deposit	471,327	86,239
Total cash and cash equivalents	471,327	86,239
Note 6B: Trade and Other Receivables		
Good and Services:		
Goods and services - related entities	261,235	104,596
Goods and services - external parties	26	144
Total receivables for goods and services	261,261	104,740
Appropriations receivable:		
For existing programmes	8,961,329	8,706,398
Total appropriations receivable	8,961,329	8,706,398
Other receivables:		
GST receivable from the Australian Taxation Office	75,225	54,005
Total trade and other receivables (gross)	9,297,815	8,865,143
Receivables are expected to be recovered within 12 months.		
Receivables are aged as follows:		
Not overdue	9,297,815	8,846,766
Overdue by:		
0 to 30 days	-	18,377
Total trade and other receivables (gross)	9,297,815	8,865,143
No receivables are deemed to be impaired as at 30 June 2014.		
Note 6C: Other Financial Assets		
Lease incentives	72,810	120,000
Total other financial assets	72,810	120,000

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 7: Non-Financial Assets

	2014 \$	2013 \$
Note 7A: Land and Buildings		
Leasehold improvements:		
Fair value	1,408,858	1,845,565
Work in progress	1,500	41,371
Accumulated depreciation	(9,176)	(601,925)
Total leasehold improvements	1,401,182	1,285,011
Total Land and Buildings	1,401,182	1,285,011

Note 7B: Property, Plant and Equipment

Other property, plant and equipment:		
Fair value	719,804	1,471,155
Accumulated depreciation	(4,737)	(668,526)
Total other property, plant and equipment	715,067	802,629

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

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

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

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

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 7: Non-Financial Assets

Note 7C (cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2012-13)

	Leasehold improvements \$	Other property, plant & equipment \$	Total \$
As at 1 July 2012			
Gross book value	1,879,968	1,424,509	3,304,477
Accumulated depreciation and impairment	(421,357)	(406,516)	(827,873)
Net book value 1 July 2012	1,458,611	1,017,993	2,476,604
Additions:			
By purchase	127,077	102,552	229,629
Depreciation expense	(300,677)	(291,951)	(592,628)
Disposals:			
Other	-	(25,965)	(25,965)
Net book value 30 June 2013	1,285,011	802,629	2,087,640
Net book value as of 30 June 2013 represented by:			
Gross book value	1,886,936	1,471,155	3,358,091
Accumulated depreciation	(601,925)	(668,526)	(1,270,451)
Net book value 30 June 2013	1,285,011	802,629	2,087,640

OFFICE OF THE COMMONWEALTH OMBUDSMAN
FOR THE YEAR ENDED 30 JUNE 2014

Note 7: Non-Financial Assets

	2014	2013
	\$	\$
Note 7D: Intangibles		
Computer software:		
Purchased	1,657,588	1,360,624
Work in progress	35,064	103,594
Accumulated amortisation	(1,353,008)	(1,204,147)
Total computer software	339,644	260,071
Total intangibles	339,644	260,071

Impairment tests were carried out during the year which resulted in no assets being impaired (2013: \$22,134).
No intangibles are expected to be sold or disposed of within the next 12 months.

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

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
FOR THE YEAR ENDED 30 JUNE 2014

Note 7: Non-Financial Assets

Note 7E (cont'd): Reconciliation of the Opening and Closing Balances of Intangibles (2012-13)

	Computer software purchased \$
As at 1 July 2012	
Gross book value	1,617,090
Accumulated amortisation and impairment	(1,292,953)
Net book value 1 July 2012	324,137
Additions:	
By purchase	20,367
Internally developed	47,693
Impairments recognised in the operating result	(22,134)
Amortisation	(109,992)
Net book value 30 June 2013	260,071
Net book value as of 30 June 2013 represented by:	
Gross book value	1,464,218
Accumulated amortisation and impairment	(1,204,147)
Net book value 30 June 2013	260,071

	2014 \$	2013 \$
Note 7F: Other Non-Financial Assets		
Prepayments	352,899	231,206
Total other non-financial assets	352,899	231,206

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2014

Note 8: Payables

	2014	2013
	\$	\$
Note 8A: Suppliers		
Trade creditors and accruals	343,458	390,195
Total supplier payables	343,458	390,195
Supplier payables are expected to be settled within 12 months:		
Related entities	67,161	64,789
External parties	276,297	325,406
Total supplier payables	343,458	390,195

Settlement is usually made within 30 days.

Note 8B: Other Payables

Salaries and wages	414,462	362,304
Superannuation	65,562	57,943
Lease incentives	1,464,704	1,659,400
Fixed lease increase	1,105,848	945,404
Unearned income	721,855	223,468
Other	58,988	21,404
Total other payables	3,831,419	3,269,923
Total other payables are expected to be settled in:		
No more than 12 months	1,471,882	870,793
More than 12 months	2,359,537	2,399,130
Total operating leases	3,831,419	3,269,923

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2014

Note 9: Provisions

	2014 \$	2013 \$
Note 9A: Employee Provisions		
Leave	3,618,578	3,515,115
Total employee provisions	3,618,578	3,515,115
Employee provisions are expected to be settled in:		
No more than 12 months	1,177,076	1,085,024
More than 12 months	2,441,502	2,430,091
Total employee provisions	3,618,578	3,515,115
Note 9B: Other Provisions		
Provision for restoration obligations	138,216	123,786
Total other provisions	138,216	123,786
Other provisions are expected to be settled in:		
No more than 12 months	-	50,670
More than 12 months	138,216	73,116
Total other provisions	138,216	123,786
	Provision for restoration \$	
Carrying amount 1 July 2013	123,786	
Additional provisions made	14,430	
Closing balance 2014	138,216	

The Office currently has three agreements (2013: three) for the leasing of premises which have provisions requiring the Office to restore the premises to their original condition at the conclusion of the lease. The Office has made a provision to reflect the value of this obligation. Adjustments to provisions have been taken to the asset revaluation surplus.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2014

Note 10: Cash Flow Reconciliation

	2014	2013
	\$	\$
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	471,327	86,239
Statement of Financial Position	<u>471,327</u>	<u>86,239</u>
Difference	<u>-</u>	<u>-</u>
 Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(18,714,613)	(17,847,596)
Add revenue from Government	18,022,000	18,305,000
 Adjustments for non-cash items		
Depreciation / amortisation	731,324	702,620
Net write down of non-financial assets	25,510	48,099
 Changes in assets / liabilities		
(Increase) / decrease in net receivables	(372,673)	(855,607)
(Increase) / decrease in other financial assets	47,190	(13,129)
(Increase) / decrease in prepayments	(121,692)	186,040
Increase / (decrease) in employee provisions	103,463	(224,470)
Increase / (decrease) in supplier payables	(46,738)	(439,664)
Increase / (decrease) in other payable	<u>561,495</u>	<u>(173,472)</u>
Net cash from (used by) operating activities	<u>235,267</u>	<u>(312,179)</u>

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2014

Note 11: Contingent Liabilities and Assets

The Office 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.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2014

Note 12: Senior Executive Remuneration

Note 12A: Senior Executive Remuneration Expense for the Reporting Period

	2014	2013
	\$	\$
Short-term employee benefits:		
Salary	1,405,289	958,139
Motor vehicle and other allowances	151,835	96,065
Total short-term employee benefits	1,557,124	1,054,204
Post-employment benefits:		
Superannuation	236,281	148,159
Total post-employment benefits	236,281	148,159
Other long-term benefits:		
Annual leave accrued	103,362	95,523
Long-service leave	44,895	29,173
Total other long-term benefits	148,257	124,696
Total	1,941,662	1,327,059

Notes:

1. Note 12A excludes acting arrangements and part-year service where remuneration expensed for a Senior Executive was less than \$195,000.
2. Note 12A is prepared on an accrual basis.
3. 2013 values are low due to the impact of a high volume of acting arrangements in place during the year.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 12: Senior Executive Remuneration (cont'd)

Note 12B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period

Average annual reportable remuneration ¹	2014					Total reportable remuneration
	Substantive Senior Executives	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	
	No.	\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
less than \$195,000	-	-	-	-	-	-
\$225,000 to \$254,999	6	207,110	32,932	-	-	240,042
\$405,000 to \$434,999	1	383,379	38,985	-	-	422,364
Total	7					

Average annual reportable remuneration ¹	2013					Total
	Senior Executives	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	
	No.	\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
less than \$195,000	5	76,916	8,495	-	-	85,411
\$225,000 to \$254,999	2	204,370	30,336	-	-	234,706
\$255,000 to \$284,999	1	233,416	27,463	-	-	260,879
\$315,000 to \$344,999	1	276,548	42,589	-	-	319,137
Total	9					

Notes:

- These tables report substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
- Reportable salary¹ includes the following:
 - gross payments (less any bonuses paid, which are separated out and disclosed in the bonus paid column);
 - reportable fringe benefits (at the net amount prior to grossing up to account for tax benefits);
 - except foreign employment income; and
 - salary sacrificed amounts.
- The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per a report from the payroll system.
- Reportable allowances⁴ are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.
- Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the reportable salary column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.
- 2013 values are low due to the impact of a high volume of acting arrangements in place during the year.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 12: Senior Executive Remuneration (cont'd)

Note 12c: Average Annual Reportable Remuneration Paid to Other Highly Paid Staff during the Reporting Period

There were no other highly paid staff in 2014.

Average Annual Reportable Remuneration paid to other highly paid staff in 2013					
Average annual reportable remuneration ¹	Staff No.	Reportable salary ²	Contributed superannuation ³		Total
			\$	\$	
Total remuneration (including part-time arrangements):	-	-	-	-	-
less than \$195,000	1	188,559	16,122	-	204,680
\$195,000 to \$224,999	-	-	-	-	-
Total	1	188,559	16,122	-	204,680

Notes:

- This table reports staff:
 - who were employed by the entity during the reporting period;
 - whose reportable remuneration was \$195,000 or more for the financial period; and
 - were not required to be disclosed in Tables A, B or director disclosures.
 Each row is an averaged figure based on headcount for individuals in the band.
- Reportable salary¹ includes the following:
 - gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - reportable fringe benefits (at the net amount prior to grossing up to account for tax benefits);
 - salary sacrificed amounts;
 - salary sacrificed amounts.
- The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per a report from the payroll system.
- Reportable allowances⁴ are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- Bonus paid⁵ represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.
- Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2014

Note 13: Remuneration of Auditors

	2014	2013
	\$	\$

Financial statement audit services were provided free of charge to the entity by the Australian National Audit Office.

The fair value of the services provided was:	43,000	32,000
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No other services were provided by the Australian National Audit Office.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 14: Financial Instruments

	Notes	2014 \$	2013 \$
Note 14A: Categories of Financial Instruments			
Financial Assets			
Loans and receivables:			
Cash and cash equivalents	5A	471,327	86,239
Trade and other receivables	5B	261,261	104,740
Carrying amount of financial assets		732,588	190,979
Financial Liabilities			
At amortised cost:			
Supplier payables	7A	343,458	390,195
Carrying amount of financial liabilities		343,458	390,195
Note 14B: Net Income and Expense from Financial Assets			
Loans and receivables			
Impairment		-	(19,573)
Net gain/(loss) loans and receivables		-	(19,573)
Net gain/(loss) from financial assets		-	(19,573)

The net expense from financial assets not at fair value from profit and loss is nil. (2013: \$19,573).

Note 14C: Net Income and Expense from Financial Liabilities

The net income/expense from financial liabilities not at fair value from profit and loss is nil. (2013: nil).

Note 14D: Fair Value of Financial Instruments

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

Note 14E: Credit Risk

The Office is exposed to minimal credit risk due to the nature of its financial assets. The maximum exposure to credit risk is the amount held as trade and other receivables should default occur, \$261,261. (2013: \$104,740). The risk of default on these amounts was assessed to be nil as at 30 June 2014 (2013: nil).

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

Note 14F: Liquidity Risk

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

Maturities for non-derivative financial liabilities 2014

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

Maturities for non-derivative financial liabilities 2013

	On demand	within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	\$	\$	\$	\$	\$	\$
Supplier payables	-	390,195	-	-	-	390,195
Total	-	390,195	-	-	-	390,195

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

Note 14G: Market Risk

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2014

Note 15: Financial Assets Reconciliation

	Notes	2014 \$	2013 \$
<u>Financial Assets</u>			
Total financial assets as per the Statement of Financial Position		9,841,952	9,071,382
Less: non-financial instrument components:			
Appropriations receivable	6B	8,961,329	8,706,398
Other receivables	6B.C	148,035	174,005
Total non-financial instrument components		9,109,364	8,880,403
Total financial assets as per the financial instrument note		732,588	190,979

Note 16: Appropriations

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

	2014 Appropriations						Total appropriation \$	Appropriation applied in 2014 (current and prior years) \$	Variance \$
	Appropriation Act		FMA Act						
	Annual Appropriation \$	Appropriation reduced ^(a) \$	AFN ^(b) \$	Section 30 \$	Section 31 \$	Section 32 \$			
DEPARTMENTAL									
Ordinary services	18,630,000	(89,000)	-	-	2,961,701	-	21,502,701	20,862,681	640,020
Other services	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-
Total departmental	18,630,000	(89,000)	-	-	2,961,701	-	21,502,701	20,862,681	640,020

Notes:

(a) Appropriations reduced under Appropriation Acts (No.1,3,5,2013-14; sections 10, 11, and 12 and under Appropriation Acts (No.2,4,6,2013-14; sections 12,13, and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the year-end appropriation is effected by the Finance Ministers determination and is disallowable by Parliament. In 2014 there was a reduction of \$89,000 pertaining to whole of government savings.

(b) Advance to the Finance Minister (AFM) - Appropriation Acts (Nos. 13&5) 2013-14; reduction 13 and Appropriation Acts (Nos. 24&6) 2013-14; section 15. a) Appropriation is effected by the Finance Minister's determination and is automatic by Parliament. In 2014 there was a reduction of 30,000 pertaining to whole

(c) There was an \$25,000 reduction to Appropriation Act (No.1) 2013-14 that met the recognition criteria of a formal reduction in revenue (in accordance with FMO Div 101) but at law the appropriations had not been amended before the end of the reporting period.

(d) The variance of \$0.64m in ordinary annual services was primarily due to unspent departmental capital budget, amended before the end of the reporting period.

	2013 Appropriations										Appropriation applied in 2013 (current and prior years)	Variance
	Appropriation Act					FMA Act						
	Annual Appropriation	\$	\$	\$	AFM ^(b)	Section 30	Section 31	Section 32	Total appropriation			
DEPARTMENTAL												
Ordinary annual services	18,914,000	-	-	-	-	15,259	2,607,058	-	21,526,317	20,556,127	980,190	
Other services												
Equity												
Total divisional	18,914,000	-	-	-	-	15,259	2,607,058	-	21,526,317	20,556,127	980,190	

Notes:

(a) Appropriations reduced under Appropriation Acts (No.1,3,5,7,2012-13; sections 10, 11, and 12 and under Appropriation Acts (No.2,4,6,2012-13; sections 12,13, and 14. Departmental appropriations do not lapse at financial year end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2012-13 there was no reduction in any appropriation.

(b) Advance to the Finance Minister (AFM) - Appropriation Acts (Nos. 1,3&5) 2012-13; reduction 13 and Appropriation Acts (Nos. 2,4&6) 2012-13; section 15.

(c) There was an \$89,000 reduction to Appropriation Act (No.1) 2012-13 that met the recognition criteria of a formal reduction in revenue (in accordance with FMO Div 101) but at law the appropriations had not been amended before the end of the reporting period.

(d) The variance of \$0.98m in ordinary annual services was primarily due to the office not achieving its departmental capital budget spend.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 16: Appropriations

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

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

Notes:

1. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
2. Appropriations reduced under Appropriation Acts (No.1,3,5) 2012-13; sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
3. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

	2013 Capital Budget Appropriations			Capital Budget Appropriations applied in 2013		
	FMA Act		Total Capital Budget Appropriations	(current and prior years)		Variance
	Appropriation Act	Annual Capital Appropriations reduced ¹		Payments for non-financial assets ²	Payments for other purposes ³	
	\$	\$	\$	\$	\$	\$
DEPARTMENTAL Ordinary annual services - Departmental Capital Budget ¹	609,000	-	609,000	297,690	297,690	311,310

Notes:

1. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations.
2. Appropriations reduced under Appropriation Acts (No.1,3,5) 2012-13; sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
3. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Note 16: Appropriations

Table C: Unspent Annual Appropriations ('Recoverable GST' exclusive¹)

Authority	2014	2013
	\$	\$
DEPARTMENTAL		
2011-12 Appropriation Act 1 - Departmental Capital Budget	-	459,000
2012-13 Appropriation Act 1	-	7,724,637
2012-13 Appropriation Act 1 - Departmental Capital Budget	609,000	609,000
2013-14 Appropriation Act 1	8,215,657	-
2013-14 Appropriation Act 1 - Departmental Capital Budget	608,000	-
Total	9,432,657	8,792,637

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 17: Compensation and Debt Relief

	2014 \$	2013 \$
No 'Act of Grace' expenses were incurred during the reporting period. (2013: No expenses).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997. (2013: No waivers).	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2013: No payments).	-	-
No ex-gratia payments were provided for during the reporting period. (2013: No payments).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 (PS Act) during the reporting period. (2013: No payments).	-	-

Notes 18 and 19: Reporting of Outcomes

Note 18: Net Cost of Outcome Delivery

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

Note 19: Net Cash Appropriation Arrangements

	2014 \$	2013 \$
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations ¹	580,117	1,160,024
Plus: depreciation/amortisations expenses previously funded through revenue appropriation	(731,324)	(702,620)
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	(151,207)	457,404

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