

Appendix 2 – Financial Statements



INDEPENDENT AUDITOR'S REPORT

To the Attorney-General

Opinion

In my opinion, the financial statements of the Office of the Commonwealth Ombudsman for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015; and
- (b) present fairly the financial position of the Office of the Commonwealth Ombudsman as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Office of the Commonwealth Ombudsman, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

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

Accountable Authority's Responsibility for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
20 September 2018

OFFICE OF THE COMMONWEALTH OMBUDSMAN

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* , and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Signed.....

Jaala Hinchliffe
Acting Commonwealth Ombudsman
Acting Accountable Authority

20 September 2018



Signed.....

Mathew Ford
Chief Financial Officer

20 September 2018

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2A	23,308	20,370	29,076
Supplier	2B	11,443	8,649	10,018
Depreciation and amortisation	2C	1,011	919	1,077
Write-down and impairment of assets	2D	220	1	-
Total expenses		35,982	29,940	40,171
OWN-SOURCE INCOME				
Own-source revenue				
Sale of goods and rendering of services	3A	11,040	8,103	15,581
Other revenue	3B	54	54	53
Total own-source revenue		11,094	8,157	15,634
Total own-source income		11,094	8,157	15,634
Net cost of services		24,889	21,784	24,537
Revenue from Government	3C	23,730	20,957	23,460
Deficit		(1,158)	(826)	(1,077)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		-	(74)	-
Total other comprehensive income		-	(74)	-
Total comprehensive (loss)		(1,158)	(900)	(1,077)

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

Budget Variances Commentary

Expenses

Employee benefits are \$5.7m (-20%) lower than the original budget of salaries required by the expansion of the Office's new functions: VET Student Loans Ombudsman, the ACT Reportable Conduct scheme, ACT FOI review and the full year effect of the expanded Defence Force Ombudsman.

Supplier expenses are higher than the original budget by \$1.4m (14%) mainly driven by travel costs and additional contractor costs. The additional cost of contractors contributed to the reduction in employee benefits as the Office worked to keep the workforce under the Office's ASL cap of 200. Contractors made up \$4.6m of the supplier costs and was \$3.6m (398%) higher than 2017. Many of the contractor costs were associated with VET Student Loans Ombudsman, ACT FOI, the expansion of the Defence Force Ombudsman and a greater use of contractors throughout the Office.

The increase of \$220k for the write-down and impairment of assets is attributed to the results of the annual stocktake and the write down of fitout for leases no longer required due to the move to expanded, more fit for purpose, premises.

Own-Source Income and Revenue from Government

Sale of goods and rendering of services position of \$4.5m (29%) lower than budget is represented by the Defence Force Ombudsman (DFO) function funded by Department of Defence, ACT Government services funded by the ACT Government and the International program funded by the Department of Foreign Affairs and Trade. The budget assumed a higher level of cost recovered spending against the DFO function.

The Appropriation revenue variance of \$270k (1%) is attributed to Appropriation Act 5 for the ongoing transfer of appropriation between the Office and the Australian Federal Police and the Australian Building and Construction Commission.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	4A	141	198	154
Trade and other receivables	4B	9,710	11,509	8,892
Other financial assets	4C	1,311	576	632
Total financial assets		11,162	12,283	9,678
Non-financial assets				
Land and buildings	5A	2,775	1,828	-
Property, plant and equipment	5A	1,223	1,241	2,229
Intangibles	5A	776	808	439
Other non-financial assets	5B	566	370	209
Total non-financial assets		5,340	4,247	2,877
Total assets		16,502	16,530	12,555
LIABILITIES				
Payables				
Suppliers	7A	332	731	394
Other payables	7B	3,533	3,148	2,614
Leases	7C	1,347	1,365	-
Total payables		5,212	5,244	3,008
Provisions				
Employee provisions	8A	5,655	4,821	4,187
Other provisions	8B	220	712	120
Total provisions		5,876	5,533	4,307
Total liabilities		11,087	10,777	7,315
Net assets		5,415	5,753	5,240
EQUITY				
Contributed equity		9,262	8,441	9,655
Reserves		1,069	1,069	1,243
Accumulated deficit		(4,916)	(3,758)	(5,658)
Total equity		5,415	5,753	5,240

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

Budget Variances Commentary

Assets

The Defence Force Ombudsman function was funded on a cost recovery basis, trade and other receivables is higher than budget by \$818k (9%) and is directly related to this cost recovery arrangement. Other financial assets exceeded budget by \$679k (107%) and relates to the recognition of a new lease incentive.

Land and buildings is \$2.8m higher than the original budget. The budget for property related items was identified against the Property Plant and equipment (PPE) line rather than being split across both categories. This has resulted in a lower than expected position compared to the budget for the PPE line of \$1.0m (45%).

The variance in the non-financial assets can be attributed to the expansion of the Office and the fitout of its Office premises, the replacement of ICT infrastructure, purchase of new software, and enhancements to core existing ICT systems.

Intangibles are higher than budget due to the purchase of new software \$330k (77%).

Liabilities

Other payables was \$919k (35%) higher than budget primarily due to lease incentives increasing by \$641k (41%) relating to the new lease for Brisbane and an increase of \$51k (28%) for redundancies.

Leases are \$1.3m higher than the original budget line of \$0 there should have been a budget against this line in the statement.

Employee provisions are higher than budget by \$1.4m (35%) and is attributed to an increase in ASL of 23, 178 (2016-17) to 201 (2017-18) and a change in the Government bond rate and salary growth rate as at 30 June 2018.

Other provisions exceeds budget by \$100k (84%) and relates to the movement in the provision for restoration and onerous contracts.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY				
Opening Balance				
Balance carried forward from previous period		8,441	7,613	8,834
Opening Balance		8,441	7,613	8,834
Comprehensive income				
Transactions with owners				
Contributions by owners				
Departmental capital budget		821	828	821
Total transactions with owners		821	828	821
Transfers between equity components		-	-	-
Closing Balance as at 30 June		9,262	8,441	9,655
RETAINED EARNINGS				
Opening Balance				
Balance carried forward from previous period		(3,758)	(2,932)	(4,590)
Opening Balance		(3,758)	(2,932)	(4,590)
Comprehensive income				
Surplus/(Deficit) for the period		(1,158)	(826)	(1,077)
Total comprehensive income		(1,158)	(826)	(1,077)
Transactions with owners				
Contributions by owners				
Other		-	-	9
Total transactions with owners		-	-	9
Closing Balance as at 30 June		(4,916)	(3,758)	(5,658)
ASSET REVALUATION RESERVE				
Opening Balance				
Balance carried forward from previous period		1,069	1,143	1,243
Opening Balance		1,069	1,143	1,243
Comprehensive income				
Other comprehensive income		-	(74)	-
Total comprehensive income		-	(74)	-
Closing Balance as at 30 June		1,069	1,069	1,243
TOTAL EQUITY				
Opening Balance		5,752	5,824	5,487
Balance carried forward from previous period		5,752	5,824	5,487
Adjusted Opening Balance		5,752	5,824	5,487
Comprehensive income				
Surplus/(Deficit) for the period		(1,158)	(826)	(1,077)
Other comprehensive income		-	(74)	-
Total comprehensive income		(1,158)	(900)	(1,077)
Transactions with owners				
Contributions by owners				
Departmental capital budget		821	828	821
Other		-	-	9
Total transactions with owners		821	828	830
Closing Balance as at 30 June		5,415	5,752	5,240

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

Accounting Policy**Equity Injections**

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

Restructuring of Administrative Arrangements

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

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
CASH FLOW STATEMENT**

for the year ended 30 June 2018

	2018	2017	Original budget
Notes	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Sales of goods and rendering of services	11,944	6,446	15,581
Appropriations	35,935	27,914	23,599
Net GST received	939	632	1
Other	1,167	901	-
Total cash received	49,986	35,893	39,181
Cash used			
Employees	22,833	18,516	29,011
Suppliers	14,157	10,283	9,949
Section 74 receipts transferred to the OPA	13,061	6,957	221
Total cash used	50,051	35,756	39,181
Net cash from/(used by) operating activities	(65)	137	-
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment	1,795	1,310	821
Purchase of intangibles	330	409	-
Total cash used	2,125	1,719	821
Net cash used by investing activities	(2,125)	(1,719)	(821)
FINANCING ACTIVITIES			
Cash received			
Departmental Capital Budget	2,134	1,626	821
Total cash received	2,134	1,626	821
Net cash from financing activities	2,134	1,626	821
Net increase/(decrease) in cash held	(57)	44	-
Cash and cash equivalents at the beginning of the reporting period	198	154	154
Cash and cash equivalents at the end of the reporting period 4A	141	198	154

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

Budget Variances Commentary

Operating Activities

Cash received

The underspend in the sales of goods and rendering of services can be attributed to the difference in the estimated costs of the expanded Defence Force Ombudsman function compared to the actual costs.

Appropriations includes the section 74 receipts transferred to the OPA.

Net GST received figure has a budget of \$1k causing a variance of \$938k.

Other cash received is showing a variance of \$1.2m against a nil budget this variance is represented by cash received by the Office for leave liabilities for new starters transferring from other agencies \$807k and refunds and one off payments totalling \$284k.

Cash used

There was an underspend against the employees category of \$6.2m (21%) primarily related to the Office's restriction on employing staff beyond the ASL cap. There is a corresponding increase in the costs of Suppliers \$4.2m (42%) primarily relating to an increase in the cost of contractors.

Section 74 receipts transferred to the OPA had a budget of \$221k despite expecting \$15.6m revenue this variance of \$12.8m is a result of not having this figure correctly entered in the budget.

Investing Activities

Cash used

The additional Office functions: VET Student Loans Ombudsman, DFO and ACT Government reportable conduct and FOI required enhancement of systems and additional accommodation. The Office has drawn down on Departmental Capital Budget from prior years to fund the fitout of new offices and the enhancement of systems. The entirety of the capital budget was applied against the Purchase of property plant and equipment rather than split between that and the purchase of intangibles.

Financing Activities

Cash received

The Office drew down \$1.3m in unspent prior year capital to fund the purchase of property plant and equipment and intangibles.

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018**

Note

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

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018**

Note 1: Overview

1.1 Office of the Commonwealth Ombudsman Objectives

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

The Office is structured to meet one outcome:

Fair and accountable administrative action by Australian Government entities and prescribed private sector organisations, by investigating complaints, reviewing administrative action and statutory compliance inspections and reporting.

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

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

1.2 Basis of Preparation of the Financial Statements

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

The Financial Statements have been prepared in accordance with the:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

The Financial Statements are presented in Australian dollars.

1.3 Significant Accounting Judgements and Estimates

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

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. There have been no further new standards, revised standards, amended standards or interpretations that were issued by the AASB prior to the sign off date, which are applicable to the current reporting period and have a material financial impact on the Office.

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

Future Australian Accounting Standard Requirements

1.5 Contingent Liabilities and Contingent Assets

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

The Office had no contingent assets or liabilities in 2018 (2017: nil).

The Office has identified in its contracts and leases a number of indemnity provisions. None of these are quantifiable and all are considered remote. There are no existing or likely claims of which the Office is aware (2017: nil).

1.6 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.

1.7 Events After the Reporting Period

No significant events occurred after balance date.

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 2: Expenses

	2018	2017
	\$'000	\$'000
Note 2A: Employee Benefits		
Wages and salaries	17,233	15,028
Superannuation:		
Defined contribution plans	1,701	1,467
Defined benefit plans	1,475	1,507
Leave and other entitlements	2,628	1,984
Separation and redundancies	271	384
Total employee benefits	23,308	20,370
Note 2B: Suppliers		
Goods and services		
Travel	1,354	1,204
Information technology and communications	860	928
Employee related	776	839
Property operating expenses	1,155	939
Media related	235	281
Consultants and contractors	4,554	914
Printing, stationery and postage	95	249
Legal	54	86
Memberships fees and subscriptions	80	53
Translate, Interpret and Transcript	65	68
Insurance premiums	43	36
Other	356	204
Total goods and services	9,627	5,801
Goods and services are received in connection with:		
Provision of goods	933	973
Rendering of services	8,694	4,828
Total goods and services	9,627	5,801
Other supplier expenses		
Operating lease rentals	1,554	2,592
Workers compensation expenses	262	256
Total other supplier expenses	1,817	2,848
Total supplier expenses	11,443	8,649
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	2,939	2,545
Between 1 to 5 years	13,949	12,456
More than 5 years	879	2,999
Total operating lease commitments	17,768	18,000

Accounting Policy

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2018

Note 2: Expenses

	2018 \$'000	2017 \$'000
Note 2C: Depreciation and Amortisation		
Depreciation:		
Leasehold improvements	323	246
Property, plant and equipment	326	316
Amortisation:		
Intangibles - Computer Software	362	357
Total depreciation and amortisation	<u>1,011</u>	<u>919</u>
Note 2D: Write-Down and Impairment of Assets		
Asset write-downs and impairments from:		
Writedown of financial instruments	11	-
Writedown of property, plant and equipment	209	1
Total write-down and impairment of assets	<u>220</u>	<u>1</u>

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 3: Income

	2018 \$'000	2017 \$'000
OWN-SOURCE REVENUE		

Note 3A: Sale of Goods and Rendering of Services

Rendering of services	11,040	8,103
Total sale of goods and rendering of services	<u>11,040</u>	<u>8,103</u>

Accounting Policy

Rendering of Services

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

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

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

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

Note 3B: Other Revenue

Resources received free of charge		
Remuneration of auditors	54	54
Total other revenue	<u>54</u>	<u>54</u>

Accounting Policy

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature. Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition unless received from another Government Office or authority as a consequence of a restructuring of administrative arrangements.

Sale of Assets

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

REVENUE FROM GOVERNMENT

Note 3C: Revenue from Government

Appropriations:		
Departmental appropriation	23,730	20,957
Total revenue from Government	<u>23,730</u>	<u>20,957</u>

Accounting Policy

Revenue from Government

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2018

Note 4: Financial Assets

	2018	2017
	\$'000	\$'000
Note 4A: Cash and Cash Equivalents		
Cash on hand or on deposit	141	198
Total cash and cash equivalents	141	198
Note 4B: Trade and Other Receivables		
Good and Services:		
Goods and services	1,288	2,695
Total receivables for goods and services	1,288	2,695
Appropriations receivable:		
For existing programs	8,288	8,745
Total appropriations receivable	8,288	8,745
Other receivables:		
GST receivable from the Australian Taxation Office	135	89
Total trade and other receivables	9,710	11,529
Less impairment allowance account:		
Other	-	(20)
Total impairment allowance account	-	(20)
Total trade and other receivables (net)	9,710	11,509

Receivables are expected to be recovered within 12 months.

Note 4C: Other Financial Assets

Lease incentives	1,311	576
Total other financial assets	1,311	576

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

Accounting Policy

Financial Assets

Refer note 11

Effective Interest Method

Refer note 11

Income

Refer note 3

Receivables

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 5: Non-Financial Assets

	2018 \$'000	2017 \$'000
Note 5A: Land and Buildings		
Leasehold improvements:		
Fair value	3,070	1,828
Work in progress	1	-
Accumulated depreciation	(297)	-
Total leasehold improvements	2,775	1,828
Total Land and Buildings	2,775	1,828

Note 5A: Property, Plant and Equipment

Other property, plant and equipment:		
Fair value	1,539	1,241
Accumulated depreciation	(315)	-
Total other property, plant and equipment	1,223	1,241
Total property, plant and equipment	1,223	1,241

Note 5A: Computer Software

Computer software		
Fair value	3,298	3,804
Work in progress	131	20
Accumulated depreciation	(2,653)	(3,016)
Total computer software	776	808

Revaluations

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

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

Note 5A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2017-18)

	Leasehold improvements \$'000	Other property, plant & equipment \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2017				
Gross book value	1,828	1,241	3,824	6,893
Accumulated depreciation and impairment	-	-	(3,016)	(3,016)
Net book value 1 July 2017	1,828	1,241	808	3,877
Additions:				
By purchase	1,454	341	330	2,125
Depreciation and amortisation	(323)	(326)	(362)	(1,011)
Other movements				
Restoration of Makegood	(9)	-	-	(9)
Disposals:				
Other	(176)	(33)	-	(209)
Net book value 30 June 2018	2,775	1,223	776	4,774
Net book value as of 30 June 2018 represented by:				
Gross book value ^(b)	3,072	1,539	3,428	8,039
Accumulated depreciation	(297)	(315)	(2,653)	(3,265)
Net book value 30 June 2018	2,775	1,223	776	4,774

(a) Restoration of makegood is a non cash adjustment accounting for the surplus in the makegood provision following the handback of a lease in Sydney.

(b) The gross book value of computer software has reduced due to the write off of redundant software that was held at nil value in the asset register. This has led to a reduction in the gross book value without a corresponding disposal figure.

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

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
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 for the year ended 30 June 2018

Note 5: Non-Financial Assets

	2018 \$'000	2017 \$'000
Note 5B: Other Non-Financial Assets		
Prepayments	<u>566</u>	<u>370</u>
Total other non-financial assets	<u>566</u>	<u>370</u>

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

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
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for the year ended 30 June 2018**

Note 5: Non-Financial Assets

Property, Plant and Equipment

Acquisition of Assets

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

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

Asset Recognition Threshold

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

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

Revaluations

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

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

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

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

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

Depreciation

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

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

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

	2018	2017
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 10 years	3 to 10 years

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Note 5: Non-Financial Assets

Property, Plant and Equipment

Impairment

All assets were assessed for impairment at 30 June 2018. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Office's software are 1 to 8 years (2017: 1 to 8 years).

All software assets were assessed for indications of impairment as at 30 June 2018.

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Note 6: Fair Value Measurement

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

Note 6A: Fair Value Measurements

	Fair value measurements at the end of the reporting period	
	2018 \$'000	2017 \$'000
Non-financial assets:		
Leasehold improvements	2,775	1,828
Property, plant and equipment	1,223	1,241
Total non-financial assets	3,998	3,069

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

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Note 7: Payables

	2018	2017
	\$'000	\$'000
Note 7A: Suppliers		
Trade creditors and accruals	332	731
Total supplier payables	<u>332</u>	<u>731</u>

Settlement is usually made within 30 days.

Note 7B: Other Payables

Salaries and wages	223	223
Superannuation	70	161
Separations and redundancies	233	182
Lease incentives	2,215	1,574
Unearned income	717	940
Other	76	68
Total other payables	<u>3,533</u>	<u>3,148</u>

Note 7C: Leases

Operating lease rentals	1,347	1,365
Total leases	<u>1,347</u>	<u>1,365</u>

Minimum lease payments expected to be settled

Within 1 year	2,939	2,545
Between 1 to 5 years	13,949	12,456
More than 5 years	879	2,999
Total leases	<u>17,768</u>	<u>18,000</u>

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Note 8: Provisions

	2018 \$'000	2017 \$'000
Note 8A: Employee Provisions		
Leave	5,655	4,821
Total employee provisions	5,655	4,821

Accounting policy

Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Office is estimated to be less than the annual entitlement for sick leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Office's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination. The liability for long service leave has been determined by reference to the estimated future cash flows to be made in respect to all employees as at 30 June 2018. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

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

Superannuation

Employees of the Office are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other contributory funds as nominated by the employee. The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap and the other funds are defined contribution schemes. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance as an administered item. The Office makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Office accounts for the contributions as if they were contributions to defined contribution plans. The liability for superannuation recognised as at 30 June 2018 represents outstanding contributions for the final working day of the year.

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 for the year ended 30 June 2018

Note 8: Provisions

	2018	2017
	\$'000	\$'000
Note 8B: Other Provisions		
Provision for restoration obligations	220	248
Provision for onerous contracts	-	464
Total other provisions	220	712

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2018**

Note 9: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Ombudsman, Deputy Ombudsman, 5 Senior Assistant Ombudsman, 1 Chief Operating Officer and 1 Chief Financial Officer. Key management personnel remuneration is reported in the table below:

	2018	2017
	\$'000	\$'000
Short-term employee benefits:		
Salary	1,881	1,831
Motor vehicle and other allowances	151	108
Total short-term employee benefits	<u>2,033</u>	<u>1,940</u>
Post-employment benefits:		
Superannuation	328	286
Total post-employment benefits	<u>328</u>	<u>286</u>
Other long-term benefits:		
Annual leave accrued	145	141
Long-service leave	47	46
Total other long-term benefits	<u>192</u>	<u>187</u>
Termination benefits	-	87
Total	<u>2,551</u>	<u>2,499</u>

The decision to include the Chief Financial Officer in the key management personnel has required a recalculation of the 2017 year to enable a like for like comparison to be made for the two years.

The total number of key management personnel that occupied these positions included in the above table is 13 individuals (2017: 13 individuals). There are three personnel who acted in positions continuously for six weeks or longer and have been included in this table for their acting period.

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

**OFFICE OF THE COMMONWEALTH OMBUDSMAN
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for the year ended 30 June 2018**

Note 10: Related Party Disclosures

Related party relationships:

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

Transactions with related parties:

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

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

OFFICE OF THE COMMONWEALTH OMBUDSMAN
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2018

Note 11: Financial Instruments

	Note	2018 \$'000	2017 \$'000
Note 11A: Categories of Financial Instruments			
Financial Assets			
Loans and receivables:			
Cash and cash equivalents	4A	141	198
Trade and other receivables	4B	1,288	2,675
Carrying amount of financial assets		1,428	2,873
Financial Liabilities			
At amortised cost:			
Supplier payables	7A	332	731
Carrying amount of financial liabilities		332	731

Accounting Policy

Financial Assets

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

Effective Interest Method

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

Impairment of Financial Assets

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

Financial Assets Held at Amortised Cost

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

Financial Liabilities

Financial liabilities are recognised and derecognised upon 'trade date'. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

OFFICE OF THE COMMONWEALTH OMBUDSMAN
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Note 12: Appropriations

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

Annual Appropriations for 2018

	<i>Appropriation Act</i>		<i>PGPA Act</i>		Total Appropriation \$'000	Appropriation applied (current and prior years) \$'000	Variance ^(a) \$'000
	Annual Appropriation \$'000	AFM \$'000	Section 74 \$'000	Section 75 \$'000			
DEPARTMENTAL							
Ordinary annual services	23,730	-	13,061	-	36,791	36,001	790
Capital Budget	821	-	-	-	821	2,125	(1,304)
Total departmental	24,551	-	13,061	-	37,612	38,126	(514)

Notes:

(a) The variance of \$0.5m in ordinary annual services was primarily due to the fitout of office premises.

Annual Appropriations for 2017

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

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

	2018 \$'000	2017 \$'000
Authority		
DEPARTMENTAL		
2015-16 Appropriation Act 1- Departmental Capital Budget		601
2016-17 Appropriation Act 1	-	6,474
2016-17 Appropriation Act 1- Departmental Capital Budget	-	828
2016-17 Appropriation Act 3	-	852
2017-18 Appropriation Act 1 ^(a)	8,171	-
2017-18 Appropriation Act 1- Departmental Capital Budget	117	-
Total	8,288	8,755
Cash on hand or on deposit	141	198

Notes:

(a) \$10,000 was permanently quarantined due to WoAG Public Sector Superannuation Accumulation Plan administration fees. This figure is adjusted within this line item.