





GPO BOX 12  
Sydney NSW 2001

**INDEPENDENT AUDITOR'S REPORT**  
**NSW OMBUDSMAN**

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the NSW Ombudsman (the Department), which comprises the balance sheet as at 30 June 2007, and the operating statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***Auditor's Opinion***

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

***Department Head's Responsibility for the Financial Report***

The Department Head is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's Responsibility***

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with 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 whether the financial report is free from material misstatement.

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

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

My opinion does *not* provide assurance:

- about the future viability of the Department,
- that it has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

***Independence***

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



AT Whitfield, FCA  
Deputy Auditor-General

14 September 2007  
SYDNEY



NSW Ombudsman

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### STATEMENT BY THE OMBUDSMAN

Pursuant to Section 45F of the *Public Finance and Audit Act 1983* to the best of my knowledge and belief state that:

- (a) the accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, the applicable clauses of the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions;
- (b) the statements exhibit a true and fair view of the financial position of the Ombudsman's Office as at 30 June 2007, and transactions for the year then ended;
- (c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Bruce Barbour  
**Ombudsman**

**OMBUDSMAN'S OFFICE**  
**Operating Statement**  
**for the Year Ended 30 June 2007**

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
Employee related	2(a)	16,342	17,410	14,675
Other operating expenses	2(b)	4,041	3,530	3,824
Depreciation and amortisation	2(c)	647	737	706
<b>Total Expenses excluding losses</b>		<b>21,030</b>	<b>21,677</b>	<b>19,205</b>
Less:				
<b>Revenue</b>				
Sale of goods and services	3(a)	79	56	74
Investment revenue	3(b)	66	31	44
Grants and contributions	3(c)	—	—	48
Other revenue	3(d)	32	—	15
<b>Total Revenue</b>		<b>177</b>	<b>87</b>	<b>181</b>
<b>Net Cost of Services</b>	18	<b>20,853</b>	<b>21,590</b>	<b>19,024</b>
<b>Government Contributions</b>				
Recurrent appropriation	4(a)	19,610	19,654	17,904
Capital appropriation	4(b)	253	245	742
Acceptance by the Crown Entity of employee benefits and other liabilities	5	610	1,104	409
<b>Total Government Contributions</b>		<b>20,473</b>	<b>21,003</b>	<b>19,055</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(380)</b>	<b>(587)</b>	<b>31</b>

The accompanying notes form part of these financial statements.

**OMBUDSMAN'S OFFICE**  
**Statement of Recognised Income and Expense**  
**for the Year Ended 30 June 2007**

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>		—	—	—
Surplus / (Deficit) for the Year	15	(380)	(587)	31
<b>TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR</b>		<b>(380)</b>	<b>(587)</b>	<b>31</b>

The accompanying notes form part of these financial statements.

**OMBUDSMAN'S OFFICE****Balance Sheet  
as at 30 June 2007**

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	7	584	441	579
Receivables	9	634	585	585
<b>Total Current Assets</b>		<b>1,218</b>	<b>1,026</b>	<b>1,164</b>
<b>Non-Current Assets</b>				
Plant and equipment	10	992	1,015	1,124
Intangible assets	11	595	474	857
<b>Total Non-Current Assets</b>		<b>1,587</b>	<b>1,489</b>	<b>1,981</b>
<b>Total Assets</b>		<b>2,805</b>	<b>2,515</b>	<b>3,145</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	12	259	260	250
Provisions	13	1,434	1,354	1,372
Other	14	98	96	96
<b>Total Current Liabilities</b>		<b>1,791</b>	<b>1,710</b>	<b>1,718</b>
<b>Non-Current Liabilities</b>				
Provisions	13	14	12	12
Other	14	43	43	78
<b>Total Non-Current Liabilities</b>		<b>57</b>	<b>55</b>	<b>90</b>
<b>Total Liabilities</b>		<b>1,848</b>	<b>1,765</b>	<b>1,808</b>
<b>Net Assets</b>		<b>957</b>	<b>750</b>	<b>1,337</b>
<b>EQUITY</b>				
Accumulated Funds	15	957	750	1,337
<b>Total Equity</b>		<b>957</b>	<b>750</b>	<b>1,337</b>

The accompanying notes form part of these financial statements.

**OMBUDSMAN'S OFFICE**  
**Cashflow Statement for the year**  
**ended 30 June 2007**

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Employee related		(15,722)	(16,314)	(14,106)
Other		(4,447)	(4,085)	(4,490)
<b>Total Payments</b>		<b>(20,169)</b>	<b>(20,399)</b>	<b>(18,596)</b>
<b>Receipts</b>				
Sale of goods and services		79	56	74
Interest received		56	31	32
Other		429	520	626
<b>Total Receipts</b>		<b>564</b>	<b>607</b>	<b>732</b>
<b>Cash Flows from Government</b>				
Recurrent appropriation		19,610	19,654	17,904
Capital appropriation		253	245	742
<b>Net Cash Flows from Government</b>	17	<b>19,863</b>	<b>19,899</b>	<b>18,646</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of Leasehold Improvements, Plant and Equipment and Infrastructure Systems		(253)	(245)	(742)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(253)</b>	<b>(245)</b>	<b>(742)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>				
Opening cash and cash equivalents		579	600	539
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	7	<b>584</b>	<b>462</b>	<b>579</b>

The accompanying notes form part of these financial statements.



## OMBUDSMAN'S OFFICE

### Program Statement — Expenses and Revenues for the Year Ended 30 June 2007

	Program 1*		Program 2*		Program 3*		Program 4*		Not Attributable		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>AGENCY'S EXPENSES &amp; REVENUES</b>												
<b>Expenses excluding losses</b>												
Operating expenses												
Employee related	5,185	4,711	3,811	3,406	2,677	2,365	4,669	4,193	—	—	16,342	14,675
Other operating expenses	1,275	1,214	876	871	572	555	1,318	1,184	—	—	4,041	3,824
Depreciation and amortisation	216	238	157	173	105	117	169	178	—	—	647	706
<b>Total Expenses excluding losses</b>	<b>6,676</b>	<b>6,163</b>	<b>4,844</b>	<b>4,450</b>	<b>3,354</b>	<b>3,037</b>	<b>6,156</b>	<b>5,555</b>	—	—	<b>21,030</b>	<b>19,205</b>
<b>Revenue</b>												
Sale of goods and services	(5)	(5)	(51)	(45)	(3)	(2)	(20)	(22)	—	—	(79)	(74)
Investment revenue	(22)	(15)	(16)	(11)	(11)	(7)	(17)	(11)	—	—	(66)	(44)
Grants and contributions	—	—	—	(48)	—	—	—	—	—	—	—	(48)
Other revenues	(4)	(5)	(22)	(4)	(2)	(2)	(4)	(4)	—	—	(32)	(15)
<b>Total Revenue</b>	<b>(31)</b>	<b>(25)</b>	<b>(89)</b>	<b>(108)</b>	<b>(16)</b>	<b>(11)</b>	<b>(41)</b>	<b>(37)</b>	—	—	<b>(177)</b>	<b>(181)</b>
<b>Net Cost of Services</b>	<b>6,645</b>	<b>6,138</b>	<b>4,755</b>	<b>4,342</b>	<b>3,338</b>	<b>3,026</b>	<b>6,115</b>	<b>5,518</b>	—	—	<b>20,853</b>	<b>19,024</b>
Government contributions**	—	—	—	—	—	—	—	—	(20,473)	(19,055)	(20,473)	(19,055)
<b>NET EXPENDITURE / (REVENUE) FOR THE YEAR</b>	<b>6,645</b>	<b>6,138</b>	<b>4,755</b>	<b>4,342</b>	<b>3,338</b>	<b>3,026</b>	<b>6,115</b>	<b>5,518</b>	<b>(20,473)</b>	<b>(19,055)</b>	<b>380</b>	<b>(31)</b>

\* The name and purpose of each program is summarised in Note 6.

\*\* Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions are included in the 'Not Attributable' column.

## OMBUDSMAN'S OFFICE

### Summary of Compliance with Financial Directives

	2007				2006			
	RECURRENT APP'N \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	CAPITAL APP'N \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	RECURRENT APP'N \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000	CAPITAL APP'N \$'000	EXPENDITURE/ NET CLAIM ON CONSOLIDATED FUND \$'000
<b>ORIGINAL BUDGET APPROPRIATION / EXPENDITURE</b>								
* Appropriation Act	19,654	19,547	245	245	17,529	17,529	715	715
* Additional Appropriations	—	—	—	—	—	—	—	—
* s 21A PF&AA — special appropriation	—	—	—	—	—	—	—	—
* s 24 PF&AA — transfers of functions between departments	—	—	—	—	—	—	—	—
* s 26 PF&AA — Commonwealth specific purpose payments	—	—	—	—	—	—	—	—
<b>OTHER APPROPRIATIONS / EXPENDITURE</b>								
* Treasurer's Advance	63	63	8	8	375	375	27	27
* Section 22 — expenditure for certain works and services	—	—	—	—	—	—	—	—
* Transfers to/from another agency (s28 of the Appropriation Act)	—	—	—	—	—	—	—	—
<b>Total Appropriations / Expenditure / Net claim on Consolidated Fund</b>	<b>19,717</b>	<b>19,610</b>	<b>253</b>	<b>253</b>	<b>17,904</b>	<b>17,904</b>	<b>742</b>	<b>742</b>
<b>Amount drawn down against Appropriation</b>		<b>19,610</b>		<b>253</b>		<b>17,904</b>		<b>742</b>
<b>Liability to Consolidated Fund</b>		—		—		—		—

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

The liability to Consolidated Fund represents the difference between the 'Amount drawn down against Appropriation' and the 'Total Appropriations / Expenditure / Net claim on Consolidated Fund'.

## OMBUDSMAN'S OFFICE

### Notes to the Financial Statements for the Year Ended 30 June 2007

#### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Reporting entity

The Ombudsman's Office is a NSW government department. Our role is to make sure that public and private sector agencies and employees within jurisdiction fulfil their functions properly. We help agencies to be aware of their responsibilities to the public, to act reasonably and to comply with the law and best practice in administration.

The Office is a not-for-profit entity (as profit is not its principal objective) and has no cash generating units. There are no other entities under our control.

The Office is consolidated as part of the NSW Total State Sector Accounts.

This financial report has been authorised for issue by the NSW Ombudsman on the 16 July 2007.

##### (b) Basis of preparation

Our financial report is a general purpose financial report, which has been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AIFRS));
- the requirements of the *Public Finance and Audit Act 1983* and Regulation; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Plant and equipment are measured at fair value. Other financial report items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations made are disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

##### (c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include AIFRS.

##### (d) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

##### (i) Parliamentary appropriations and contributions

Parliamentary appropriations and contributions from other bodies (including grants) are generally recognised as income when we obtain control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash. An exception to this is when appropriations remain unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

##### (ii) Sale of goods

Revenue from the sale of goods such as publications are recognised as revenue when we transfer the significant risks and rewards of ownership of the assets.

##### (iii) Rendering of services

Revenue from the rendering of services such as conducting training programs, is recognised when the service is provided or by reference to the stage of completion, for instance based on labour hours incurred to date.

##### (iv) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

**OMBUDSMAN'S OFFICE****Notes to the Financial Statements  
for the Year Ended 30 June 2007****(e) Employee benefits and other provisions****(i) Salaries and wages, annual leave and on-costs**

Liabilities for salaries and wages (including non-monetary benefits), and annual leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave is measured at present value in accordance with AASB 119 *Employee Benefits*. Market yields on government bonds of 6.25% are used to discount long-term annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and Fringe Benefits Tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

**(ii) Long service leave and superannuation**

Our liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. We account for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'. Prior to 2005-2006 the Crown Entity also assumed the defined contribution superannuation liability.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 07/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for defined contribution superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For defined benefit superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

**(f) Insurance**

Our insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for government agencies. The expense (premium) is determined by the Fund Manager based on past claims experience.

**(g) Accounting for the Goods and Services Tax (GST)**

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

- GST incurred by us as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the acquisition of an asset or as part of an item of expense, or
- receivables and payables are stated with GST included.

**(h) Acquisitions of assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by us. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

## OMBUDSMAN'S OFFICE

### Notes to the Financial Statements for the Year Ended 30 June 2007

#### **(i) Capitalisation thresholds**

Plant and equipment and intangible assets costing \$5,000 and above individually are capitalised. For those items that form part of our IT network, the threshold is \$1,000 individually.

#### **(j) Revaluation of plant and equipment**

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

Plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against each other within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

Our assets are short-lived and their costs approximate their fair values.

#### **(k) Impairment of plant and equipment**

As a not-for-profit entity with no cash generating units, we are effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

#### **(l) Depreciation of plant and equipment**

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

## OMBUDSMAN'S OFFICE

### Notes to the Financial Statements for the Year Ended 30 June 2007

Depreciation rates used are:

Computer hardware — prior to 1 July 2005	33.33%
Computer hardware — from 1 July 2005	25%
Office equipment	20%
Furniture & fittings	10%
Leasehold improvements	Life of lease contract

#### **(m) Restoration costs**

Wherever applicable, the estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

#### **(n) Maintenance**

The costs of day-to-day servicing or maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

#### **(o) Leased assets**

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

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

Lease incentives received on entering non-cancellable operating leases are recognised as a lease liability. This liability is reduced on a straight line basis over the lease term.

We do not have any finance leases.

#### **(p) Intangible assets**

We recognise intangible assets only if it is probable that future economic benefits will flow to the Office and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for our intangible assets, they are carried at cost less any accumulated amortisation.

Our intangible assets are amortised using the straight-line method over a period of 3 to 5 years depending on the year of acquisition. The amortisation rates used are:

Computer software — prior to 1 July 2003	33.33%
Computer software — from 1 July 2003	20%

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity, the Office is effectively exempted from impairment testing (refer to paragraph 1(k)).

#### **(q) Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Operating Statement when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**OMBUDSMAN'S OFFICE**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2007**

**(r) Payables**

These amounts represent liabilities for goods and services provided to us as well as other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at an amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**(s) Budgeted amounts**

The budgeted amounts are drawn from the budgets formulated at the beginning of the financial year with any adjustments for the effects of additional appropriations approved under s 21A, s 24 and/or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Operating Statement and Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts; i.e. per audited financial report (rather than carried forward estimates).

**(t) Comparative information**

Comparative figures, where appropriate, are reclassified so as to be comparable with the figures presented in the current financial year.

**(u) New Australian Accounting Standards**

At the reporting date, the following Accounting Standards adopted by the AASB had been issued but are not yet operative. We have not elected to adopt these standards early.

- AASB 101 — Presentation of Financial Statements (issued October 2006)
- AASB 2007–4 — Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments

The initial application of these standards will have no impact on the financial results for the Ombudsman. The standards are operative for annual reporting periods beginning on or after 1 January 2007.

The Office has elected not to early adopt Exposure Draft ED 125 *Financial Reporting by Local Governments*.

If adopted, the standard requires that revenue is not recognised until:

- we have supplied the related goods and services, where grants are 'in-substance agreements for the provision of goods and services' or
- conditions have been satisfied, where grants are 'in-substance conditional grants (but not 'in-substance agreements for the provision of goods and services')'.

**OMBUDSMAN'S OFFICE****Notes to the Financial Statements  
for the Year Ended 30 June 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2 EXPENSES EXCLUDING LOSSES</b>		
<b>(a) Employee related expenses</b>		
Salaries and wages (including recreation leave)	13,713	12,463
Maintenance — employee related	79	75
Superannuation — defined benefit plans	320	306
Superannuation — defined contribution plans	926	827
Long service leave	271	85
Workers' compensation insurance	93	73
Payroll tax and fringe benefit tax	851	762
Payroll tax on superannuation	75	68
Payroll tax on long service leave	14	16
	<b>16,342</b>	<b>14,675</b>
<b>(b) Other operating expenses include the following:</b>		
Auditors remuneration — audit or review of financial reports	28	23
Operating lease rental expense — minimum lease payments	1,700	1,696
IT leasing — minimum lease payments	24	120
Insurance	14	17
Fees	609	510
Telephones	177	182
Stores	165	125
Training	222	117
Printing	139	189
Travel	431	375
Books, periodicals & subscriptions	47	40
Advertising	83	45
Energy	39	39
Motor vehicle	36	36
Postal and courier	47	41
Maintenance — non-employee related	223	191
Other	57	78
	<b>4,041</b>	<b>3,824</b>
<i>* Reconciliation — Total maintenance</i>		
Maintenance expenses — contracted labour and other (non-employee related), as above	223	191
Employee related maintenance expense included in Note 2(a)	79	75
<b>Total maintenance expenses included in Notes 2(a) and 2(b)</b>	<b>302</b>	<b>266</b>
<b>c) Depreciation and amortisation expense</b>		
<b>Depreciation</b>		
Plant and equipment	343	329
<b>Total depreciation expense</b>	<b>343</b>	<b>329</b>



**OMBUDSMAN'S OFFICE**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2007**

	2007 \$'000	2006 \$'000
<b>Amortisation</b>		
Intangible assets	304	377
<b>Total amortisation expense</b>	<b>304</b>	<b>377</b>
<b>Total depreciation and amortisation expenses</b>	<b>647</b>	<b>706</b>
<b>3 REVENUE</b>		
<b>(a) Sale of goods and services</b>		
Sales of publications	9	14
Rendering of services	70	60
	<b>79</b>	<b>74</b>
<b>(b) Investment revenue</b>		
Interest	66	44
	<b>66</b>	<b>44</b>
<b>(c) Grants and contributions</b>		
Review of the Children ( <i>Criminal Proceedings</i> ) Act	—	48
	<b>—</b>	<b>48</b>
<b>(d) Other revenue</b>		
Miscellaneous	32	15
	<b>32</b>	<b>15</b>
<b>4 APPROPRIATIONS</b>		
<b>(a) Recurrent appropriation</b>		
Total recurrent draw-downs from Treasury (per Summary of Compliance)	19,610	17,904
	<b>19,610</b>	<b>17,904</b>
<i>Comprising:</i>		
Recurrent appropriations (per Operating Statement)	19,610	17,904
	<b>19,610</b>	<b>17,904</b>
<b>(b) Capital appropriation</b>		
Total capital draw-downs from Treasury (per Summary of Compliance)	253	742
	<b>253</b>	<b>742</b>
<i>Comprising:</i>		
Capital appropriations (per Operating Statement)	253	742
	<b>253</b>	<b>742</b>

**OMBUDSMAN'S OFFICE**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2007**

	2007 \$'000	2006 \$'000
<b>5 ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES</b>		
<b>The following liabilities and/or expenses have been assumed by the Crown Entity or other government agencies:</b>		
Superannuation	320	306
Long service leave	271	85
Payroll tax	19	18
	<b>610</b>	<b>409</b>
<b>6 PROGRAMS / ACTIVITIES OF THE OFFICE</b>		
<b>(a) Program 1: Resolution of complaints about police</b>		
Objectives: Oversight and scrutinise the handling of complaints about the conduct of police. Promote fairness, integrity and practical reforms in the NSW Police.		
<b>(b) Program 2: Resolution of local government, public authority and prison complaints and review of Freedom of Information complaints</b>		
Objectives: Resolve complaints and protected disclosures about the administrative conduct of public authorities and local councils. Promote fairness, integrity and practical reforms in New South Wales public administration.		
<b>(c) Program 3: Resolution of child protection related complaints</b>		
Objectives: Scrutiny of complaint handling systems and monitoring of the handling of notifications of alleged child abuse.		
<b>(d) Program 4: Resolution of complaints about and the oversight of the provision of community services</b>		
Objectives: Provide for independent monitoring of community services and programs, keep under scrutiny complaint handling systems and provide for and encourage the resolution of complaints. Review the deaths of certain children and people with a disability and formulate recommendations for the prevention or reduction of deaths of children in care, children at risk of death due to abuse or neglect, children in detention and correctional centres or disabled people in residential care.		
	2007 \$'000	2006 \$'000
<b>7 CURRENT ASSETS — CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	584	579
	<b>584</b>	<b>579</b>
For the purposes of the Cash Flow Statement, cash and cash equivalents include Cash at bank and on hand.		
Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the year to the Cash Flow Statement as follows:		
Cash and cash equivalents (per Balance Sheet)	584	579
Closing cash and cash equivalents (per Cash Flow Statement)	<b>584</b>	<b>579</b>
<b>8 RESTRICTED ASSETS — CASH</b>		
Unreasonable Complainant Conduct Project	63	54
	<b>63</b>	<b>54</b>

The Ombudsman received funding of \$63,181 in the form of an advance payment from the commonwealth and other state Ombudsman's offices. This funding was provided to cover the costs relating to the development of guidelines and the training of staff in appropriately dealing with unreasonable complainant conduct.

**OMBUDSMAN'S OFFICE**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2007**

			2007 \$'000	2006 \$'000
<b>9 CURRENT ASSETS — RECEIVABLES</b>				
Sale of goods and services			1	3
Transfer of leave			10	—
Workshops			27	2
Bank interest			37	27
GST receivable			88	107
Legal fees			13	—
Other			1	—
Prepayments			457	446
			<b>634</b>	<b>585</b>
<p>We consider all amounts to be collectible and as such, no allowance for impairment was established.</p>				
<b>Prepayments</b>				
Salaries and wages			19	3
Maintenance			118	132
Prepaid rent			150	145
Worker's Compensation Insurance			76	88
Subscription/membership			17	13
Training			7	22
Motor vehicle			3	6
Employee assistance program			5	6
IT leasing			—	7
Insurance			18	14
Cleaning			4	4
Travel			10	5
International Ombudman Conference			29	—
Other			1	1
			<b>457</b>	<b>446</b>
	1 July	1 July	30 June	30 June
	2006	2005	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>10 NON-CURRENT ASSETS — PLANT AND EQUIPMENT</b>				
<b>Plant and equipment</b>				
Gross carrying amount	2,860	2,371	3,023	2,860
Less: Accumulated depreciation	(1,736)	(1,475)	(2,031)	(1,736)
<b>Net carrying amount at fair value</b>	<b>1,124</b>	<b>896</b>	<b>992</b>	<b>1,124</b>
<b>Reconciliation</b>				
<p>A reconciliation of the carrying amount of plant and equipment at the beginning and end of financial years is set out below:</p>				
Net carrying amount at start of year			1,124	896
Additions			211	557
Depreciation expense			(343)	(329)
<b>Net carrying amount at end of year</b>			<b>992</b>	<b>1,124</b>

**OMBUDSMAN'S OFFICE****Notes to the Financial Statements  
for the Year Ended 30 June 2007**

	1 July 2006 \$'000	1 July 2005 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
<b>11 NON-CURRENT ASSETS — INTANGIBLE ASSETS</b>				
<b>Software</b>				
Gross carrying amount	2,803	2,657	2,763	2,803
Less: Accumulated amortisation	(1,946)	(1,608)	(2,168)	(1,946)
<b>Net carrying amount at fair value</b>	<b>857</b>	<b>1,049</b>	<b>595</b>	<b>857</b>
<b>Reconciliation</b>				
A reconciliation of the carrying amount of software at the beginning of and end of financial years is set out below:				
Net carrying amount at start of year			857	1,049
Additions			42	185
Amortisation expense			(304)	(377)
<b>Net carrying amount at end of year</b>			<b>595</b>	<b>857</b>
<b>12 CURRENT LIABILITIES — PAYABLES</b>				
Accrued salaries, wages and on-costs			85	140
Creditors			174	110
			<b>259</b>	<b>250</b>
<b>13 CURRENT / NON-CURRENT LIABILITIES — PROVISIONS</b>				
<b>Current employee benefits and related on-costs</b>				
Recreation leave			931	905
Annual leave loading			168	163
Payroll tax on recreation leave			66	64
Workers' compensation on recreation and long service leave			6	29
Payroll tax on long service leave			169	155
Other on-costs on recreation and long service leave			94	56
			<b>1,434</b>	<b>1,372</b>
<b>Non-current employee benefits and related on-costs</b>				
Payroll tax on recreation and long service leave			9	8
Other on-costs on recreation and long service leave			5	4
			<b>14</b>	<b>12</b>
<b>Aggregate employee benefits and related on-costs</b>				
Provisions — current			1,434	1,372
Provisions — non-current			14	12
Accrued salaries, wages and on-costs (Note 12)			85	140
			<b>1,533</b>	<b>1,524</b>

The value of annual leave and associated on-costs expected to be taken within 12 months is \$440,297 and \$658,327 after twelve months.

The value of long service leave and associated on-costs expected to be settled within 12 months is \$30,000 and \$253,000 after 12 months.

**OMBUDSMAN'S OFFICE**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2007**

			30 June 2007 \$'000	30 June 2006 \$'000
<b>14 CURRENT / NON-CURRENT LIABILITIES — OTHER</b>				
<b>Current</b>				
Unreasonable Complainant Conduct Project			63	54
Prepaid Income			1	8
Lease incentive			34	34
			<b>98</b>	<b>96</b>
<b>Non-current</b>				
Lease incentive			43	78
			<b>43</b>	<b>78</b>
	<b>Accumulated Funds</b>		<b>Total Equity</b>	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>15 CHANGES IN EQUITY</b>				
Balance at the beginning of the financial year	1,337	1,306	1,337	1,306
Changes in equity — other than transactions with owners as owners	—	—	—	—
Surplus/(Deficit) for the year	(380)	31	(380)	31
<b>Balance at end of the financial year</b>	<b>957</b>	<b>1,337</b>	<b>957</b>	<b>1,337</b>
<b>16 COMMITMENTS FOR EXPENDITURE</b>				
<b>Operating lease commitments</b>				
Future non-cancellable operating lease rentals not provided and payable:				
Not later than one year			1,972	1,844
Later than one year and not later than five years			2,564	4,050
<b>Total (including GST)</b>			<b>4,536</b>	<b>5,894</b>
<p>The leasing arrangements are generally for leasing of property. The lease is a non-cancellable lease with a 10-year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the 10-year term for an additional term of five years. The total operating lease commitments include GST input tax credits of \$412,321 which are expected to be recoverable from the Australian Taxation Office.</p>				
<b>17 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES</b>				
Net cash used on operating activities			258	782
Cash flows from Government/Appropriations			(19,863)	(18,646)
Acceptance by Crown Entity of employee benefits and other liabilities			(610)	(409)
Depreciation and amortisation			(647)	(706)
Decrease/(increase) in provisions			(64)	(149)
Decrease/(increase) in payables			(9)	40
Increase/(decrease) in receivables			49	40
Decrease/(increase) in other liabilities			33	24
<b>Net cost of services</b>			<b>(20,853)</b>	<b>(19,024)</b>

**OMBUDSMAN'S OFFICE****Notes to the Financial Statements  
for the Year Ended 30 June 2007****18 BUDGET REVIEW****Net cost of services**

The actual net cost of services is lower than budget by \$737,000 primarily due to a decrease in employee related expenses. In particular, long service leave expense increased by only \$271,000 as opposed to the original budgeted amount of \$738,000. This was due to changes to the accounting for long service leave that were introduced in 2005–2006 but not properly considered when setting the budget on 2006–2007. In addition, revenue was \$90,000 more than budget contributing to the lower than expected net cost of services.

**Assets and liabilities**

Current assets are higher than budget by \$192,000. There was a \$49,000 increase in receivables and a \$143,000 increase in cash of which \$63,000 has been provided by other Australian Ombudsman to continue the Unreasonable Complainant Conduct Project in 2007–2008.

**Cash flows**

Net cash flows from operating activities were higher than budget by \$151,000. We received additional funding of \$44,000 from government to review new police powers. Our employee related payments were lower than the budget by \$592,000. However other operating expenses were higher than budget by \$362,000.

**19 FINANCIAL INSTRUMENTS**

The Office's principal financial instruments which are outlined below, arise directly from our operations. We do not enter into or trade financial instruments for speculative purposes. We do not use financial derivatives.

**Cash**

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

**Receivables**

All trade debtors are recognised as amounts receivable at the balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that we will not be able to collect all amounts due. The credit risk is the carrying amount (net of any allowance for impairment, if there is any). No interest is earned on trade debtors. The carrying amount approximates fair value. Sales are made on 14-day terms.

**Other assets**

All other assets are current and are mainly prepaid rent and maintenance agreements. The credit risk is the carrying amount. There is no interest earned on prepayments.

**Bank overdraft**

The Office does not have any bank overdraft facility.

**Trade creditors and accruals**

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the relevant Minister to award interest to late payment. We did not pay any penalty interest during the year.

**Fair value**

Financial instruments are carried at cost. The fair value of all financial instruments approximates their carrying value.

**End of the audited financial statements**