



# *Independent Audit Report*

## *Office of the Protective Commissioner*

**To Members of the New South Wales Parliament**

### **Scope**

I have audited the accounts of the Office of the Protective Commissioner for the year ended 30 June 2002. The Protective Commissioner is responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament based on my audit as required by the Public Finance and Audit Act 1983 (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Office's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### **Audit Opinion**

In my opinion, the financial report of the Office of the Protective Commissioner complies with section 41B of the Act and presents fairly, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Office as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in black ink, appearing to read 'A Oyetunji'.

A Oyetunji CPA  
Assistant Director of Audit

SYDNEY  
18 October 2002

**OFFICE OF THE PROTECTIVE COMMISSIONER  
STATEMENT IN ACCORDANCE WITH  
SECTION 41C PUBLIC FINANCE AND AUDIT ACT, 1983**

Pursuant to Section 41C (1B) of the Public Finance and Audit Act, 1983 I declare that in my opinion:

- a) The financial statements and notes thereon exhibit a true and fair view of the financial position and transactions for the year ended 30 June 2002;
- b) The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983 and the Public Finance and Audit Regulation 2000 and the Treasurer's Directions; and
- c) I am not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



Ken Gabb

PROTECTIVE COMMISSIONER & PUBLIC GUARDIAN

16 October 2002

# Statement of Financial Performance

*Statement of Financial Performance for the year ended 30 June 2002*

REVENUE	<i>Notes</i>	30-Jun-02 \$'000	30-Jun-01 \$'000
<b>Revenue from Ordinary Activities</b>			
<b>Operating Revenue</b>			
Transfers from Common Fund	<i>(7a)</i>	12,475	12,000
Transfers under Former Section 55 of the <i>Protected Estates Act, 1983</i>	<i>(7b)</i>	346	540
Grant from the Treasurer of NSW	<i>(8)</i>	5,225	5,083
Fees	<i>(2)</i>	9,982	9,272
Sundry Income		565	636
		<b>28,593</b>	<b>27,531</b>
<b>Non Operating Revenue</b>			
Sundry Income		15	1
Investment Income		349	355
<b>TOTAL REVENUE</b>		<b>28,957</b>	<b>27,887</b>
<b>EXPENDITURE</b>			
<b>Expenditure from Ordinary Activities</b>			
Salaries and Related Payments	<i>(3a)</i>	18,129	18,020
Superannuation	<i>(3b)</i>	3,167	2,954
Extended Leave	<i>(6)</i>	676	419
Rent		2,929	2,619
Postal & Telephone		522	539
Fees for Services Rendered	<i>(5)</i>	1,246	1,177
Maintenance and General		1,838	1,300
Printing, Stationery, etc.		301	495
Depreciation and Amortisation	<i>(11)</i>	1,405	810
Revenue Foregone	<i>(2)</i>	89	32
Written down value of Assets sold	<i>(4)</i>	1	9
<b>TOTAL EXPENDITURE</b>		<b>30,303</b>	<b>28,374</b>
<b>(Deficit) from Ordinary Activities</b>		(1,346)	(487)
Total Revenues, Expenses and Valuation Adjustments recognised directly in Equity		-	-
<b>Total changes in Equity other than those resulting from transactions with owners as owners</b>		<b>(1,346)</b>	<b>(487)</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

Statement of Financial Position as at 30 June 2002

<b>ASSETS</b>	<i>Notes</i>	<b>30-Jun-02 \$'000</b>	<b>30-Jun-01 \$'000</b>
<b>Current Assets</b>			
Cash Assets	<i>(14a)</i>	5,782	5,299
Other Current Assets		264	46
Receivables	<i>(1n)(9)</i>	753	559
<b>Total Current Assets</b>		<b>6,799</b>	<b>5,904</b>
<b>Non Current Assets</b>			
Prepayments Superannuation	<i>(3b)</i>	2,641	4,644
Property, Plant and Equipment			
Furniture and Equipment	<i>(11)</i>	235	293
Hardware and Corporate Software	<i>(11)</i>	7,510	7,158
Leasehold Improvements and Premium	<i>(11)</i>	517	657
Total Property, Plant, etc.		8,262	8,108
<b>Total Non Current Assets</b>		<b>10,903</b>	<b>12,752</b>
<b>TOTAL ASSETS</b>		<b>17,702</b>	<b>18,656</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Interest Bearing Liabilities	<i>(14a)</i>	-	253
Payables	<i>(12)</i>	945	969
Provision for Employee Entitlements - Leave	<i>(6)</i>	1,586	1,418
Provision for Employee Entitlements - Superannuation	<i>(3b)</i>	249	-
<b>Total Current Liabilities</b>		<b>2,780</b>	<b>2,640</b>
<b>Non Current Liabilities</b>			
Provision for Employee Entitlements	<i>(6)</i>	2,563	2,311
<b>Total Non Current Liabilities</b>		<b>2,563</b>	<b>2,311</b>
<b>TOTAL LIABILITIES</b>		<b>5,343</b>	<b>4,951</b>
<b>NET ASSETS</b>		<b>12,359</b>	<b>13,705</b>

The accompanying notes form part of these financial statements.

## ADMINISTRATION FUND

*Statement of Financial Performance for the year ended 30 June 2002*

	<i>Notes</i>	<b>30-Jun-02</b>	<b>30-Jun-01</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from Fees etc		11,126	10,170
Transfers from Common Fund		12,475	12,000
Transfers under Former Section 55 of the <i>Protected Estates Act, 1983</i>		346	540
Grant from the Treasurer of NSW		5,225	5,083
Interest Received		348	355
Payments to Employees and Suppliers		(27,238)	(26,116)
<b>Net Cash provided by Operating Activities</b>	<i>(14b)</i>	<b>2,282</b>	<b>2,032</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Plant and Equipment		(1,562)	(4,304)
Proceeds from Sale of Plant and Equipment		16	-
<b>Net Cash (used in) Investing Activities</b>		<b>(1,546)</b>	<b>(4,304)</b>
<b>Net Increase/(Decrease) in Cash held</b>		<b>736</b>	<b>(2,272)</b>
Cash at Beginning of the Reporting Period		5,046	7,318
<b>Cash at End of the Reporting Period</b>	<i>(14a)</i>	<b>5,782</b>	<b>5,046</b>

The accompanying notes form part of these financial statements.

# Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2002

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) The Reporting Entity

The Office of the Protective Commissioner, as a reporting entity, comprises all the operating activities under the control of the Protective Commissioner. It is a controlled entity of the Attorney General's Department and the operations of the Administration Fund and the Public Guardian are included in the consolidated financial statements of the Department.

### (b) Basis of Accounting

The Office maintains proper accounts and records in relation to all of its financial operations in accordance with the provisions of Section 41 (1) of the *Public Finance & Audit Act, 1983*.

The financial statements as produced by the Office of the Protective Commissioner comprise the Statement of Financial Performance, Statement of Financial Position, and Statement of Cash Flows and accompanying notes for the Administration Fund and include the financial activities of the Office of the Public Guardian.

The financial statements are a general purpose financial report and have been prepared on an accrual basis to comply in all material respects with Australian Accounting Standards and disclosure requirements of Australian Accounting Standards, Trust Industry Practices, the requirements of the *Public Finance & Audit Act, 1983*, the *Public Finance & Audit Regulation 2000*, UIG consensus views and other authoritative pronouncements of the Australian Accounting Standards Board.

The Office has received a direction from NSW Treasury under Section 45E of the *Public Finance & Audit Act* to require the Office's financial statements to be prepared in accordance with the statutory body requirements as outlined in the Act and Regulation. Consequently, the Office is exempt from the Financial Reporting Code for Budget dependent agencies.

The financial statements have been prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

### (c) Employee Entitlements

#### (i) Salaries, Recreation Leave and Sick Leave

Liabilities for salaries and recreational leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of all employees' services up to that date.

NOTES TO AND FORMING PART OF THE  
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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 entitlements accrued in the future.

The outstanding amounts of payroll tax, employer superannuation contributions, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

(ii) Extended Leave

Extended leave is measured on a nominal basis. The nominal method is based on the remuneration rates at year end for all employees. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

(iii) Superannuation

In normal circumstances, employee superannuation entitlements are fully funded by payment of monthly contributions as assessed by Pillar Administration. However because of the amount held in the Reserve on behalf of the Office, \$4.644M as at 30 June 2001, the Office sought and was granted an exemption by the SAS Trustee Corporation from superannuation employer payments for SSF, SANCS and SASS schemes for the year ended 30 June 2002. Refer Note 3(b).

**(d) Insurance**

The Office's 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 experience.

**(e) Acquisitions of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Office. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable,

## 1. Summary of Significant Accounting Policies (cont'd)

willing buyer and a knowledgeable, willing seller in an arm's length transaction.

### (f) Plant, Equipment, Furniture & Fittings and Corporate Hardware and Software

Plant, equipment, furniture and fittings and corporate hardware and software costing \$3,000 and above individually, with an estimated useful life to the entity in excess of 12 months are capitalised.

### (g) Revaluation of Physical Non Current Assets

An independent valuation was carried out as at 30 June 1998 by the NSW Department of Public Works and Services based on the estimated written down replacement cost of all furniture and equipment owned by the Office of the Protective Commissioner at 133 Castlereagh Street, Sydney, and 57 Druitt Street, Sydney. This resulted in a revaluation of assets and the creation of an Asset Revaluation Reserve of \$146,287. The assets of the Public Guardian have not been subject to revaluation as yet due to the relatively new nature of assets held.

### (h) Depreciation of Physical Non Current Assets

Depreciation is provided for on a straight line basis over the estimated economic life of the asset to the entity. All material separately identifiable component assets are recognised and depreciated over their shorter useful lives, including those components that in effect represent major periodic maintenance.

The depreciation rates used for each class of assets are as follows: -

· Computer Equipment	33.33%
· Furniture and Fittings - revalued at 30 June 1998	10% - 33.33%
· Furniture and Fittings - purchases since 1 July 1998	10%
· Plant and Equipment	10%
· Leasehold Improvements and Office Refurbishment	10% - 20%
· Leasehold Premium	16.67%
· Software	14.29%- 33.33%

### (i) 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 Statement of Financial Performance in the periods in which they are incurred.

**(j) Financial Instruments**

Financial instruments give rise to positions that are a financial asset of the Administration Fund and a financial liability (or equity instrument) of the other party. For the Administration Fund, these include cash at bank, receivables and payables.

In accordance with AAS 33 "Presentation and Disclosure of Financial Instruments", information is disclosed in Note 10 in respect of the credit risk and interest rate risk of financial instruments.

All such amounts are carried in the accounts at net fair value unless otherwise stated. The specific accounting policy in respect of each class of such financial instrument is stated hereunder.

Classes of instruments recorded at cost comprise:

- Cash
- Receivables
- Payables

All financial instruments including revenue, expenses or other cash flows arising from instruments are recognised on an accrual basis.

**(k) Revenue Recognition**

**(i) Transfers from Common Fund**

Transfers from the Common Fund are brought to account in the period in which they are determined by the Protective Commissioner. Refer Note 7(a).

**(ii) Grant from Treasurer of NSW**

The grant from the Consolidated Fund is brought to account in the period in which it is paid. Refer Note 8.

**(iii) Transfers under Former Section 55 of the Protected Estates Act, 1983**

Transfers of this type are brought to account in the period in which they are determined by the Protective Commissioner. Refer Note 7(b).

**(iv) Fees**

Fees are brought to account when income is collected, on realisation of an asset or when an activity is completed on behalf of a client. Refer Note 2.

### **1. Summary of Significant Accounting Policies (cont'd)**

(v) **Asset Sales**

The profit or loss on the sale of assets is brought to account in the period in which the contract for sale occurs.

(vi) **Investment Income**

Investment income is recognised in the period in which control of a right to receive consideration for the provision of, or investment in assets has been attained.

(vii) **Sundry Income**

Sundry income is recognised in the period in which it accrues.

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

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

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

**(m) Maintenance and Repairs**

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which the costs are capitalised and depreciated. They are also capitalised where they are such that they extend the life of assets over additional accounting periods.

**(n) Receivables**

Trade debtors are required to settle within thirty days. Bad debts are written off in the period they are identified. The Office considers that the carrying amounts of trade and other debtors approximate their net fair value. An estimate is made for doubtful debts when collection of the full amount is no longer probable.

NOTES TO AND FORMING PART OF THE  
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## 2. FEES

In accordance with Section 8 of the *Protected Estates Act 1983*, fees may be charged by the Office of the Protective Commissioner when income is collected, on realisation of an asset or when an activity is completed on behalf of a client. These charges may, from time to time, be prescribed by Regulation and were last varied in 1995. A detailed review of all fees is currently underway.

	30-Jun-02	30-Jun-01
	\$'000	\$'000
Registry Fees	174	163
Court Directions and Supervision Fees	588	450
Income Fees (Common Fund Earnings)	3,292	3,937
Income & Capital Fees (Client Activities)	5,928 *	4,722 *
	<b>9,982</b>	<b>9,272</b>

*\*This includes a figure of \$89,000 (\$32,000 in 2001) which has been waived because of the inability of clients to pay for the fees.*

## 3. SALARIES & RELATED PAYMENTS

### (a) Expenditure

Expenditure under this heading for the past two years includes: -

	30-Jun-02	30-Jun-01
	\$'000	\$'000
Salaries and Wages	15,831	15,567
Overtime	190	204
Meal Allowances	22	26
Workers' Compensation Insurance	198	197
Payroll Tax	958	1,046
Fringe Benefits Tax	8	32
Recreation Leave	922	948
	<b>18,129</b>	<b>18,020</b>

NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
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**3. Salaries & Related Payments (cont'd)**

**(b) Superannuation**

The Office of the Protective Commissioner fully funds its employee superannuation entitlements. In the normal circumstances, payments are made based on current month contributions as assessed by Pillar Administration. Due to the magnitude of the prepayment as at 30 June 2001, the Office sought and obtained SAS Trustee Corporation approval for a superannuation holiday for a period of 12 months in respect of the Employers contribution for superannuation. The position of the superannuation fund is: -

	(a) SASS \$'000	(b) SANCS \$'000	(c) SSS \$'000	TOTAL 30-Jun-02 \$'000	TOTAL 30-Jun-01 \$'000
Reserve Account Balance 30 June 2002	1,489	777	11,210	13,476	15,378
Less: Liability at 30 June 2002	(1,690)	(825)	(8,569)	(11,084)	(10,734)
Assessed surplus/(deficit) at 30 June 2002	<b>(201)</b>	<b>(48)</b>	<b>2,641</b>	<b>2,392</b>	<b>4,644</b>

- (a) SASS - State Authorities Superannuation Scheme
- (b) SANCS - State Authorities Non-Contributory Superannuation Scheme
- (c) SSS - State Superannuation Scheme

The Superannuation position is shown in the Statement of Financial Position as follows:

	30-Jun-02 \$'000's	30-Jun-01 \$'000's
Prepaid Superannuation	2,641	4,644
Provision for Superannuation SASS and SANCS	(249)	-
	<b>2,392</b>	<b>4,644</b>

The liability for the various schemes is based on an actuarial assessment by William M. Mercer for the defined benefit schemes administered by Pillar Administration for the financial year ending 30 June 2002.

Assumptions with regards to rates of mortality, resignation, retirements and other demographics are those used for the 2000 triennial valuation.

NOTES TO AND FORMING PART OF THE  
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The economic assumptions used by William M. Mercer are as follows:

	2002/2003	2003/2004	2004/2005 and thereafter
	% p.a.	% p.a.	% p.a.
Rates of Investment Return	7.00	7.00	7.00
Rate of General Salary Increase	6.50	4.00	4.00
Rate of Increase in CPI	2.50	2.50	2.50

	SASS \$'000	SANCS \$'000	SSS \$'000	TOTAL \$'000
Provision Account as at 1 July 2001	(219)	(112)	(4,313)	(4,644)
Reduction arising on actuarial assessment	420	160	1,672	2,252
Position as at 30 June 2002	<b>201</b>	<b>48</b>	<b>(2,641)</b>	<b>(2,392)</b>

The reduction in the prepayment of \$2.252M has been charged to superannuation expenditure in the Statement of Financial Performance, bringing total superannuation charges for the year to \$3.167M (\$2.954M - 2001).

#### 4. PROFIT /(LOSS) ON SALE OF NON CURRENT ASSETS

	30-Jun-02 \$'000	30-Jun-01 \$'000
Proceeds from sale of Plant and Equipment	16 *	-
Less: Written down value of Assets sold	(1)	(9)
Net Profit/(Loss) on disposal of Plant and Equipment	<b>15</b>	<b>(9)</b>

\* This has been included in Sundry Income in the Statement of Financial Performance.

NOTES TO AND FORMING PART OF THE  
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**5. FEES FOR SERVICES RENDERED**

Items of expenditure under this heading for the past two years are: -

	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>
Training & Development	102	114
Payments to Consultants/Contractors	33	71
Internal Audit Fees	120	78
Audit Office of NSW-Audit of Financial Statements	137	128
Security Officers	187	112
Sundry Payments for Other Services	667	674
	<b>1,246</b>	<b>1,177</b>

**6. PROVISION FOR EMPLOYEE ENTITLEMENTS - LEAVE**

Changes in the provision are as follows: -

	<b>Extended Leave</b>		<b>Recreation Leave</b>		<b>TOTAL</b>	
	<b>30 Jun-02</b>	<b>30 Jun-01</b>	<b>30 Jun-02</b>	<b>30 Jun-01</b>	<b>30 Jun-02</b>	<b>30 Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening Balance 1 July	2,393	2,318	1,336	1,276	3,729	3,594
Less: Payments for Leave	(334)	(344)	(844)	(887)	(1,178)	(1,231)
	2,059	1,974	492	389	2,551	2,363
Add: Increase in Provision	676	419	922	947	1,598	1,366
Balance at 30 June	<b>2,735</b>	<b>2,393</b>	<b>1,414</b>	<b>1,336</b>	<b>4,149</b>	<b>3,729</b>

The provision is split between Current and Non Current Liabilities as follows: -

	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Current Liabilities</u></b>		
Provision for Recreation leave	910	999
Provision for Extended leave	676	419
	<b>1,586</b>	<b>1,418</b>
<b><u>Non Current Liabilities</u></b>		
Provision for Recreation leave	503	337
Provision for Extended leave	2,060	1,974
	<b>2,563</b>	<b>2,311</b>
	<b>4,149</b>	<b>3,729</b>

## 7. TRANSFERS

### (a) Transfers from Common Fund

Section 57 of the *Protected Estates Act 1983* allows a transfer from the interest earned in the Common Fund towards the cost of exercising the functions of the Office of the Protective Commissioner.

Section 57 of the *Protected Estates Act 1983* was revoked on 9 November 2001 by the Protected Estates Amendments (Investments) Act 2000. A revised Section 55 1(c) enabled transfers of money from investment funds to be made towards meeting the cost of exercising the functions of the Office of the Protective Commissioner. Section 55 (2) of the *Protected Estates Act 1983* limits transfers in any one financial year to the budget approved by the Director -General of the Attorney General's Department of NSW.

Transfers over the past two years were: -

<b>Transfers under former Section 57 of the <i>Protected Estates Act, 1983</i></b>	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>
Interim payment 30 July 2001	2,500	1,500
Interim payment 10 October 2001	5,000	2,000
Interim payment	-	3,500
Interim payment	-	2,000
Interim payment	-	3,000
<b>Total</b>	<b>7,500</b>	<b>12,000</b>
<b>Transfers Under Section 55 (1)(c) of the <i>Protected Estates Act, 1983</i></b>		
Interim payment 2 January 2002	4,595	-
Interim payment 28 June 2002	380	-
<b>Total</b>	<b>4,975</b>	<b>-</b>
<b>Total Transfers</b>	<b>12,475</b>	<b>12,000</b>

## 7. Transfers (cont'd)

### (b) Transfers under revoked Section 55 of the *Protected Estates Act, 1983*

During the year amounts totalling \$0.346M (\$0.540M - 2001) were transferred to the Administration Fund under the authority of the former Section 55 of the *Protected Estates Act, 1983*. The purpose of these transfers was to cover the costs of the Prudent Person Principle Project.

## 8. GRANT FROM THE TREASURER OF NSW

During 2001/2002 the Treasurer of NSW transferred \$5.225M (\$5.083M - 2001) to meet the cost of operating the Office of the Public Guardian.

## 9. RECEIVABLES

Items under this heading for the past two years are: -

	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued Income	76	78
Sundry Debtors	689	493
Less provision for Doubtful debts	(12)	(12)
	<b>753</b>	<b>559</b>

All sundry debtors are recognised as amounts receivable at balance date. Collectability of sundry debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on sundry debtors. The carrying amount approximates net fair value.

## 10. FINANCIAL INSTRUMENTS

### (a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Administration Fund's exposure to interest rate risks and the effective interest rates of financial assets and liabilities are as follows:

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30 June 2002	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total carrying amount as per Statement of Financial Position \$'000	Weighted Average Effective Interest Rate %
<b>Financial Assets</b>				
Cash - Current Account	2,960	1	2,961	4.31
Deposits - 11a.m. Account	2,821	-	2,821	4.45
Receivables	-	753	753	n/a
<b>Total Financial Assets</b>	<b>5,781</b>	<b>754</b>	<b>6,535</b>	
<b>Financial Liabilities</b>				
Payables	-	415	415	n/a
<b>Total Financial Liabilities</b>	<b>-</b>	<b>415</b>	<b>415</b>	
<b>Net Financial Assets/(Financial Liabilities)</b>	<b>5,781</b>	<b>339</b>	<b>6,120</b>	

30 June 2001	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total carrying amount as per Statement of Financial Position \$'000	Weighted Average Effective Interest Rate %
<b>Financial Assets</b>				
Cash	405	1	406	4.51
Deposits	4,893	-	4,893	6.28
Receivables	-	559	559	n/a
<b>Total Financial Assets</b>	<b>5,298</b>	<b>560</b>	<b>5,858</b>	
<b>Financial Liabilities</b>				
Interest Bearing Liabilities	253 *		253	n/a
Payables	-	328	328	n/a
<b>Total Financial Liabilities</b>	<b>253</b>	<b>328</b>	<b>581</b>	
<b>Net Financial Assets/(Financial Liabilities)</b>	<b>5,045</b>	<b>232</b>	<b>5,277</b>	

\* Overdraft in our books of account caused by unrepresented cheques.

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**10. Financial Instrument (cont'd)**

**(b) Credit Risk**

Credit risk is the risk of financial loss arising from another party to a contract/or financial position failing to discharge a financial obligation thereunder. The Administration Fund's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position.

The Administration Fund does not have any significant exposure to any individual debtor or creditor.

**(c) Net Fair Value**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

**11. PLANT, EQUIPMENT, FURNITURE & FITTINGS, HARDWARE AND CORPORATE SOFTWARE**

The written down value of leasehold improvements, furniture and equipment, hardware and corporate software of the Office of the Protective Commissioner and Public Guardian located at 133 Castlereagh Street, Sydney and 57 DrUITT Street, Sydney and also at the Office of the Public Guardian at 15-17 Kildare Road, Blacktown and 40 Mann Street, Gosford is as follows: -

30 June 2002	Plant and Equipment \$'000	Hardware and Corporate Software \$'000	Leasehold Improvements and Premium \$'000	Work in progress \$'000	TOTAL \$'000
<b>At Cost or Valuation</b>					
Balance at 1 July 2001					
Cost	184	3,299	1,252	6,559	11,294
Valuation	360	-	-	-	360
Category Adjustments	-	7,336	-	(7,336)	-
Additions	15	450	31	1,065	1,561
Disposals	(10)	(440)	(2)	-	(452)
Balance at 30 June 2002	549	10,645	1,281	288	12,763
<b>Accumulated Depreciation</b>					
Balance at 1 July 2001					
Cost/Revaluation	251	2,700	595	-	3,546
Additions	73	1,163	169	-	1,405
Write back on Disposals	(10)	(440)	-	-	(450)
Balance at 30 June 2002	314	3,423	764	-	4,501
<b>Written Down Value</b>					
At 30 June 2002					
Cost	101	7,222	517	288	8,128
Valuation	134	-	-	-	134
	<b>235</b>	<b>7,222</b>	<b>517</b>	<b>288</b>	<b>8,262</b>

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<b>30 June 2001</b>	<b>Plant and Equipment \$'000</b>	<b>Hardware and Corporate Software \$'000</b>	<b>Leasehold Improvements and Premium \$'000</b>	<b>Work in progress Corporate Software \$'000</b>	<b>TOTAL \$'000</b>
<b>At Cost or Valuation</b>					
Balance at 1 July 2000					
Cost	119	3,295	1,147	2,608	7,169
Valuation	387	-	-	-	387
Category Adjustments	-	73	-	(73)	-
Additions	38	136	105	4,024	4,303
Disposals	-	(205)	-	-	(205)
<b>Balance at 30 June 2001</b>	<b>544</b>	<b>3,299</b>	<b>1,252</b>	<b>6,559</b>	<b>11,654</b>
<b>Accumulated Depreciation</b>					
Balance at 1 July 2000					
Cost/Revaluation	182	2,316	435	-	2,933
Additions	69	581	160	-	810
Write back on Disposals	-	(197)	-	-	(197)
<b>Balance at 30 June 2001</b>	<b>251</b>	<b>2,700</b>	<b>595</b>	<b>-</b>	<b>3,546</b>
<b>Written Down Value</b>					
At 30 June 2001					
Cost	97	599	657	6,559	7,912
Valuation	196	-	-	-	196
	<b>293</b>	<b>599</b>	<b>657</b>	<b>6,559</b>	<b>8,108</b>

The Office continues to derive service potential and economic benefits from 540 (445- 2001) fully depreciated items of computer and office equipment and office improvements, which are considered to have no significant market value. These assets consist of:

	<b>Number of Assets 30 June 02</b>	<b>Purchase Price \$'000</b>	<b>Number of Assets 30 June 01</b>	<b>Purchase Price \$'000</b>
Plant and Equipment	14	27	12	25
Office Refurbishment	3	243	1	2
Computers	523	2,161	432	1,973
	<b>540</b>	<b>2,431</b>	<b>445</b>	<b>2,000</b>

The written down value of plant and equipment, furniture and fittings, and hardware and corporate software are considered to equate to their market value.

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**12. PAYABLES**

Items under this heading for the past two years are: -

	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>
Payroll Deductions	530	641
Other Creditors	415	328
	<b>945</b>	<b>969</b>

Payables including accruals not yet billed are recognised when the Office becomes obliged to make future payments as a result of a purchase of goods or services. Payables are generally settled within 30 days. It is considered that the carrying amounts of Trade and other Payables approximate their net fair values.

**13. EQUITY**

	<b>Accumulated Funds</b>		<b>Asset Revaluation Reserve</b>		<b>Total</b>	
	<b>30-Jun-02</b>	<b>30-Jun-01</b>	<b>30-Jun-02</b>	<b>30-Jun-01</b>	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of the financial year	13,559	14,046	146	146	13,705	14,192
Changes in Equity - Other than Transactions with Owners as Owners (Deficit)/Surplus for the year	(1,346)	(487)	-	-	(1,346)	(487)
<b>Balance at the end of the financial year</b>	<b>12,213</b>	<b>13,559</b>	<b>146</b>	<b>146</b>	<b>12,359</b>	<b>13,705</b>

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**14. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and deposits at call with the Common Fund and other financial institutions. Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: -

	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	5,782 *	406
Deposits at call in Common Fund	-	4,893
<u>Less: Interest Bearing Liabilities (refer 10(a))</u>	-	(253)
	<b>5,782</b>	<b>5,046</b>

\* Funds were transferred from Deposits at call in the Common Fund to an 11am Westpac Call Account in order to quarantine client funds in preparation for the introduction of diversified funds.

**(b) Reconciliation of Net Cash provided by Operating Activities to Operating Result**

	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating (Deficit)	(1,346)	(487)
Depreciation and Amortisation	1,405	810
(Profit)/Loss on Disposal of Assets	(15)	9
Decrease in Prepayments	2,034	1,993
(Increase) in Receivables	(193)	(380)
(Decrease) in Payables	(23)	(48)
Increase in provisions for Leave Entitlements	420	135
<b>Net Cash provided by Operating Activities</b>	<b>2,282</b>	<b>2,032</b>

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**15. ADDITIONAL DISCLOSURE**

**(a) Loans & Advances**

There were no loans or advances due to the Office of the Protective Commissioner by officers or employees.

There were no amounts due by way of loan or otherwise to the Office of the Protective Commissioner by a corporation, a director of which is an officer or employee of the Protective Commissioner.

**(b) Contingent Liabilities**

The Office of the Protective Commissioner is unaware of any contingent liabilities at 30 June 2002 in respect of the Administration Fund.

**(c) Operating Lease Commitments**

Commitments in relation to non-cancelable operating leases are payable as follows:

	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	3,486	3,132
Later than one year and not later than 5 years	4,401	6,526
	<b>7,887</b>	<b>9,658</b>

The commitments above consist of:

	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating Leases excluding GST	7,198	8,791
GST on Operating Leases	689	867
Operating Leases including GST	<b>7,887</b>	<b>9,658</b>

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These Operating Lease commitments are not recognised in the financial statements as liabilities. They relate to leases currently held in relation to the occupancy of premises by the Office of the Protective Commissioner and Office of the Public Guardian in the Sydney area and Regional Offices. They also include Operating Leases in respect of Plant and Equipment and Motor vehicles.

**(d) Contingent Asset**

The Office of the Protective Commissioner and the Public Guardian is entitled to fully claim its input tax credits. Therefore, a Contingent Asset of \$0.695M (\$0.928M - 2001) exists for GST on Operating Leases and Capital Commitments.

**(e) Capital Commitments**

	<b>30-Jun-02</b>	<b>30-Jun-01</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than 1 year	68	674

Capital commitments relate to the installation of upgraded air conditioning in the computer room as well as the purchase of improved security equipment.

These items have not been recognised as liabilities in the Statement of Financial Position.