



PARLIAMENTARY INSPECTOR
OF THE CORRUPTION AND CRIME COMMISSION
WESTERN AUSTRALIA



Annual Report



*for the year ended
30 June 2004*





PARLIAMENTARY INSPECTOR
OF THE CORRUPTION AND CRIME COMMISSION
WESTERN AUSTRALIA

The Hon John Alexander Cowdell
President
Legislative Council
Parliament House
PERTH WA 6000

The Hon Frederick Riebeling
Speaker
Legislative Assembly
Parliament House
PERTH WA 6000

Dear Mr President and Mr Speaker

In accordance with section 203 of the *Corruption and Crime Commission Act 2003*, I hereby provide each of you for presentation to Parliament the Annual Report of the Parliamentary Inspector of the Corruption and Crime Commission for the year ended 30 June 2004.

The Report has been prepared in accordance with section 66 of the *Financial Administration and Audit Act 1985*.

Yours sincerely

Malcolm McCusker QC
PARLIAMENTARY INSPECTOR

11 November 2004

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PRELIMINARY OBSERVATIONS

This is my first Annual Report to Parliament as Parliamentary Inspector. I was appointed in January 2004 (simultaneously with the Commissioner for Corruption and Crime, Mr Kevin Hammond) so this Report covers only an initial six month period.

A substantial part of that period was taken up with familiarising myself with the functions and duties of the position of Parliamentary Inspector, and determining how best to fulfil those duties, given that the position is a part-time one and, apart from the provisions of Part 13 of the *Corruption and Crime Commission Act* (the Act) itself, there is no "job description".

I have therefore, in this initial six-month period –

- attended on the Commissioner, to gain an understanding of the manner in which the newly-created Commission intends to operate;
- read and familiarised myself with Reports from counterparts already established in Queensland and New South Wales;
- visited the Police Integrity Commission (PIC) in New South Wales, where I met with the Inspector of the Police Integrity Commission, the Honourable Morris Ireland QC, who explained to me the procedures adopted by him for the purpose of fulfilling his role; and
- following discussions with the Auditor-General, Mr Des Pearson, regarding the "audit" role of the Parliamentary Inspector, and on his recommendation, engaged Mr Gordon Robertson as a consultant to provide preliminary advice on that question.

I have also been involved in such administrative matters as approving the proposed layout of the Parliamentary Inspector's Office (presently located within the same building as the Corruption and Crime Commission (*the Commission*)) and its establishment and the engagement of an executive assistant.

I have also met with the Joint Standing Committee to discuss my role.

PERFORMANCE INDICATORS

Performance indicators have not been submitted as required by section 68 of the *Financial Administration and Audit Act*, as this was impracticable due to the limited activities of the Inspectorate during the first six months. As a consequence, an opinion has not been issued by the Office of the Auditor General on performance indicators. Performance Indicators will be developed as soon as possible, so that measurement of relevant performance can commence, with a view to reporting for the year ended 30 June 2005.

1. ROLE AND FUNCTIONS OF THE PARLIAMENTARY INSPECTOR

The Office of the Parliamentary Inspector of the Corruption and Crime Commission is established by section 188 of the *Crime and Corruption Commission Act*.

I was appointed as the Parliamentary Inspector on 1 January 2004, pursuant to section 189, by the Governor by Commission under the Public Seal of the State of Western Australia, on the recommendation of the Premier.

A most important aspect of the office is that it is not an office in the public service. The Parliamentary Inspector is an officer of Parliament and is responsible for assisting the Joint Standing Committee, established pursuant to section 216A and comprising an equal number of members appointed by each House of Parliament, in the performance of that Committee's functions.

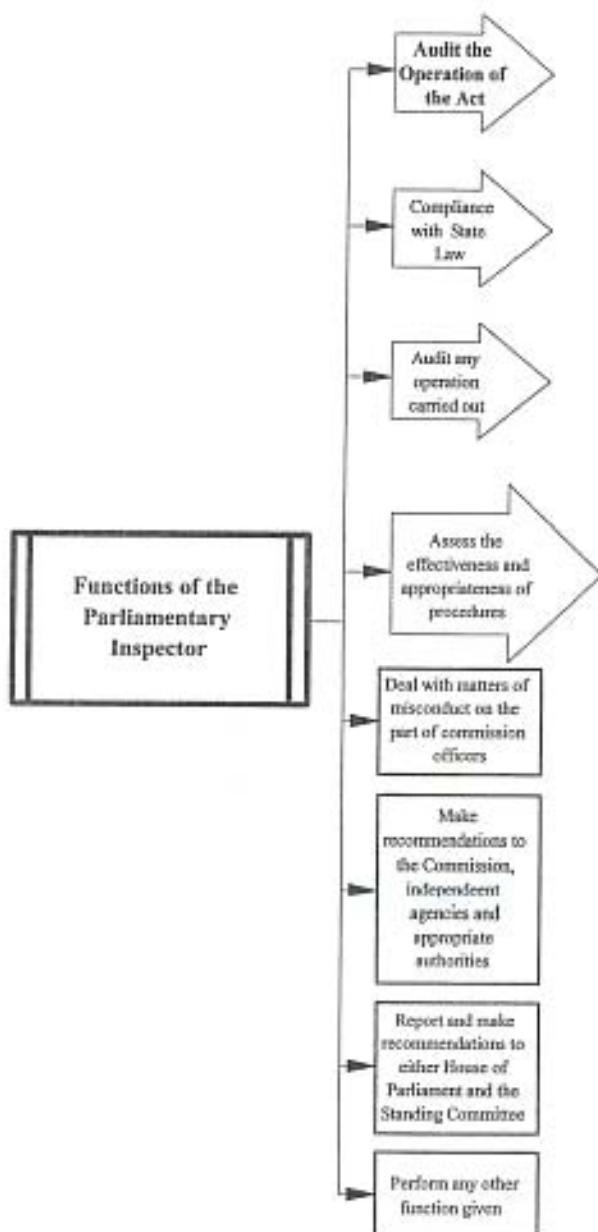
The Parliamentary Inspector has the following functions (s195) —

- (aa) *to audit the operation of the Act;*
- (a) *to audit the operations of the Commission for the purpose of monitoring compliance with the laws of the State;*
- (b) *to deal with matters of misconduct on the part of the Commission, officers of the Commission and officers of the Parliamentary Inspector;*
- (cc) *to audit any operation carried out pursuant to the powers conferred or made available by this Act;*
- (c) *to assess the effectiveness and appropriateness of the Commission's procedures;*
- (d) *to make recommendations to the Commission, independent agencies and appropriate authorities;*
- (e) *to report and make recommendations to either House of Parliament and the Standing Committee;*
- (f) *to perform any other function given to the Parliamentary Inspector under this or another Act.*

These functions may be performed on the Parliamentary Inspector's own initiative; at the request of the Minister; in response to a matter reported to the Parliamentary Inspector; or in response to a reference by either the House of Parliament, the Standing Committee or the Commission.

The Inspector may report to the Parliament or to the Standing Committee at any time on matters affecting the Commission, including the operational effectiveness and requirements of the Commission; or on any administrative or general policy matter relating to the functions of the Parliamentary Inspector. The Inspector is also obliged to report annually to the Parliament about his or her general activities during the year, and this report may be prepared in conjunction with the Annual Report required under the *Financial Administration and Audit Act*.

The key Functions are summarised below.



1.1 ANALYSIS OF THE AUDIT AND OTHER FUNCTIONS OF THE INSPECTOR

The term "audit" is not defined in the Act. What follows is my analysis of each of the "functions" listed in section 195.

(aa) to audit the operation of the Act

This clause was inserted in response to a recommendation by the Legislation Committee of the Legislative Council. It is not clear from the Committee's report precisely what was intended by this provision. On the face of it, it appears to require the Inspector to identify any shortcomings in the Act, by means of independent review of its operation, without the need to resort to a full scale Parliamentary review. It is probable that the intent was to provide an independent mechanism for initiating minor amendments, rather than a full-scale review.

This function could be performed on a periodic basis, either by reviewing the operation of the Act as a whole, or by reviewing a selected component of the Act. Components might be selected by the Inspector as a result of his or her own observations, or as a result of a request from the Minister, Parliament, the Commission or other stakeholders.

It could take the form of an inquiry, calling for submissions, through research and/or audit by the Inspector's staff, or by a combination of these approaches.

My present intention is to identify any perceived shortcomings in the operation of the Act, as and when they manifest themselves, in consultation with the Commissioner, and to report any such matters to the Standing Committee, to which I am responsible.

(a) to audit the operations of the Commission for the purpose of monitoring compliance with the laws of the State

This function enables the Parliamentary Inspector to provide assurance that the Commission does not use secrecy or confidentiality provisions to prevent normal accountability mechanisms from applying, and to ensure that it does not operate "above the law".

Similar provisions appear in the legislation in other States. I propose to perform this function by seeking an assurance from the Commission as to compliance, examining its method of operation, satisfying myself that there are systems in place to ensure compliance, assessing the risk of compliance failure, and periodically auditing those areas where the risk and/or consequence of non-compliance is significant.

Assurance will also be sought from others involved in compliance monitoring, such as the Commission's Internal Audit and the Auditor General, with the Inspector reserving the right to periodically examine these activities to gain assurance that this level of oversight is functioning effectively.

(b) to deal with matters of misconduct on the part of the Commission, officers of the Commission and officers of the Parliamentary Inspector

This function could be performed on a "reactive" or a "proactive" basis. I have decided to be essentially "reactive". That is to say, I will act upon, by investigating, complaints received by me, either by referral from the Commissioner, when a complaint of misconduct by Commission officers comes to the notice of the Commissioner, or directly from a complainant, or by referral from the Standing Committee, or by others (such as the Attorney General).

However, to ensure that members of the public are aware that they may refer to me, in the event of dissatisfaction with the Commission, a brochure has been produced for distribution and a website is to be produced, explaining the role of the Parliamentary Commissioner, and how to make complaints. Furthermore, members of the public dealing with the Commission are given information, which includes notification of the role of the Parliamentary Inspector.

(cc) to audit any operation carried out pursuant to the powers conferred or made available by this Act

This provision was inserted in response to a recommendation by the Legislation Committee of the Legislative Council. The report of the Committee makes clear its intent:

"Given the CCC's extensive coercive powers, the Committee recommends an amendment which provides that the Parliamentary Inspector is to have the ability to directly audit any operation carried out pursuant to the powers conferred or made available by the CCC Act. This will include operations conducted by the Police Service using exceptional powers granted by the CCC pursuant to the organised crime function."

This is a significant function, which enables the Inspector to examine in detail any operation, using the special powers conferred under the Act. It is similar to that of the Inspector of the Police Integrity Commission in New South Wales, who has direct access to that Commission's operational information via a room within the Commission's premises.

These audits may be undertaken:

- at the request of the Minister;
- at the request of Parliament; or
- on the Inspector's own initiative, in which case operations could be selected:
 - o at random;
 - o on a risk assessment basis (such as where the use of special powers is extensive); or
 - o on a public interest basis.

I have decided to examine selected operations involving the use by either the Commission, or the police, of the special powers made available under the Act, to determine if the operation and the use of special powers:

- complies with the legislation in terms of the mandatory procedures for authorisation, monitoring, reporting and other accountability conditions;
- has conformed to the policies and procedures established by the Commission,
- has been conducted in a timely manner; and
- has involved reasonable use of the special powers under the circumstance of the case.

The outcomes expected from this form of monitoring would be:

- reduced risk of unnecessary use of or abuse of the special powers from awareness that such operations may be independently monitored;
- procedural improvements resulting from the Inspector's reports on observed deficiencies; and
- improvements to or refinement of the legislation relating to special powers.

(c) to assess the effectiveness and appropriateness of the Commission's procedures

At first sight, this would be a very large task. It could be taken to include all of the Commission's procedures, both operational and administrative.

My interpretation of this function is that it requires the Parliamentary Inspector to monitor the specific procedures associated with functions and powers unique to the Commission.

In New South Wales, the Inspector of the Police Integrity Commission conducted an inquiry into the practices and procedures of PIC with particular reference to the conduct of its hearings. His inquiry was conducted largely by calling for submissions,

combined with some consultations. An outcome of the inquiry was the endorsement of many of PIC's practices, to recommend improvements with respect to others, and to recommend the development of guidelines.

There are two distinct approaches the Parliamentary Inspector could take to performing this function:

- a **reactive** approach, where the function is seen as essentially a reserve role, responding only to complaints or public expressions of dissatisfaction with the Commission's performance; or
- a **proactive** approach, where the Parliamentary Inspector takes an active and ongoing role in assessing the Commission's procedures on a risk basis.

Either approach would be valid, but the "proactive" approach would provide better assurance to the Parliament, that the Commission is functioning as intended. It would have particular relevance to those lower profile functions of the Commission such as its education function. By including administrative procedures it would also be possible for the Inspector to give assurance as to the procedures governing such areas as security within the Commission.

The Inspector could give effect to this function by periodically establishing an inquiry to deal with specific procedural issues, or by the use of the Parliamentary Inspector's staff to provide assurance that the Commission has established, published and is adhering to appropriate procedures for each of its operational and administrative functions.

Functions (d), (e) and (f)

See above. These functions are, I think, self-explanatory, and require no analysis.

2. POWERS OF THE PARLIAMENTARY INSPECTOR

The Parliamentary Inspector has power to do all things necessary or convenient for the performance of the Parliamentary Inspector's functions.

The Commission is to notify the Parliamentary Inspector whenever it receives an allegation that concerns, or may concern, an officer of the Commission and at any time the Parliamentary Inspector may review the Commission's acts and proceedings with respect to its consideration of such an allegation.

Upon such a review, the Parliamentary Inspector may notify the Commission that the matter is to be removed to the Parliamentary Inspector for consideration and determination.

On receipt of such a notice, the Commission is to comply with its terms.

Upon removal, the Parliamentary Inspector may annul the Commission's determination and substitute another.

Where the Parliamentary Inspector proposes to act under the above section, the Commission must be given a reasonable opportunity to show cause why its determination should not be annulled.

The Parliamentary Inspector must not undertake a review of a matter that arises from, or can be dealt with under, a jurisdiction created by, or that is subject to, the *Industrial Relations Act 1979*.

3. THE OFFICE

The Parliamentary Inspector's Office has suitable office premises within the Perth Central Business District. The postal address of this office is Locked Bag 123, Perth Business Centre WA 6849. The office telephone number is (08) 9264 6250 and the facsimile number is (08) 9264 6251. The email address is piccc@piccc.wa.gov.au. One full time staff member is engaged in the office.

The office operates appropriate computer systems, which are maintained by this office and back up tapes are kept off site for extra security.

4. RECORD KEEPING PLAN

The *State Records Act 2000* requires at section 19 that each agency has a record-keeping plan. The Parliamentary Inspector's Office has recently engaged a consultant to comply with these requirements.

The TRIM Context system of electronic record keeping is currently in place, which will ultimately improve easy access to the recorded information.

5. COMPLAINTS

During the reporting period the Inspectorate received five complaints.

Of those, one was a complaint made against the Ombudsman (Parliamentary Commissioner) in the period prior to the establishment of the Commission, concerning the handling of a complaint made in 1995 against Homeswest, in the course of which the Ombudsman had (allegedly) provided a copy of the complaint to Homeswest.

The other four complaints concerned the handling of complaints by Commission officers.

These complaints have not been resolved during the reporting period.

6. OPERATION OF THE COMMISSION

The Commission received 1,383 complaints during the reporting period, of which 208 were from individuals. Most of the complaints were referred by the Commission to an appropriate agency for investigation and reporting.

The Commission has published two "Notification Guidelines" to inform relevant agencies (and the public) of the functions of the Commission and how to notify suspected misconduct.

I have reviewed the Guidelines and am satisfied that they provide accurate and helpful information, which can be obtained on the Commission's website.

The Commissioner has been careful to ensure that any matter, which might arguably come within my function, is referred to me. He has also kept me informed on other matters pertaining to the Commission's operation, and is always available to confer with me if required.

All complaints against Commission staff are placed on the relevant file, which is forwarded to me by the Commissioner himself, and the complainant is informed of that.

The Commission's website explains the role of the Parliamentary Inspector and how complaints against the Commission may be forwarded to me.

I consider that in the first six months of its operations, the Commission has, despite some difficulties experienced in relation to staffing and accommodation, established a sound framework for ensuring that its various functions, as detailed in Part 2, Division 2, of the Act will be addressed, they being, specifically:

- Prevention and Education
- Misconduct investigations
- Police Royal Commission
- Functions in relation to the (former) Anti-Corruption Commission

7. FINANCIAL STATEMENTS

7.1 AUDITOR GENERAL'S AUDIT OPINION



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION
FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2004

Audit Opinion

In my opinion,

- (i) the controls exercised by the Parliamentary Inspector of the Corruption and Crime Commission provide reasonable assurance that the receipt and expenditure of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Parliamentary Inspector at June 30, 2004 and its financial performance and cash flows for the six months ended on that date.

Scope

The Parliamentary Inspector's Role

The Parliamentary Inspector is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

A handwritten signature in dark ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
September 24, 2004


7.2 CERTIFICATE OF FINANCIAL STATEMENTS

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION

CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004


The accompanying financial statements of the Parliamentary Inspector of the Corruption and Crime Commission have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2004 and the financial position as at 30 June 2004.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



P E Robinson
Principal Accounting Officer

27 August 2004



M McCusker QC
Parliamentary Inspector
(Accountable Officer)

30 August 2004

7.3 FINANCIAL STATEMENTS

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION
Statement of Financial Performance
for the six months ended 30 June 2004

	Note	2004 \$
COST OF SERVICES		
Expenses from ordinary activities		
Employee expenses	2	58,148
Supplies and services	3	31,426
Depreciation expense	4	687
Other expenses from ordinary activities	6	6,105
Total cost of services		<u>96,366</u>
NET COST OF SERVICES		<u>96,366</u>
REVENUES FROM STATE GOVERNMENT	7	
Output appropriation		120,000
Resources received free of charge		30,991
Total revenues from State Government		<u>150,991</u>
CHANGE IN NET ASSETS		54,625
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS		<u>54,625</u>

The Statement of Financial Performance should be read in conjunction with the accompanying notes.

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION
Statement of Financial Position
as at 30 June 2004

	Note	2004 \$
Current Assets		
Cash assets	16(n)	177,965
Restricted cash assets	8	931
Receivables	9	15,243
Total Current Assets		<u>194,139</u>
Non-Current Assets		
Amounts receivable for outputs	10	7,000
Property and equipment	11	144,551
Total Non-Current Assets		<u>151,551</u>
Total Assets		<u>345,690</u>
Current Liabilities		
Payables	12	136,490
Provisions	13	919
Other liabilities	14	3,656
Total Current Liabilities		<u>141,065</u>
Total Liabilities		<u>141,065</u>
NET ASSETS		<u>204,625</u>
Equity	15	
Contributed equity		150,000
Accumulated surplus		54,625
TOTAL EQUITY		<u>204,625</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION
Statement of Cash Flows
for the six months ended 30 June 2004

	Note	2004 \$
CASH FLOWS FROM STATE GOVERNMENT		
Output appropriations		113,000
Capital contributions		150,000
Net cash provided by State Government		<u>263,000</u>
Utilised as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employee Costs		(43,238)
Supplies and Services		(7,763)
GST payments		(15,243)
Receipts		
Receipts from sale of goods and services		-
GST receipts		-
Net cash provided by/(used in) operating activities	16(b)	<u>(66,244)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets		-
Purchase of non-current assets		(17,860)
Net cash provided by/(used in) investing activities		<u>(17,860)</u>
Net increase in cash held		178,896
Cash assets at the beginning of the reporting period		<u>-</u>
CASH ASSETS AT THE END OF THE REPORTING PERIOD	16(a)	<u>178,896</u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

7.4 NOTES TO THE FINANCIAL STATEMENTS

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION
Notes to the Financial Statements
for the six months ended 30 June 2004

1 Significant accounting policies

The following accounting policies have been adopted in the preparation of the financial statements of the Parliamentary Inspector of the Corruption and Crime Commission (for the purpose of these notes the "Parliamentary Inspector").

General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary the application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector together with the need for greater disclosure and also satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect are disclosed in individual notes to these financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for certain assets and liabilities which, as noted, are measured at fair value.

(a) Output Appropriations

Output Appropriations are recognised as revenues in the period in which the Parliamentary Inspector gains control of the appropriated funds. The Parliamentary Inspector gains control of appropriated funds at the time those funds are deposited into the Parliamentary Inspector's bank account or credited to the holding account held at the Department of Treasury and Finance. Refer to Note 7 for further commentary on output appropriations.

(b) Contributed Equity

Under UIG 38 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" transfers in the nature of equity contributions must be designated by the Government (owners) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions in the financial statements. Capital contributions (appropriations) have been designated as contributions by owners and have been credited directly to Contributed Equity in the Statement of Financial Position. All other transfers have been recognised in the Statement of Financial Performance. Capital appropriations which are repayable to the Treasurer are recognised as liabilities.

(c) Revenue Recognition

Revenue from the sale of goods and disposal of other assets and the rendering of services, is recognised when the Parliamentary Inspector has passed control of the goods or other assets or delivery of the service to the customer.

(d) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

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

(e) Depreciation of Non-Current Assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation is calculated on the straight line basis, using rates which are reviewed annually. Useful lives for each class of depreciable asset are:

Office equipment	10 years
Computer hardware	5 years
Computer software	5 years
Leasehold improvements	10 years

(f) Leases

The Parliamentary Inspector has entered into an operating lease for the rent of building floor space where the lessor effectively retains all of the risks and benefits incident to ownership of the items held under the operating lease. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(g) Cash

For the purpose of the Statement of Cash Flows, cash includes cash assets and restricted cash assets.

(h) Receivables

Receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where doubt as to the collection exists.

(i) Payables

Payables, including accruals not yet billed, are recognised when the Parliamentary Inspector becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

(j) Employee benefits

Annual leave

This benefit is recognised at the reporting date in respect to employees' services up to that date and is measured at the nominal amounts expected to be paid when the liabilities are settled.

Long service leave

Leave benefits are calculated at remuneration rates expected to be paid when the liabilities are settled. A liability for long service leave is recognised after an employee has completed four years of service.

This method of measurement of the liability is consistent with the requirements of Accounting Standards AASB 1028 "Employee Benefits".

Superannuation

Staff may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. All of these schemes are administered by the Government Employees Superannuation Board (GESB).

The liabilities for the superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by payment of employer contributions to the GESB.

The note disclosure required by paragraph 6.10 of AASB 1028 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The GESB's records are not structured to provide the information for the Parliamentary Inspector. Accordingly, deriving the information for the Parliamentary Inspector is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

Employee benefit on-costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses. (See notes 2 and 13)

(k) Accrued Salaries

Accrued salaries (refer note 14) represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. The Parliamentary Inspector considers the carrying amount approximates net fair value.

(l) Resources Received Free of Charge

Resources received free of charge or for nominal value which can be reliably measured are recognised as revenues and as assets or expenses as appropriate at fair value.

	2004 \$
(m) Rounding of amounts	
Amounts in the financial statements have been rounded to the nearest dollar.	
2 Employee expenses	
Salaries	52,806
Annual and long service leave	919
Superannuation	4,423
	<u>58,148</u>
3 Supplies and services	
Goods and supplies	435
Services and contracts	-
Resources received free of charge (note 7)	30,991
	<u>31,426</u>
4 Depreciation expense	
Leasehold Improvements	508
Office equipment and Computers	179
	<u>687</u>
5 Accommodation expense	
Building rent operating lease expense	-
As part of the Lease Agreement, the Parliamentary Inspector received the first 6 months rent free. The lease commenced in May 2004.	
6 Other expenses from ordinary activities	
Advertising	209
Computing Licences	5,896
	<u>6,105</u>

	2004 \$
7 Revenues from State Government	
Appropriation revenue received during the year:	
Output appropriations (I)	<u>120,000</u>
Resources received free of charge (II)	
Determined on the basis of the following estimates provided by agencies:	
Office of the Auditor General	
Audit services	5,000
Department of Justice	
Accounting, human resources and information technology services	23,970
Department of Housing and Works	
Property management services	<u>2,021</u>
	<u>30,991</u>
 (I) Output appropriations are accrual amounts reflecting the full cost of outputs delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.	
 (II) Where assets or services have been received free of charge or for nominal consideration, the Parliamentary Inspector recognises revenues (except where the contribution of assets or services is in the nature of contributions by owners, in which case the Parliamentary Inspector shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.	
8 Restricted cash assets	
Current	
Capital contributions remaining at year end (I)	<u>931</u>
 (I) Cash held in the account is to be used only for office refurbishment and equipment acquisition.	
9 Receivables	
GST receivable	<u>15,243</u>
	<u>15,243</u>

	2004 \$
10 Amounts receivable for outputs	
Non current	7,000
This asset represents the non-cash component of output appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.	
11 Property and equipment	
Leasehold Improvements	
At cost	123,953
Accumulated depreciation	(508)
	<u>123,445</u>
Equipment	
At cost	21,285
Accumulated depreciation	(179)
	<u>21,106</u>
	<u>144,551</u>
Reconciliations:	
Leasehold Improvements	
Carrying amount at start of year	-
Additions	123,953
Disposals	-
Depreciation	(508)
Carrying amount at end of year	<u>123,445</u>
Equipment	
Carrying amount at start of year	-
Additions	21,285
Disposals	-
Depreciation	(179)
Carrying amount at end of year	<u>21,106</u>
	<u>144,551</u>

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION
Notes to the Financial Statements
for the six months ended 30 June 2004

	2004 \$
12 Payables	
Trade and other creditors	136,490
13 Provisions	
Current	
Annual leave	919
The Parliamentary Inspector considers the carrying amount of employee entitlements approximates the net fair value.	
<u>Employee Benefit Liabilities</u>	
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:	
Provision for employee benefits:	
Current	919
14 Other liabilities	
Current	
Accrued Salaries	
Amounts owing for the 9 working days from 18 June to 30 June 2004. (2003 7 working days).	3,656
15 Equity	
Contributed equity	
Opening balance	-
Capital contributions (I)	150,000
Closing balance	150,000
(I) Capital Contributions have been designated as contributions by owners and are credited directly to equity in the Statement of Financial Position	
Accumulated surplus	
Opening balance	-
Change in net assets	54,625
Closing balance	54,625

2004
\$

16 Notes to the Statement of Cash Flows

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash assets	177,965
Restricted cash assets (refer note 8)	931
	<u>178,896</u>

(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net cost of services	(96,366)
Non-cash items:	
Depreciation	687
Resources received free of charge	30,991
Increase / (decrease) in liabilities:	
Payables	9,112
Other current liabilities	3,656
Current provisions	919
Change in GST receivables	(15,243)
Net cash provided by/(used in) operating activities	<u>(66,244)</u>

17 Commitments for expenditure

Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

Within 1 year	47,520
Later than 1 year and not later than 5 years	112,860
	<u>160,380</u>

18 The Impact of Adopting International Accounting Standards

The transition to Australian equivalents to International Accounting Standards is being managed by the Department of Justice on behalf of the Parliamentary Inspector as part of its corporate financial support function. Justice Finance staff are keeping abreast of changes through the review of available information, such as publications on the CPA Australia and Department of Treasury and Finance websites and by attending relevant workshops. Staff within the Parliamentary Inspector will be briefed on any IAS issue that affects the Parliamentary Inspector.

The adoption of Australian equivalents to International Accounting Standards is expected to have minimal impact on future financial reporting requirements of the Parliamentary Inspector.

The application of IAS 36 (Impairment of Assets) requires an annual assessment be carried out for impairment. Office equipment will be assessed for impairment on a regular basis.

AASB 119, the Australian version of the IFRS covering employee benefits, will be effective from 1 January 2005. This will replace the current standard for employee benefits, AASB 1028. For the long service leave liability, the only significant difference under AASB 119 is that a high quality corporate bond yield will be used for the discount rate (rather than the Government bond yield). This would normally result in a lower liability.

19 Remuneration of Accountable Authority

The total remuneration of the Accountable Authority is: \$58,148

20 Financial instruments

(a) Interest rate risk exposure

The Parliamentary Inspector does not have any interest bearing accounts and is therefore not subject to any interest rate risk exposure.

(b) Credit risk exposure

All financial assets are unsecured.

Amounts owing by other government agencies are guaranteed, therefore no credit risk exists in respect of those amounts. In respect of other financial assets the carrying amounts represent the Parliamentary Inspector's maximum exposure to credit risk.

21 Supplementary financial information

- There were no losses of public moneys or other public property through theft or default during the reporting period.
- There were no write offs of public money or other public property during the reporting period.
- There were no gifts of public property during the reporting period.
- There were no contingent liabilities as at 30 June 2004.
- There were no events occurring after the balance date at the end of the reporting period.
- The Parliamentary Inspector had no related bodies during the reporting period.
- The Parliamentary Inspector had no affiliated bodies during the reporting period.

22 Explanatory Statement

(i) Significant variations between estimates and actual results for the financial year

Details and reasons for significant variations between actual results with the corresponding items of the preceding year are detailed below. Significant variations are considered to be those greater than 5% and \$7,000.

	Actual 2004 \$	Estimate 2004 \$	Variance
Expenses from ordinary activities			
Employee expenses	53,148	66,000	(7,852)
Supplies and services	31,426	42,000	(10,574)
Accommodation Expenses	-	9,000	(9,000)
Revenues from State Government			
Resources received free of charge	30,991	-	30,991

Employee expenses

The variance is due to delays in recruiting the Executive Officer for the Parliamentary Inspector.

Supplies and services

These costs are predominately resources free of charge incurred by Department of Justice staff in the set up of the Parliamentary Inspector's office, which were not included in the budget estimates. These costs are offset by an equivalent notional revenue. The variance is due to the delays in setting up the office of the Parliamentary Inspector.

Accommodation Expenses

The Parliamentary Inspector negotiated lease terms whereby the first six months commencing 1 May 2004 are rent-free.

Resources received free of charge

The variance is due to resources free of charge not being included in the budget estimates.

(ii) Significant variations between actual revenues and expenditures for the financial year and revenues and expenditures for the immediately preceding financial year

The Parliamentary Inspector was appointed on 1 January 2004 and consequently, there is no expenditure in prior years.