

**PARLIAMENTARY INSPECTOR  
OF THE  
CORRUPTION AND CRIME COMMISSION**

**ANNUAL REPORT  
2013-2014**



# PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION

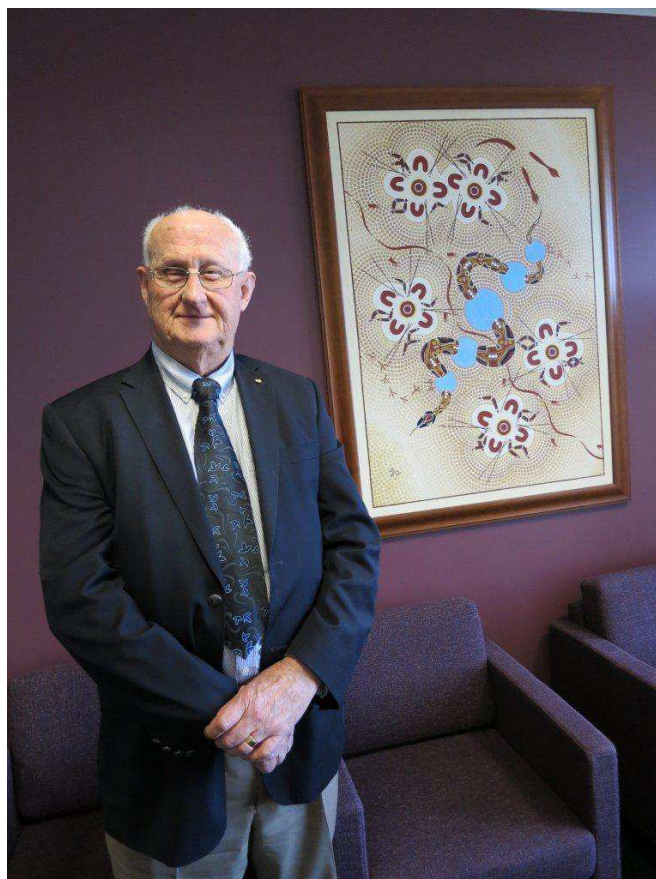
ANNUAL REPORT  
2013-2014

**TO: The Parliament of Western Australia**

I present my Annual Report for the year ending 30 June 2014 pursuant to section 203 of the *Corruption and Crime Commission Act 2003 (WA)*.

  
The Hon Michael Murray QC

**Parliamentary Inspector of the Corruption and Crime Commission**



## **THIS REPORT**

This is my second Annual Report as Parliamentary Inspector of the Corruption and Crime Commission after taking office on 8 January 2013. It is made pursuant to s 203 of the *Corruption and Crime Commission Act 2003 (WA)* and deals with my activities generally during the 2013-2014 year.

## **THE OFFICE OF PARLIAMENTARY INSPECTOR**

My primary responsibilities as an officer of the Parliament of Western Australia are to keep the Parliament informed of material issues concerning the operation of the Commission, and the operation of the Office of the Parliamentary Inspector, by exercising my functions and powers under the Act, and by assisting the Joint Standing Committee to perform its functions.

Either Acting Parliamentary Inspector Robert Meadows QC or Craig Colvin SC acts in my office when I am unable to. I am grateful for their important contributions made to my Office during the reporting period, as I am to its sole full-time staff member, Mr Murray Alder.

## **A SNAPSHOT OF THE WORKLOAD OF THE OFFICE**

The reporting period was one of the busiest my Office has experienced. The number of matters undertaken increased by 90% from the number undertaken in the last reporting period.

### **The investigative work undertaken**

51% of the work of my Office was devoted to its investigation function.

The Office undertook 76 matters during the financial year, 36 more than last year. The Office finalised 44 matters, 8 more than last year.

There was an increase in the number of matters received by my Office from its principal sources (my own initiative, complaints received by me, and in response to references given by the Joint Standing Committee). However, the source from which there was a significant increase was the Commission's obligation under s 196(4) of the Act to notify my Office of an allegation it receives which involves, or may involve, an officer of the Commission. The size of, and reason for, this increase are detailed later in this Report.

The nature and the number of matters undertaken by my Office were:

- Allegations made against a Commission officer received by the Commission about which my Office was notified under s 196(4) of the Act (41)
- Complaints about some aspect of the Commission's assessment of complaints of misconduct made to it (20)
- Matters initiated by my Office (7)

- Issues referred to my Office by the Joint Standing Committee under s 195(2)(d) of the Act (4)
- Miscellaneous matters (2)
- Requests made by the Committee for a submission to be made to it independent of any existing matter being undertaken by my Office (1)
- Matters referred by the W.A. Police (1)

I tabled 4 Reports to the Joint Standing Committee. 2 of the Reports related to the timeliness of misconduct investigations undertaken or overseen by the Commission, and the other two related to the appropriateness of emails sent between Commission and Department of Corrective Services staff.

### **The audit work undertaken**

49% of my Office's work was devoted to its audit function.

My Office audits the operation of the Act, the Commission's operations to determine if they comply with the laws of the State, and the Commission's operations conducted under the Act.

### **SIGNIFICANT ISSUES ADDRESSED**

There were a number of significant issues addressed by my Office during the reporting period. Some issues are ongoing due to continuing investigations, but it is expected that those investigations will be concluded in the next reporting period.

I anticipate that the more important issues described below will form the basis of one or more Reports to the Joint Standing Committee in the next reporting period.

### **Fulfilment of the Commission's obligation under s 196(4) of the Act**

Under s 196(4) of the Act, the Commission is obliged to notify my Office of an allegation it receives that concerns, or may concern, one of its officers. The purpose of the section is to ensure that all allegations of this nature are objectively assessed independently of the Commission, so that my Office may, if necessary, remove the allegation from the Commission under s 196(5) for independent investigation.

Parliament must be satisfied and can rest assured that all allegations which properly fall within s 196(4) of the Act are objectively assessed by my Office.

Prior to July 2013, the Commission interpreted s 196(4) of the Act to mean that only an allegation which the Commission itself assessed as involving misconduct was required to be notified to my Office. This interpretation seriously undermined the purpose of the section. As a consequence, my Office during this period was not placed in a position to assess either the allegation made, or the Commission's assessment of it, when the Commission decided that it did not involve misconduct.



The absence of a central record maintained by the Commission during this period which identified such an allegation precludes my Office from now establishing how many allegations fell into this category.

When my Office became aware of this situation, it was addressed with the Commission in and following July 2013. Now all allegations received by the Commission, other than the most trivial complaints and complaints which can be seen to be no more than (at times intemperately worded) expressions of dissatisfaction with the process or result of an investigation by the Commission, are immediately notified to my Office so that an assessment can be swiftly conducted.

In addition, an appropriate central record is now maintained by the Commission so that all allegations can subsequently be easily identified and efficiently audited both by the Commission and by my Office.

As a consequence of these procedural changes, my Office assessed 41 notifications during the reporting period, 36 more than the previous reporting period.

A protocol by which such matters are to be handled by the Commission and my Office respectively is in the process of finalisation by agreement between the Acting Commissioners and me. It is proposed that when ready it will be jointly reported to the Joint Standing Committee.

### **The misconduct and criminal investigation of Commission officers in the Operational Support Unit of the Commission**

At various times during the reporting period, the Commission notified me of allegations of serious misconduct made against some Commission officers in its Operational Support Unit, a part of the Commission which provides its investigators with surveillance and covert capability.

In such a case I assess whether each allegation requires removal from the Commission for investigation by my Office, or by another government agency, or whether the Commission should conduct a preliminary investigation by selected senior Commission officers (an investigation over which I maintain oversight) in order to first determine the essential facts of the matter.

When preliminary investigations conducted by the Commission have disclosed evidence of possible criminality, I have removed the allegation from the Commission and referred it to the Police for investigation, and where appropriate, for prosecution. At the time of this Report, the Police investigation of some allegations is continuing.

I maintain oversight of the internal investigations which are allowed to remain with the Commission, including the disciplinary action taken against accused officers, until their completion. The investigation of some allegations is continuing, due to their complexity, or due to the fact that they have only recently been made.

During the reporting period, three Commission officers have been dismissed because of their conduct, two officers resigned before the completion of the investigation into their conduct, and the contract of employment of one senior officer was not renewed by the Commission during the investigation into his conduct.

## **Systemic issues for the Commission generally**

These events gave rise to other legal and procedural issues which are discussed below. In the next reporting period, when all investigation have been concluded, I intend to comprehensively report to the Joint Standing Committee under s 201 of the Act on all issues identified in this part of this Report.

In that Report to the Joint Standing Committee, I will identify the issues which have been cooperatively addressed by my Office and the Commission by way of systemic procedural change. In instances where I have concluded that statutory amendments to the Act are necessary to properly address the issues, I will make the appropriate recommendations in that Report.

In important respects the changes to the processes of the Commission are, and, I anticipate, will in future respond to concerns about the conduct of Commission officers by providing an enhanced capacity for governance by senior officers and the Acting Commissioners, and to make changes which will materially assist me to exercise my oversight of the Commission's procedures.

The Acting Commissioners have agreed to submit proposals of this kind for any recommendations I may have, before they are finally implemented by the Commission on other than an interim basis. I am most grateful for their cooperation, candour and openness in the course of our regular consultations.

### *Procedural changes to the OSU*

As a consequence of the investigations into the allegations mentioned above, I am overseeing the implementation of wide-ranging changes to the procedures of the OSU. The procedures affected include:

- the methods of purchasing, leasing and replacing Commission motor vehicles;
- the payment for fuel used by those vehicles;
- the receipt of, accountability for, and payment of, traffic infringement notices;
- the accumulation of demerit points;
- applications for Special Constable appointments;
- applications for assumed identities and their use in obtaining motor driver's licences;
- the provision of cash advances;
- the use of corporate credit cards and their proper acquittal;
- claims made for allowances and cash advances;
- the maintenance of financial documents and approvals, and
- the making of accurate entries into duty diaries, and other documents.

I should add that although the above matters have been the major concern of my Office in regard to the activities of Commission officers and their governance by the Commission, there are related areas of concern in respect of the operation of the Commission to which it would at present be inappropriate to refer in any detail.

No doubt, in every organisation, there will, from time to time, be cause for concern about particular aspects of the effectiveness and appropriateness of the organisation's functioning, but I am sensible of my statutory obligation to oversee and make

recommendations about the Commission's procedures generally and, as I hope I have made clear, the focus on the OSU is but part of my oversight of the effectiveness and appropriateness of the Commission's procedures.

#### *External criminal investigation of Commission officers*

The Commission disagreed with my Office's decision to refer some allegations to the Police for investigation where preliminary investigation established a reasonable suspicion of criminal conduct by Commission officers. The Commission expressed the view that the investigation of those allegations should have been performed by my Office, and that I should have seconded Police officers to assist me in that investigation.

I disagreed with the Commission's view. My Office does not have a criminal jurisdiction under the Act. Nor does its power under the Act to second Police officers create such a jurisdiction in it. Rather, the Office's secondment power is a mechanism by which extra resources external to the Office, specialised or otherwise, can be obtained to assist me to fulfil my functions in unusual circumstances.

Tensions subsequently arose between the Commission and the Police when the Commission suggested to them and to my Office that the secrecy provisions of the Act prevented it from releasing documents to the Police which the Police thought were relevant to their investigation. The Commission adopted the same position in relation to requests from the Police to interview its officers as suspects or witnesses in respect of possible criminality within the Commission. The Commission's position changed in time, but the Police investigation was undoubtedly delayed. The consequences included that certain OSU officers, who had either been dismissed, or who resigned, left the State and, therefore, were no longer readily accessible to investigating Police.

Police investigation into suspected criminality on the part of Commission officers may not be delayed, or thwarted, by a decision of the Commission to withhold documents from the Police, or access to suspects or witnesses, who the Police wish to interview, where, as was the case in respect of the matters that I referred to the Police for investigation, a proper reading of the Act leads to the conclusion that leave should be granted by the Commission to facilitate the Police enquiries.

I have in mind that, in due course, when this process of investigation is concluded and when I report upon it to the Joint Standing Committee, I will recommend amendment of the Act to facilitate my capacity to make orders designed to ensure that my referral of a matter to an agency external to the Commission is effective to achieve its purpose.

#### *Complaints of misconduct made by the Commission against officers of an external agency who are investigating Commission officers*

On occasion during the Police investigation, the Commission raised concerns with me about the way in which a Police officer asked questions of a Commission officer. The conduct by the Police officer did not amount to misconduct. Under the Act, I had no jurisdiction to determine the Commission's complaint against the Police officer.

This situation identifies a lacuna in the State's misconduct statutory framework. Its consequences are infrequently encountered, but nevertheless have the potential of

leaving a complainant without a clear recourse for address. The lacuna raises three important questions:

1. Should the Commission continue to exercise its misconduct oversight function over Police officers who are investigating officers of the Commission?
2. If not, who is best placed within the existing statutory framework to investigate a complaint made by the Commission against Police officers who are investigating officers of the Commission?
3. Who is best to oversee the body which conducts the investigation into a complaint made by the Commission?

It is my view that the Commission should not exercise its misconduct oversight function over Police officers who are investigating officers of the Commission. To do so would introduce an unnecessary risk of abuse of the oversight powers held by the Commission, and the unnecessary complication of officers of both bodies simultaneously investigating each other.

It is my view that when a complaint is made by the Commission against Police officers who are investigating officers of the Commission, the Internal Affairs Division of the Police is best placed to investigate the matter. Police investigating complaints against Police is a practice that the present statutory framework promotes, and is a process which is supported by the Commission.

But to ensure that the rights and interests of officers in both agencies are protected during such an investigation, and that proper procedures are followed by investigating Police, neither the Commission or the Police should oversee the investigation. Transparency and accountability demand that an appropriate third body should perform this important task. Given the Parliamentary Inspector's existing statutory functions and powers in respect of the Commission, including the power to access its information, it is my view that my Office is best placed to do so.

## **COOPERATION BETWEEN THE COMMISSION AND THE OFFICE**

I consider the level of cooperation between my Office and the Commission throughout the reporting period has been satisfactory. It is my intention, and that of the Acting Commissioners, to maintain and improve this situation. The Acting Commissioners share with me the view that a genuine and consistent level of cooperation and respect between my Office and the Commission is the most favourable basis for our respective statutory functions to be effectively fulfilled.

In this respect, we have discussed, during the second half of the reporting period, ways to increase the existing level of cooperation. For example, we have agreed that there are circumstances in which a jointly-written and tabled Report to the Joint Standing Committee, or to Parliament, will be appropriate.

It is against that background that I record my appreciation, not only of the assistance and efforts of the Acting Commissioners, but also for the dedication and thorough attention to the duties of his office, by the former Commissioner, His Honour, Mr Roger



Macknay QC. While we did not always agree on the course to be taken to deal with a problem, his views always commanded respect.

I know that the apparent incapacity to appoint a full-time Commissioner to replace Mr Macknay is placing considerable burdens upon the Acting Commissioners as they endeavour to coordinate their respective part-time contributions and maintain their busy legal practices.

## **THE ACCOMMODATION OF THE OFFICE**

My efforts to have the Office moved from the Department of the Attorney General in Westralia Square into appropriate accommodation, as described in my last Annual Report, have continued throughout this reporting period, but have not yet come to fruition. The accommodation problems of the Office remain extreme, and endanger the proper and efficient fulfilment of my functions.

This fact has been conveyed to the Joint Standing Committee, which has supported my efforts, and to the Department of Treasury, which is considering my request for a minimal increase in the Office's annual appropriations to pay for a lease of different premises, appropriately separate from and independent of any department or agency of Government. I hope that an end to this protracted process may soon be in sight.





## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION

#### Report on the Financial Statements

I have audited the accounts and financial statements of the Parliamentary Inspector of the Corruption and Crime Commission.

The financial statements comprise the Statement of Financial Position as at 30 June 2014, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

#### *Parliamentary Inspector's Responsibility for the Financial Statements*

The Parliamentary Inspector is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Parliamentary Inspector determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### **Opinion**

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Parliamentary Inspector of the Corruption and Crime Commission at 30 June 2014 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.



### **Report on Controls**

I have audited the controls exercised by the Parliamentary Inspector of the Corruption and Crime Commission during the year ended 30 June 2014.

Controls exercised by the Parliamentary Inspector of the Corruption and Crime Commission are those policies and procedures established by the Parliamentary Inspector to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

#### *Parliamentary Inspector's Responsibility for Controls*

The Parliamentary Inspector is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

#### *Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Parliamentary Inspector of the Corruption and Crime Commission based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Parliamentary Inspector complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

### **Opinion**

In my opinion, the controls exercised by the Parliamentary Inspector of the Corruption and Crime Commission are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2014.

### **Report on the Key Performance Indicators**

I have audited the key performance indicators of the Parliamentary Inspector of the Corruption and Crime Commission for the year ended 30 June 2014.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

#### *Parliamentary Inspector's Responsibility for the Key Performance Indicators*

The Parliamentary Inspector is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Parliamentary Inspector determines necessary to ensure that the key performance indicators fairly represent indicated performance.

#### *Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Parliamentary Inspector's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

### **Opinion**

In my opinion, the key performance indicators of the Parliamentary Inspector of the Corruption and Crime Commission are relevant and appropriate to assist users to assess the Parliamentary Inspector's performance and fairly represent indicated performance for the year ended 30 June 2014.

### **Independence**

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

### **Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators**

This auditor's report relates to the financial statements and key performance indicators of the Parliamentary Inspector of the Corruption and Crime Commission for the year ended 30 June 2014 included on the Parliamentary Inspector's website. The Parliamentary Inspector's management is responsible for the integrity of the Parliamentary Inspector's website. This audit does not provide assurance on the integrity of the Parliamentary Inspector's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



GLEN CLARKE  
DEPUTY AUDITOR GENERAL  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
25 August 2014



## Key Performance Indicators

### Certification of Key Performance Indicators for the Year Ended 30 June 2014

I hereby certify that the Key Performance Indicators are based on proper records, are relevant and appropriate for assisting users to assess the Office of the Parliamentary Inspector of the Corruption and Crime Commission's performance, and fairly represent the performance of the Office of the Parliamentary Inspector of the Corruption and Crime Commission for the financial year ended 30 June 2014.



The Hon Michael Murray QC  
Accountable Authority

21 August 2014





# PERFORMANCE INDICATOR REPORT

For the period 1 July 2013 to 30 June 2014.

## OUTCOMES AND SERVICES

### RELATIONSHIPS TO GOVERNMENT GOALS

Broad, high-level government goals are supported at agency level by more specific agency desired outcomes. Agencies deliver services to achieve these desired outcomes that ultimately contribute to meeting the higher level government strategic goals. The following table illustrates the relationship between the agency level desired outcome and service and the most appropriate government goal.

Government Goal	PICCC Desired Outcome	Service
Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.	An informed Parliament on the integrity of the Corruption and Crime Commission.	Evaluation of the effectiveness and appropriateness of Corruption and Crime Commission operations.

### KEY EFFECTIVENESS INDICATOR

	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Target	2013-14 Actual
Number of investigations completed and reported to Parliament within target timeframes *	1	1	1	1	1

\* The Parliamentary Inspector is not required to report to Parliament until after the audit of these Key Performance Indicators, therefore the investigation referred to in the effectiveness indicator is the annual report for the previous year.

The Parliamentary Inspector of the Crime and Corruption Commission seeks to achieve the outcome of *an informed Parliament on the integrity of the Corruption and Crime Commission*. The indicator is measured by determining if the Parliamentary Inspector met the statutory annual reporting requirements contained in section 203 of the *Corruption and Crime Commission Act 2003* i.e.



### **203. Annual report to Parliament**

- (1) *The Parliamentary Inspector is to prepare, within 3 months after 30 June of each year, a report as to his or her general activities during that year.*
- (2) *The Parliamentary Inspector is to cause a copy of a report prepared under this section to be laid before each House of Parliament, or dealt with under section 206, within 21 days of the preparation of the report.*
- (3) *This section does not limit Part II Division 14 of the Financial Administration and Audit Act 1985 and the report required under this section may be prepared and dealt with in conjunction with the report required under that Division.*

This measure is a key indicator of performance because timeliness of reporting is essential if the Parliament is to base decisions on the information provided by the Parliamentary Inspector.

### **KEY EFFICIENCY INDICATORS**

	<b>2010-11 Actual</b>	<b>2011-12 Actual</b>	<b>2012-13 Actual</b>	<b>2013-14 Target</b>	<b>2013-14 Actual</b>
Average cost per investigation/case	\$8,097	\$6,551	\$6,843	\$7,116	\$8,110
Cost of the audit function as a percentage of total cost of operations	39%	52%	59%	62%	49%

### **AVERAGE COST PER INVESTIGATION/CASE**

The average cost per investigation/case is calculated by determining the total cost of the investigation function and dividing it by the number of investigations closed for the period.

The total cost of the investigation function is calculated by determining the percentage of salaries devoted to the investigation function and then applying that percentage to the total expenditure of the Parliamentary Inspector of the Crime and Corruption Commission for the period. This gives the total cost of the investigation function.



The number of specific investigations conducted and completed by the Parliamentary Inspector is recorded electronically. Each investigation is commenced by receipt of a written complaint and recorded in a complaints register. When the investigation is completed it is recorded as closed. The number of investigations is drawn from this information.

The higher than target average cost per investigation/case is due to an increase in both the total expenditure of the Parliamentary Inspector of the Corruption and Crime Commission, and in the percentage of time devoted to its investigation function. The increase in total expenditure is mainly due to a rise in the cost of administrative support and services provided by the Department of the Attorney General, and in employee benefits paid to the additional Acting Parliamentary Inspector appointed during the year due to operational necessity.

### **COST OF THE AUDIT FUNCTION AS A PERCENTAGE OF TOTAL COST OF OPERATIONS**

The cost of the audit function as a percentage of the total cost of operations is calculated by determining the percentage of total Parliamentary Inspector of the Crime and Corruption Commission salaries devoted to the audit function and then applying that percentage to the total expenditure of the Parliamentary Inspector of the Crime and Corruption Commission for the period. For example, if 50% of salaries cost is devoted to the audit function then it is considered that 50% of the total cost of the Parliamentary Inspector of the Crime and Corruption Commission is devoted to the audit function.

The investigative workload of the office increased almost doubled in 2013-14 which reduced the time available for the audit function to 49 percent as a percentage of total cost of operation.



## OUTCOMES AND SERVICES

### Relationships to Government Goals

Broad, high-level government goals are supported at agency level by more specific agency desired outcomes. Agencies deliver services to achieve these desired outcomes that ultimately contribute to meeting the higher level government strategic goals. The following table illustrates the relationship between the agency level desired outcome and service and the most appropriate government goal.

Government Goal	PICCC Desired Outcome	Service
Developing and maintaining a skilled, diverse and ethical public sector serving the Government with consideration of the public interest.	An informed Parliament on the integrity and effectiveness of the Corruption and Crime Commission.	Evaluation of the effectiveness and appropriateness of Corruption and Crime Commission operations.

## OTHER FINANCIAL DISCLOSURES

Certification of Financial Statements (attached to report).

## GOVERNMENT DISCLOSURES

Financial interests – Nil

Officers receiving a benefit – Nil

## OTHER LEGAL REQUIREMENTS

### Advertising and Marketing Expenditure

Below is a summary of advertising and marketing expenditure from 1 July 2013 to 30 June 2014 in accordance with s 175ZE(1) of the Electoral Act 1907

Advertising and Marketing Expenditure	Amount (\$)
Advertising agencies	Nil
Market research organisations	Nil
Media advertising organisations	Nil
Direct mail organisations	Nil
Polling organisations	Nil
<b>TOTAL</b>	Nil

## MINISTERIAL DIRECTIVES

There were no ministerial directives during 2013/14.





**Office of the Parliamentary Inspector of the Corruption and Crime Commission of  
Western Australia**

**Financial Statements**

**Certification of Financial Statements**

**For the year ended 30 June 2014**

The accompanying financial statements of the Office of the Parliamentary Inspector of the Corruption and Crime Commission have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2014 and the financial position as at 30 June 2014.

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

The Hon Michael Murray QC  
Accountable Authority

21 August 2014

Rodolfo Montilva  
A/ Chief Finance Officer

21 August 2014



**Office of the Parliamentary Inspector of the Corruption and Crime Commission  
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**Statement of Comprehensive Income**  
For the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>COST OF SERVICE</b>			
<b>Expenses</b>			
Employee benefits expense	6	466,197	377,861
Supplies and services	7	162,289	147,061
Accommodation expenses	8	42,944	39,718
Other expenses	9	28,269	36,187
<b>Total cost of services</b>		<b>699,699</b>	<b>600,827</b>
<b>Income</b>			
Other income	10	1,180	-
<b>Total income other than income from State Government</b>		<b>1,180</b>	<b>-</b>
<b>NET COST OF SERVICES</b>		<b>698,519</b>	<b>600,827</b>
<b>Income from State Government</b>			
Service appropriation	11	527,000	519,000
Resources received free of charge	11	132,282	114,110
<b>Total income from State Government</b>		<b>659,282</b>	<b>633,110</b>
<b>SURPLUS / (DEFICIT) FOR THE PERIOD</b>		<b>(39,237)</b>	<b>32,283</b>
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD</b>		<b>(39,237)</b>	<b>32,283</b>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



**Office of the Parliamentary Inspector of the Corruption and Crime Commission  
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**Statement of Financial Position**  
As at 30 June 2014

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	17	493,326	480,602
Receivables	12	1,106	250
<b>Total Current Assets</b>		<b>494,432</b>	<b>480,852</b>
<b>Non-Current Assets</b>			
Amounts receivable for services	13	53,000	53,000
<b>Total Non-Current Assets</b>		<b>53,000</b>	<b>53,000</b>
<b>TOTAL ASSETS</b>		<b>547,432</b>	<b>533,852</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	14	26,685	9,410
Provisions	15	149,285	79,762
<b>Total Current Liabilities</b>		<b>175,970</b>	<b>89,172</b>
<b>Non-Current Liabilities</b>			
Provisions	15	-	33,981
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>33,981</b>
<b>TOTAL LIABILITIES</b>		<b>175,970</b>	<b>123,153</b>
<b>NET ASSETS</b>		<b>371,462</b>	<b>410,699</b>
<b>EQUITY</b>			
Contributed equity	16	160,000	160,000
Accumulated surplus	16	211,462	250,699
<b>TOTAL EQUITY</b>		<b>371,462</b>	<b>410,699</b>

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



**Office of the Parliamentary Inspector of the Corruption and Crime Commission  
Annual Report 2013/2014**

**Statement of Changes in Equity**  
For the year ended 30 June 2014

	Note	Contributed equity \$	Accumulated surplus \$	Total equity \$
<b>Balance at 1 July 2012</b>	16	160,000	218,416	378,416
Total comprehensive income for the period		-	32,283	32,283
<b>Balance at 30 June 2013</b>		<b>160,000</b>	<b>250,699</b>	<b>410,699</b>
<b>Balance at 1 July 2013</b>		160,000	250,699	410,699
Total comprehensive income for the period		-	(39,237)	(39,237)
<b>Balance at 30 June 2014</b>		<b>160,000</b>	<b>211,462</b>	<b>371,462</b>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.



**Office of the Parliamentary Inspector of the Corruption and Crime Commission  
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**Statement of Cash Flows**

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		527,000	514,000
<b>Net cash provided by State Government</b>		<b>527,000</b>	<b>514,000</b>
Utilised as follows:			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(412,810)	(319,845)
Supplies and services		(57,666)	(96,690)
Accommodation		(42,944)	(39,718)
GST payments on purchases		(4,950)	(4,911)
<b>Receipts</b>			
GST receipts from taxation authority		4,094	5,077
<b>Net cash used in operating activities</b>	17	<b>(514,276)</b>	<b>(456,087)</b>
Net increase in cash and cash equivalents		12,724	57,913
Cash and cash equivalents at the beginning of the reporting period		480,602	422,689
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	17	<b>493,326</b>	<b>480,602</b>

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





**Office of the Parliamentary Inspector of the Corruption and Crime Commission**  
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**Notes to the Financial Statements**

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**Note 1 Australian Accounting Standards**

**General**

The financial statements for the Office of the Parliamentary Inspector of the Corruption and Crime Commission (the Office) for the year ended 30 June 2014 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Office has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

**Early adoption of standards**

The Office cannot adopt an Australian Accounting Standard earlier than the commencement date unless specifically permitted by Treasurer's instruction 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not yet operative) by the Office of the Parliamentary Inspector for the annual reporting period ended 30 June 2014.

**Note 2 Summary of significant accounting policies**

**(a) General statement**

The Office is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

*The Financial Management Act* and the Treasurer's Instructions impose legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

**(b) Basis of preparation**

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar.

**(c) Reporting entity**

The reporting entity comprises the Office of the Parliamentary Inspector and no other related bodies.

**Mission**

The Office of the Parliamentary Inspector accepts and can investigate allegations of misconduct by the Corruption and Crime Commission.

It also makes recommendations to the Corruption and Crime Commission, independent agencies, appropriate authorities and reports and makes recommendations to Parliament and Standing Committees.

**(d) Contributed equity**

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

**(e) Income**

**Revenue recognition**

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:





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## **Notes to the Financial Statements**

### *Service appropriations*

Service Appropriations are recognised as revenues at fair value in the period in which the Office gains control of the appropriated funds. The Office gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the holding account held at Treasury.

### **(f) Property, plant and equipment**

#### Capitalisation/expensing of assets

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income.

#### Initial recognition and measurement

Property, plant and equipment are initially recognised at cost. For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

#### Subsequent measurement

Subsequent to initial recognition of an asset, items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

#### Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Office equipment	10 years
Computers	5 years

### **(g) Impairment of assets**

Property, plant and equipment are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Office is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and the depreciated replacement cost.

### **(h) Leases**

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

### **(i) Financial instruments**

In addition to cash, the Office has two categories of financial instrument:

- Receivables; and
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

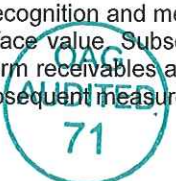
#### Financial Assets

- Cash and cash equivalents
- Receivables
- Amounts receivable for services

#### Financial Liabilities

- Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method. The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.



## **Notes to the Financial Statements**

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### **(j) Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

### **(k) Accrued salaries**

Accrued salaries (see note 14 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Office of the Parliamentary Inspector considers the carrying amount of accrued salaries to be equivalent to its fair value. The last pay day in 2013-2014 was 19 June 2014, therefore an accrual of 7 days was provided for this financial year.

### **(l) Amounts receivable for services (holding account)**

The Office receives income from the State Government partly in cash and partly as an asset (holding account receivable). The accrued amount appropriated is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

### **(m) Receivables**

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Office will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

### **(n) Payables**

Payables are recognised when the Office becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

### **(o) Provisions**

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

#### Provisions - employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

#### *Annual leave*

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

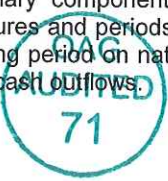
When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### *Long service leave*

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.





## **Notes to the Financial Statements**

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Unconditional long service leave provisions are classified as current liabilities as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Authority has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

### *Superannuation*

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees became able to choose their preferred superannuation fund provider. The Office makes concurrent contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Office of the Parliamentary Inspector's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GSS, the WSS, and the GESBS, where the current service superannuation charge is paid by the Authority to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS, the WSS, and the GESBS are extinguished by the concurrent payment of employer contributions to the GESB.

The Office has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasury. All other GSS obligations are funded by concurrent contributions made by the Office to the GESB.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, from an agency perspective, apart from the pre-transfer benefits, it is a defined contribution plan under AASB 119.

### Provisions – other

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Office 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

### **(p) Superannuation expense**

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation funds. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

### **(q) Resources received free of charge or for nominal cost**

Resources (assets and services) received free of charge or for nominal cost are recognised as income at fair value where the fair value can be reliably measured and the resources would have been purchased if not donated. A corresponding expense is recognised. Receipts of assets are recognised in the Statement of Financial Position.

Resources received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

### **(r) Comparative figures**

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



## **Notes to the Financial Statements**

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### ***Note 3 Judgements made by management in applying accounting policies***

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Office evaluates these judgements regularly.

### ***Note 4 Key sources of estimation uncertainty***

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

### ***Long service leave***

Several estimations and assumptions used in calculating the Office long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

### ***Note 5 Disclosure of changes in accounting policy and estimates***

#### **Initial application of an Australian Accounting Standard**

The Office has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2013 that impacted the office.

AASB 119	<i>Employee Benefits</i>  This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements.  The Office assessed employee leave patterns to determine whether annual leave is a short-term or other long-term employee benefit. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.
AASB 2011-10	<i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 &amp; 2011-8 and Interpretation 14]</i>  This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.
AASB 2012-2	<i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 &amp; 132]</i>  This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There is no financial impact.
AASB 2012-5	<i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 &amp; 134 and Int 2]</i>  This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.



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**Notes to the Financial Statements**

**Future impact of Australian Accounting Standards not yet operative**

The Office cannot adopt an Australian Accounting Standard earlier than the commencement date unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Office of the Parliamentary Inspector has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Office of the Parliamentary Inspector. Where applicable, the Office plans to apply these Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 9	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard was amended to 1 January 2018 by AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
AASB 1055	<p><i>Budgetary Reporting</i></p> <p>This Standard specifies the nature of budgetary disclosures, the circumstances in which they are to be included in the general purpose financial statements of not-for-profit entities within the General Government Sector. The office will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.</p>	1 Jul 2014
AASB 2010-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Interpretation 2, 5, 10, 12, 19 &amp; 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>AASB2012-6 amended the mandatory application date of this Standard to 1 January 2015. The Office has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2015
AASB 2012-3	<p><i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i></p> <p>This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>The Model Office does not routinely hold financial assets and financial liabilities that it intends to settle on a net basis, therefore there is no financial impact.</p>	1 Jan 2014



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**Notes to the Financial Statements**

**Note 6 Employee benefits expense**

	2014	2013
	\$	\$
Wages and salaries <sup>(a)</sup>	428,996	354,491
Superannuation - defined contribution plans <sup>(b)</sup>	37,201	23,370
	<u>466,197</u>	<u>377,861</u>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component.

(b) Defined contribution plans include West State, Gold State, GESB and other eligible funds.

Employment on-costs expenses, such as workers' compensation insurance, are included at note 9 'Other expenses'.

Employment on-costs liability is included at note 16 'Provisions'.

**Note 7 Supplies and services**

	2014	2013
	\$	\$
Communications	2,647	4,260
Consumables	9,954	12,285
Consultants and contractors	17,406	16,406
Resources received free of charge (note 11)	132,282	114,110
	<u>162,289</u>	<u>147,061</u>

**Note 8 Accommodation expenses**

	2014	2013
	\$	\$
Building rentals	42,944	39,718
	<u>42,944</u>	<u>39,718</u>

**Note 9 Other expenses**

	2014	2013
	\$	\$
Motor vehicle operating lease	-	1,715
Insurance other	5,895	5,500
Advertising and promoting	-	11,551
Other expenses <sup>(a)</sup>	22,374	17,421
	<u>28,269</u>	<u>36,187</u>

(a) Includes bank fees, court transcripts, electricity, travel; motor vehicle operating expense; and leased car bay.

**Note 10 Other Income**

	2014	2013
	\$	\$
Other income	1,180	-
	<u>1,180</u>	<u>-</u>

Other income relates to a credit note received in 2013-2014 due to overcharging on accommodation expense in the prior year.





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**Notes to the Financial Statements**

**Note 11 Income from State Government**

	2014	2013
	\$	\$
Appropriation received during the period:		
Service appropriation <sup>(a)</sup>	527,000	519,000
Resources received free of charge from other state government agencies during the period: <sup>(b)</sup>		
Department of the Attorney General		
- financial, human resources and information technology services	132,282	114,110
<b>Total Income from State Government</b>	<b>659,282</b>	<b>633,110</b>

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.

(b) Resources received free of charge or for nominal cost are recognised as revenue at fair value of the resources that can be reliably measured and which would have been purchased if they were not donated. The value of resources received free of charge recognised during the period was calculated based on estimates and information provided by Department of Attorney General.

**Note 12 Receivables**

	2014	2013
	\$	\$
<u>Current</u>		
GST receivable	1,106	250
<b>Total Current</b>	<b>1,106</b>	<b>250</b>

**Note 13 Amounts receivable for services (holding Account)**

	2014	2013
	\$	\$
Non Current	53,000	53,000
<b>Total Non Current</b>	<b>53,000</b>	<b>53,000</b>

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

**Note 14 Payables**

	2014	2013
	\$	\$
<u>Current</u>		
Trade payables	-	570
Accrued salaries	26,685	8,840
<b>Total current</b>	<b>26,685</b>	<b>9,410</b>



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**Notes to the Financial Statements**

**Note 15 Provisions**

	2014	2013
	\$	\$
<u>Current</u>		
Employee benefits provision		
Annual leave <sup>(a)</sup>	99,905	76,401
Long service leave <sup>(b)</sup>	49,380	3,361
	<u>149,285</u>	<u>79,762</u>
<u>Non-Current</u>		
Employee benefits provision		
Long service leave <sup>(b)</sup>	-	33,981
	<u>-</u>	<u>33,981</u>

Assessments indicated that actual settlement of the annual leave liabilities is expected to occur as follows:

	2014	2013
	\$	\$
Within 12 months of the end of the reporting period	99,905	76,401
More than 12 months after the end of the reporting period	-	-
	<u>99,905</u>	<u>76,401</u>

Assessments indicate that actual settlement of the long service leave liabilities is expected to occur as follows:

	2014	2013
	\$	\$
Within 12 months of the end of the reporting period	-	2,240
More than 12 months after the end of the reporting period	49,380	35,102
	<u>49,380</u>	<u>37,342</u>

(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. All employees will be eligible to access their long service leave entitlement within 12 months after the reporting period, therefore the entire long service leave provision has been classified as current.

**Note 16 Equity**

The Western Australia Government holds the equity interest in the Office on behalf of the community. Equity represents the residual interest in the net assets of the Office.

	2014	2013
	\$	\$
<b>Contributed equity</b>		
Balance at start of period	160,000	160,000
Balance at end of period	<u>160,000</u>	<u>160,000</u>
<b>Accumulated surplus</b>		
Balance at start of period	250,699	218,416
Result for the period	(39,237)	32,283
Balance at end of period	<u>211,462</u>	<u>250,699</u>
<b>Total Equity at end of period</b>	<u>371,462</u>	<u>410,699</u>

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**Notes to the Financial Statements**

**Note 17 Notes to the Statement of Cash Flows**

**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:

	2014	2013
	\$	\$
Cash and cash equivalents	493,326	480,602
	<u>493,326</u>	<u>480,602</u>

**Reconciliation of net cost of services to net cash flows used in operating activities**

	2014	2013
	\$	\$
Net cost of services	(698,519)	(600,827)
<u>Non-cash items</u>		
Resources received free of charge	132,282	114,110
<u>(Increase)/decrease in assets</u>		
Prepayments	-	603
<u>Increase/(decrease) in liabilities</u>		
Current payables <sup>(a)</sup>	17,275	(1,296)
Provisions	69,523	5,811
Non-current provisions	(33,981)	25,346
Change in GST in receivables/payables <sup>(b)</sup>	(856)	166
<b>Net cash provided by/ (use in) operating activities</b>	<u><b>(514,276)</b></u>	<u><b>(456,087)</b></u>

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This reverses out the GST in receivables and payables.



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***Note 18 Explanatory statement***

Significant variations between the estimates and actual results for income and expenses are shown below. Significant variations are considered to be those greater than 5% or \$7,000.

Significant variances between actual results for 2014

	2014 Estimate	2014 Actual	Variance
	\$	\$	\$
<b><u>Expense</u></b>			
Employee benefits expenses	434,000	466,197	(32,197)
Supplies and services	119,000	162,289	(43,289)
<b><u>Income from State Government</u></b>			
Resources free of charge	91,000	132,282	(41,282)

Employee benefits expense

The increase is mainly due to the payment of salaries owed to the additional Acting Parliamentary Inspectors and a full year remuneration paid to the Parliamentary Inspector.

Supplies and services

Supplies and services were greater than anticipated due to an increase in the provision of secretarial services and administrative support to the Office of the Parliamentary Inspector by the Department of the Attorney General as resources received free of charge.

Resources received free of charge

Resources received free of charge were greater than anticipated due to an increase in the provision of secretarial services and administrative support to the Office of the Parliamentary Inspector by the Department of the Attorney General.





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**Significant variances between actual results for 2014 and 2013**

	2014 Actual	2013 Actual	Variance
	\$	\$	\$
<b><u>Income</u></b>			
Service appropriations	527,000	519,000	8,000
Resources received free of charge	132,282	114,110	18,172
<b><u>Expense</u></b>			
Employee benefits expense	466,197	377,861	88,336

**Service appropriations**

The increase in service appropriation is attributed to escalation in remuneration of the accountable authority by the Salaries and Allowances Tribunal. Remuneration for senior officers also increased as per the Public Sector General Agreement.

**Resources received free of charge**

Resources received free of charge were greater than anticipated due to an increase in the provision of secretarial services and administrative support to the Office of the Parliamentary Inspector by the Department of the Attorney General.

**Employee benefits expense**

The increase is mainly due to the payment of salaries owed to the additional Acting Parliamentary Inspectors and a full year remuneration paid to the Parliamentary Inspector.

**Note 19 Financial instruments**

**(a) Financial risk management objectives and policies**

Financial instruments held by the Office are cash and cash equivalents, receivables and payables. The Office has limited exposure to financial risks. The Office overall risk management program focuses on managing the risks identified below.

**Credit risk**

Credit risk arises when there is the possibility of the Office receivables defaulting on their contractual obligations resulting in financial loss to the Office. The maximum exposure to credit risk at end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment, as shown in the table at Note 21(c) 'Financial instruments disclosures' and Note 12 'Receivables'.

Credit risk associated with the Office financial assets is minimal because the main receivable is the amounts receivable for services (holding account). The Office does not have any significant credit risks as services are provided only to government agencies. In addition, receivable balances are monitored on an ongoing basis with the result that the Office exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk other than in respect of cash and equivalents.

**Liquidity risk**

Liquidity risk arises when the Office is unable to meet its financial obligations as they fall due. The Office is exposed to liquidity risk through its trading in the normal course of business. The Office has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

**Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Office's income on the value of its holdings of financial instruments. The Office does not trade in foreign currency and is not materially exposed to other price risks because it does not hold investments in securities on bonds.

The Office is not exposed to interest rate risk because cash and cash equivalents are non-interest bearing and it has no borrowings therefore neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.



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**(b) Categories of financial instruments**

The carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are:

	2014	2013
	\$	\$
<u>Financial Assets</u>		
Cash and cash equivalents	493,326	480,602
Receivables <sup>(a)</sup>	53,000	53,000
	<b>546,326</b>	<b>533,602</b>
<u>Financial Liabilities</u>		
Payables	26,685	9,410
	<b>26,685</b>	<b>9,410</b>

(a) The amount of loans and receivables excludes GST recoverable from the Australian Taxation Office (statutory receivable).

**(c) Financial instruments disclosures**

Credit Risk

The following table details the Office maximum exposure to credit risk, and the ageing analysis of financial assets. The Office maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the office.

The Office does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

**Ageing analysis of financial assets**

	Carrying Amount	Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Up to 1 month	1-3 months	3 months to 1 year	More than 5 years	
	\$	\$	\$	\$	\$	\$	\$
<b>2014</b>							
Cash and cash equivalents	493,326	493,326	-	-	-	-	-
Amounts receivable for services	53,000	53,000	-	-	-	-	-
	<b>546,326</b>	<b>546,326</b>	-	-	-	-	-
<b>2013</b>							
Cash and cash equivalents	480,602	480,602	-	-	-	-	-
Amounts receivable for services	53,000	53,000	-	-	-	-	-
	<b>533,602</b>	<b>533,602</b>	-	-	-	-	-



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Liquidity risk

	Carrying Amount \$	Nominal Amount \$	Up to 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$
<b>2014</b>						
<u>Financial Assets</u>						
Cash and cash equivalents	493,326	493,326	493,326	-	-	-
Amounts receivable for services	53,000	53,000	-	-	-	53,000
	<b>546,326</b>	<b>546,326</b>	<b>493,326</b>	<b>-</b>	<b>-</b>	<b>53,000</b>
<u>Financial Liabilities</u>						
Payables	26,685	26,685	26,685	-	-	-
	<b>26,685</b>	<b>26,685</b>	<b>26,685</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2013</b>						
<u>Financial Assets</u>						
Cash and cash equivalents	480,602	480,602	480,602	-	-	-
Amounts receivable for services	53,000	53,000	-	-	-	53,000
	<b>533,602</b>	<b>533,602</b>	<b>480,602</b>	<b>-</b>	<b>-</b>	<b>53,000</b>
<u>Financial Liabilities</u>						
Payables	9,410	9,410	9,410	-	-	-
	<b>9,410</b>	<b>9,410</b>	<b>9,410</b>	<b>-</b>	<b>-</b>	<b>-</b>

Fair values

All financial assets and liabilities recognised in the statement of financial position and recognised at amount that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.





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**Note 20 Remuneration of members of the accountable authority and senior officers**

The number of members of the accountable authority of the Office, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

\$	2014	2013
10,001 - 20,000	1	1
30,001 - 40,000	1	-
40,001 - 50,000	-	1
100,001 - 110,000	-	1
220,001 - 230,000	1	-
	\$	\$
<b>Total remuneration of members of the accountability authority</b>	<b>281,723</b>	<b>167,793</b>

The total remuneration includes the superannuation expense incurred by the Office in respect of members of the accountable authority.

The number senior officers, other than senior officers reported as members of the accountable authority, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

\$	2014	2013
210,001 - 220,000	-	1
230,001 - 240,000	1	-
	\$	\$
<b>Total remuneration of senior officers</b>	<b>230,179</b>	<b>218,348</b>

The total remuneration includes the superannuation expense incurred by the Authority in respect of senior officers other than senior officers reported as members of the accountable authority.

**Note 21 Remuneration of auditor**

Remuneration paid or payable to the Auditor General in respect of the audit for current financial year is as follows:

	2014	2013
	\$	\$
Auditing the accounts, financial statements and key performance indicators	16,000	15,500

**Note 22 Events occurring after the end of the financial period**

There were no events occurring after the end of the financial period.

**Note 23 Contingent liabilities and contingent assets**

There were no contingent liabilities or contingent assets as at 30 June 2014 (2013: nil).

**Note 24 Related bodies**

The Office of the Parliamentary Inspector had no related bodies during the financial year (2013: nil).

**Note 25 Affiliated bodies**

The Office of the Parliamentary Inspector had no affiliated bodies during the financial year (2013: nil).





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***Note 26 Supplementary financial information***

There were no losses of public moneys or other public property through theft or default during the financial year (2013: nil).

There were no write offs of public money or other public property during the financial year (2013: nil).

There were no gifts of public property during the financial year (2013: nil).

