



PARLIAMENTARY INSPECTOR  
OF THE CORRUPTION AND CRIME COMMISSION  
WESTERN AUSTRALIA



*Annual Report*



*1 July 2005 -  
30 June 2006*



---

## **TABLE OF CONTENTS**

---

<b>PRELIMINARY OBSERVATIONS.....</b>	<b>1</b>
<b>1. ROLE AND FUNCTIONS OF THE PARLIAMENTARY INSPECTOR .....</b>	<b>2</b>
1.1 ANALYSIS OF THE AUDIT AND OTHER FUNCTIONS OF THE INSPECTOR .....	4
<b>2. POWERS OF THE PARLIAMENTARY INSPECTOR .....</b>	<b>7</b>
<b>3. THE OFFICE .....</b>	<b>8</b>
<b>4. RECORD-KEEPING PLAN .....</b>	<b>9</b>
<b>5. REPORT ON OPERATIONS.....</b>	<b>10</b>
5.1 REFERRALS .....	10
5.2 NATURE OF REFERRALS .....	10
5.3 CO-OPERATION OF THE COMMISSION .....	10
5.4 MONITORING THE COMMISSION'S OPERATIONS.....	10
5.5 REPORTS TO THE STANDING COMMITTEE .....	11
5.6 ACTING COMMISSIONER RAYNER .....	11
5.7 ACTING INSPECTOR .....	11
5.8 PERFORMANCE INDICATORS.....	12
<b>6. OPERATION OF THE COMMISSION.....</b>	<b>13</b>
<b>7. FINANCIAL STATEMENTS .....</b>	<b>14</b>

---

## PRELIMINARY OBSERVATIONS

---

This is my third Annual Report to Parliament as Parliamentary Inspector, and my second Annual Report covering a full 12 months reporting period. I was appointed in January 2004 (as was the Commissioner for Corruption and Crime, Mr Kevin Hammond), so the first Annual Report covered only a six-month period.

Section 203 of the Corruption and Crime Commission Act requires the Parliamentary Inspector to prepare, within 3 months of 30 June each year, a report as to his or her "general activities" during that year, and to cause it to be laid before each House of Parliament, or dealt with under Section 206 (where a House is not sitting) within 21 days of the preparation of the Report.

One of the functions of the Parliamentary Inspector is to "deal with matter of misconduct" on the part of the Commission and its officers. During the reporting period, I have found no evidence of such misconduct; and there have been only a comparatively few complaints, either directly to me, or referred to me by the Commission, of dissatisfaction with the Commission's handling of an allegation made to it, of misconduct by a public officer.

As in the previous year, the few complaints made regarding the operations and functions of the Commission, which have been either referred to me by the Commission, or come directly to me, indicate that the Commission is performing its statutory function satisfactorily and effectively.

As I also reported in the prior year, it continues to be necessary for me to clarify and explain the function of the Parliamentary Inspector, to dispel the misconception held by some members of the public, that the Inspector performs an appellate role, where a member of the public is dissatisfied with a conclusion reached by the Commission with respect to his or her complaint. That, of course, is not the Inspector's function. However, in "assessing the effectiveness and appropriateness of the Commission's procedures" (Act, s.195(1)(c)) it may be necessary to review and revisit the subject matter of a complaint, to ensure that it has been properly and fairly assessed by the Commission.

I am satisfied that the Commission has, during the reporting period, fulfilled its statutory functions effectively and appropriately.

It is not appropriate (nor indeed would it be proper) in a report on the Parliamentary Inspector's "general activities", to refer to specific cases. This report covers, in general terms, a number of matters including:

- Complaints and matters referred to the Inspector,
- Co-operation by the Corruption and Crime Commission,
- The operations of the Commission,
- Acting Parliamentary Inspector, and
- Reports to the Standing Committee

but does refer to 2 specific cases, which have already been the subject of reports made public.

---

## 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 *Corruption and Crime 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.

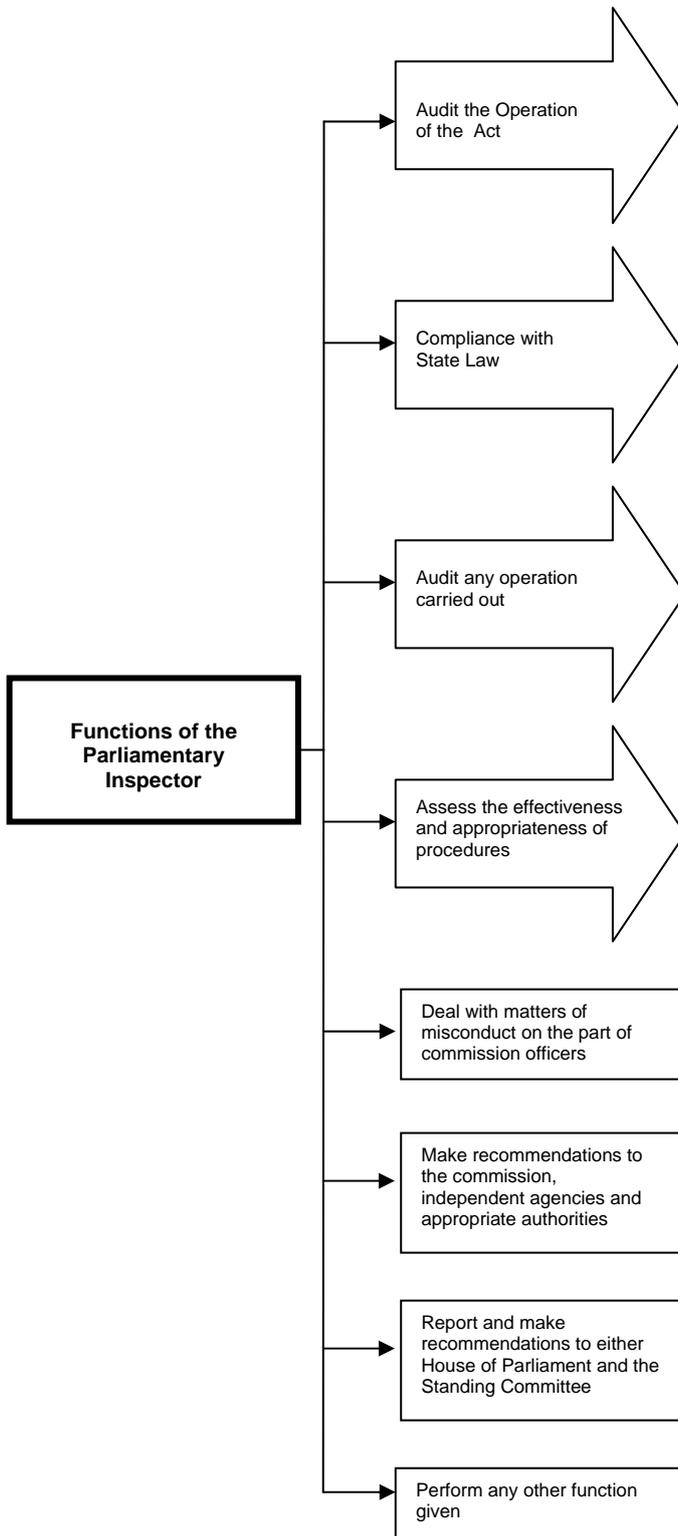
The Parliamentary Inspector has the following functions (s195)

- (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 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.

I have approached this issue on the basis that I will discuss any perceived shortcomings in the operation of the Act with the Commissioner, and report any such matters to the Standing Committee, with my recommendation.

### **(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 corresponding legislation in other States. To date, I have performed this function by seeking an assurance from the Commission as to compliance, examining its method of operation, and satisfying myself that there are systems in place to ensure compliance.

### **(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 is performed on a reactive basis. That is to say, I 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 website has been developed, explaining the role of the Parliamentary Commissioner, and how to make complaints. Furthermore, members of the public dealing with the Commission are given written 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 function 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:
- at random;
- on a risk assessment basis (such as where the use of special powers is extensive); or
- on a public interest basis.

In the reporting period, I have not received any request by the Minister, or reference by the Standing Committee or either House of Parliament, to perform this audit function in relation either to any specific operation of the Commission or generally. I have, during the reporting period, on my own initiative, and after consultation with the Commissioner examined several operations of the Commission, but not in the sense of a full audit.

I propose (subject to engagement of a suitable officer to assist) 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 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**

This function 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.

### **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. During the reporting period, the Commission has given me 3 such notifications.

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) 9323 2222 and the facsimile number is (08) 9325 3280. The email address is [piccc@piccc.wa.gov.au](mailto:piccc@piccc.wa.gov.au) and the website address is [piccc.wa.gov.au](http://piccc.wa.gov.au).

The position of Parliamentary Inspector is not a full time one. Although a modest office has been provided for my use at the premises occupied by the Corruption and Crime Commission, I have found it more convenient to operate the Inspectorate from my barrister's chambers, at 45 St Georges Terrace Perth, and to use my personal secretarial staff for matters related to the Corruption and Crime Commission and my duties as Parliamentary Inspector. The Inspector does not have any staff, at present, engaged specifically as a staff member of the Inspectorate, but I apprehend that it will become necessary to engage at least a part time officer in the future, to deal with a proposed audit function which I have discussed with the Joint Standing Committee.

The office operates appropriate computer systems, which are maintained by the 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 a record keeping plan which was finalised on 31 July 2005.

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

---

## **5. REPORT ON OPERATIONS**

---

### **5.1 REFERRALS**

During the reporting period the Inspectorate received 32 referrals, of which 7 were referred by the Commission. I referred one matter to the Commission.

### **5.2 NATURE OF REFERRALS**

Most of the 32 referrals received by me were allegations that a complaint made to the Commission was not dealt with by the Commission in a manner which was satisfactory to the complainant, frequently, the subject matter of the complaint did not come within the Commission's jurisdiction, or after investigation, the Commission was unable to find prima facie evidence of misconduct.

Matters referred to me frequently involve consideration of considerable documentary material, as well as correspondence with the complainant, and occasionally interviewing the complainant and others said to be able to verify the complaint. This can be very time-consuming. I also receive, from time to time, (on average about twice a week) telephone calls from members of the public, who may have called me directly, without having gone to the Commission, (I direct them to the Commission if they wish to raise a matter which prima facie falls within the Commission's jurisdiction); or who wish me to deal with a complaint which the Commission has rejected.

### **5.3 CO-OPERATION OF THE COMMISSION**

I have, consistently, received the utmost co-operation and assistance from the Commissioner, Mr Kevin Hammond, and the Commission Officers. I have been meeting with the Commissioner as the occasion arises, ie when necessary; but we have recently arranged to schedule a monthly meeting, to be held whether or not any specific issue has arisen.

### **5.4 MONITORING THE COMMISSION'S OPERATIONS**

Apart from receiving referrals from the Commission, the Commissioner keeps me informed of matters which are of public importance and significance. I have, from time to time, attended both public and private hearings conducted by the Commissioner, as an observer, and am satisfied that such hearings are conducted properly and in accordance with the law.

This leads me to a matter which, during the reporting year and since, has become one of some concern. There have been increasing demands on the time of the Commissioner, as the work of the Commission has expanded. A large proportion of his time is now being taken up in conducting, on oath, public or private examinations. It is desirable, indeed essential, that the Commissioner be relieved of some of this burden, by conferring on the Commission the power to delegate, to a legal practitioner considered by the Commissioner to be suitably qualified, and not subject to any conflict of interest, the power to conduct examinations on oath in specific cases. As the legislation stands, the Commission is expressly prohibited (by Section 185(2)) from delegating that power. A simple amendment to Section 185 is required, as a matter of urgency, to resolve the problem. This is a matter which both the Commissioner and I have raised with the Standing Committee.

## **5.5 REPORTS TO THE STANDING COMMITTEE**

By Section 201 of the Act, I may at any time, if I consider it appropriate to do so, make a referral to the Standing Committee on, inter alia, any matters affecting the Commission, including the operational effectiveness and requirements of the Commission.

In discussion with the Standing Committee, I have agreed that, where a matter relating to the Commission arises, which may be seen to one of public interest, I will endeavour to confer with the Standing Committee, before deciding whether to intervene.

## **5.6 ACTING COMMISSIONER RAYNER**

In August 2005 I was called upon by the Commission to consider and investigate an allegation of misconduct against Acting Commissioner Moira Rayner. The Commission referred the matter to me very promptly. Section 27 of the Act precluded the Commission from receiving the allegations and dealing with it, itself.

I proceeded to conduct an inquiry (which by Section 197(4) must not be open to the public) and in due course (on 25 August 2005) delivered a Report to the Standing Committee.

Ultimately, following discussions with the Standing Committee, the DPP and the Police, the Police have laid charges. Acting Commissioner Rayner has resigned. As the matter is sub judice, it is not appropriate to comment further.

## **5.7 ACTING INSPECTOR**

During the reporting year, I was pleased to be advised of the appointment of the Hon. Graeme Scott QC, a retired Justice of the WA Supreme Court, as an acting Parliamentary Inspector, pursuant to Section 193 of the Act. I have had several conversations with the Acting Inspector, to discuss the manner in which he may perform his function, which is to act where I am unable to do so, or am absent from the State.

Section 195(3) of the Act provides that the Parliamentary Inspector may declare himself unable to act in a particular matter by reason of actual or potential conflict of interest.

In March 2006 a matter concerning the Commission and Mr John D'Orazio MLA was referred to me. It arose out of a public hearing conducted by the Commission, and a remark by Ms Patti Chong, then counsel assisting the Commission at that hearing.

Although I knew nothing of relevance to the particular matter and was not acting for Mr D'Orazio as counsel, so that in that sense there was (arguably) no "actual or potential conflict of interest", the matter had become one of considerable public interest, attracting much media attention. I had once acted professionally for Mr D'Orazio, in a totally unrelated civil matter concerning his pharmacy business. Although that had been many years ago, I decided that, to avoid any perception of "conflict of interest" on my part, the matter should be dealt with by the Acting Inspector, and therefore made a declaration under Section 195(3) and Mr Scott, as Acting Inspector conducted the inquiry and duly reported to the Standing Committee.

This matter caused me carefully to consider the circumstances in which I should make a declaration under Section 195(3). I concluded that "actual or potential conflict of interest" should be interpreted broadly, so as to embrace circumstances where for any reason, there might be a "reasonable apprehension of bias", even if there was no actual bias.

## 5.8 PERFORMANCE INDICATORS

Three performance indicators have been developed to assist the Office of the Parliamentary Inspector of the Corruption and Crime Commission to measure its effectiveness and efficiency. These have not been certified for the year ending 30 June 2006 as they are currently being reviewed and refined. KPI's will be developed and trialed in 2006/07 for reporting in 2007/08.

The performance indicators include:

- **Number of referrals received** – this indicator measures the total number of referrals received by the Parliamentary Inspector's Office in the financial year;
- **Number of investigations finalised** – this quantity-based indicator displays the total number of investigations finalised by the Parliamentary Inspector's Office in the financial year and presumes that each referral results in an investigation (which is not always the case, however); and
- **Proportion of investigations finalised satisfactorily** – this indicator measures the percentage of investigations finalised satisfactorily. A satisfactorily finalised case is denoted by the processes of the Corruption and Crime Commission being deemed to have been upheld and an unsatisfactorily finalised case is denoted by the processes of the Corruption and Crime Commission being deemed not to have been followed.

No cost-based (efficiency) indicators were employed in the year ending 30 June 2006, due to the differing nature and complexity of each referral that the Parliamentary Inspector receives.

If an investigation that has concluded is reopened, through additional correspondence from the referral originator, it is considered to constitute a new referral.

### Table of Performance Indicators

Indicator	Six months to 30 June 2004	2005	2006
▪ Number of referrals received	-	30	32
▪ Number of investigations finalised	-	11	19
▪ Proportion of investigations finalised satisfactorily	100%	100%	100%

---

## 6. OPERATION OF THE COMMISSION

---

The Commission received 2361 complaints or allegations of misconduct during the reporting period. 22% were substantiated. 12 people were charged with a total of 147 criminal offences.

The Commission has published "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 matters pertaining to the Commission's operation, and is always available to confer with me as 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 during the reporting period the Commission has established a sound framework for ensuring that its various functions, as detailed in Part 2, Division 2, of the Act, are being adequately addressed, they being, specifically:

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

I also consider that all complaints of misconduct received by the Commission are thoroughly assessed, and that the basis of the Commission's decision on whether to proceed further, to an investigation is valid, taking into account, among other things, the age of the matter, the degree of public importance or interest, as well as the significance to the individual complainant.

---

## 7. FINANCIAL STATEMENTS

---



### AUDITOR GENERAL

#### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

##### Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Parliamentary Inspector of the Corruption and Crime Commission at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions; and
- (ii) 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.

##### Scope

The Parliamentary Inspector is responsible for keeping proper accounts and maintaining adequate systems of internal control, for 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 Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, 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 financial statements and controls. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

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.

JOHN DOYLE  
ACTING AUDITOR GENERAL  
7 September 2006

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND  
CRIME COMMISSION

STATEMENT OF CERTIFICATION

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 2006 and the financial position as at 30 June 2006.

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.

  
Mark Woodcock  
A/Director Financial Management  
Chief Finance Officer

16 August 2006

  
M McCusker QC  
Parliamentary Inspector  
Accountable Officer  
5 September  
August 2006

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION

**Income Statement**

for the year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expenses	4	144,691	144,325
Supplies and services	5	43,276	45,668
Depreciation expense	6	89,335	58,629
Accommodation expenses	7	30,987	47,076
Capital User Charge	8	32,600	-
Other expenses	9	19,757	27,086
<b>Total cost of services</b>		<u>360,646</u>	<u>322,784</u>
<b>NET COST OF SERVICES</b>		<u>360,646</u>	<u>322,784</u>
<b>INCOME FROM STATE GOVERNMENT</b>			
	10		
Service appropriation		505,000	390,000
Resources received free of charge		24,309	34,343
<b>Total revenues from State Government</b>		<u>529,309</u>	<u>424,343</u>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		168,663	101,559

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

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION

**Balance Sheet**

as at 30 June 2006

	Note	2006 \$	2005 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	17	441,363	189,188
Receivables	11	1,372	2,737
Amounts receivable for services	12	10,000	-
<b>Total Current Assets</b>		<u>452,735</u>	<u>191,925</u>
<b>Non-Current Assets</b>			
Amounts receivable for services	12	14,000	7,000
Property, plant and equipment	13	19,867	109,202
<b>Total Non-Current Assets</b>		<u>33,867</u>	<u>116,202</u>
<b>TOTAL ASSETS</b>		<u><b>486,602</b></u>	<u><b>308,127</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	14	1,294	1,943
Other current liabilities	15	461	-
<b>Total Current Liabilities</b>		<u>1,755</u>	<u>1,943</u>
<b>Total Liabilities</b>		<u>1,755</u>	<u>1,943</u>
<b>Net Assets</b>		484,847	306,184
<b>Equity</b>			
Contributed equity	16	160,000	150,000
Accumulated surplus/(deficiency)		324,847	156,184
<b>Total Equity</b>		<u>484,847</u>	<u>306,184</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>486,602</b></u>	<u><b>308,127</b></u>

The Balance Sheet should be read in conjunction with the accompanying notes.

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION

**Statement of changes in Equity**

*for the year ended 30 June 2006*

	Note	2006 \$	2005 \$
<b>Balance of equity at start of period</b>		306,184	150,000
<b>CONTRIBUTED EQUITY</b>			
Balance at start of period		150,000	150,000
Capital contribution		10,000	-
Balance at end of period		<u>160,000</u>	<u>150,000</u>
<b>ACCUMULATED SURPLUS</b>			
Balance at start of period		156,184	54,625
Surplus/(deficit) for period		<u>168,663</u>	<u>101,559</u>
Balance at end of period		<u>324,847</u>	<u>156,184</u>
<b>Balance of equity at end of period</b>		<u>484,847</u>	<u>306,184</u>
<b>Total Income and Expense for period</b>		168,663	101,559

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

**Cash Flow Statement**

*for the year ended 30 June 2006*

	Note	2006 \$	2005 \$
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		488,000	390,000
Capital contributions		10,000	-
<b>Net cash provided by State Government</b>		<u>498,000</u>	<u>390,000</u>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits expenses		(144,230)	(131,477)
Supplies and services		(103,597)	(110,080)
GST payments on purchases		(7,019)	(10,766)
<b>Receipts</b>			
GST receipts from taxation authority		9,021	23,272
<b>Net cash provided by/(used in) operating activities</b>	17(b)	<u>(245,825)</u>	<u>(229,051)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of non-current physical assets		-	(150,657)
<b>Net cash provided by/(used in) investing activities</b>		<u>-</u>	<u>(150,657)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		252,175	10,292
Cash and cash equivalents at the beginning of period		<u>189,188</u>	<u>178,896</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	17(a)	<u>441,363</u>	<u>189,188</u>

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

## **1 First time adoption of Australian equivalents to International Financial Reporting Standards**

This is the Commission's first published financial statements prepared under Australian Equivalents to International Financial Reporting Standards (AIFRS). AASB 1 'First-time adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements. The financial statements of the Commission until 30 June 2006 had been prepared under the previously Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprise a Framework for the Preparation and Presentation of Financial Statements, Australian Accounting Standards and the Urgent Issues Group (UIG) Interpretations.

In accordance with the option provided by AASB 1 paragraph 36A and exercised by Treasurer's Instruction (TI) 1101 'Application of Australian Accounting Standards and Other Pronouncements', financial instrument information prepared under AASB 132 and AASB 139 will apply from 1 July 2005 and consequently comparative information for financial instruments is presented on the previous AGAAP basis. All other comparative information has been prepared under the AIFRS basis.

### **Early adoption of standards**

The Commission cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. This TI requires the early adoption of revised AASB 119 'Employee Benefits' as issued in December 2004, AASB 2004-3 'Amendments to Australian Accounting Standards' and 2005-3 'Amendments to Australian Accounting Standards [AASB 119]'; AASB 2005-4 'Amendments to Australian Accounting Standard [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]' and AASB 2005-6 'Amendments to Australian Accounting Standards [AASB 3]' to the annual reporting period beginning 1 July 2005. AASB 2005-4 amends AASB 139 'Financial Instruments: Recognition and Measurement' so that the ability to designate financial assets and financial liabilities at fair value is restricted. AASB 2005-6 excludes business combinations involving common control from the scope of AASB 3 'Business Combinations'.

**2 Summary of significant accounting policies**

**(a) General Statement**

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board 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 the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board. 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.

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

**(b) Basis of preparation**

The financial statements have been prepared in accordance with Accounting Standard AAS29 'Financial Reporting by Government Departments' on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land, buildings and infrastructure which have been measured at fair

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 Commission and no other related bodies.

**(d) Contributed Equity**

UIG 1038 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" transfers in the nature of equity contributions must 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 in the financial statements. Capital contributions (appropriations) have been designated as contributions by owners and have been credited directly to Contributed Equity.

(e) **Income**

**Revenue**

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

*Sale of goods*

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser.

*Rendering of services*

Revenue is recognised upon delivery of the service to the client or by reference to the stage of completion.

*Interest*

Revenue is recognised as the interest accrues.

*Service Appropriations*

Service Appropriations are recognised as revenue in the period in which the Commission gains control of the appropriated funds. The Commission gains control of appropriated funds at the time those funds are deposited into the Commission's bank account or credited to the holding account held at the Department of Treasury and Finance.

*Grants, donations, gifts and other non-reciprocal contributions*

Revenue is recognised at fair value when the Commission obtains control over the assets comprising the contributions which is usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

*Gains*

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

**(f) Property, Plant and Equipment**

*Capitalisation/Expensing of assets*

Items of property, plant and equipment costing over \$1,000 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 \$1,000 are immediately expensed direct to the Income Statement (other than where they form part of a group of similar items which are significant in total).

*Initial recognition and measurement*

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

*Subsequent measurement*

After recognition as an asset, the Commission uses the cost model for property, plant and equipment. Items of property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses.

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

*Depreciation*

All non-current assets having a limited useful life are systematically depreciated over their estimated 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. Expected 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

**(g) Impairment of Assets**

Property, plant and equipment assets are tested for any indication of impairment at each reporting date. 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. As the Commission is a not-for-profit entity, unless an 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 depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at each reporting date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each reporting date.

**(h) Intangible assets**

All acquired and internally developed intangible assets are initially recognised at cost. Amortisation for intangible assets with finite lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis. All intangible assets controlled by the Department have a finite useful life and zero residual value. The expected useful life for Departmental intangible assets is 5 years.

**(i) Leases**

The Parliamentary Inspector has entered into an operating lease for the rent of the building. The lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Lease payments are expensed on a straight line basis over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

**(j) Financial Instruments**

The Commission has two categories of financial instrument:

- Loans and receivables (cash and cash equivalents, receivables); and
- Non-trading financial liabilities (payables, Treasurer's advance).

**(k) Cash and Cash equivalents**

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These are comprised of 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.

**(l) Accrued Salaries**

Accrued salaries (refer note 12) 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.

**(m) Receivables**

Receivables are recognised and carried at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Commission 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, 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.

**(o) Provisions**

**Provisions- Employee Benefits**

*Annual Leave and Long Service Leave*

This entitlement 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.

A liability for long service leave is recognised after an employee has completed four years of service. An actuarial assessment of long service leave undertaken by Price Waterhouse Coopers in 2004 determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments.

This method of measurement of the liability is consistent with the requirements of Australian Accounting Standards AASB 119 "Employee Benefits".

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

*Superannuation*

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes. Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members. The Commission has no liabilities for superannuation charges under the Pension or the GSS Schemes as the liability has been assumed by Treasurer.

Employees who are not members of either the Pension or the GSS Schemes become non-contributory members of the West State Superannuation Scheme (WSS), an accumulation fund. The Commission makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS Scheme. The GESB makes all benefit payments in respect of the Pension and GSS Schemes, and is recouped by the Treasurer for the employer's share.

**Superannuation expense**

The superannuation expense is comprised of the following elements:

Defined benefit plans- Change in the unfunded employer's liability in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme; and

Defined contribution plans- Employer contributions paid to the Gold State Superannuation Scheme and West State Superannuation Scheme.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided by the Commission in the current year.

A revenue "Liabilities assumed by the Treasurer" equivalent to (i) is recognised under Income from State Government in the Income Statement as the unfunded liability is assumed by the Treasurer. The GESB makes the benefit payments and is recouped by the Treasurer.

Defined contribution plans - in order to reflect the Commission's true cost of services, the Commission is funded for the equivalent of employer contributions in respect of the GSS Scheme (excluding transfer benefits). These contributions were paid to the GESB during the year and placed in a trust account administered by the GESB on behalf of the Treasurer. The GESB subsequently paid these employer contributions in respect of the GSS Scheme to the Consolidated Fund.

The GSS Scheme is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, apart from the transfer benefit, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the agency to GESB extinguishes the agency's obligations to the related superannuation liability.

**(p) Resources Received Free of Charge or for Nominal Cost**

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.

**(q) Comparative figures**

Comparative figures have been restated on the AIFRS basis except for financial instruments information, which has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. The transition date to AIFRS for financial instruments is 1 July 2005 in accordance with the exemption allowed under AASB 1, paragraph 36A and Treasurer's Instruction 1101.

### **3 Disclosure of changes in accounting policy and estimates**

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

The Commission cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. As referred to in Note 2, TI 1101 has only mandated the early adoption of revised AASB 119, AASB 2004-3, AASB 2005-3, AASB 2005-4 and AASB 2005-6. Consequently, the Commission has not applied the following Australian Accounting Standards and UIG Interpretations.

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007. The Standard is considered to result in increased disclosures of an entity's risks, enhanced disclosure about components of financial position and performance, and changes to the way of presenting financial statements, but otherwise there is no financial impact.

2. AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Commission does not undertake these types of transactions resulting in no financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2006.

3. UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease'. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At reporting date, the Commission has not entered into any arrangements as specified in the Interpretation resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2006.

**Notes to the Financial Statements**

for the year ended 30 June 2006

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>4 Employee benefits expenses</b>		
Salaries	132,782	133,732
Annual leave	-	(919)
Superannuation - West State	11,909	10,449
Other related expenses	-	1,063
	<u>144,691</u>	<u>144,325</u>
<b>5 Supplies and services</b>		
Goods and supplies	1,587	7,801
Services and contracts	17,380	3,524
Resources received free of charge (note 7)	24,309	34,343
	<u>43,276</u>	<u>45,668</u>
<b>6 Depreciation expense</b>		
Leasehold Improvements	85,078	53,514
Office equipment and Computers	4,257	5,115
	<u>89,335</u>	<u>58,629</u>
<b>7 Accommodation expense</b>		
Building rent operating lease expense	<u>30,987</u>	<u>47,076</u>
<p>Since December 2005, the PICCC no longer have any leased premises. The only employee of the PICCC, Malcolm McCusker, now works from his own law chambers.</p>		
<b>8 Capital User Charge</b>		
Capital user charge	<u>32,600</u>	<u>-</u>
<p>The Government applies a levy for the use of its capital for the delivery of services. It is applied at 8% per annum on the net assets of the Commission, excluding exempt assets, and is paid to the Department of Treasury and Finance quarterly.</p>		
<b>9 Other expenses</b>		
Communication Expenses	6,646	3,408
Computing Licences	-	12,784
Other expenses (a)	13,111	10,894
	<u>19,757</u>	<u>27,086</u>

(a) Includes workers compensation insurance, council rates, electricity and water, state taxes, staff travel and accommodation and staff training.

**Notes to the Financial Statements**

for the year ended 30 June 2006

	2006 \$	2005 \$
<b>10 Income from State Government</b>		
Appropriation revenue received during the year:		
Service appropriations (I)	<u>505,000</u>	<u>390,000</u>
Resources received free of charge (II)		
Determined on the basis of the following estimates provided by agencies:		
Office of the Auditor General (III)		
Audit services	-	-
Department of the Attorney General		
Accounting, human resources and information technology services	21,390	32,010
Department of Housing and Works		
Property management services	<u>2,919</u>	<u>2,333</u>
	<u>24,309</u>	<u>34,343</u>

(I) Service appropriations are accrual amounts reflecting the full cost of services 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.

(III) Commencing with the 2005-06 audit, the Office of the Auditor General will be charging a fee for auditing the accounts, financial statements and performance indicators.

Refer to note 20 for the Office of Auditor General audit fee payable in 2005-06 for the audit of the 2004-05 Financial Statements.

**11 Receivables**

Prepayments	637	-
GST receivable	735	2,737
	<u>1,372</u>	<u>2,737</u>

**Notes to the Financial Statements**

for the year ended 30 June 2006

---

	<b>2006</b>	<b>2005</b>
	\$	\$
<b>12 Amounts receivable for services</b>		
Current	10,000	-
Non current	14,000	7,000
	<u>24,000</u>	<u>7,000</u>

This asset 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.

**13 Property, plant and equipment**

Leasehold Improvements		
At cost	139,100	139,100
Accumulated depreciation	(139,100)	(54,022)
	<u>-</u>	<u>85,078</u>

Office Equipment and Computers		
At cost	29,418	29,418
Accumulated depreciation	(9,551)	(5,294)
	<u>19,867</u>	<u>24,124</u>
	<u>19,867</u>	<u>109,202</u>

Reconciliations:

Leasehold Improvements		
Carrying amount at start of year	85,078	123,445
Additions	-	15,147
Disposals	-	-
Depreciation	(85,078)	(53,514)
Carrying amount at end of year	<u>-</u>	<u>85,078</u>

Office Equipment and Computers		
Carrying amount at start of year	24,124	21,106
Additions	-	8,133
Disposals	-	-
Depreciation	(4,257)	(5,115)
Carrying amount at end of year	<u>19,867</u>	<u>24,124</u>
	<u>19,867</u>	<u>109,202</u>

**Notes to the Financial Statements**

for the year ended 30 June 2006

	2006 \$	2005 \$
<b>14 Payables</b>		
Trade and other creditors	<u>1,294</u>	<u>1,943</u>
<b>15 Other liabilities</b>		
Current		
Accrued Salaries		
1 working day accrued to 30 June 2006 (2005, nil).	<u>461</u>	<u>-</u>
<b>16 Equity</b>		
Equity represents the residual interest in the net assets of the Commission. The Government holds the equity interest in the Commission on behalf of the community.		
Contributed equity		
Balance at start of period	150,000	150,000
Capital contributions (I)	<u>10,000</u>	<u>-</u>
Balance at end of period	<u>160,000</u>	<u>150,000</u>
(I) Capital Contributions have been designated as contributions by owners and are credited directly to equity in the Balance Sheet.		
Accumulated surplus		
Balance at start of period	156,184	54,625
Change in net assets	<u>168,663</u>	<u>101,559</u>
Balance at end of period	<u>324,847</u>	<u>156,184</u>

**Notes to the Financial Statements**

for the year ended 30 June 2006

	2006 \$	2005 \$
<b>17 Notes to the Cash Flow Statement</b>		
<b>(a) Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	441,363	189,188
	<u>441,363</u>	<u>189,188</u>
<b>(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities</b>		
Net cost of services	(360,646)	(322,784)
Non-cash items:		
Depreciation	89,335	58,629
Resources received free of charge	24,309	34,343
(Increase) / decrease in assets:		
Prepayments	(637)	-
Increase / (decrease) in liabilities:		
Payables	(649)	(7,169)
Other current liabilities	461	(3,656)
Current provisions	-	(920)
Change in GST receivables	2,002	12,506
Net cash provided by/(used in) operating activities	<u>(245,825)</u>	<u>(229,051)</u>
<b>18 Commitments for expenditure</b>		
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	-	62,154
Later than 1 year and not later than 5 years	-	36,257
	<u>-</u>	<u>98,411</u>
PICCC no longer lease premises in the WSQ building. Therefore they have no lease commitments.		
<b>19 Remuneration of Accountable Authority</b>		
The total remuneration of the Accountable Authority is:	<u>144,691</u>	<u>124,737</u>
<b>20 Remuneration of Auditor</b>		
Remuneration to the Auditor General for the financial year is as follows:		
Auditing the accounts, financial statements and performance indicators	<u>5,800</u>	<u>5,500</u>

**21 Supplementary financial information**

- There were no losses of public moneys or other public property through theft or default during the financial year. (2005, nil)
- There were no write offs of public money or other public property during the financial year. (2004, nil)
- There were no gifts of public property during the financial year. (2005, nil)
- There were no contingent liabilities as at 30 June 2006. (2005, nil)
- There were no events occurring after the balance date at the end of the financial year. (2005, nil)
- The Parliamentary Inspector had no related bodies during the financial year. (2005, nil)
- The Parliamentary Inspector had no affiliated bodies during the financial year. (2005, nil)

## 22 Financial instruments

### (a) Financial Risk Management Objectives and Policies

Financial instruments held by the Commission are cash and cash equivalents, finance leases, Treasurer's advances and receivables and payables. The Commission has limited exposure to financial risks. The Commission's overall risk management program focuses on managing the risks identified below.

#### *Credit risk*

The Commission trades only with recognised, creditworthy third parties. The Commission has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Commission's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

#### *Liquidity risk*

The Commission has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

#### *Cash flow interest rate risk*

The Commission is not exposed to interest rate risk because cash and cash equivalents and restricted cash are non-interest bearing and have no borrowings other than the Treasurer's advance (non-interest bearing).

### (b) Financial Instrument disclosures

Financial instrument information for the year ended 2006 has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. Financial instrument information from 1 July 2005 has been prepared under AASB 132 'Financial Instruments: Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'.

#### *Interest rate risk exposure*

The Department's exposure to interest rate risk, repricing maturities and the weighted average interest rates on financial instruments at balance date are as follows:

	Weighted average interest rate	Floating interest rate	Fixed interest rate maturities			Non interest bearing	Total
			1 year or less	2 to 5 years	Over 5 years		
2006	%	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>							
Cash and cash equivalent assets						441,363	441,363
Receivables						1,372	1,372
Other assets						24,000	24,000
<b>Total financial assets</b>						<b>466,735</b>	<b>466,735</b>
<b>Liabilities</b>							
Payables						1,294	1,294
Other liabilities						461	461
<b>Total financial liabilities</b>						<b>1,755</b>	<b>1,755</b>
<b>Net financial asset/(liabilities)</b>						<b>464,980</b>	<b>464,980</b>
<b>2005</b>							
Financial assets						198,825	198,825
Financial liabilities						1,943	1,943
<b>Net financial assets/(liabilities)</b>						<b>196,882</b>	<b>196,882</b>

#### *Net fair values*

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

## 23 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 2006 \$	Estimate 2006 \$	Variance
<b>Expenses</b>			
Supplies and services	43,276	299,000	(255,724)
Depreciation expense	89,335	17,000	72,335
Accommodation expenses	30,987	55,000	(24,013)
Other expenses	19,757	10,000	9,757
Resources received free of charge	24,309	67,000	(42,691)

#### Supplies and services

\$299,000 was budgeted for contract staff to undertake inspection work. This was not undertaken in 2005/06.

#### Depreciation expense

The variance is due to depreciation not being included in the budget estimates.

#### Accommodation expenses

PICCC no longer lease premises in the WSQ building. Therefore they have no lease commitments.

#### Other expenses

Expenditure relates to computing licenses which were budgeted in 2005/06.

#### 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 expectation of hiring contract staff to undertake inspection work was included in the appropriation budget. This work was not undertaken in 2005/06.

## 24 Impact of Adopting Australian Equivalents to IFRS

### The impact of adopting AIFRS including the key differences in accounting policies

Reconciliation of total equity as presented under previous AGAAP to that under AIFRS:

	AGAAP 1 July 2005 \$	AIFRS 1 July 2005 \$
Total equity under previous AGAAP	306,184	306,184
Adjustments to accumulated surplus: Nil Adjustments	-	-
Total equity under AIFRS	306,184	306,184

**PARLIAMENTARY INSPECTOR OF THE CORRUPTION & CRIME COMMISSION**  
**RECONCILIATION OF EQUITY AT DATE OF TRANSITION TO AIFRS:1 JULY 2004**

Note	AGAAP			AIFRS
	1 July 2004	reclass employee benefits AASB 119	reclass intangibles AASB 138	1 July 2004
<b>Current assets</b>				
Cash and Cash Equivalents	177,965			177,965
Restricted cash and cash equivalents	931			931
Receivables	15,243			15,243
Amounts receivable for services	-			-
Other current assets	-			-
<b>Total Current Assets</b>	<b>194,139</b>	-	-	<b>194,139</b>
<b>Non-Current Assets</b>				
Amounts receivable for services	7,000			7,000
Property, plant and equipment	144,551			144,551
Intangible assets	-			-
<b>Total Non-Current Assets</b>	<b>151,551</b>	-	-	<b>151,551</b>
<b>TOTAL ASSETS</b>	<b>345,690</b>	-	-	<b>345,690</b>
<b>Current Liabilities</b>				
Payables	136,490			136,490
Borrowings	-			-
Provisions	919	-		919
Other current liabilities	3,656			3,656
<b>Total Current Liabilities</b>	<b>141,065</b>	-	-	<b>141,065</b>
<b>Non-Current Liabilities</b>				
Borrowings	-			-
Provisions	-	-		-
<b>Total Non-Current Liabilities</b>	<b>-</b>	-	-	<b>-</b>
<b>Total Liabilities</b>	<b>141,065</b>	-	-	<b>141,065</b>
<b>Net Assets</b>	<b>204,625</b>	-	-	<b>204,625</b>
<b>Equity</b>				
Contributed equity	150,000			150,000
Reserves	-			-
Accumulated surplus/(deficiency)	54,625	-		54,625
<b>Total Equity</b>	<b>204,625</b>	-	-	<b>204,625</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>345,690</b>	-	-	<b>345,690</b>

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION

Annual Report for the year ended 30 June 2006

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION

RECONCILIATION OF INCOME STATEMENT UNDER AGAAP TO AIFRS

AS AT 30 JUNE 2005

Note	AGAAP				AIFRS
	2005	RECLASSIFY	RECLASSIFY	RECLASSIFY	2005
	\$	EMPLOYEE	INTANGIBLES	GAIN/LOSS ON	\$
		BENEFITS		SALE OF ASSETS	
		AASB 119	AASB 138	AASB 116	
<b>COST OF SERVICES</b>					
<b>Expenses</b>					
Employee expenses	144,325				144,325
Supplies and services	45,668				45,668
Depreciation expense	58,629				58,629
Accommodation expenses	47,076				47,076
Other expenses	28,086				28,086
<b>Total cost of services</b>	<b>323,784</b>	-	-	-	<b>323,784</b>
<b>NET COST OF SERVICES</b>	<b>323,784</b>	-	-	-	<b>323,784</b>
<b>INCOME FROM STATE GOVERNMENT</b>					
Service appropriation	390,000				390,000
Resources received free of charge	34,343				34,343
<b>Total income from State Government</b>	<b>424,343</b>	-	-	-	<b>424,343</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>100,559</b>	-	-	-	<b>100,559</b>

PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION

RECONCILIATION OF EQUITY UNDER AGAAP TO AIFRS

AS AT 30 JUNE 2005

Note	AGAAP				AIFRS
	2005	RECLASSIFY	RECLASSIFY	RECLASSIFY	2005
	\$	EMPLOYEE	INTANGIBLES	GAIN/LOSS ON	\$
		BENEFITS		SALE OF ASSETS	
		AASB 119	AASB 138	AASB 116	
<b>Current assets</b>					
Cash and cash Equivalents	189,188				189,188
Receivables	2,737				2,737
<b>Total Current Assets</b>	<b>191,925</b>	-	-	-	<b>191,925</b>
<b>Non current assets</b>					
Amounts receivable for services	7,000				7,000
Property, plant and equipment	109,202				109,202
<b>Total Non Current Assets</b>	<b>116,202</b>	-	-	-	<b>116,202</b>
<b>TOTAL ASSETS</b>	<b>308,127</b>	-	-	-	<b>308,127</b>
<b>Current Liabilities</b>					
Payables	1,943				1,943
Provisions					
Other current liabilities					
<b>Total Current Liabilities</b>	<b>1,943</b>	-	-	-	<b>1,943</b>
<b>Total Liabilities</b>	<b>1,943</b>	-	-	-	<b>1,943</b>
<b>Net Assets</b>	<b>306,184</b>	-	-	-	<b>306,184</b>
<b>Equity</b>					
Contributed equity	150,000				150,000
Accumulated surplus/(deficiency)	156,184				156,184
<b>TOTAL EQUITY</b>	<b>306,184</b>	-	-	-	<b>306,184</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>308,127</b>	-	-	-	<b>308,127</b>

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

**RECONCILIATION OF CASH FLOW UNDER AGAAP TO AIFRS**

**AS AT 30 JUNE 2005**

	<b>Note</b>	<b>AGAAP</b>	<b>AIFRS</b>
		<b>2005</b>	<b>2005</b>
		<b>ADJUSTMENTS</b>	
			<b>\$</b>
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation		390,000	390,000
Capital contributions		-	-
<b>Net cash provided by State Government</b>		<b>390,000</b>	<b>390,000</b>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Accommodation expenses		-	-
Employee benefits		(131,477)	(131,477)
Supplies and Services		(110,080)	(110,080)
GST payments on purchases		(10,766)	(10,766)
GST payments to taxation authority		-	-
<b>Receipts</b>			
GST receipts on sales		23,272	23,272
GST receipts from taxation authority		-	-
<b>Net cash provided by/(used in) operating activities</b>	17(b)	<b>(229,051)</b>	<b>(229,051)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		-	-
Purchase of non-current physical assets		(150,657)	(150,657)
<b>Net cash provided by/(used in) investing activities</b>		<b>(150,657)</b>	<b>(150,657)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>10,292</b>	<b>10,292</b>
Cash and cash equivalents at the beginning of period		178,896	178,896
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	17(a)	<b>189,188</b>	<b>189,188</b>