VOLUME TWO

ANNUAL REPORT 2011–12

CHIEF MINISTER AND CABINET DIRECTORATE

ACT Government

Chief Minister and Cabinet

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ACT
Government
Chief Minister and Cabinet

Ms Katy Gallagher MLA
Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

Dear Chief Minister

I hereby provide the audited Financial Statements and Statements of Performance of the ACT Executive, the Chief Minister and Cabinet Directorate and the Default Insurance Fund for the year ended 30 June 2012 for inclusion in the Chief Minister and Cabinet Directorate 2011-12 Annual Report.

Yours sincerely

Andrew Cappie-Wood
Director-General

17th September 2012

ACT Government
Chief Minister and Cabinet

Dr Chris Bourke MLA
Minister for Industrial Relations
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

Dear Minister

I hereby provide the audited Financial Statements and Statements of Performance of the ACT Executive, the Chief Minister and Cabinet Directorate and the Default Insurance Fund for the year ended 30 June 2012 for inclusion in the Chief Minister and Cabinet Directorate 2011-12 Annual Report.

Yours sincerely

Andrew Cappie-Wood
Director-General

17th September 2012

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Financial Report
For the Year Ended
30 June 2012

ACT Executive

Management Discussion and Analysis
ACT Executive
for the Financial Year Ended 30 June 2012

General Overview

Objectives

For the purpose of this reporting entity, the ACT Executive consists of the Chief Minister and other Ministers appointed by the Chief Minister, and their staff. Ministers govern the Territory and execute and maintain enactments and laws in accordance with the *Australian Capital Territory (Self-Government) Act 1988 (Cwlth)*.

Risk Management

The ACT Executive has minimal risks in relation to its operations and has adopted risk management practices to mitigate these risks. All administrative operations are managed by the Chief Minister and Cabinet Directorate (CMCD) and are subject to the same controls as CMCD, for example, the Director-General's Financial Instructions and audit committee.

Territorial Statement of Income and Expenses

The following financial information is based on the audited Financial Statements for 2010-11 and 2011-12, and the forward estimates contained in the 2012-13 Budget Papers.

Operating Result

The operating result for the 2011-12 financial year is an operating deficit of **$0.207 million**, which is **$0.188 million** lower than the original budget deficit of **$0.019 million**. This is due largely to changes to employee entitlements as existing staff leave, or new staff are employed by, the ACT Executive, and is partially offset by the impact of the enterprise bargaining outcome, staff opting to accrue long service leave instead of taking it as a fortnightly allowance, as allowed under the ACT Legislative Assembly Members' Staff Union Collective Agreement. The decrease is also offset by an increase in the rate used to calculate future long service leave from 92.2 per cent to 106.6 per cent (reflecting a change in the 15 year Government Bond rate).

Table 1: Total Net Cost of Services

	Actual 2010-11 $m	Original Budget 2011-12 $m	Actual 2011-12 $m	Forward Est. 2012-13 $m	Forward Est. 2013-14 $m	Forward Est. 2014-15 $m	Forward Est. 2015-16 $m
Total Expenditure	6.003	6.593	6.532	6.857	6.938	7.014	7.092
Total Own Source Revenue	0.238	0.180	0.474	0.184	0.189	0.194	0.199
Net Cost of Services	**5.765**	**6.413**	**6.058**	**6.673**	**6.749**	**6.820**	**6.893**

1. Comparison to Original Budget

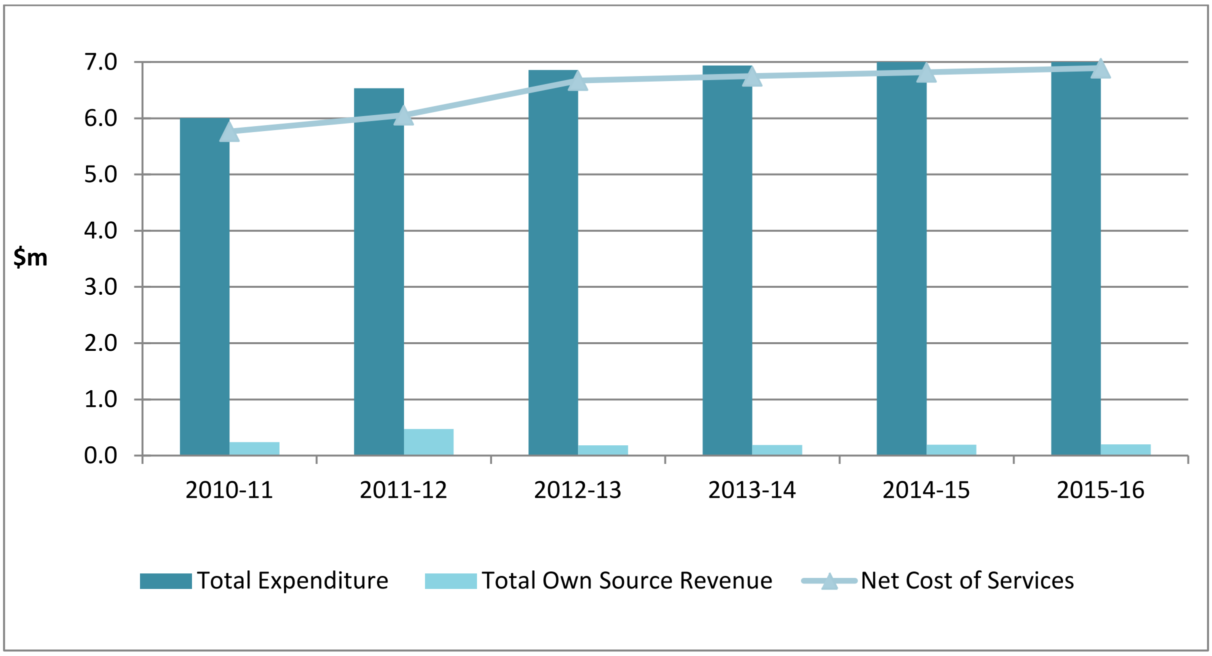
ACT Executive's net cost of services for 2011-12 of **$6.058 million** was **$0.355 million** or **5.5 per cent** lower than the original 2011-12 Budget, mainly reflecting lower than budgeted employee expenses.

2. Comparison to 2010-11 Actual Result

Total net cost of services of **$6.058 million** was **$0.293 million** or **5.1 per cent** lower than the prior year mainly due to changes to employee entitlements as existing staff leave, or new staff are employed by, the ACT Executive, and is partially offset by the impact of the enterprise bargaining outcome, staff opting to accrue long service leave instead of taking it as a fortnightly allowance, as allowed under the ACT Legislative Assembly Members' Staff Union Collective Agreement. The decrease is also offset by an increase in the rate used to calculate future long service leave from 92.2 per cent to 106.6 per cent.

3. Future Trends

Figure 1: Net Cost of Services



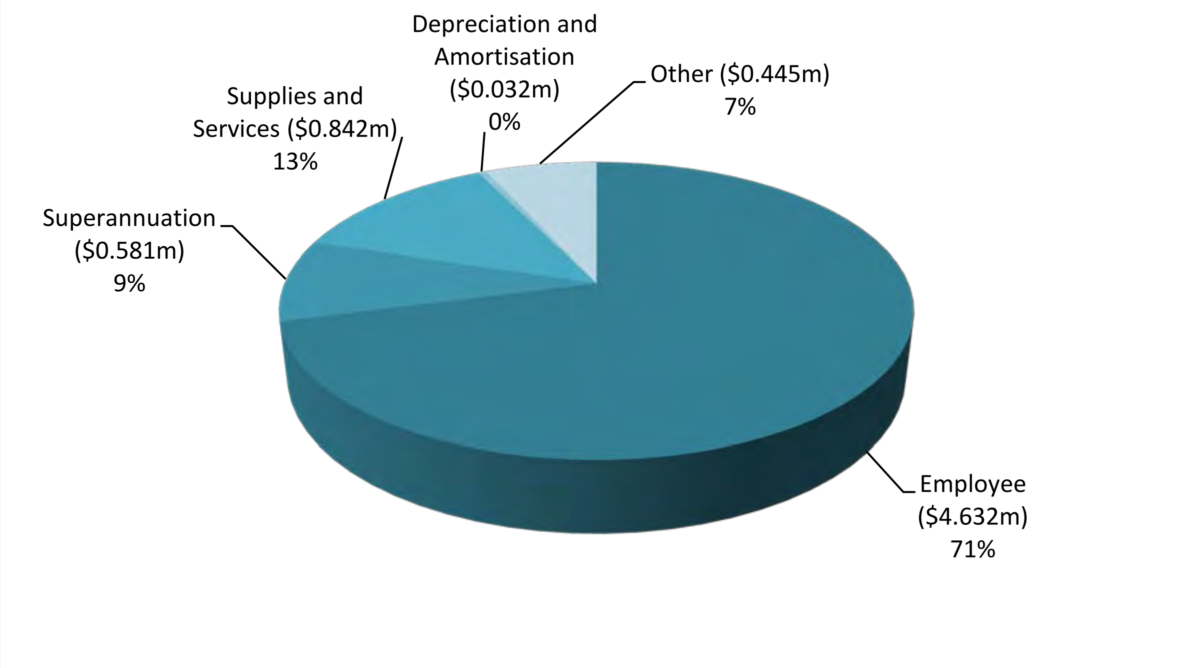
In the 2012-13 Budget Papers, the ACT Executive forecast an increase in net cost of services in 2012-13 and across the forward estimates. The increase in 2012-13 reflects a return to full employment, with the increase across the forward estimates resulting from indexation.

Total Expenditure

1. Components of Expenditure

Figure 2 below indicates the components of ACT Executive's expenditure for 2011-12, with the largest component being employee related expenditure (**80 per cent** or **$5.213 million**).

Figure 2: Components of Expenditure



2. Comparison to the Original Budget

Total expenditure for the 2011-12 financial year was **$6.532 million**, **$0.061 million** or **0.9 per cent** lower than the original budget of **$6.593 million**, mainly due to lower than budgeted expenditure for employee related expenses (**$0.202 million**), and a general reduction in administrative expenses, offset by an increase in other expenditure associated with Resources Received Free of Charge (RRFoC) from the Justice and Community Safety Directorate (JACSD).

3. Comparison to 2010-11 Actual Expenditure

The total expenditure increased by **$0.529 million** or **8.8 per cent** from the previous year, due largely to increases in:

- employee expenses, resulting from changes to employee entitlements as existing staff leave, or new staff are employed by, the ACT Executive, the impact of the enterprise bargaining outcome, the appointment of the fifth Minister, and staff opting to accrue long service leave instead of taking it as a fortnightly allowance, as allowed under the ACT Legislative Assembly Members' Staff Union Collective Agreement. The increase is also impacted by the change in the rate used to calculate future long service leave from 92.2 per cent to 106.6 per cent; and
- other expenses, reflecting expenses relating to RRFoC from JACSD.

Total Own Source Revenue

1. Components of Own Source Revenue

For the financial year ended 30 June 2012, ACT Executive's own source revenue was made up of RRFoC (**$0.427 million**), gains from the sale of vehicles under finance leases (**$0.001 million**) and a gain from the first time recognition of the *Kimono* asset and associated cabinet, which is on display in the Legislative Assembly building (**$0.046 million**).

2. Comparison to the Original Budget

Non-appropriated income for the year ending 30 June 2012 was **$0.294 million** or **163.3 per cent** higher than the original 2011-12 Budget of **$0.180 million**, largely resulting from an increase in legal services provided by JACSD, and the first time recognition of the *Kimono* asset and associated cabinet.

3. Comparison to 2010-11 Actual Income

Non-appropriated income for the year ending 30 June 2012 was **$0.236 million** or **99.2 per cent** higher than the 2010-11 result of **$0.238 million**. This is due to increases resulting largely from a general increase in legal services provided by the Government Solicitor's Office for a range of purposes during the year (**$0.176 million**) and the first time recognition of the *Kimono* asset and associated cabinet (**$0.046 million**).

4. Future Trends

The total own source revenue (**$0.184 million**) for 2012-13 (included in the 2012-13 Budget Papers), indexed across the forward estimates, relates largely to RRFoC for building maintenance and other services provided by the ACT Legislative Assembly Secretariat, accounting services provided by CMCD, and a modest amount for legal services provided by JACSD.

The ACT Executive's own source revenue can fluctuate considerably from year to year, depending on the nature and quantity of legal services provided by the Government Solicitor's Office. For the purpose of the 2012-13 Budget forward estimates, own source revenue is forecast to grow in line with indexation.

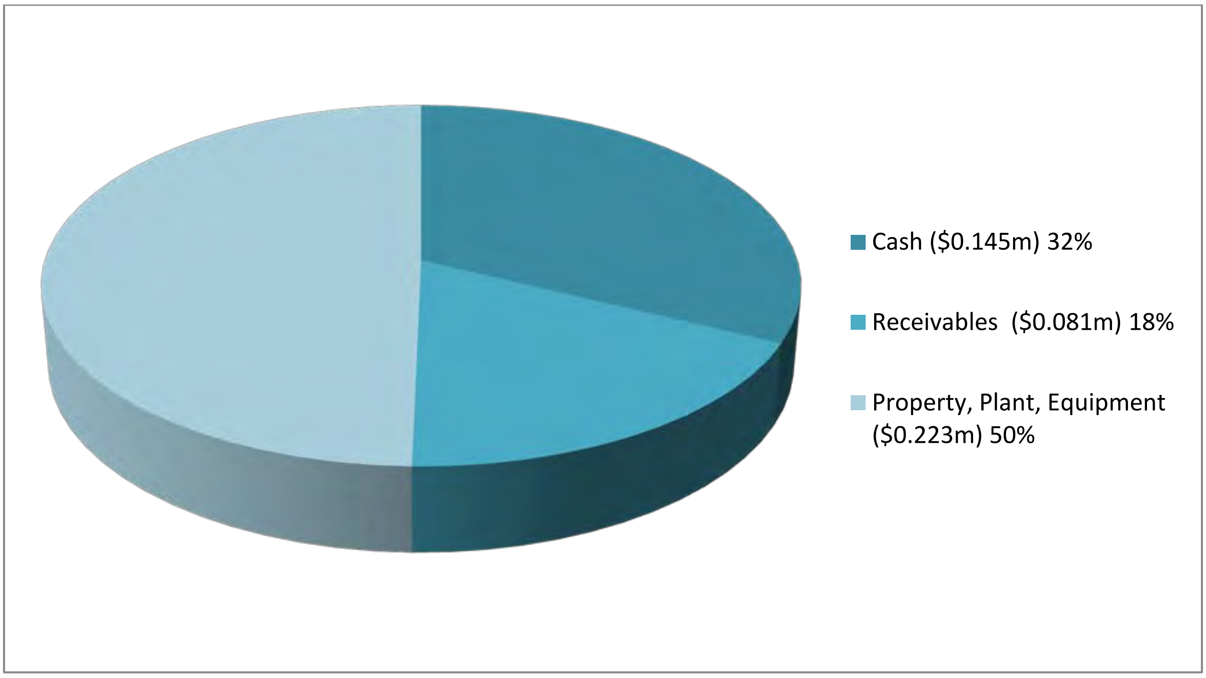
ACT Executive's Financial Position

Total Assets

1. Components of Total Assets

Figure 3 below indicates that for the financial year ended 30 June 2012, the ACT Executive held **32 per cent** of its assets as cash, **50 per cent** as property, plant and equipment, and **18 per cent** as receivables.

Figure 3: Total Assets as at 30 June 2012



2. Comparison to Original Budget

The total asset position as at 30 June 2012 is **$0.448 million**, **$0.101 million** higher than the original 2011-12 Budget of **$0.347 million**, due largely to an increase in property, plant and equipment associated with an increase in, and renewal of, finance leases and the first time recognition of the *Kimono* asset and associated cabinet. Receivables have also increased by **$0.064 million**, mainly reflecting a repayment of over-contributed superannuation instalments to the Territory Banking Account. This is partially offset by lower cash balances resulting in part to the payment of accrued expenses.

3. Comparison to 2010-11 Actual

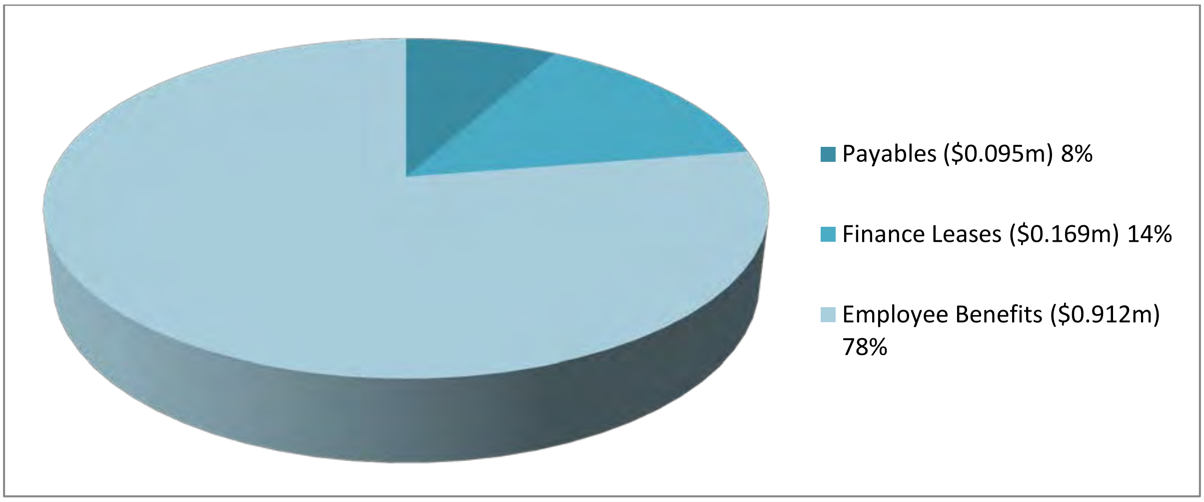
ACT Executive's total asset position is **$0.140 million** higher than the 2010-11 result of **$0.308 million**, due largely to an increase in property, plant and equipment associated with an increase in, and renewal of, finance leases and the first time recognition of the *Kimono* asset and associated cabinet.

Total Liabilities

1. Components of Total Liabilities

Figure 4 below indicates that **78 per cent** of ACT Executive's liabilities relate to employee benefits, with the balance relating to payables and finance leases. The employee benefits liability relates to accumulated leave and salary benefits.

Figure 4: Total Liabilities as at 30 June 2012



2. Comparison to Original Budget

ACT Executive's total liabilities for the year ended 30 June 2012 of **$1.176 million** is **$0.117 million** higher than the 2011-12 original budget of **$1.059 million**, due mainly to changes to employee entitlements as existing staff leave, or new staff are employed by, the ACT Executive, the impact of the enterprise bargaining outcome, the appointment of the fifth Minister, and staff opting to accrue long service leave instead of taking it as a fortnightly allowance, as allowed under the ACT Legislative Assembly Members' Staff Union Collective Agreement. The increase is also impacted by the change in the rate used to calculate future long service leave from 92.9 per cent to 106.6 per cent.

3. Comparison to 2010-11 Actual

Total liabilities are **$0.347 million** higher than the 2010-11 result of **$0.829 million**, due to an increase in, and renewal of, finance leases, an increase in accrued payables, and the impact of the enterprise bargaining outcome, the appointment of the fifth Minister, and staff opting to accrue long service leave instead of taking it as a fortnightly allowance, as allowed under the ACT Legislative Assembly Members' Staff Union Collective Agreement. The increase is also impacted by the change in the rate used to calculate future long service leave from 92.2 per cent to 106.6 per cent This is offset by changes to employee entitlements as a result of existing staff leaving, and new staff being employed by, the ACT Executive.

Reconciliation of Original Budget to Amended Budget

	Original 2011-12 Budget $m	Supplementary Appropriation No. 1 $m	Amended 2011-12 Budget $m
Total Income	6.574	0.029	6.603
Total Expenses	6.593	0.042	6.635
Operating (Deficit)	**(0.019)**	**(0.013)**	**(0.032)**
Total Assets	0.347	-	0.347
Total Liabilities	1.059	0.013	1.072
Net (Liabilities)	**(0.712)**	**(0.013)**	**(0.725)**

Comparison of Net Cost of Services to the 2011-12 Budget

Description	Original Budget $m	Plus AA Transfers $m	Total Funding $m		Actual $m	Variance Excluding Transfers $m	%
Expenditure							
Employee and Superannuation	5.415	-	5.415		5.213	-0.202	-3.7%
Supplies and Services	1.125	-	1.125		0.842	-0.283	-25.2%
Borrowing Costs	0.010	-	0.010		0.009	-0.001	-10.0%
Depreciation	0.043	-	0.043		0.032	-0.011	-25.6%
Other Expenses	-	-	-		0.436	0.436	100.0%
Total Expenditure	***6.593***	-	***6.593***		***6.532***	***-0.061***	***-0.9%***
Own Source Revenue							
Resources Received Free of Charge	0.180	-	0.180		0.427	0.247	137.2%
Gains	-	-	-		0.047	0.047	100.0%
Total Own Source Revenue	***0.180***	-	***0.180***		***0.474***	***0.294***	***163.3%***
Total Net Cost of Services	***6.413***	***-***	***6.413***		***6.058***	***-0.355***	***-5.5%***

Note: Net Cost of Services equals Total Expenditure less Total Own Source Revenue.

ACT AUDITOR-GENERAL'S OFFICE

INDEPENDENT AUDIT REPORT

ACT EXECUTIVE

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the ACT Executive for the year ended 30 June 2012 have been audited. These comprise the statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, statement of changes in equity on behalf of the Territory, cash flow statement on behalf of the Territory, Territorial statement of appropriation and accompanying notes.

Responsibility for the financial statements

The Director-General of the Chief Minister and Cabinet Directorate is responsible for the preparation and fair presentation of the financial statements in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

The auditor's responsibility

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the financial statements of the ACT Executive.

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

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Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: actauditorgeneral@act.gov.au

The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or to evaluate the prudence of decisions made by the ACT Executive.

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of the financial statements should note that the audit does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the financial statements of the ACT Executive for the year ended 30 June 2012:

(i) are presented in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia; and

(ii) present fairly the financial position of the ACT Executive as at 30 June 2012 and the results of its operations and cash flows for the year then ended.

This audit opinion should be read in conjunction with the other information disclosed in this report.

M. Cooper.

Dr Maxine Cooper
Auditor-General
16 August 2012

STATEMENT OF RESPONSIBILITY

In my opinion, the financial statements are in agreement with the ACT Executive's accounts and records and fairly reflect the financial operations of the ACT Executive for the year ended 30 June 2012 and the financial position of the ACT Executive on that date.

Andrew Cappie-Wood
Director-General
Chief Minister and Cabinet Directorate

15th August 2012

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the ACT Executive's accounts and records and fairly reflect the financial operations of the ACT Executive for the year ended 30 June 2012 and the financial position of the ACT Executive on that date.

Paul Ogden
Chief Finance Officer
Chief Minister and Cabinet Directorate

14 August 2012

ACT Executive
Statement of Income and Expenses on Behalf of the Territory
For the Year Ended 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Income				
Revenue				
Payment for Expenses on Behalf of the Territory	4	5,852	6,394	5,919
Resources Received Free of Charge	5	427	180	237
Total Revenue		**6,279**	**6,574**	**6,156**
Gains				
Other Gains	6	47	-	1
Total Gains		47	-	1
Total Income		**6,326**	**6,574**	**6,157**
Expenses				
Employee Expenses	7	4,632	4,771	4,186
Superannuation Expenses	8	581	644	592
Supplies and Services [1]	9	842	1,125	944
Borrowing Costs	11	9	10	7
Depreciation	12	32	43	31
Other Expenses [1]	13	436	-	243
Total Expenses		**6,532**	**6,593**	**6,003**
Operating (Deficit)/Surplus		**(207)**	**(19)**	**154**
Total Comprehensive (Deficit)/Income		**(207)**	**(19)**	**154**

This table may not add due to rounding.

The above Statement of Income and Expenses on Behalf of the Territory should be read in conjunction with the accompanying notes.

[1] The 2010-11 and 2011-12 Actual figures related to Resources Received Free of Charge have been reclassified from Supplies and Services to Other Expenses more appropriately reflect the nature of the underlying transactions. A similar adjustment has been made to the 2012-13 Budget estimates.

ACT Executive
Statement of Assets and Liabilities on Behalf of the Territory
As at 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Current Assets				
Cash	15	145	183	115
Receivables	16	81	17	54
Other Assets	17	-	-	20
Total Current Assets		**226**	**200**	**189**
Non-Current Assets				
Property, Plant and Equipment	18	223	147	119
Total Non-Current Assets		**223**	**147**	**119**
Total Assets		**448**	**347**	**308**
Current Liabilities				
Payables	19	95	85	46
Finance Leases	20	60	66	82
Employee Benefits	21	885	764	628
Total Current Liabilities		**1,040**	**915**	**756**
Non-Current Liabilities				
Finance Leases	20	109	73	26
Employee Benefits	21	27	71	47
Total Non-Current Liabilities		**136**	**144**	**73**
Total Liabilities		**1,176**	**1,059**	**829**
Net (Liabilities)		**(728)**	**(712)**	**(521)**
Equity				
Accumulated (Deficits)		(733)	(717)	(526)
Asset Revaluation Surplus	22	5	5	5
Total Equity		**(728)**	**(712)**	**(521)**

This table may not add due to rounding.

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

ACT Executive
Statement of Changes in Equity on Behalf of the Territory
For the Year Ended 30 June 2012

	Note No.	Accumulated Funds Actual 2012 $'000	Asset Revaluation Surplus Actual 2012 $'000	Total Equity Actual 2012 $'000	Original Budget 2012 $'000
Balance at the Beginning of the Reporting Period		**(526)**	**5**	**(521)**	**(693)**
Comprehensive Income					
Operating (Deficit)/Surplus		(207)	-	(207)	(19)
Total Comprehensive (Deficit)/Income		**(207)**	**-**	**(207)**	**(19)**
Balance at the End of the Reporting Period		**(733)**	**5**	**(728)**	**(712)**

	Accumulated Funds Actual 2011 $'000	Asset Revaluation Surplus Actual 2011 $'000	Total Equity Actual 2011 $'000
Balance at the Beginning of the Reporting Period	**(680)**	**5**	**(675)**
Comprehensive Income			
Operating Surplus	154	-	154
Total Comprehensive Income	**154**	**-**	**154**
Balance at the End of the Reporting Period	**(526)**	**5**	**(521)**

This table may not add due to rounding.

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

ACT Executive
Cash Flow Statement on Behalf of the Territory
For the Year Ended 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Cash Flows from Operating Activities				
Receipts				
Cash from Government for Expenses on Behalf of the Territory		5,852	6,394	5,919
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		76	104	56
Total Receipts from Operating Activities		**5,928**	**6,498**	**5,975**
Payments				
Employee		4,419	4,798	4,300
Superannuation		623	644	581
Supplies and Services		764	891	1,020
Borrowing Costs		9	10	7
Goods and Services Tax Paid to Suppliers		44	104	80
Total Payments from Operating Activities		**5,860**	**6,447**	**5,988**
Net Cash Inflows/(Outflows) from Operating Activities	26	**67**	**51**	**(13)**
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale of Property, Plant and Equipment		1	-	1
Total Receipts from Investing Activities		**1**	**-**	**1**
Payments				
Purchase of Property, Plant and Equipment		9	-	7
Total Payments from Investing Activities		**9**	**-**	**7**
Net Cash (Outflows)/Inflows from Investing Activities		**(8)**	**-**	**(6)**

This table may not add due to rounding.

ACT Executive
Cash Flow Statement on Behalf of the Territory - Continued
For the Year Ended 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Cash Flows from Financing Activities				
Payments				
Repayment of Finance Leases		29	53	30
Total Payments from Financing Activities		**29**	**53**	**30**
Net Cash (Outflows) from Financing Activities		**(29)**	**(53)**	**(30)**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		**30**	**(2)**	**(49)**
Cash and Cash Equivalents at the Beginning of the Reporting Period		115	185	164
Cash and Cash Equivalents at the End of the Reporting Period	26	**145**	**183**	**115**

This table may not add due to rounding.

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

ACT Executive
Territorial Statement of Appropriation
For the Year Ended 30 June 2012

	2012 Original Budget $'000	2012 Total Appropriated $'000	2012 Appropriation Drawn $'000	2011 Appropriation Drawn $'000
Territorial				
Expenses on Behalf of the Territory	6,394	6,423	5,852	5,919
Total Territorial Appropriation	**6,394**	**6,423**	**5,852**	**5,919**

This table may not add due to rounding.

The above Territorial Statement of Appropriation should be read in conjunction with the accompanying notes.

Column Heading Explanations

The *Original Budget* column shows the amounts that appear in the Cash Flow Statement on Behalf of the Territory in the Budget Papers. This amount also appears in these financial statements, in the Cash Flow Statement on Behalf of the Territory of the ACT Executive.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the Original Budget.

The *Appropriation Drawn* is the total amount of appropriation received by the ACT Executive during the year. This amount appears in these financial statements, in the Cash Flow Statement on Behalf of the Territory of the ACT Executive.

Variances between 'Original Budget' and 'Total Appropriated'

The difference between the Original Budget and the Total Appropriated is due to the revision of wage parameters included in *Appropriation Act 2011-2012 (No 2)* ($0.029 million).

Variances between 'Total Appropriated' and 'Appropriation Drawn'

The difference between the Total Appropriated and the Appropriation Drawn is due to a reprofiling of superannuation expenses ($0.013 million) and savings resulting from having vacant positions when there was only four Ministers.

ACT Executive
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For the Year Ended 30 June 2012

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Note 27		Events Occurring after Balance Date

NOTE 1 OBJECTIVES OF THE ACT EXECUTIVE

For the purpose of this reporting entity, the ACT Executive consists of the Chief Minister and other Ministers appointed by the Chief Minister, and their staff. Ministers govern the Territory and execute and maintain enactments and laws in accordance with the *Australian Capital Territory (Self-Government) Act 1988 (Cwlth)*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Government agencies.

The FMA and the *Financial Management Guidelines* issued under the FMA, requires the ACT Executive's financial statements to include:

(i) a Statement of Income and Expenses on Behalf of the Territory for the year;

(ii) a Statement of Assets and Liabilities on Behalf of the Territory at the end of the year;

(iii) a Statement of Changes in Equity on Behalf of the Territory for the year;

(iv) a Cash Flow Statement on Behalf of the Territory for the year;

(v) a Territorial Statement of Appropriation for the year;

(vi) a summary of the significant accounting policies adopted for the year; and

(vii) such other statements as are necessary to fairly reflect the financial operations of the ACT Executive during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required by the FMA. The financial statements have been prepared in accordance with:

(i) Australian Accounting Standards; and

(ii) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention, except for assets which have been valued in accordance with the (re)valuation policies applicable to the ACT Executive during the reporting period, where applicable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

a) Basis of Accounting – Continued

As at 30 June 2012, the ACT Executive's current assets are insufficient to meet its current liabilities. However, this is not considered a liquidity risk as its cash needs are funded through appropriation from the ACT Government on a cash-needs basis. This is consistent with the whole-of-government cash management regime, which requires excess cash balances to be held centrally rather than within individual agency bank accounts.

These financial statements are presented in Australian dollars, which is the ACT Executive's functional currency.

The ACT Executive is an individual reporting entity.

b) Territorial Items

The ACT Executive only produces Territorial financial statements. The Territorial financial statements include income, expenses, assets and liabilities that the ACT Executive administers on behalf of the ACT Government, but does not control.

c) The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the ACT Executive for the year ended 30 June 2012 together with the financial position of the ACT Executive as at 30 June 2012.

d) Comparative Figures

Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2011-12 has been presented in the financial statements. Budget numbers in the financial statements are those that appear in the Budget Papers.

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

e) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of the "-" symbol represents amounts rounded up or down to zero. Some totals throughout this report may not add due to rounding.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

f) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Statement of Income and Expenses on Behalf of the Territory. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the ACT Executive and the revenue can be reliably measured. This generally occurs when the ACT Executive receives revenue on behalf of the Territory, which can be used for the achievement of the ACT Executive's objectives on behalf of the Territory.

g) Resources Received Free of Charge

Resources Received Free of Charge are recorded as a revenue in the Statement of Income and Expenses on Behalf of the Territory at fair value. The revenue is separately disclosed under resources received free of charge, with the expense being recorded in other expenses. Goods and services received free of charge from ACT Government entities are recorded as resources received free of charge, whereas goods and services received free of charge from entities external to the ACT Government are recorded as donations.

Services that are received free of charge are only recorded in the Statement of Income and Expenses on Behalf of the Territory if they can be reliably measured and would have been purchased if not provided to the ACT Executive free of charge.

h) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

i) Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Statement of Assets and Liabilities on Behalf of the Territory and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the ACT Executive does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Assets or liabilities which do not fall within the current classification are classified as non-current.

j) Cash

For the purposes of the Cash Flow Statement on Behalf of the Territory and the Statement of Assets and Liabilities on Behalf of the Territory, cash includes cash at bank and cash on hand. Any bank overdrafts are included in cash as per the Cash Flow Statement but not in the cash line on the Statement of Assets and Liabilities on Behalf of the Territory.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

k) Receivables

Accounts receivable (including trade receivables and other trade receivables) are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on Behalf of the Territory.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other trade receivables arise outside the normal course of selling goods and services to other agencies and to the public. Other trade receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The allowance for impairment losses represents the amount of trade receivables and other trade receivables the ACT Executive estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The ACT Executive considers the following is objective evidence of impairment:

(i) becoming aware of financial difficulties of debtors;

(ii) default payments; or

(iii) debts more than 90 days overdue.

The amount of the allowance is the difference between the receivables carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the Statement of Income and Expenses on Behalf of the Territory.

The allowance for impairment losses are written back against the receivables account when the ACT Executive ceases action to collect the debt as it considers that it will cost more to recover the debt than the debt is worth.

Receivables that have been renegotiated because they are past due or impaired are accounted for based on the renegotiated terms.

l) Acquisition and Recognition of Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost. Cost includes the purchase price, directly attributable costs and the estimated cost of dismantling and removing the item (where, upon acquisition, there is a present obligation to remove the item).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

l) Acquisition and Recognition of Property, Plant and Equipment - Continued

Where property, plant and equipment is acquired at no cost, or nominal cost, cost is its fair value as at the date of acquisition. However property, plant and equipment acquired at no cost or nominal cost as part of a Restructuring of Administrative Arrangements is measured at the transferor's book value.

Where payment for property, plant and equipment is deferred beyond normal credit terms, the difference between its cash price equivalent and the total payment is measured as interest over the period of credit. The discount rate used to calculate the cash price equivalent is an asset specific rate.

Property, plant and equipment with a minimum value of $2,000 is capitalised.

m) Measurement of Property, Plant and Equipment After Initial Recognition

Property, plant and equipment is valued using the cost or revaluation model of valuation. Land and buildings are measured at fair value. Plant and equipment and leasehold improvements are measured at cost.

Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Fair value is measured using a market based evidence available for that asset (or a similar asset), as this is the best evidence of an asset's fair value. Where the market price for an asset cannot be obtained because the asset is specialised and is rarely sold, depreciated replacement cost is used as fair value.

The cost of plant and equipment comprises the purchase price, any directly attributable costs, and the initial estimate of the costs of dismantling and removing the plant and equipment and restoring the site on which it is located.

n) Impairment of Assets

The ACT Executive assesses at each reporting date whether there is any indication that an asset may be impaired. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment losses for plant and equipment assets are recognised in the Statement of Income and Expenses on Behalf of the Territory, as plant and equipment is carried at cost and no revaluation surplus exists for this asset class. The carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is the amount by which the carrying amount of an asset (or a cash-generating unit) exceeds its recoverable amount. The recoverable amount is the higher of the asset's 'fair value less cost to sell' and its 'value in use'. An asset's 'value in use' is its depreciated replacement cost, where the asset would be replaced if the ACT Executive were deprived of it. Non-financial assets that have previously been impaired are reviewed for possible reversal of impairment at each reporting date.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

o) Depreciation and Amortisation of Non-Current Assets

Non-current assets, with a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. The useful life commences when the asset is ready for use. When an asset is revalued, it is depreciated over its newly assessed remaining useful life. Community and Heritage assets have an unlimited useful life and are therefore not depreciated.

Motor vehicles under a finance lease are depreciated over the estimated useful life of each asset, or the unexpired period of the relevant lease, whichever is shorter.

All depreciation is calculated after first deducting any residual values, which remain for each asset.

Depreciation/amortisation for non-current assets is determined as follows:

Class of Asset	Depreciation/Amortisation Method	Useful Life (Years)
Plant and Equipment	Straight Line	2-20
Community and Heritage Assets	Community and Heritage Assets are not depreciated	-

The useful lives of all major assets held are reassessed on an annual basis.

p) Payables

Payables are a financial liability and are measured at the fair value of the consideration received when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on Behalf of the Territory. All amounts are normally settled within 30 days after the invoice date.

Payables include Trade Payables, Accrued Expenses and Other.

Trade Payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period which relate to the normal operations of the ACT Executive.

Accrued Expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received by period end.

Other Payables are those unpaid invoices that do not directly relate to the normal operations of the ACT Executive.

q) Leases

The ACT Executive has entered into finance and operating leases.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

q) Leases - Continued

Operating Leases

Operating leases do not effectively transfer to the ACT Executive substantially all the risks and rewards incidental to ownership of the asset under an operating lease. Operating lease payments are recorded as an expense in the Statement of Income and Expenses on Behalf of the Territory on a straight-line basis over the term of the lease.

Finance Leases

Finance leases effectively transfer to the ACT Executive substantially all risks and rewards incidental to ownership of the assets under a finance lease. The title may or may not eventually be transferred. Finance leases are initially recognised as an asset and a liability at the lower of the fair value of the property and the present value of the minimum lease payments each being determined at the inception of the lease. The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Assets under a finance lease are depreciated over the shorter of the asset's useful life and lease term. Assets under a finance lease are depreciated on a straight-line basis. The depreciation is calculated after first deducting any residual values which remain for each leased asset. Each lease payment is allocated between interest expense and reduction of the lease liability. Lease liabilities are classified as current and non-current.

r) Employee Benefits

Employee benefits include wages and salaries, annual leave, long service leave and applicable on-costs, including workers' compensation and payroll tax. On-costs also include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual and long service leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid. They are recorded as a liability and as an expense.

Wages and Salaries

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period.

Annual and Long Service Leave

Annual leave and long service leave that fall due wholly within the next 12 months are measured based on the estimated amount of remuneration payable when the leave is taken. Annual and long service leave including applicable on-costs that do not fall due within the next 12 months is measured at present value of estimated future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At each reporting date, the estimated future payments are discounted using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. In 2011-12, the rate used to estimate the present value of these future payments is 106.6% (92.2% in 2010-11).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

r) Employee Benefits - Continued

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years of qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and the applicable on-costs.

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in-service, the probability that employees will take annual and long service leave while in service has been taken into account in estimating the liability for on-costs.

Annual leave and long service leave liabilities are classified as current liabilities in the Statement of Assets and Liabilities on Behalf of the Territory where there are no unconditional rights to defer the settlement of the liability for at least 12 months. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability in the Statement of Assets and Liabilities on Behalf of the Territory.

s) Superannuation

Superannuation payments are made to the Territory Banking Account each year to cover the ACT Executive's superannuation liability for the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and a defined benefit superannuation arrangement for eligible Ministers (for the purpose of this report, Members' Superannuation). This payment covers the CSS/PSS and Members' Superannuation employer contribution, but does not include the productivity component. The productivity component is paid directly to Comsuper by the ACT Executive. The CSS, PSS and Legislative Assembly Members superannuation arrangements are defined benefit superannuation schemes, meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

Prior to the ACT Government election in 2008, Members of the ACT Legislative Assembly assumed membership of a defined benefit superannuation arrangement, prescribed under the *Legislative Assembly (Members' Superannuation) Act 1991*. As membership of this scheme is now closed, all newly elected Members of the ACT Legislative Assembly are required to access employee fund of choice arrangements.

Superannuation payments have also been made directly to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation accumulation plan (PSSap).

In addition, superannuation payments are made to external providers as part of the employee Fund of Choice arrangements, and to employment agencies for the superannuation contribution the ACT Executive is required to make for the contract staff it employs.

As staff leave the ACT Executive and are replaced, there is a gradual transition from the now closed CSS, PSS and PSSap to Fund of Choice arrangements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

s) Superannuation - Continued

Superannuation employer contribution payments, for the CSS and PSS, are calculated, by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal CSS or PSS employer contribution rate for each employee. The productivity component expense payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee. Superannuation payments for the PSSap are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate.

Superannuation payments for fund of choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

A superannuation liability is not recognised in the Statement of Assets and Liabilities on Behalf of the Territory as the Superannuation Provision Account recognises the total Territory superannuation liability for the CSS and PSS, and ComSuper and the external schemes recognise the superannuation liability for the PSSap and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of the ACT Government service provided after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account.

t) Insurance

Major risks are insured through the ACT Insurance Authority. The excess payable under this arrangement varies depending on each class of insurance held.

u) Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the ACT Executive has made the following judgements and estimates that have the most significant impact on the amounts recorded in the financial statements:

(i) *Employee Benefits*: Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for employee benefits requires a consideration of the future wage and salary levels, experience of employee departures and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and that on-costs will become payable. Further information on this estimate is provided in Note 2(r), 'Employee Benefits' and Note 3, 'Change in Accounting Policy and Accounting Estimates, and Correction of Prior Period Errors'.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

u) Significant Accounting Judgements and Estimates - Continued

(ii) *Impairment of Assets*: The ACT Executive has made a judgement regarding its impairment of assets by undertaking a process of reviewing any likely impairment factors. The ACT Executive made an assessment of any indication of impairment by completing an impairment checklist. This process has revealed that no likely impairment factors exist in the ACT Executive.

(iii) *Estimation of Useful Lives of Property, Plant and Equipment*: The ACT Executive has made a significant estimate in the lengths of useful lives over which its assets are depreciated. This estimation is the period in which utility will be gained from the use of the asset, based on estimates from independent valuers.

v) Impact of Accounting Standards Issued but yet to be Applied

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The ACT Executive does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their application date. It is estimated that the effect of adopting the below pronouncements, when applicable, will have no material financial impact on the ACT Executive in future reporting periods:

- AASB 9 Financial Instruments (application date 1 January 2013);
- AASB 10 Consolidated Financial Statements (application date 1 January 2013);
- AASB 11 Joint Arrangements (application date 1 January 2013);
- AASB 12 Disclosure of Interests in Other Entities (application date 1 January 2013);
- AASB 13 Fair Value Measurement (application date 1 January 2013);
- AASB 119 Employee Benefits (application date 1 January 2013);
- AASB 127 Separate Financial Statements (application date 1 January 2013);
- AASB 128 Investments in Associates and Joint Ventures (application date 1 January 2013);
- AASB 2010-7 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 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127] (application date 1 January 2013);
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (application date 1 July 2013);

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

v) Impact of Accounting Standards Issued but yet to be Applied - Continued

- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 and 1038 and Interpretations 5, 9, 16 and 17] (application date 1 January 2013);
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 101, 107, 112, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 and 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 and 132] (application date 1 January 2013);
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 and 1049] (application date 1 July 2012);
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 and 2011-8 and Interpretation 14] (application date 1 January 2013);
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 and 132] (application date 1 January 2013);
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (application date 1 January 2014); and
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, 1010, 116, 132 and 134 and Interpretation 2] (application date 1 January 2013).

NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION OF PRIOR PERIOD ERRORS

a) Change in Accounting Estimates

Revision of the Employee Benefit Discount Rate

As disclosed in Note 2(r), 'Employee Benefits', annual leave and long service leave, including applicable on-costs, which do not fall due in the next 12 months, are measured at the present value of estimated payments to be made in respect of services provided by employees up to the reporting date.

Last financial year the rate used to estimate the value of future payments was 92.2%, however, due to a change in the government bond rate the percentage is now 106.6%.

NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION OF PRIOR PERIOD ERRORS - CONTINUED

a) Change in Accounting Estimates - Continued

This change has resulted in an increase of approximately $70,342 to the estimate of the long service leave liability and expense.

b) Change in Accounting Policy

The ACT Executive had no changes in accounting policy during the reporting period.

c) Correction of Prior Period Errors

The ACT Executive had no correction of prior period errors during the reporting period.

NOTE 4 PAYMENT FOR EXPENSES ON BEHALF OF THE TERRITORY

Under the *Financial Management Act 1996* , funds can be appropriated for expenses incurred on behalf of the Territory. The ACT Executive receives this appropriation to fund a number of expenses incurred on behalf of the Territory, the main one being the payment of employee related expenses. The ACT Executive incurs these expenses in provision of executive services and information to enable Ministers and their staff to undertake their duties effectively and efficiently.

	2012 $'000	2011 $'000
Payment for Expenses on Behalf of the Territory	5,852	5,919
Total Payment for Expenses on Behalf of the Territory [1]	**5,852**	**5,919**

[1] The decrease in appropriation drawn largely reflects reduced expenditure during the period where there were only four Ministers.

NOTE 5 RESOURCES RECEIVED FREE OF CHARGE

Resources received free of charge relate to services being provided free of charge from other agencies within the ACT Government.

Revenue from ACT Government Entities

Corporate and Accounting services from the Chief Minister and Cabinet Directorate	12	14
Building maintenance and other services provided by the ACT Legislative Assembly Secretariat [1]	158	142
Legal services provided by the Justice and Community Safety Directorate (JACS) [2]	257	81
Total Resources Received Free of Charge	**427**	**237**

[1] This reflects a revision to the lettable area of the ACT Legislative Assembly building occupied by the ACT Executive, as well as an increase in utilities and building maintenance.

[2] This increase in legal services provided by JACS reflects a general increase in the use of the Government Solicitor's Office for a range of purposes during the year.

NOTE 6 OTHER GAINS

Other gains tend to be one off, or be transactions that are not part of the ACT Executive's core activities. Other gains are distinct from other revenue, as other revenue arises from the core activities of the ACT Executive.

	2012 $'000	2011 $'000
Gains from the Sale of Motor Vehicles	1	1
First time recognition of Assets [1]	46	-
Total Other Gains	**47**	**1**

[1] This increase reflects the first time recognition of the value of the ACT Executive's Kimono asset on display in the Legislative Assembly building.

NOTE 7 EMPLOYEE EXPENSES

	2012 $'000	2011 $'000
Salaries and Wages [1]	4,321	4,082
Annual Leave [2]	130	31
Long Service Leave [2, 3]	97	7
Fringe Benefits Tax	84	66
Total Employee Expenses	**4,632**	**4,186**

[1] Wages and Salaries has increased largely as a result of the enterprise bargaining outcomes and the appointment of the fifth Minister.

[2] Annual Leave and Long Service Leave expenses have increased due to changes in employee entitlement balances as new staff are employed by, or existing staff leave, the ACT Executive, and adjustments to employee entitlements associated with enterprise bargaining outcomes.

[3] Long Service Leave expense has also increased due to staff opting to accrue long service leave instead of taking a fortnightly allowance, as allowed under the ACT Legislative Assembly Members' Staff Union Collective Agreement, and an increase in the rate used to estimate the value of future long service leave from 92.2% to 106.6%.

NOTE 8 SUPERANNUATION EXPENSES

	2012 $'000	2011 $'000
Members' Superannuation	95	181
Superannuation Contributions to the Territory Banking Account	200	225
Productivity Benefit	28	29
Superannuation to External Providers	258	157
Total Superannuation Expenses [1]	**581**	**592**

[1] The decrease largely reflects a gradual take up of superannuation fund of choice arrangements (Superannuation to External funds) as staff who are members of the defined benefit superannuation schemes leave and are replaced by employees who are not existing members of those schemes (see also Note 2(s), 'Summary of Significant Accounting Policies: Superannuation'). This is partially offset by enterprise bargaining outcomes and the employment of several officers who are members of defined benefit superannuation schemes.

NOTE 9 SUPPLIES AND SERVICES

	2012 $'000	2011 $'000
Furniture and Fittings	34	30
Repairs and Maintenance [1]	-	28
Hospitality [2]	45	65
Audit Services (refer Note 14, 'Auditor's Remuneration') [3]	18	13
Consultants (previously 'Professional Services') [3, 4]	-	49
Office Supplies	78	74
Staff Related Expenses [5]	51	29
IT Modernisation, Licensing and Support [6]	304	367
Parking [7]	75	67
Payroll and Payslip Services	7	5
Travel [8]	167	119
Vehicle Expenses [9]	38	56
Insurance Premium	13	13
Other	12	29
Total Supplies and Services [3]	**842**	**944**

[1] Repairs and maintenance is usually undertaken free of charge by the ACT Legislative Assembly Secretariat. During 2010-11, the ACT Executive paid for an office fit out.

[2] The decrease in Hospitality is due to a reduction in functions hosted by the Chief Minister, and no State Funerals being held in 2011-12.

[3] The 2010-11 figure for Consultants (previously referred to as 'Professional Services') has been reclassified to separately recognise expenses related to Audit Services and expenses related to Resources Received Free of Charge (RRFoC). Expenses related to RRFoC have been reclassified as Other Expenses, to more appropriately reflect the nature of the underlying transactions.

[4] The decrease in Consultants is due to the ACT Executive not engaging consultants in 2011-12. During 2010-11 a consultant was engaged to undertake a staffing review.

[5] This increase largely relates to recruitment and advertising expenses associated with an increase in staff following the appointment of the fifth Minister.

[6] The decrease in IT Modernisation, Licensing and Support reflects a reduction in costs due to the implementation of the new Network Area Storage (NAS). Credits were also received throughout 2011-12 for the Storage Area Network (SAN).

[7] The increase in parking is a result of increased parking fees.

[8] Less travel was undertaken in 2010-11 compared to previous years. Travel for 2011-12 is consistent with travel undertaken in earlier years.

[9] This reflects a reduction in the number of leased vehicles to four for a period of six months.

NOTE 10 WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS

There were no Waivers, Impairment Losses and Write-offs for ACT Executive as at 30 June 2012 (Nil at 30 June 2011).

NOTE 11 BORROWING COSTS

	2012 $'000	2011 $'000
Finance Charges on Finance Leases	9	7
Total Borrowing Costs	**9**	**7**

NOTE 12 DEPRECIATION

Depreciation

Plant and Equipment	32	31
Total Depreciation	**32**	**31**

NOTE 13 OTHER EXPENSES

Other expenses includes the recognition of expenses relating to Resources Received Free of Charge (RRFoC) from other agencies within the ACT Government. For the ACT Executive, RRFoC include accounting services provided by the Chief Minister and Cabinet Directorate, building maintenance and other services provided by the ACT Legislative Assembly Secretariat and legal services provided by the Justice and Community Safety Directorate (JACS).

Expenses relating to Resources Received Free of Charge (refer Note 5, 'Resources Received Free of Charge') [1, 2]	427	236
Loss on Sale of Motor Vehicles	9	7
Total Other Expenses [1]	**436**	**243**

[1] The 2010-11 figures for RRFoC have been reclassified from Consultants (previously referred to as 'Professional Services') within Supplies and Services, to more appropriately reflect the nature of the underlying transactions.

[2] The increase in RRFoC largely reflects additional legal services provided by JACS.

NOTE 14 AUDITOR'S REMUNERATION

Auditor's remuneration consists of financial audit services provided to the ACT Executive by the ACT Auditor-General's Office. No other services were provided by the ACT Auditor-General's Office.

	2012 $'000	2011 $'000
Audit Services		
Audit Fees Paid to the ACT Auditor-General's Office	18	13
Total Audit Fees [1]	**18**	**13**

[1] The ACT Auditor-General's Office has increased its fees to recover costs associated with undertaking the annual audit. The increase incorporates the change in wage parameters.

NOTE 15 CASH

The ACT Executive holds two bank accounts with the Commonwealth Bank as part of the whole-of-government banking arrangements. As part of these arrangements, the ACT Executive does not receive any interest on these accounts.

	2012 $'000	2011 $'000
Cash at Bank	144	114
Cash on Hand	1	1
Total Cash [1]	**145**	**115**

[1] The increase in Cash held is due to higher amounts held for payment of accrued expenses at year end.

NOTE 16 RECEIVABLES

	2012 $'000	2011 $'000
Current Receivables		
Other Trade Receivables	-	24
Less: Allowance for Impairment Losses	-	-
	-	24
Accrued Revenue	81	-
Net GST Receivables	-	30
Total Current Receivables	**81**	**54**
Total Receivables	**81**	**54**

Ageing of Receivables

	Not Overdue	Past Due			Total
		Less than 30 Days	30 to 60 Days	Greater than 60 Days	
	$'000	$'000	$'000	$'000	$'000
2012					
Not Impaired [a]					
Receivables	81	-	-	-	81
2011					
Not Impaired [a]					
Receivables	54	-	-	-	54

[a] 'Not Impaired' refers to Net Receivables (that is Gross Receivable less Impaired Receivables).

NOTE 16 RECEIVABLES - CONTINUED

	2012 $'000	2011 $'000
Classification of Non-ACT Government Receivables		
Receivables with ACT Government Entities		
Accrued Revenue	81	-
Total Receivables with ACT Government Entities [1]	**81**	**-**
Receivables with Non-ACT Government Entities		
Net Other Trade Receivables	-	24
Net GST Receivables	-	30
Total Receivables with Non-ACT Government Entities [2]	**-**	**54**
Total Receivables	**81**	**54**

[1] The increase in Total Receivables with ACT Government Entities relates to the repayment of over-contributed superannuation instalments to the Territory Banking Account.

[2] The decrease in Total Receivables with Non-ACT Government Entities reflects the timing of cashflows associated with the sale of a motor vehicle under a finance lease in 2010-11 and GST Refunds due in 2010-11.

NOTE 17 OTHER ASSETS

	2012 $'000	2011 $'000
Current Assets		
Other	-	20
Total Current Assets	**-**	**20**
Total Other Assets [1]	**-**	**20**

[1] The decrease in Total Other Assets is due to prepaid residual and termination payments for finance lease vehicles in 2010-11.

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following classes of assets - plant and equipment, and community and heritage assets. Property, plant and equipment excludes assets held for sale and investment property.

Plant and Equipment includes motor vehicles under a finance lease, furniture, fittings and office equipment.

Heritage assets are defined as those non-current assets that the ACT Government intends to preserve indefinitely because of their unique historical, cultural or environmental attributes. A common feature of heritage assets is that they cannot be replaced and they are not usually available for sale or for redeployment. Heritage assets held by the Executive consists solely of a painting.

	2012 $'000	2011 $'000
Plant and Equipment		
Plant and Equipment at Cost	221	169
Less Accumulated Depreciation	(36)	(63)
Total Written-Down Value of Plant and Equipment [1]	**185**	**106**
Community and Heritage Assets		
Community and Heritage Assets at Fair Value	38	13
Total Written-Down Value of Community and Heritage Assets [2]	**38**	**13**
Total Written-Down Value of Property, Plant and Equipment	**223**	**119**

[1] The increase in Plant and Equipment results from the first time recognition of a display cabinet used for the ACT Executive's *Kimono* asset and an increase in the number of leased vehicles from four to five.

[2] The increase in Community and Heritage Assets results from the first time recognition of the ACT Executive's *Kimono* asset on display in the Legislative Assembly building.

NOTE 18 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Assets Under a Finance Lease

Assets under a finance lease are included in the asset class to which they relate in the above disclosures. Assets under a finance lease are also required to be separately disclosed as outlined below.

	2012 $'000	2011 $'000
Carrying Amount of Assets under a Finance Lease		
Plant and Equipment under a Finance Lease	187	143
Less: Accumulated Depreciation of Plant and Equipment under a Finance Lease	(23)	(37)
Total Written-Down Value of Plant and Equipment under a Finance Lease	**164**	**106**
Total Written-Down Value of Assets under a Finance Lease	**164**	**106**

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2011-12.

	Plant and Equipment $'000	Community and Heritage $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	**106**	**13**	**119**
Additions	173	25	198
Disposal / Transfer	(62)	-	(62)
Depreciation	(32)	-	(32)
Carrying Amount at the End of the Reporting Period	**185**	**38**	**223**

The following table shows the movement of Property, Plant and Equipment during 2010-11.

	Plant and Equipment $'000	Community and Heritage $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	**135**	**13**	**148**
Additions	65	-	65
Disposal / Transfer	(63)	-	(63)
Depreciation	(31)	-	(31)
Carrying Amount at the End of the Reporting Period	**106**	**13**	**119**

NOTE 19 PAYABLES

	2012 $'000	2011 $'000
Current Payables		
Accrued Expenses [1]	94	46
Net GST Payable	1	-
Total Current Payables	**95**	**46**
Total Payables	**95**	**46**
Payables are Aged as Follows:		
Not Overdue	95	46
Total Payables	**95**	**46**
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Accrued Expenses	26	22
Total Payables with ACT Government Entities	**26**	**22**
Payables with Non-ACT Government Entities		
Accrued Expenses	68	24
GST Payable	1	-
Total Payables with Non-ACT Government Entities	**69**	**24**
Total Payables	**95**	**46**

[1] The increase in Accrued Expenses relates mainly to the timing of travel commitments and an expected increase in audit fees.

NOTE 20 FINANCE LEASES

The ACT Executive held 5 finance leases for motor vehicles as at 30 June 2012 (4 finance leases as at 30 June 2011), all of which have been taken up as a finance lease liability and an asset under a finance lease. These leases are for motor vehicles. The interest rates implicit in these leases vary from 6.1% to 7.7% and the terms are two years. These leases have no terms of renewal or purchase options, nor escalation clauses.

	2012 $'000	2011 $'000
Current Finance Leases		
Secured		
Finance Leases	60	82
Total Current Secured Finance Leases	**60**	**82**
Non-Current Finance Leases		
Secured		
Finance Leases	109	26
Total Non-Current Secured Finance Leases	**109**	**26**
Total Finance Leases	**169**	**108**

Secured Liability

The ACT Executive's lease liability is effectively secured because if the ACT Executive defaults, the assets under a finance lease revert to the lessor.

NOTE 20 FINANCE LEASES - CONTINUED

	2012 $'000	2011 $'000
Finance Leases		
Finance lease commitments are payable as follows:		
Within one year	70	86
Later than one year but not later than five years	112	28
Later than five years	-	-
Minimum Lease Payments	**182**	**114**
Less: Future Finance Lease Charges	(13)	(6)
Amount Recognised as a Liability	**169**	**108**
Total Present Value of Minimum Lease Payments	**169**	**108**
The present value of the minimum lease payments are as follows:		
Within one year	60	82
Later than one year but not later than five years	109	26
Later than five years	-	-
Total Present Value of Minimum Lease Payments	**169**	**108**

Classification on the Statement of Assets and Liabilities on Behalf of the Territory

	2012 $'000	2011 $'000
Finance Leases		
Current Finance Leases	60	82
Non-Current Finance Leases	109	26
Total Finance Leases	**169**	**108**

NOTE 21 EMPLOYEE BENEFITS

	2012 $'000	2011 $'000
Current Employee Benefits		
Accrued Salaries and Wages	128	81
Accrued Superannuation	13	8
Annual Leave [1]	400	313
Long Service Leave [1, 2]	325	208
Other Benefits	18	18
Total Current Employee Benefits	**885**	**628**
Non-Current Employee Benefits		
Long Service Leave	27	47
Total Non-Current Employee Benefits	**27**	**47**
Total Employee Benefits	**912**	**675**
Estimate of when Leave is Payable		
Estimated Amount Payable within 12 Months		
Annual Leave	400	313
Long Service Leave	-	3
Accrued Salaries and Wages	128	81
Accrued Superannuation	13	8
Other Benefits	18	18
Total Employee Benefits Payable within 12 Months	**560**	**423**
Estimated Amount Payable after 12 Months		
Long Service Leave	352	252
Total Employee Benefits Payable after 12 Months	**352**	**252**
Total Employee Benefits	**912**	**675**

At the end of the 2011-12 financial year the ACT Executive had 40 full-time equivalent staff employed (31 full-time equivalent staff employed at the end of the 2010-11 financial year). The lower full-time equivalent figure for the 2010-11 reflects vacant positions during a period where there were only four Ministers.

[1] Annual Leave and Long Service Leave liabilities have increased due to changes in employee entitlement balances as new staff are employed by, or existing staff leave, the ACT Executive, and adjustments to employee entitlements associated with enterprise bargaining outcomes.

[2] Long Service Leave liabilities have increased due to staff opting to accrue long service leave instead of taking a fortnightly allowance, as allowed under the ACT Legislative Assembly Members' Staff Union Collective Agreement, and an increase in the rate used to estimate the value of future long service leave from 92.2% to 106.6%.

NOTE 22 RESERVES

	2012	2011
	$'000	$'000
Asset Revaluation Surplus		
The Asset Revaluation Surplus is used to record the increments and decrements in the value of property, plant and equipment.		
Balance at the Beginning of the Reporting Period	5	5
Balance at the end of the Reporting Period	5	5

NOTE 23 FINANCIAL INSTRUMENTS

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 2, 'Summary of Significant Accounting Policies'.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The ACT Executive is considered to have no exposure to interest rate risk because cash is held in non-interest bearing accounts. Interest rates for motor vehicle finance leases are fixed. Therefore, the ACT Executive's liabilities are not exposed to fluctuations in market interest rates. Accordingly, a sensitivity analysis has not been undertaken.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The ACT Executive's credit risk is limited to the amount of the financial assets it holds net of any allowance for impairment loss. The ACT Executive manages credit risk for receivables by regularly monitoring its receivables and issuing monthly statements to overdue accounts where required. The ACT Executive expects to collect all financial assets that are not past due or impaired. There have been no changes in credit risk exposure since the previous reporting period. As cash is held at bank and there are no material receivables, there is no significant concentration of credit risk that has been identified by the ACT Executive for Territorial financial assets.

Liquidity Risk
Liquidity risk is the risk that the ACT Executive will be unable to meet its financial obligations as they fall due. The ACT Executive’s main financial obligations relate to the payment of employee benefits and the purchase of supplies and services. Salaries are paid on a fortnightly basis and purchases of supplies and services are paid within 30 days of receiving the goods or services.

NOTE 23 FINANCIAL INSTRUMENTS - CONTINUED

Liquidity Risk - Continued
The main source of cash to pay these obligations is appropriation from the ACT Government which is paid on a fortnightly basis during the year. The ACT Executive manages its liquidity risk through forecasting appropriation drawdown requirements to enable payment of anticipated obligations.

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Price Risk
The only financial asset held by the ACT Executive is cash, and as a result, it is not considered to have any price risk. Accordingly, a sensitivity analysis has not been undertaken.

Fair Value of Financial Assets and Liabilities

The carrying amounts and fair values of financial assets and liabilities at the end of the reporting period are:

	Note No.	Carrying Amount 2012 $'000	Fair Value 2012 $'000	Carrying Amount 2011 $'000	Fair Value 2011 $'000
Financial Assets					
Cash	15	145	145	115	115
Receivables [1]	16	-	-	54	54
Total Financial Assets		**145**	**145**	**169**	**169**
Financial Liabilities					
Payables [1]	19	1	1	-	-
Finance Leases	20	169	169	108	108
Total Financial Liabilities		**170**	**170**	**108**	**108**

[1] The Receivables and Payables figures exclude accruals.

NOTE 23 FINANCIAL INSTRUMENTS – CONTINUED

The following tables set out the ACT Executive's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2011 and 30 June 2012. All financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in 1 year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2012	Note No.	Weighted Average Interest Rate	Floating Interest Rate $'000	Fixed Interest maturing in: 1 Year or Less $'000	Over 1 Year 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets								
Cash	15		-	-	-	-	145	145
Total Financial Assets			**-**	**-**	**-**	**-**	**145**	**145**
Financial Liabilities								
Payables [1]	19		-	-	-	-	1	1
Finance Leases	20	6.60%	-	70	112	-	-	182
Total Financial Liabilities			**-**	**70**	**112**	**-**	**1**	**183**
Net Financial (Liabilities)/Assets			**-**	**(70)**	**(112)**	**-**	**144**	**(38)**

[1] The Payables figures exclude accruals.

2011	Note No.		Floating Interest Rate $'000	Fixed Interest maturing in: 1 Year or Less $'000	Over 1 Year 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets								
Cash	15		-	-	-	-	115	115
Receivables [1]	16		-	-	-	-	54	54
Total Financial Assets			**-**	**-**	**-**	**-**	**169**	**169**
Financial Liabilities								
Finance Leases	20	6.70%	-	86	28	-	-	114
Total Financial Liabilities			**-**	**86**	**28**	**-**	**-**	**114**
Net Financial (Liabilities)/Assets			**-**	**(86)**	**(28)**	**-**	**169**	**55**

[1] The Receivables figures exclude accruals.

NOTE 23 FINANCIAL INSTRUMENTS – CONTINUED

	Note No.	2012 $'000	2011 $'000
Carrying Amount of Each Category of Financial Asset and Financial Liabilites			
Financial Assets			
Loans and Receivables [1]	16	81	54
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost [1]	20	170	108

[1] The Loans and Receivables and Financial Liabilities Measured at Amortised Cost figures exclude accruals.

The ACT Executive does not have any financial assets in the 'Available for Sale' category, the 'Financial Assets at Fair Value through Profit and Loss' category or the 'Held to Maturity' category and, as such, these categories are not included above. Also, the ACT Executive does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category and as such this category is not included above.

Fair Value Hierarchy

The ACT Executive does not have any financial assets or financial liabilities at fair value. As such no fair value hierarchy disclosures have been made.

NOTE 24 COMMITMENTS

	2012 $'000	2011 $'000

Operating Lease Commitments

Operating lease agreements give the ACT Executive the right to renew the lease. This will result in the terms of the lease becoming renegotiable towards the end of the lease term.

Non-Cancellable Operating Lease Commitments are Payable as follows:

	2012 $'000	2011 $'000
Within one year	27	24
Later than 1 Year and not later than 5 Years	41	40
Total Operating Lease Commitments	**68**	**64**

The ACT Executive has operating leases for Shared Services ICT assets.

Finance Lease Commitments

Finance Lease Commitments are disclosed in Note 20, 'Finance Leases'.

NOTE 25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Assets

There were no contingent assets as at 30 June 2012 (Nil at 30 June 2011).

Contingent Liabilities

Contingent Liabilities represent the estimated value of possible legal claims for damages and or costs.

	2012 $'000	2011 $'000
Claims for damages / costs	115	-
Net Contingent Liabilities	**115**	**-**

NOTE 26 CASH FLOW RECONCILIATION

(a) Reconciliation of Cash at the End of the Reporting Period in the Cash Flow Statement on Behalf of the Territory to the Equivalent Items in the Statement of Assets and Liabilities on Behalf of the Territory.

	2012 $'000	2011 $'000
Total Cash Recorded on the Statement of Assets and Liabilities on Behalf of the Territory	145	115
Cash at the End of the Reporting Period as Recorded in the Cash Flow Statement on Behalf of the Territory	**145**	**115**

(b) Reconciliation of Net Cash Inflows/(Outflows) from Operating Activities to the Operating (Deficit)/Surplus

	2012 $'000	2011 $'000
Operating (Deficit)/Surplus	(207)	154
Add/(Less) Non-Cash Items		
Depreciation	32	31
Add/(Less) Items Classified as Investing or Financing		
Transactions associated with the Net Loss on Disposal of Non-Current Assets	8	6
Cash Before Changes in Operating Assets and Liabilities	**(167)**	**191**
Changes in Operating Assets and Liabilities		
(Increase) in Receivables	(27)	(19)
Decrease/(Increase) in Other Assets	20	(20)
Increase/(Decrease) in Payables	49	(56)
Increase/(Decrease) in Employee Benefits	237	(109)
Net Changes in Operating Assets and Liabilities	**279**	**(204)**
Net Cash Inflows/(Outflows) from Operating Activities	**112**	**(13)**

(c) Non-Cash Financing and Investing Activities

	2012 $'000	2011 $'000
Acquisition of Motor Vehicles by means of Finance Leases	173	65
Total Non-Cash Financing and Investing Activities	**173**	**65**

NOTE 27 EVENTS OCCURRING AFTER BALANCE DATE

There were no events occurring after balance date that would have a material impact on amounts included in the 2011-12 financial statements.

Financial Report
For the Year Ended
30 June 2012

Chief Minister and Cabinet Directorate

Management Discussion and Analysis
Chief Minister and Cabinet Directorate
for the Financial Year Ended 30 June 2012

General Overview

As a key central agency of the ACT Government, the Chief Minister and Cabinet Directorate (the Directorate or CMCD) provides strategic advice to the ACT Government on policy development, service delivery and whole of government issues.

During 2011-12, the Directorate's objectives included:

- leading and coordinating the implementation of reforms emanating from the Hawke Review;
- instilling cultural change across directorates in order to achieve greater collaboration and innovation in the delivery of government priorities;
- developing and implementing governance for the newly created ACT Public Service (ACTPS) Strategic Board to embed "One Service" approaches in strategic and policy development and implementation;
- implementing the Performance and Accountability Framework and the Evaluation Framework;
- creating the Government Information Office and progressing the Office's agenda including a Government ICT Strategic Plan and the open government initiative;
- leading and coordinating the Government's participation in the Council of Australian Governments (COAG) reform agenda and reporting requirements;
- leading across-government initiatives to strengthen public sector capability, with a focus on facilitating the implementation of the Respect, Equity and Diversity Framework;
- reviewing the *Public Sector Management Act 1994* and subordinate instruments;
- implementing the ACTPS Workers' Compensation and Work Safety Improvement Plan; and
- coordinating the planning for the Centenary of Canberra.

Risk Management

The Directorate has adopted Enterprise-wide Risk Management (ERM), as required by the ACT Insurance Authority's model risk management framework. The Directorate also has in place a Fraud and Anti-Corruption Plan and Fraud Risk Register.

The Audit Committee and its Three-Year Strategic Internal Audit Program are integral parts of the Directorate's governance, risk management and strategic planning processes.

Risks associated with running major projects are mitigated through the use of appropriate governance structures, application of risk based management practices and financial reporting processes.

Changes in Administrative Structure

Comparison of the Directorate's 2011-12 financial results to the 2011-12 Budget and 2010-11 actual results has been impacted by the Administrative Arrangement (AA) of 23 November 2011, which transferred responsibility for the *Ombudsman Act 1989* from the Justice and Community Safety Directorate (JACSD) to CMCD.

In addition, several AA changes occurred during 2010-11, which also impacted the Directorate. On 1 July 2011, the Heritage Unit was transferred from the then Department of Territory and Municipal Services (TAMS). On 1 February 2011, the TAMS Events Unit was also transferred from TAMS, under Section 16 of the *Financial Management Act 1996* (FMA). Following the appointment of the new Chief Minister on 17 May 2011, further AAs were announced which resulted in bringing forward the transfers identified for CMCD in the 2011-12 Budget Papers to 17 May 2011. The transfers out of the Directorate on 17 May 2011 were to:

- the Community Services Directorate (CSD) – artsACT;
- the Environment and Sustainable Development Directorate (ESDD) – the Heritage Unit and the Government Architect; and
- the Economic Development Directorate (EDD) – Business and Industry Development, Australian Capital Tourism, the Special Events Unit (including the TAMS Events Unit transferred from TAMS earlier in the year), the Canberra Business and Events Centre (CBEC), and *Live in Canberra*.

Directorate Financial Performance

The following financial information is based on audited Financial Reports for 2010-11 and 2011-12, and the original budget and forward estimates contained in the 2012-13 Budget Papers.

Operating Result

The operating result for the 2011-12 financial year is an operating deficit from ordinary activities of **$0.8 million**, which is **$0.5 million** or **148 per cent** lower than the original budget deficit of **$0.3 million**.

Table 1: Total Net Cost of Services

	Actual 2010-11 $m	Original Budget 2011-12 $m	Actual 2011-12 $m	Forward Est. 2012-13 $m	Forward Est. 2013-14 $m	Forward Est. 2014-15 $m	Forward Est. 2015-16 $m
Total Expenditure	62.9	28.2	27.4	38.3	25.8	21.9	21.8
Total Own Source Revenue	6.2	0.8	2.1	0.9	0.9	0.9	0.9
Net Cost of Services	**56.7**	**27.4**	**25.3**	**37.4**	**24.9**	**21.0**	**20.9**

1. Comparison to Original Budget

The Directorate's net cost of services for 2011-12 of **$25.3 million** was **$2.1 million** or **8 per cent** lower than the original 2011-12 Budget, reflecting a combination of factors including:

- a decrease in supplies and services (**$3.9 million**) due mainly to delays in Centenary of Canberra – ACT Celebratory Program (C100) expenditure, pending the finalisation of agreements with third parties;

- an increase in user charges – ACT Government (**$0.6 million**) due primarily to recoveries from the Treasury Directorate's (TD's) Restructure Fund relating to the One Service Implementation; and
- an increase in other revenue (**$0.5 million**) due mainly to sponsorship revenue received in association with C100, which was not budgeted for;

partially offset by:

- an increase in employee and superannuation expenses (**$2.8 million**) due mainly to the change in the rate used to calculate the value of future long service leave payments from 92.9 per cent to 106.6 per cent and the enterprise bargaining outcome, partially offset by a greater transition of membership out of the now closed superannuation funds to superannuation fund of choice arrangements as staff leave and other staff are employed by the Directorate; and
- an increase in grants and purchased services (**$1.1 million**) due mainly to the transfer of responsibility for the *Ombudsman Act 1989* from JACSD following the AAs of 23 November 2011, and a Treasurer's Advance Payment to the East Africa Drought appeal.

2. Comparison to 2010-11 Actual Result

Total net cost of services of **$25.3 million** was **$31.4 million** or **55 per cent** lower than the prior year mainly due to:

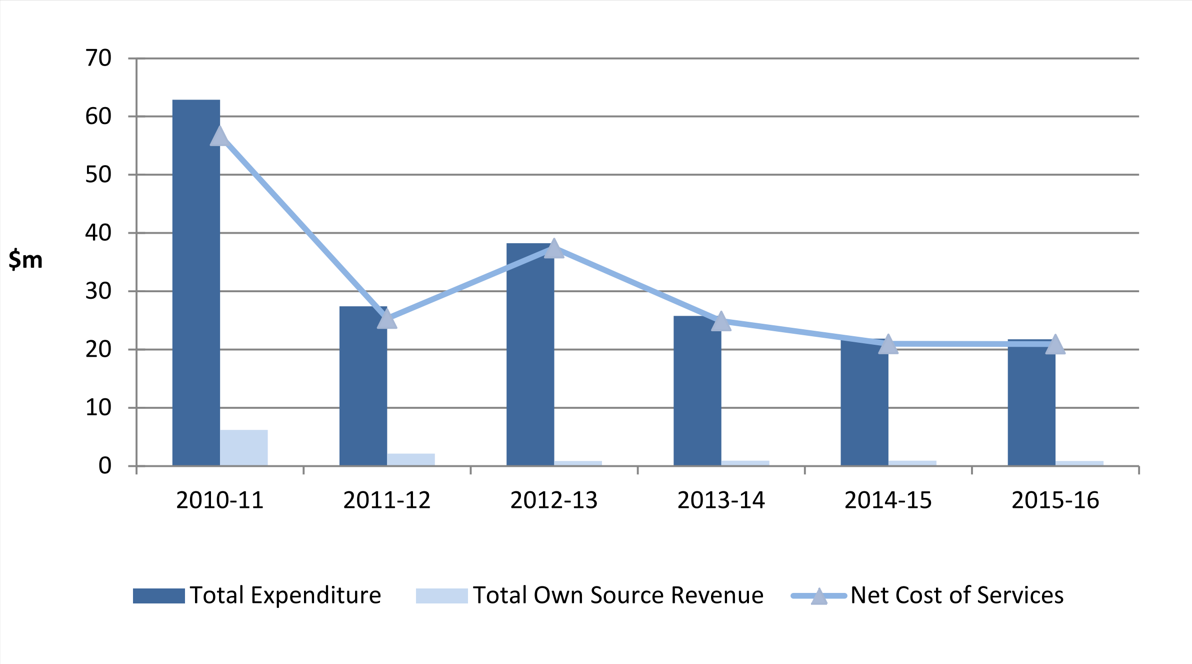
- an decrease in expenses reflecting the full year impact of the transfer of functions out of the Directorate following the AAs of 17 May 2011 (**$38.5 million**), which is spread throughout all expenditure categories;
- a decrease in superannuation expenses reflecting mainly the transition of membership from the now closed superannuation funds to superannuation fund of choice arrangements as staff leave and other staff are employed by the Directorate;
- an increase in other revenue (**$0.2 million**) related to sponsorships received in association with C100; and
- an increase in user charges – ACT Government relating to recoveries from the Treasury Directorate's (TD's) Restructure Fund associated with the One Service Implementation;

partially offset by:

- an increase in employee expenses associated with a change in the rate used to calculate future long service leave from 92.2% to 106.6%, the enterprise bargaining outcome, and an increase in annual and long service leave entitlements due to the net transfer of staff during the year;
- an increase in grants and purchased services relating to the transfer of responsibility for the *Ombudsman Act 1989* from JACSD following the AAs of 23 November 2011; and
- a decrease in revenues reflecting the full year impact of the transfer of functions out of the Directorate following the AAs of 17 May 2011 (**$3.9 million**), which is spread across most revenue categories.

3. Future Trends

Figure 1: Net Cost of Services



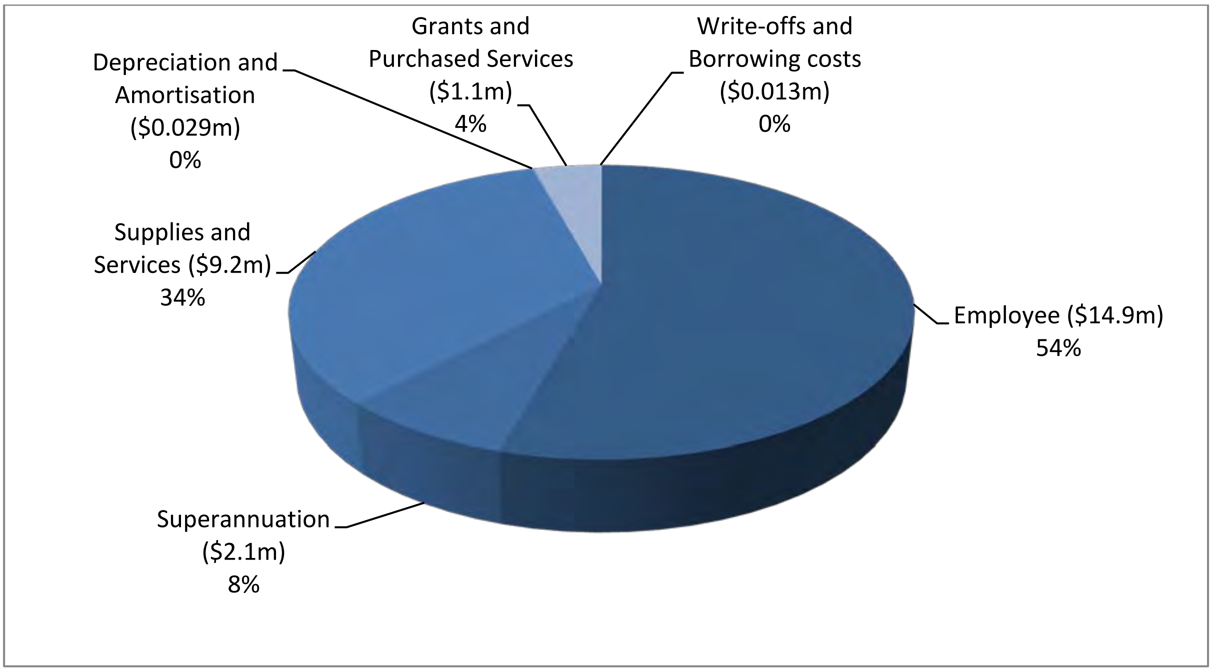
The Directorate forecasts an upward spike in the net cost of services in 2012-13, which mostly relates to expenditure associated with C100 as the event reaches its pinnacle in 2013. Excluding the impact of the 2012-13 spike, a stable trend in expenditure is forecast to 2015-16.

Total Expenditure

1. Components of Expenditure

Figure 2 below indicates the components of the Directorate's expenditure for 2011-12, with the largest components of expenditure being Employee and Superannuation Expenses representing **62 per cent** of ordinary activities (**$17 million**) and Supplies and Services representing **34 per cent** (**$9.2 million**).

Figure 2: Components of Expenditure



2. Comparison to the Original Budget

Total expenditure of **$27.4 million** was **$0.8 million**, or **3 per cent** lower than the 2011-12 original budget of **$28.2 million**.

This result is due to a decrease in supplies and services (**$3.9 million**) due mainly to delays in C100 expenditure, pending the finalisation of agreements with third parties;

partially offset by increases in:

- employee and superannuation expenses (**$2.5 million**) due mainly to the change in the rate used to calculate the value of future long service leave payments from 92.9 per cent to 106.6 per cent and the enterprise bargaining outcome, partially offset by a greater transition of membership out of the now closed superannuation funds to superannuation fund of choice arrangements as staff leave and other staff are employed by the Directorate; and
- grants and purchased services (**$1.1 million**) due mainly to the transfer of responsibility for the *Ombudsman Act 1989* from JACSD following the AAs of 23 November 2011, and a Treasurer's Advance Payment to the East Africa Drought appeal.

3. Comparison to 2010-11 Actual Result

Total expenditure for 2011-12 was **$35.5 million** or **56 per cent** lower than the 2010-11 result. The variation is primarily due to:

- the full year impact of the transfer of functions out of the Directorate following the AAs of 17 May 2011 (**$38.5 million**), which is spread throughout all expenditure categories; and
- a decrease in superannuation expenses reflecting the transition of membership from the now closed superannuation funds to superannuation fund of choice arrangements as staff leave and other staff are employed by the Directorate;

partially offset by increases in:

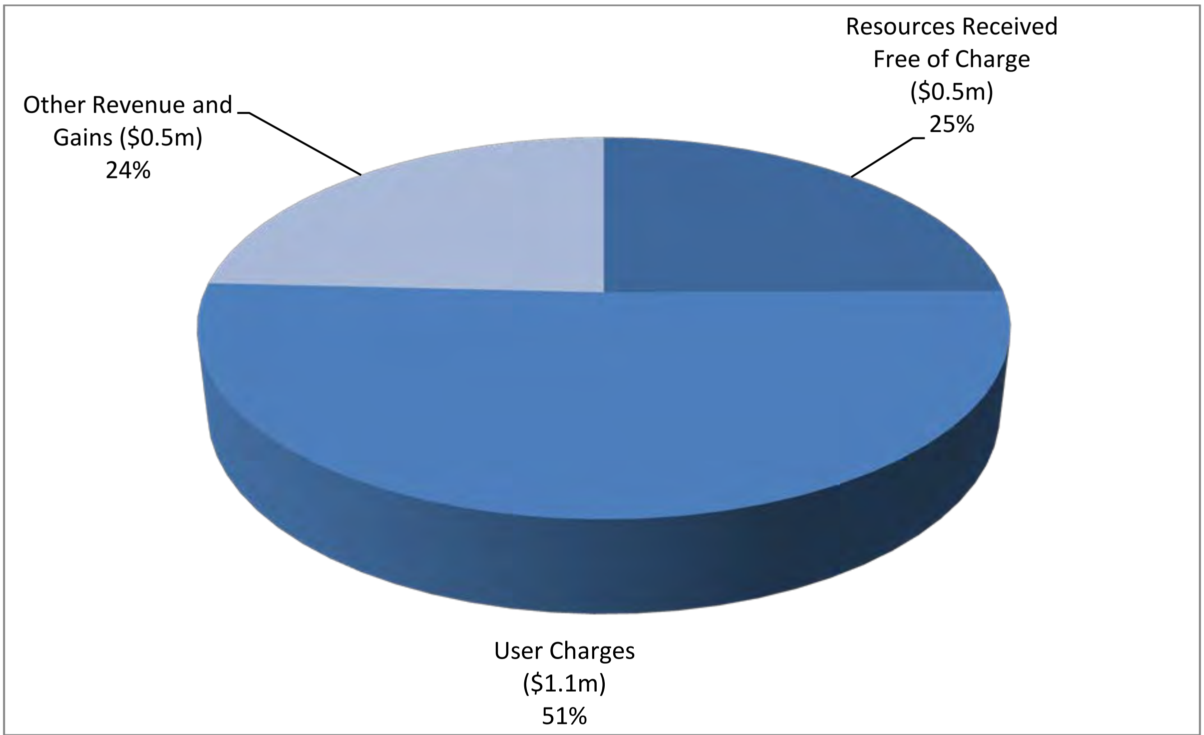
- employee expenses associated with a change in the rate used to calculate future long service leave from 92.2% to 106.6%, the enterprise bargaining outcome, an increase in annual and long service leave entitlements due to the net transfer of staff during the year; and
- grants and purchased services relating to the transfer of responsibility for the *Ombudsman Act 1989* from JACSD following the AAs of 23 November 2011.

Total Own Source Revenue

1. Components of Own Source Revenue

Figure 3 below indicates that for the financial year ended 30 June 2012, the Directorate's own source revenue was made up mainly of user charges (**$1.1 million**), resources received free of charge (**$0.5 million**) and other revenue and gains (**$0.5 million**).

Figure 3: Components of Own Source Revenue



2. Comparison to the Original Budget

Non-appropriated revenue for the year ended 30 June 2012 was **$1.3 million** or **150 per cent** higher than the original 2011-12 Budget of **$0.8 million**, resulting from increases in:

- User charges – ACT Government (**$0.6 million**) due primarily to recoveries from the Treasury Directorate's (TD's) Restructure Fund relating to the One Service Implementation;
- other revenue (**$0.5 million**) due mainly to sponsorships received in association with C100, which was not budgeted for; and
- resources received free of charge (**$0.1 million**) reflecting a greater use of legislative drafting and legal services from JACSD than budgeted. Given the potential volatility of these activities, the budget is conservatively forecast based on an assessment of historical service usage.

3. *Comparison to 2010-11 Actual Income*

Non-appropriated revenue for the year ending 30 June 2012 was **$4.1 million** lower or **66 per cent** lower than the 2010-11 result of **$6.2 million**.

This is due to the full year impact of the transfer of functions out of the Directorate following the AAs of 17 May 2011 (**$3.9 million**), which is spread across most revenue categories;

partially offset by increases in:

- other revenue (**$0.2 million**) related to sponsorships received in association with C100; and
- recoveries from the Treasury Directorate's (TD's) Restructure Fund relating to the One Service Implementation.

4. *Future Trends*

The total annual own source revenue of **$0.9 million** from 2012-13 (included in the 2012-13 Budget Papers) mainly relates to resources received free of charge (**$0.4 million**) and user charges (**$0.5 million**). The Directorate's own source revenue is expected to be stable across forward estimates.

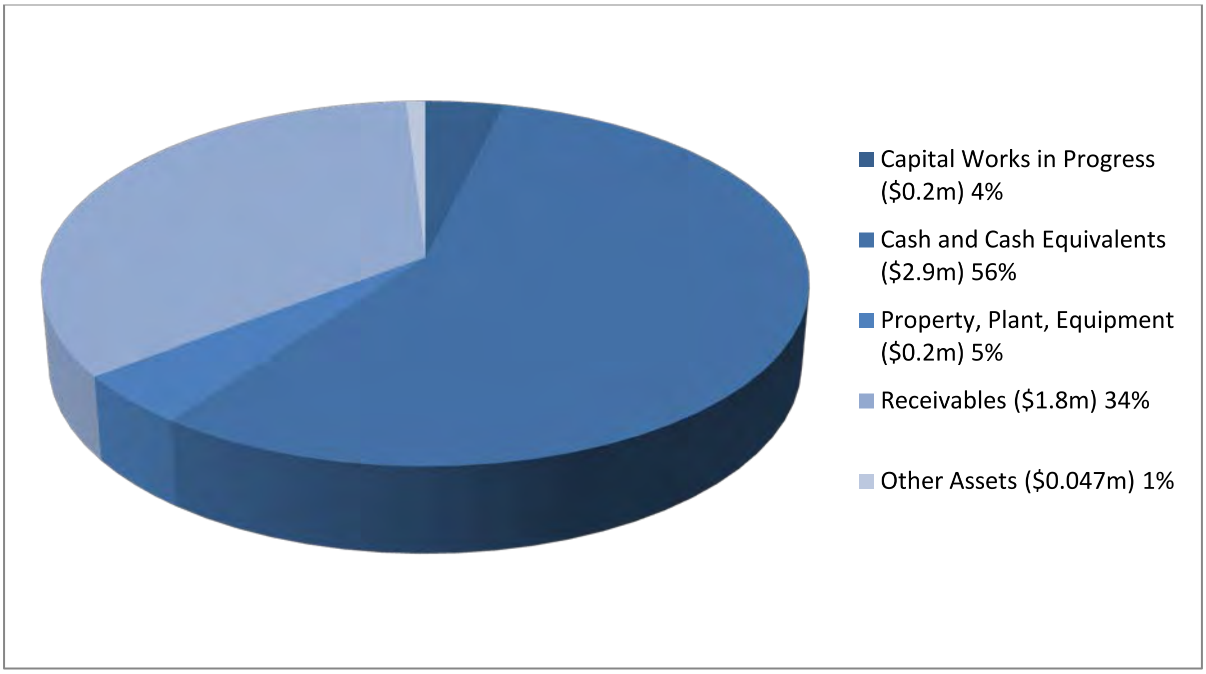
Directorate's Financial Position

Total Assets

1. *Components of Total Assets*

Figure 4 below indicates that for the financial year ended 30 June 2012, the Directorate held **56 per cent** of its assets in Cash and **34 per cent** in Receivables.

Figure 4: Total Assets as at 30 June 2012



2. *Comparison to Original Budget*

The total asset position as at 30 June 2012 is **$5.1 million**, **$2.5 million** lower than the original 2011-12 Budget of **$7.6 million** due to decreases in:

- other assets (**$0.7 million**) mostly relating to pre-paid expenses associated with Floriade, which were transferred with Tourism to EDD following the AAs; and
- intangible assets (**$3.4 million**) resulting from a revision to the completion dates for the Directorate's Injury Prevention and Management Information System (IPMIS) and AIMS Replacement (AIMS) Information, Communication, Technology (ICT) capital works projects from 30 June 2012 to 31 December 2012;

partially offset by increases in:

- cash and cash equivalents (**$0.7 million**) largely related to the timing of processing receipts and payments;
- receivables (**$0.7 million**) mainly relating to the timing of recoveries from other Directorates associated with rental and operating costs for the Canberra Nara Centre; and
- capital works in progress (**$0.2 million**) reflecting further financial progress on the IPMIS and AIMS capital works projects.

3. *Comparison to 2010-11 Actual*

The Directorate's total asset position is **$0.7 million** higher than the 2010-11 result of **$4.4 million** due to increases in:

- cash and cash equivalents (**$0.9 million**) due mainly to the timing of cash receipts late in the financial year; and
- capital works in progress (**$0.1 million**), which reflects the financial progress to date on the IPMIS and AIMS capital works projects;

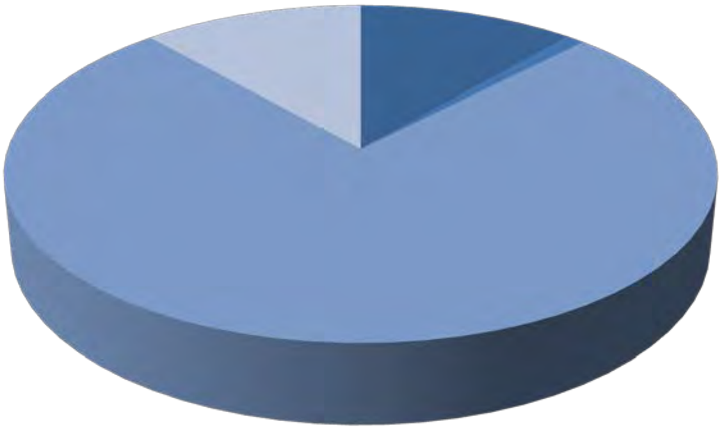
offset by a decrease in receivables (**$0.4 million**) resulting from the recovery of outstanding receivables from other Directorates for payments made by CMCD on their behalf following the AAs of 17 May 2011, but not received prior to 30 June 2011, and a decrease in the collection of receivables from non-ACT Government entities during 2011-12 relating to service delivery functions that were transferred to other Directorates following the AAs, but were raised prior to that date.

Total Liabilities

1. *Components of Total Liabilities*

Figure 5 below indicates that the majority of the Directorate's liabilities relate to employee benefits (**76 per cent**) and payables (**11 per cent**).

Figure 5: Total Liabilities as at 30 June 2012



2. Comparison to Original Budget

The Directorate's total liabilities for the year ended 30 June 2012 of **$7 million** is **$0.3 million** higher than the 2011-12 original budget of **$6.7 million**. This is due mainly to increases in:

- employee liabilities (**$0.7 million**) resulting from the net transfer of staff during the year, adjustments to employee entitlements associated with the enterprise bargaining outcome and a change in the rate used to calculate future long service leave from 92.9% to 106.6%; and
- other liabilities from the receipt of sponsorship in advance associated C100 activities, partially offset by the revenue received in advance relating to Floriade, which was transferred with Tourism to EDD following the AAs;

partially offset by decreases in:

- payables (**$0.2 million**) relating to the timing of accounts processed for payment at the end of the financial year;
- finance leases (**$0.2 million**) reflecting a reduction in the budgeted number of motor vehicles under finance leases.

3. Comparison to 2010-11 Actual

Total liabilities are **$1.3 million** higher than the 2010-11 result of **$5.7 million** due to increases in:

- employee benefits (**$0.9 million**) reflecting the net transfer of staff during the year, adjustments to employee entitlements associated with the enterprise bargaining outcome, a change in the rate used to calculate future long service leave from 92.2% to 106.6%, and a larger accrual for wages and salaries and superannuation due to a larger number of days between the final pay period and the end of the financial year compared to 2010-11; and
- other current liabilities (**$0.7 million**) due mainly to the receipt of sponsorships in advance associated with C100;

offset by a decrease in payables (**$0.3 million**), which reflects the transfer of cash owing to EDD and CSD as a result of the AAs of 17 May 2011, partially offset by the timing of accounts being processed for payment towards the end of the financial year.

Territorial Statement of Revenues and Expenses

The Territorial financial statements usually include revenue, expenses, assets and liabilities, which the Directorate administers on behalf of the ACT Government but does not control. Given the Heritage Unit was transferred to ESDD and the CBDF was transferred to EDD as part of the AAs of 17 May 2011, no transactions were recorded in the statement of revenue and expenses.

Territorial Financial Position

Due to the transfer of the CBDF to EDD, as indicated above, the Assets and Liabilities reported in the CMCD Territorial financial statements as at 30 June 2012 is **zero**.

Reconciliation of Original Budget to Amended Budget

	Original 2011-12 Budget $m	Supplementary Appropriation No. 1 $m	Amended 2011-12 Budget $m
Total Income	27.918	1.533	29.451
Total Expenses	28.232	1.553	29.785
Operating (Deficit)	**(0.314)**	**(0.020)**	**(0.334)**
Total Assets	7.559	(2.996)	4.563
Total Liabilities	6.662	(0.431)	6.231
Net (Liabilities)	**0.897**	**(2.565)**	**(1.668)**

The *Appropriation Bill 2011-2012 (No. 2)* (Supplementary Appropriation No. 1) provided additional appropriation to meet the cost of Enterprise Bargaining outcomes, and also amended the Directorate's budget to incorporate the financial impacts associated with:

- a Treasurer's Advance provided to assist with the East Africa Drought Relief effort (**$0.050 million**); and
- an expected Centenary of Canberra 2013 – Celebratory Program Commonwealth Grant (**$2.6 million**);

offset by:

- a revised Government Payment for Output funding profile associated with:
  - the ACTPS Workers' Compensation and Work Safety Improvement Plan (**$0.363 million**); and
  - the Centenary of Canberra – ACT Celebratory Program (**$0.828 million**); and
- the depreciation impact associated with revisions to the Capital Injection funding profile for the IPMIS and AIMS ICT capital works projects.

Comparison of Net Cost of Services to the 2011-12 Budget

Description	Original Budget $m	Plus AA Transfers $m	Total Funding $m		Actual $m	Variance Excluding Transfers $m	%
Expenditure							
Employee and Superannuation	14.534	-	14.534		17.013	-2.479	-17.1%
Supplies and Services [1]	13.148	483	13.631		9.205	-4.426	-32.5%
Depreciation and Amortisation	0.110	-	0.110		0.029	-0.081	-73.6%
Grants and Purchased Services	0.027	-	0.027		1.138	1.111	#
Impairment Losses	-	-	-		0.009	0.009	100.0%
Borrowing Costs	0.025	-	0.025		0.004	-0.021	-84.0%
Other Expenses [1]	0.388	-	0.388		-	-0.388	-100.0%
Total Expenditure	***28.232***	***0.483***	***28.715***		***27.397***	***-1.318***	***-4.6%***
Own Source Revenue							
User Charges – ACT Government	0.450	-	0.450		1.015	0.565	125.6%
User Charges – Non ACT Government	-	-	-		0.044	0.044	100.0%
Resources Received Free of Charge	0.386	-	0.386		0.516	0.130	33.7%
Other Revenue	-	-	-		0.503	0.503	100.0%
Gains	-	-	-		0.011	0.011	100.0%
Total Own Source Revenue	***0.836***	***-***	***0.836***		***2.089***	***1.253***	***149.9%***
Total Net Cost of Services [2]	***27.396***	***0.483***	***27.879***		***25.308***	***-2.589***	***-9.3%***

Notes: [1] The budgeted figure mostly represents expenditure relating to resources received free of charge, all of which is more appropriately recognised as supplies and services.

[2] Net Cost of Services equals Total Expenditure less Total Own Source Revenue.

The Administrative Arrangement (AA) transfer impacting CMCD in 2011-12 was the transfer of responsibility for the *Ombudsman Act 1989* from the Justice and Community Safety Directorate following the AAs of 23 November 2011.

ACT AUDITOR-GENERAL'S OFFICE

ACT Government

INDEPENDENT AUDIT REPORT

CHIEF MINISTER AND CABINET DIRECTORATE

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the Chief Minister and Cabinet Directorate (the Directorate) have been audited. These comprise the following financial statements and accompanying notes:

- Controlled financial statements - operating statement, balance sheet, statement of changes in equity, cash flow statement and statement of appropriation.
- Territorial financial statements – statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, cash flow statement on behalf of the Territory and territorial statement of appropriation.

Responsibility for the financial statements

The Director-General of the Directorate is responsible for the preparation and fair presentation of the financial statements in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

The auditor's responsibility

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the financial statements of the Directorate.

The audit was conducted in accordance with Australian Auditing Standards to obtain reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608
Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: actauditorgeneral@act.gov.au

The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or to evaluate the prudence of decisions made by the Directorate.

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of these financial statements should note that the audit does not provide assurance on the integrity of information presented electronically and does not provide an opinion on any other information which may have been hyperlinked to or from these financial statements. If users of these statements are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the financial statements of the Directorate for the year ended 30 June 2012:

(i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and

(ii) present fairly the financial position of the Directorate as at 30 June 2012 and the results of its operations and cash flows for the year then ended.

The audit opinion should be read in conjunction with other information disclosed in this report.

M. Cooper

Dr Maxine Cooper
Auditor-General
1 September 2012

STATEMENT OF RESPONSIBILITY

In my opinion, the financial statements are in agreement with the Directorate's accounts and records and fairly reflect the financial operations of the Directorate for the year ended 30 June 2012 and the financial position of the Directorate on that date.

Andrew Cappie-Wood
Director-General
Chief Minister and Cabinet Directorate

31st August 2012

Chief Minister and Cabinet Directorate
Financial Statements
For the Year Ended 30 June 2012

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Directorate's accounts and records and fairly reflect the financial operations of the Directorate for the year ended 30 June 2012 and the financial position of the Directorate on that date.

Paul Ogden
Chief Finance Officer
Chief Minister and Cabinet Directorate

30 August 2012

Chief Minister and Cabinet Directorate
Controlled Operating Statement
For the Year Ended 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Income				
Revenue				
Government Payment for Outputs	4	24,529	27,082	56,092
User Charges - ACT Government	5	1,015	450	315
User Charges - Non-ACT Government	5	44	-	3,006
Resources Received Free of Charge	6, 16	516	386	789
Other Revenue	7	503	-	2,069
Total Revenue		**26,607**	**27,918**	**62,271**
Gains				
Other Gains	8	11	-	26
Total Gains		**11**	**-**	**26**
Total Income		**26,618**	**27,918**	**62,297**
Expenses				
Employee Expenses [1]	9	14,905	12,143	19,958
Superannuation Expenses	10	2,108	2,391	3,073
Supplies and Services [1, 2, 3]	11	9,205	13,148	26,438
Depreciation and Amortisation	12	29	110	1,370
Grants and Purchased Services [2]	13	1,138	27	12,052
Impairment Losses	14	9	-	29
Borrowing Costs	15	4	25	17
Other Expenses [3]		-	388	-
Total Expenses		**27,397**	**28,232**	**62,936**
Operating (Deficit)		**(779)**	**(314)**	**(639)**
Total Comprehensive (Deficit)		**(779)**	**(314)**	**(639)**

This table may not add due to rounding.

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

[1] The increase in the 2011-12 Actual figures for Employee Expenses compared to the 2011-12 Budget figures is impacted by much of the budget for the Centenary of Canberra - ACT Celebratory Program being included in Supplies and Services, but being incurred during 2011-12 as Employee Expenses.

[2] The 2010-11 and 2011-12 Actual figures related to Service Purchase Payments have been reclassified from Supplies and Services to Grants and Purchased Services to more appropriately reflect the nature of the underlying transactions.

[3] The budgeted figure mostly reflects expenditure relating to resources received free of charge, all of which is more appropriately recognised as supplies and services.

Chief Minister and Cabinet Directorate
Controlled Balance Sheet
As at 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Current Assets				
Cash and Cash Equivalents	19	2,873	2,185	1,930
Investments	20	-	45	45
Receivables	21	1,760	1,078	2,153
Other Assets	22	47	738	-
Total Current Assets		**4,680**	**4,046**	**4,128**
Non-Current Assets				
Property, Plant and Equipment	23	232	143	249
Intangible Assets [1]		-	3,370	-
Capital Works in Progress	24	194	-	52
Total Non-Current Assets		**427**	**3,513**	**301**
Total Assets		**5,107**	**7,559**	**4,429**
Current Liabilities				
Payables	25	791	1,000	1,127
Finance Leases	26	16	183	54
Employee Benefits	27	4,918	4,153	4,052
Other Liabilities	28	808	760	89
Total Current Liabilities		**6,533**	**6,096**	**5,321**
Non-Current Liabilities				
Finance Leases	26	53	92	19
Employee Benefits	27	390	474	325
Total Non-Current Liabilities		**443**	**566**	**343**
Total Liabilities		**6,976**	**6,662**	**5,664**
Net (Liabilities)/Assets		**(1,869)**	**897**	**(1,235)**
Equity				
Accumulated (Deficits)/Funds		(1,869)	897	(1,235)
Total Equity		**(1,869)**	**897**	**(1,235)**

This table may not add due to rounding.

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

[1] The 2011-12 Budget figure for Intangible Assets reflects the budgeted completion of several information management systems (refer Note 24, 'Capital Works in Progress'). These projects are currently expected to be completed by the end of the 2012 calendar year.

Chief Minister and Cabinet Directorate
Controlled Statement of Changes in Equity
For the Year Ended 30 June 2012

30 JUNE 2012	Note No.	Accumulated Funds Actual 2012 $'000	Asset Revaluation Surplus Actual 2012 $'000	Total Equity Actual 2012 $'000	Original Budget 2012 $'000
Balance at the Beginning of the Reporting Period		**(1,235)**	**-**	**(1,235)**	**59,923**
Comprehensive Income					
Operating (Deficit)		(779)	-	(779)	(314)
Total Comprehensive (Deficit)/Income		**(779)**	**-**	**(779)**	**(314)**
Transfers (to)/from Reserves [1]	29	-	-	-	18,324
Movement in Asset Revaluation Reserve [1]	29	-	-	-	(18,324)
Transactions Involving Owners Affecting Accumulated Funds					
Capital Injections		145	-	145	3,000
Net Assets transferred out as part of an Administrative Restructure [1]	31	-	-	-	(61,712)
Total Transactions Involving Owners Affecting Accumulated Funds		**145**	**-**	**145**	**(58,712)**
Balance at the End of the Reporting Period		**(1,869)**	**-**	**(1,869)**	**897**

This table may not add due to rounding.

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

[1] The budgeted figures reflect the planned transfer of artsACT to the Community Services Directorate from 1 July 2011. This transfer was subsequently brought forward following the Administrative Arrangements of 17 May 2011.

Chief Minister and Cabinet Directorate
Controlled Statement of Changes in Equity - Continued
For the Year Ended 30 June 2012

30 JUNE 2011	Note No.	Accumulated Funds Actual 2011 $'000	Asset Revaluation Surplus Actual 2011 $'000	Total Equity Actual 2011 $'000
Balance at the Beginning of the Reporting Period		**37,191**	**18,324**	**55,515**
Comprehensive Income				
Operating (Deficit)		(639)	-	(639)
Total Comprehensive (Deficit)/Income		**(639)**	**-**	**(639)**
Transfers to/(from) Reserves	29	18,324	(18,324)	-
Net Effect of a Correction of an Error		20	-	20
Transactions Involving Owners Affecting Accumulated Funds				
Capital Injections		3,042	-	3,042
Net Assets transferred in as part of an Administrative Restructure	31	80	-	80
Net Assets transferred in as a result of a mutual agreement [1]		(126)	-	(126)
Net Assets transferred out as part of an Administrative Restructure	31	(59,128)	-	(59,128)
Total Transactions Involving Owners Affecting Accumulated Funds		**(56,132)**	**-**	**(56,132)**
Balance at the End of the Reporting Period		**(1,235)**	**-**	**(1,235)**

This table may not add due to rounding.

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

[1] The $126,547 results from an increase in employee benefit liabilities associated with the transfer of the Events Unit from the then Department of Territory and Municipal Services, which was transferred as a result of the mutual agreement between directorates rather than through Administrative Arrangements.

Chief Minister and Cabinet Directorate
Controlled Cash Flow Statement
For the Year Ended 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Cash Flows from Operating Activities				
Receipts				
Government Payment for Outputs		24,529	27,082	56,092
User Charges - ACT Government		839	450	293
User Charges - Non-ACT Government		194	-	2,405
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		802	4,021	3,683
Goods and Services Tax Collected from Customers		359	721	843
Other		603	-	1,977
Total Receipts from Operating Activities		**27,324**	**32,274**	**65,294**
Payments				
Employee		14,100	11,699	19,681
Superannuation		2,039	2,391	3,019
Supplies and Services		7,385	14,768	26,124
Grants		418	26	12,124
Service Purchase Payments		720	-	94
Borrowing Costs		4	26	17
Goods and Services Tax Paid to Suppliers		1,223	4,212	4,508
Other		15	-	-
Total Payments from Operating Activities		**25,903**	**33,122**	**65,566**
Net Cash Inflows/(Outflows) from Operating Activities	35	**1,421**	**(848)**	**(272)**
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale/Maturity of Investments		45	-	-
Proceeds from Sale of Property, Plant and Equipment		5	-	26
Total Receipts from Investing Activities		**50**	**-**	**26**
Payments				
Purchase of Property, Plant and Equipment		-	1,991	209
Capital Works in Progress		143	-	3,521
Total Payments from Investing Activities		**143**	**1,991**	**3,731**
Net Cash (Outflows) from Investing Activities		**(93)**	**(1,991)**	**(3,705)**

This table may not add due to rounding.

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

Chief Minister and Cabinet Directorate
Controlled Cash Flow Statement - Continued
For the Year Ended 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Cash Flows from Financing Activities				
Receipts				
Capital Injections		145	3,000	3,042
Total Receipts from Financing Activities		**145**	**3,000**	**3,042**
Payments				
Repayment of Finance Lease Liabilities		15	199	142
Payment of Transferred Cash Balances		515	1	7
Total Payments from Financing Activities		**530**	**200**	**149**
Net Cash (Outflows)/Inflows from Financing Activities		**(385)**	**2,800**	**2,893**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		**943**	**(39)**	**(1,084)**
Cash and Cash Equivalents at the Beginning of the Reporting Period		1,930	2,269	3,014
Cash and Cash Equivalents at the End of the Reporting Period	35	**2,873**	**2,230**	**1,930**

This table may not add due to rounding.

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

Chief Minister and Cabinet Directorate
Summary of Output Classes
For the Year Ended 30 June 2012

	Output Class 1 [1] Government Strategy $'000	Output Class 2 [2] Business and Industry Development $'000	Output Class 3 [3] Tourism $'000	Total $'000
2012				
Total Income	26,618	-	-	26,618
Total Expenses	27,397	-	-	27,397
Operating (Deficit)	**(779)**	**-**	**-**	**(779)**
2011				
Total Income	37,925	7,203	17,169	62,297
Total Expenses	38,321	7,610	17,005	62,936
Operating (Deficit)/Surplus	**(396)**	**(407)**	**164**	**(639)**

[1] The Special Events Unit and *Live in Canberra* were transferred out of Output Class 1, 'Government Strategy', to the Economic Development Directorate (EDD), the Heritage Unit was transferred to the Environment and Sustainable Development Directorate (ESDD), and artsACT was transferred to the Community Services Directorate (CSD), by the Administrative Arrangements of 17 May 2011.

[2] Output Class 2, 'Business and Industry Development', was transferred to EDD by the Administrative Arrangements of 17 May 2011.

[3] Output Class 3, 'Tourism', was transferred to EDD by the Administrative Arrangements of 17 May 2011.

Chief Minister and Cabinet Directorate
Operating Statement for Output Class 1
Government Strategy
For the Year Ended 30 June 2012

Description

During 2011-12, Output Class 1: 'Government Strategy', included:

1. Provision of advice and support to the Chief Minister and the Director-General on strategic policy and the effective delivery of government policies and priorities.
2. Provision of an employment and policy framework to support a professional, skilled and accountable public service that is responsive to the Government and the community, and management of whole of government capacity-building programs.
3. Provision of advice to the Government that concentrates on the relationship between employers and workers in the ACT. This spans, but is not limited to, workplace safety, dangerous substances, workers' compensation, the rights of injured workers, the rights of contractors to be paid, public holidays and the costs of workers' compensation to business.
4. Provision of communications support, centenary management, protocol services and executive support to the ACT Government and community.
5. During 2010-11, 'Government Strategy' also included the implementation of government policies and priorities and facilitation of development of, and community participation in, the arts, and the promotion of heritage activities, and managing and administering heritage legislation and resources.

	Actual 2012 $’000	Original Budget 2012 $’000	Actual 2011 $’000
Income			
Revenue			
Government Payment for Outputs	24,529	37,471	34,612
User Charges - ACT Government	1,015	450	315
User Charges - Non-ACT Government	44	-	402
Resources Received Free of Charge	516	386	773
Other Revenue	503	-	1,808
Total Revenue	**26,607**	**38,307**	**37,910**
Gains			
Other Gains	11	-	15
Total Gains	**11**	**-**	**15**
Total Income	**26,618**	**38,307**	**37,925**
Expense			
Employee Expenses	14,905	13,474	14,640
Superannuation Expenses	2,108	2,620	2,326
Supplies and Services	9,205	14,351	11,795
Depreciation and Amortisation	29	1,210	1,137
Grants and Purchased Services	1,138	7,653	8,394
Impairment Losses	9	-	22
Borrowing Costs	4	25	8
Other Expenses	-	388	-
Total Expenses	**27,397**	**39,721**	**38,321**
Operating (Deficit)	**(779)**	**(1,414)**	**(396)**

This table may not add due to rounding.

Note: The Special Events Unit, *Live in Canberra*, and the Heritage Unit were transferred out of Output Class 1, 'Government Strategy', to EDD, the Heritage Unit was transferred to ESDD, and artsACT was transferred to CSD, by the Administrative Arrangements of 17 May 2011.

Chief Minister and Cabinet Directorate
Operating Statement for Output Class 2
Business and Industry Development
For the Year Ended 30 June 2012

Description

During 2010-11, Output Class 2: 'Business and Industry Development', included:

1. Delivery of business programs and services.

2. Management of relationships with key stakeholders in the ACT innovation system including universities, research organisations, commercialisation entities, business organisations and other government agencies.

3. Delivery of the Skilled and Business Migration Program.

4. Supporting of activities that promote the economic development of the broader capital region.

5. Participating actively in business and innovation policy forums, including ministerial councils and other national business, innovation and science infrastructure forums.

	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Income			
Revenue			
Government Payment for Outputs	-	-	7,033
User Charges – Non-ACT Government	-	-	165
Other Revenue	-	-	5
Total Revenue	**-**	**-**	**7,203**
Gains			
Other Gains	-	-	-
Total Gains	**-**	**-**	**-**
Total Income	**-**	**-**	**7,203**
Expense			
Employee Expenses	-	-	2,152
Superannuation Expenses	-	-	360
Supplies and Services	-	-	3,129
Depreciation and Amortisation	-	-	4
Grants	-	-	1,957
Impairment Losses	-	-	7
Borrowing Costs	-	-	1
Total Expenses	**-**	**-**	**7,610**
Operating (Deficit)	**-**	**-**	**(407)**

This table may not add due to rounding.

Output Class 2, 'Business and Industry Development', was transferred to EDD by the Administrative Arrangements of 17 May 2011.

Chief Minister and Cabinet Directorate
Operating Statement for Output Class 3
Tourism
For the Year Ended 30 June 2012

Description

During 2010-11, Output Class 3: 'Tourism' included the creation and implementation of a range of marketing and development programs and activities to promote tourism and major events held in the ACT. This included promotion of the ACT as a tourism destination and the management and delivery of significant events such as Floriade and Floriade NightFest.

	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Income			
Revenue			
Government Payment for Outputs	-	-	14,447
User Charges – Non-ACT Government	-	-	2,439
Resources Received Free of Charge	-	-	16
Other Revenue	-	-	256
Total Revenue	**-**	**-**	**17,158**
Gains			
Other Gains	-	-	11
Total Gains	**-**	**-**	**11**
Total Income	**-**	**-**	**17,169**
Expense			
Employee Expenses	-	-	3,166
Superannuation Expenses	-	-	387
Supplies and Services	-	-	11,514
Depreciation and Amortisation	-	-	229
Grants	-	-	1,701
Borrowing Costs	-	-	8
Total Expenses	**-**	**-**	**17,005**
Operating Surplus	**-**	**-**	**164**

This table may not add due to rounding.

Output Class 3, 'Tourism', was transferred to EDD by the Administrative Arrangements of 17 May 2011.

Chief Minister and Cabinet Directorate
Controlled Statement of Appropriation
For the Year Ended 30 June 2012

	Original Budget 2012 $'000	Total Appropriated 2012 $'000	Appropriation Drawn 2012 $'000	Appropriation Drawn 2011 $'000
Controlled				
Government Payment for Outputs	27,082	30,354	24,529	56,092
Capital Injections	3,000	3,401	145	3,042
Total Controlled Appropriation	**30,082**	**33,755**	**24,674**	**59,134**

This table may not add due to rounding.

The above Controlled Statement of Appropriation should be read in conjunction with the accompanying notes.

Column Heading Explanations

The *Original Budget* column shows the amounts that appear in the Cash Flow Statement in the Budget Papers. This amount also appears in the Cash Flow Statement.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the Original Budget.

The *Appropriation Drawn* is the total amount of appropriation received by the Directorate during the year. This amount also appears in the Cash Flow Statement.

Variances between 'Original Budget' and 'Total Appropriated'

Government Payment for Outputs

The difference between the Original Budget for the Directorate and the Total Appropriated of $3.272 million results from approved *Financial Management Act 1996* (FMA) variations as follows.

<u>*Appropriation Act 2011-2012 (No 2)*</u>

- $0.074 million of additional appropriation was provided to meet the cost of Enterprise Bargaining outcomes.

<u>Section 14, 'Transfer of funds between Appropriations'</u>

- $0.065 million was transferred from the Health Directorate to enable the implementation of a range of whole of government workplace health initiatives under the 'A Healthy Future - Preventative Health Program'.

<u>Section 16, 'Transfer of functions after Appropriation Act passed'</u>

- $0.483 million was transferred from the Justice and Community Safety Directorate following the Administrative Arrangements of 23 November 2011, which transferred the *Ombudsman Act 1989* to CMCD.

<u>Section 18, 'Treasurer's Advance'</u>

- $0.050 million was provided from the Treasurer's Advance to make a donation on behalf of the ACT Community to UNICEF to support the East Africa drought appeal.

<u>Section 19B, 'Authorisation of expenditure of certain Commonwealth grants'</u>

- $2.6 million of expenditure was authorised to access a Commonwealth grant provided to the Territory for the Centenary of Canberra 2013 - Celebratory Program.

Capital Injections

The difference between the Original Budget for the Directorate and the Total Appropriated results from approved FMA variations as follows.

<u>Section 16B, 'Rollover of undispersed appropriation'</u>

- $0.401 million of appropriation was rolled over from 2010-11 to 2011-12 for the Injury Prevention and Management Information System.

Variances between 'Total Appropriated' and 'Appropriation Drawn'

Government Payment for Outputs

The difference between Total Appropriated and Appropriation Drawn of $5.825 million is due to:

- $4.453 million in appropriation re-profiling from 2011-12 to future years resulting from either delays in the progression, or timing associated with the development, of related projects, comprising:
  - $0.130 million for the Canberra Plan 2013;
  - $0.363 million for the ACTPS Workers' Compensation and Work Safety Improvement Plan;
  - $0.065 million for the A Healthy Future - Preventative Health Program;
  - $0.075 million for ACTGov 2.0 - Exploring Opportunities for Electronic Service Delivery (Scoping); and
  - $3.820 million for the Centenary of Canberra - ACT Celebratory Program;
- $1.372 million in unspent appropriation, comprising:
  - $0.075 million relating to the Community Initiatives Fund;
  - $0.184 million relating to the Community Support Fund;
  - $0.074 million for Injury Prevention and Management Information System (IPMIS) maintenance, due to the IPMIS capital works project not being finalised by 30 June 2012; and
  - other general underspends.

Capital Injections

The difference between Total Appropriated and Appropriation Drawn of $3.256 million is due to appropriation rollovers from 2011-12 to 2012-13 resulting from delays in the progression of related projects, comprising:

- $0.399 million for the Injury Prevention and Management Information System; and
- $2.857 million for the Accident and Injury Management System (AIMS) Replacement project.

Chief Minister and Cabinet Directorate
Controlled Note Index of the Financial Statements
For the Year Ended 30 June 2012

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NOTE 1 OBJECTIVES OF THE CHIEF MINISTER AND CABINET DIRECTORATE

a) Change of Names

On 17 May 2011, as a result of Administrative Arrangement 2011 (No.1), the Agency changed its name from the Chief Minister's Department to the Chief Minister and Cabinet Directorate.

The Chief Minister and Cabinet Directorate (CMCD, or the Directorate) for the purpose of the *Financial Management Act 1996* (FMA) and any reference to a Directorate also refers to a Department.

The Department of Territory and Municipal Services (TAMS), the Department of Disability, Housing and Community Services (DDHCS) and the Department of Justice and Community Services (JACSD) were also renamed to the Territory and Municipal Services Directorate (TAMSD), the Community Services Directorate (CSD) and the Justice and Community Services Directorate (JACSD), respectively. Throughout this Report, any references made to TAMSD, CSD or JACSD for transactions that occurred prior to 17 May 2011, should be read as transactions occurring with TAMS, DDHCS or JACSD, respectively.

b) Operations and Principal Activities

As a key central agency of the ACT Government, the Directorate provides strategic advice to the ACT Government on policy development, service delivery and whole of government issues.

During 2011-12, the Directorate's objectives included:

- leading and coordinating the implementation of reforms emanating from the Hawke Review;
- instilling cultural change across directorates in order to achieve greater collaboration and innovation in the delivery of government priorities;
- developing and implementing governance for the newly created ACT Public Service (ACTPS) Strategic Board to embed "One Service" approaches in strategic and policy development and implementation;
- implementing the Performance and Accountability Framework and the Evaluation Framework;
- creating the Government Information Office and progressing the Office's agenda including a Government ICT Strategic Plan and the open government initiative;
- leading and coordinating the Government's participation in the Council of Australian Governments (COAG) reform agenda and reporting requirements;
- leading across-government initiatives to strengthen public sector capability, with a focus on facilitating the implementation of the Respect, Equity and Diversity Framework;
- reviewing the *Public Sector Management Act 1994* and subordinate instruments;
- implementing the ACTPS Workers' Compensation and Work Safety Improvement Plan; and
- coordinating the planning for the Centenary of Canberra.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Government directorates.

The FMA and the *Financial Management Guidelines* issued under the FMA, requires a directorate's financial statements to include:

(i) an Operating Statement for the year;

(ii) a Balance Sheet at the end of the year;

(iii) a Statement of Changes in Equity for the year;

(iv) a Cash Flow Statement for the year;

(v) an Operating Statement for each class of output for the year;

(vi) a Statement of Appropriation for the year;

(vii) a summary of the significant accounting policies adopted for the year; and

(viii) such other statements as are necessary to fairly reflect the financial operations of the directorate during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required by the FMA. The financial statements have been prepared in accordance with:

(i) Australian Accounting Standards; and

(ii) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention, except for assets which were valued in accordance with the (re)valuation policies applicable to the Directorate during the reporting period.

As at 30 June 2012, the Directorate's current assets are insufficient to meet its current liabilities. However, this is not considered a liquidity risk as its cash needs are funded through appropriation from the ACT Government on a cash-needs basis. This is consistent with the whole-of-government cash management regime, which requires excess cash balances to be held centrally rather than within individual agency bank accounts.

These financial statements are presented in Australian dollars, which is the Directorate's functional currency.

The Directorate is an individual reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

b) Controlled and Territorial Items

The Directorate produces Controlled and Territorial financial statements. The Controlled financial statements include income, expenses, assets and liabilities over which the Directorate has control. The Territorial financial statements include income, expenses, assets and liabilities that the Directorate administers on behalf of the ACT Government, but does not control.

The purpose of the distinction between Controlled and Territorial is to enable an assessment of the Directorate's performance against the decisions it has made in relation to the resources it controls, while maintaining accountability for all resources under its responsibility.

The basis of accounting described in Note 2(a), 'Basis of Accounting', above applies to both Controlled and Territorial financial statements except where specified otherwise.

c) The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Directorate for the year ended 30 June 2012 together with the financial position of the Directorate as at 30 June 2012.

d) Comparative Figures

Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2011-12 has been presented in the financial statements. Budget numbers in the financial statements are those that appear in the 2011-12 Supplementary Budget Papers, which aligns to information included in the first *Appropriation Act 2011-12*.

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

e) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of the "-" symbol represents amounts rounded up or down to zero. Some totals throughout this report may not add due to rounding.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

f) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Directorate and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the significant risks and rewards of ownership of the goods has transferred to the buyer, the Directorate retains neither continuing managerial involvement nor effective control over the goods sold and the costs incurred in respect of the transaction can be measured reliably.

Rendering of Services

Revenue from the rendering of services is recognised when the stage of completion of the transaction at the reporting date can be measured reliably and the costs of rendering those services can be measured reliably.

g) Resources Received and Provided Free of Charge

Resources received and provided free of charge are recorded as a revenue and expense in the Operating Statement at fair value. The revenue is separately disclosed under resources received free of charge, with the expense being recorded in the line item to which it relates. Goods and services received free of charge from ACT Government agencies are recorded as resources received free of charge, whereas goods and services received free of charge from entities external to the ACT Government are recorded as donations.

Services that are received free of charge are only recorded in the Operating Statement if they can be reliably measured and would have been purchased if not provided to the Directorate free of charge.

Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

h) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

i) Administrative Restructures

Amounts recognised as an increase or decrease in net assets from administrative restructures are recognised directly in equity, where control over assets and liabilities is transferred to or from the Directorate as a result of restructuring administrative arrangements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

j) Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Assets or liabilities which do not fall within the current classification are classified as non-current.

k) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, where applicable, are included in cash and cash equivalents in the Cash Flow Statement but not in the cash and cash equivalents line on the Balance Sheet.

l) Receivables

Accounts receivable (including trade receivables and other trade receivables) are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are due within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other trade receivables arise outside the normal course of selling goods and services to other agencies and to the public. Other trade receivables are due within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The allowance for impairment losses represents the amount of trade receivables and other trade receivables the Directorate estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The Directorate considers the following is objective evidence of impairment:

(i) becoming aware of financial difficulties of debtors;

(ii) default payments; or

(iii) debts more than 90 days overdue.

The amount of the allowance is the difference between the receivables carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the Operating Statement.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

l) Receivables - Continued

The allowance for impairment losses are written back against the receivables account when the Directorate ceases action to collect the debt as it considers that it will cost more to recover the debt than the debt is worth.

Receivables that have been renegotiated because they are past due or impaired are accounted for based on the renegotiated terms.

m) Investments

Short-term investments are held with the Territory Banking Account in a unit trust called the Cash Enhanced Portfolio. The price of units in this unit trust fluctuates in value. The net gain or loss on investments consists of the fluctuation in price of the unit trust between the end of last reporting period and the end of this reporting period as well as any profit on the sale of units in the unit trust (the profit being the difference between the price at the end of last reporting period and the sale price). The net gains or losses do not include interest or dividend income.

Short-term and long-term investments are measured at fair value with any adjustments to the carrying amount recorded in the Operating Statement. Fair value is based on an underlying pool of investments which have quoted market prices at the reporting date.

Until 17 May 2011, the Directorate held an equal investment with the Australian Capital Ventures Limited (ACVL) in the Canberra Business Development Fund (CBDF). The CBDF was transferred to the Economic Development Directorate (EDD) following the revision to Administrative Arrangements of 17 May 2011. The fund is a unit trust whose principal activity is to invest in the equity of early stage businesses carrying out activities providing potential benefits to the Canberra Region. This investment is accounted for as a Territorial investment (see Note 2(b), 'Controlled and Territorial Items'.

The investment has been designated as a 'Financial Asset at Fair Value through Profit and Loss'. 'Financial Assets at Fair Value through Profit and Loss' are measured at fair value with any adjustments to the carrying amount going to the Statement of Income and Expenses on Behalf of the Territory. Fair value is based upon the current share market price for investments in publicly listed entities. The fair value of investments in unlisted entities is determined by recent arm's length transactions for a reasonable quantity of securities (e.g. security issue or transfer) or by valuation provided by the directors of the CBDF if the book value of the entity is deemed inappropriate.

n) Acquisition and Recognition of Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost. Cost includes the purchase price, directly attributable costs and the estimated cost of dismantling and removing the item (where, upon acquisition, there is a present obligation to remove the item).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

n) Acquisition and Recognition of Property, Plant and Equipment - Continued

Where property, plant and equipment is acquired at no cost, or nominal cost, cost is its fair value as at the date of acquisition. However property, plant and equipment acquired at no cost or nominal cost as part of a Restructuring of Administrative Arrangements is measured at the transferor's book value.

Where payment for property, plant and equipment is deferred beyond normal credit terms, the difference between its cash price equivalent and the total payment is measured as interest over the period of credit. The discount rate used to calculate the cash price equivalent is an asset specific rate.

Property, plant and equipment with a minimum value of $5,000 is capitalised.

o) Measurement of Property, Plant and Equipment After Initial Recognition

Property, plant and equipment is valued using the cost or revaluation model of valuation. Plant and equipment and leasehold improvements are measured at cost.

Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Fair value is measured using a market based evidence available for that asset (or a similar asset), as this is the best evidence of an asset's fair value. Where the market price for an asset cannot be obtained because the asset is specialised and is rarely sold, depreciated replacement cost is used as fair value.

The cost of plant and equipment comprises the purchase price, any directly attributable costs, and the initial estimate of the costs of dismantling and removing the plant and equipment and restoring the site on which it is located.

p) Impairment of Assets

The Directorate assesses at each reporting date whether there is any indication that an asset may be impaired. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. However, intangible assets that are not yet available for use are tested annually for impairment regardless of whether there is an indication of impairment, or more frequently if events or circumstances indicate they might be impaired.

Impairment losses for plant and equipment and intangible assets are recognised in the Operating Statement, as plant and equipment and intangibles are carried at cost and no asset revaluation surplus exists for these asset classes. The carrying amount of these assets is reduced to its recoverable amount.

An impairment loss is the amount by which the carrying amount of an asset (or a cash-generating unit) exceeds its recoverable amount. The recoverable amount is the higher of the asset's 'fair value less cost to sell' and its 'value in use'. An asset's 'value in use' is its depreciated replacement cost, where the asset would be replaced if the Directorate were deprived of it. Non-financial assets that have previously been impaired are reviewed for possible reversal of impairment at each reporting date.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

q) Depreciation and Amortisation of Non-Current Assets

Non-current assets, with a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. The useful life commences when an asset is ready for use. When an asset is revalued it is depreciated/amortised over its newly assessed remaining useful life. Amortisation is used in relation to intangible assets and depreciation is applied to physical assets such as buildings, and plant and equipment.

Leasehold improvements and motor vehicles under a finance lease are depreciated over the estimated useful life of each asset, or the unexpired period of the relevant lease, whichever is shorter.

All depreciation is calculated after first deducting any residual values, which remain for each asset.

Depreciation/amortisation for non-current assets is determined as follows:

Class of Asset	Depreciation/Amortisation Method	Useful Life (Years)
Leasehold Improvements	Straight Line	2-10
Plant and Equipment	Straight Line	2-20

The useful lives of all major assets held are reassessed on an annual basis.

r) Payables

Payables are a financial liability and are measured at the fair value of the consideration received when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 30 days after the invoice date.

Payables include Trade Payables, Accrued Expenses and Other Payables.

Trade Payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Directorate.

Accrued Expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received by period end.

Other Payables are those unpaid invoices that do not directly relate to the normal operations of the Directorate.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

s) Interest-Bearing Liabilities

Interest-bearing liabilities are a financial liability and are measured at the fair value of the consideration received when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount being recorded in the Operating Statement. The associated interest expense is recognised in the reporting period in which it occurs.

t) Leases

The Directorate has entered into finance and operating leases.

Finance Leases

Finance leases effectively transfer to the Directorate substantially all risks and rewards incidental to ownership of the assets under a finance lease. The title may or may not eventually be transferred. Finance leases are initially recognised as an asset and a liability at the lower of the fair value of the property and the present value of the minimum lease payments each being determined at the inception of the lease. The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Assets under a finance lease are depreciated over the shorter of the asset's useful life and lease term. Assets under a finance lease are depreciated on a straight-line basis. The depreciation is calculated after first deducting any residual values which remain for each leased asset. Each lease payment is allocated between interest expense and reduction of the lease liability. Lease liabilities are classified as current and non-current.

Operating Leases

Operating leases do not effectively transfer to the Directorate substantially all the risks and rewards incidental to ownership of the asset under an operating lease. Operating lease payments are recorded as an expense in the Operating Statement on a straight-line basis over the term of the lease.

u) Employee Benefits

Employee benefits include wages and salaries, annual leave, long service leave and applicable on-costs, including workers' compensation and payroll tax. On-costs also include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual and long service leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid. They are recorded as a liability and as an expense.

Wages and Salaries

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

u) Employee Benefits - Continued

Annual and Long Service Leave

Annual leave and long service leave that fall due wholly within the next 12 months are measured based on the estimated amount of remuneration payable when the leave is taken. Annual and long service leave including applicable on-costs that do not fall due within the next 12 months is measured at present value of estimated future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At each reporting date, the estimated future payments are calculated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. In 2011-12, the rate used to calculate the value of these future payments is 106.6% (92.2% in 2010-11).

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years of qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and the applicable on-costs.

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in-service, the probability that employees will take annual and long service leave while in service has been taken into account in estimating the liability for on-costs.

Annual leave and long service leave liabilities are classified are as current liabilities in the Balance Sheet where there are no unconditional rights to defer the settlement of the liability for at least 12 months. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability in the Balance Sheet.

v) Superannuation

Superannuation payments are made to the Territory Banking Account each year to cover the Directorate's superannuation liability for the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). This payment covers the CSS/PSS employer contribution, but does not include the productivity component. The productivity component is paid directly to ComSuper by the Directorate. The CSS and PSS are defined benefit superannuation schemes, meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

Superannuation payments have also been made directly to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation Scheme Accumulation Plan (PSSap).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

v) Superannuation - Continued

In addition, superannuation payments are made to external providers as part of the employee Fund of Choice arrangements, and to employment agencies for the superannuation contribution the Directorate is required to make for the contract staff it employs.

As staff leave the Directorate and are replaced, there is a gradual transition from the now closed CSS, PSS and PSSap to Fund of Choice arrangements.

Superannuation employer contribution payments, for the CSS and PSS, are calculated, by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal CSS or PSS employer contribution rate for each employee. The productivity component expense payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee. Superannuation payments for the PSSap are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate.

Superannuation payments for fund of choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

A superannuation liability is not recognised in the Balance Sheet as the Superannuation Provision Account recognises the total Territory superannuation liability for the CSS and PSS, and ComSuper and the external schemes recognise the superannuation liability for the PSSap and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of the ACT Government service provided after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account.

w) Equity Contributed by the ACT Government

Contributions made by the ACT Government, through its role as owner of the Directorate are treated as contributions of equity.

Increases or decreases in net assets as a result of Administrative Restructures are also recognised in equity.

x) Insurance

Major risks are insured through the ACT Insurance Authority. The excess payable under this arrangement varies depending on each class of insurance held.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

y) Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the Directorate has made the following judgements and estimates that have the most significant impact on the amounts recorded in the financial statements:

(i) *Employee Benefits*: Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for employee benefits requires a consideration of the future wage and salary levels, experience of employee departures and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and that on-costs will become payable. Further information on this estimate is provided in Note 2(u), 'Employee Benefits' and Note 3, 'Change in Accounting Policy and Accounting Estimates, and Correction of Prior Period Errors'.

(ii) *Impairment of Assets*: The Directorate has made a judgement regarding its impairment of assets by undertaking a process of reviewing any likely impairment factors. The Directorate made an assessment of any indication of impairment. The Directorate assessed $2,932 of receivables as being impaired due to the age of the debt.

(iii) *Estimation of Useful Lives of Property, Plant and Equipment*: The Directorate has made a significant estimate in the lengths of useful lives over which its assets are depreciated. This estimation is the period in which utility will be gained from the use of the asset, based on either estimates from officers of the Directorate or independent valuers.

z) Impact of Accounting Standards Issued but yet to be Applied

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The Directorate does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their application date. It is estimated that the effect of adopting the below pronouncements, when applicable, will have no material financial impact on the Directorate in future reporting periods:

- AASB 9 Financial Instruments (application date 1 January 2013);
- AASB 10 Consolidated Financial Statements (application date 1 January 2013);
- AASB 11 Joint Arrangements (application date 1 January 2013);
- AASB 12 Disclosure of Interests in Other Entities (application date 1 January 2013);
- AASB 13 Fair Value Measurement (application date 1 January 2013);
- AASB 119 Employee Benefits (application date 1 January 2013);

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

z) Impact of Accounting Standards Issued but yet to be Applied - Continued

- AASB 127 Separate Financial Statements (application date 1 January 2013);
- AASB 128 Investments in Associates and Joint Ventures (application date 1 January 2013);
- AASB 2010-7 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 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127] (application date 1 January 2013);
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (application date 1 July 2013);
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 and 1038 and Interpretations 5, 9, 16 and 17] (application date 1 January 2013);
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 101, 107, 112, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 and 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 and 132] (application date 1 January 2013);
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 and 1049] (application date 1 July 2012);
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 and 2011-8 and Interpretation 14] (application date 1 January 2013);
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 and 132] (application date 1 January 2013);
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (application date 1 January 2014); and
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, 1010, 116, 132 and 134 and Interpretation 2] (application date 1 January 2013).

NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION OF PRIOR PERIOD ERRORS

a) Change in Accounting Estimates

Revision of Estimate of Employee Benefit Liability

As disclosed in Note 2(u), 'Employee Benefits', annual leave and long service leave, including applicable on-costs, which do not fall due in the next 12 months, are measured at the present value of estimated payments to be made in respect of services provided by employees up to the reporting date. The estimated future payments are calculated back to present value using the government bond rate.

Last financial year the rate was 92.2%, however, due to a change in the government bond rate the percentage is now 106.6%.

This change has resulted in an increase of $119,271 to the estimate of the long service leave liability and expense.

b) Change in Accounting Policy

The Directorate had no change in Accounting Policy during the reporting period.

c) Correction of Prior Period Errors

The Directorate has identified several immaterial prior period errors, which have been corrected in the 2010-11 figures throughout this report.

NOTE 4 GOVERNMENT PAYMENT FOR OUTPUTS

Government Payment for Outputs (GPO) is revenue received from the ACT Government to fund the costs of delivering outputs. The ACT Government pays GPO appropriation on a fortnightly basis.

	2012 $'000	2011 $'000
Revenue from the ACT Government		
Government Payment for Outputs	24,529	56,092
Government Payment for Outputs [1]	**24,529**	**56,092**

[1] The decrease in Government Payment for Outputs (GPO) is mainly due to the transfers of the Heritage Unit to the Environment and Sustainable Development Directorate, artsACT to the Community Services Directorate, and the Special Events Unit, *Live in Canberra* , Australian Capital Tourism and Business and Industry Development to the Economic Development Directorate following the Administrative Arrangements of 17 May 2011.

NOTE 5 USER CHARGES FOR GOODS AND SERVICES

User-charge revenue is derived by providing goods and services to other ACT Government agencies and to the public. User-charge revenue is not part of ACT Government appropriation and is paid by the user of the goods or services. This revenue is driven by consumer demand.

	2012 $'000	2011 $'000
User Charges – ACT Government		
Other	1,015	315
Total User Charges – ACT Government [1]	**1,015**	**315**
User Charges – Non-ACT Government		
Other	44	3,006
Total User Charges - Non-ACT Government [2]	**44**	**3,006**
Total User Charges for Goods and Services	**1,059**	**3,321**

[1] This increase is due mainly to recoveries from the Treasury Directorate's Restructure Fund relating to the One Service Implementation.

[2] The decrease in Non-ACT Government User Charges reflects the transfer of the CMCD Events Unit, Australian Capital Tourism, the Canberra Business and Events Centre and the Business and Industry Development Branch to the Economic Development Directorate following the Administrative Arrangements of 17 May 2011.

NOTE 6 RESOURCES RECEIVED FREE OF CHARGE

Resources received free of charge relate to services being provided free of charge from other agencies within the ACT Government.

	2012 $'000	2011 $'000
Revenue from ACT Government Entities		
Justice and Community Safety Directorate (JACSD)		
Legislative Drafting Services	136	325
Legal Services	380	464
Total Resources Received Free of Charge [1]	**516**	**789**

[1] The decrease in Resources Received Free of Charge provided by JACSD reflects the transfer of functions to other Directorates following the Administrative Arrangements of 17 May 2011.

NOTE 7 OTHER REVENUE

Other Revenue arises from the core activities of the Directorate. Other Revenue is distinct from Other Gains, as Other Gains tend to be one-off or be items that are not part of the core activities of the Directorate.

	2012 $'000	2011 $'000
Revenue from ACT Government Entities		
Miscellaneous Revenue	108	534
Total Other Revenue from ACT Government Entities [1]	**108**	**534**
Revenue from Non-ACT Government Entities		
Other	395	1,535
Total Other Revenue from Non-ACT Government Entities [2]	**395**	**1,535**
Total Other Revenue	**503**	**2,069**

[1] The decrease in revenue from ACT Government entities is mainly due to the one-off receipt of contributions in 2010-11 associated with the Time to Talk initiative.

[2] The decrease in revenue from Non-ACT Government Entities mainly relates to transfer of the Special Events Unit and Australian Capital Tourism to the Economic Development Directorate following the Administrative Arrangements of 17 May 2011, and relates to festivals and events sponsorships. This is partically offset by sponsorships received for the Centenary of Canberra - ACT Celebratory Program.

NOTE 8 OTHER GAINS

Other gains tend to be one-off or be transactions that are not part of the Directorate's core activities. Other gains are distinct from other revenue, as other revenue arises from the core activities of the Directorate.

	2012 $'000	2011 $'000
Gains from the Sale of Motor Vehicles	11	26
Total Other Gains [1]	**11**	**26**

[1] The decrease in Other Gains from the sale of motor vehicles reflects mainly a lower number of vehicles disposed of during 2011-12 compared to 2010-11.

NOTE 9 EMPLOYEE EXPENSES

Employee Expenses includes costs associated with corporate and accounting services provided free of charge to the ACT Executive (refer Note 16, 'Resources Received and Provided Free of Charge').

	2012 $'000	2011 $'000
Wages and Salaries [1]	13,471	18,856
Long Service Leave Expenses [1, 2, 3]	647	533
Annual Leave Expenses [1, 2]	468	276
Comcare Premium [1, 4]	108	125
Termination Expenses [5]	162	102
Other Employee Benefits and On-Costs [1, 6]	48	67
Total Employee Expenses	**14,905**	**19,958**

[1] Various Employee Expenses have decreased due to the full year impact of the transfers from the Directorate following the Administrative Arrangements of 17 May 2011, partially offset by the increase in the enterprise bargaining outcome.

[2] Long Service and Annual Leave Expenses have also been impacted by an increase in employee entitlements due to the net transfer of staff into the Directorate during the year.

[3] The increase in Long Service Leave Expenses are also impacted by a change in rate used to calculate the value of future long service leave payments from 92.2% to 106.6%.

[4] The decrease in Comcare Premium largely reflects a refund to correct the 2010-11 premium.

[5] The increase in Termination Expenses relates mainly to voluntary redundancies.

[6] The decrease in Other Employee Benefits and On-Costs is mainly due to a reduction in Fringe Benefits Tax as a result of the reduction in the number of vehicles leased by staff.

NOTE 10 SUPERANNUATION EXPENSES

Superannuation Contributions to the Territory Banking Account	1,405	2,051
Productivity Benefit	178	277
Superannuation Payment to Comsuper (for the PSSap)	82	153
Superannuation to External Providers	443	594
Total Superannuation Expenses [1]	**2,108**	**3,073**

[1] The decrease in Total Superannuation Expenses reflects the transition between superannuation funds, which results in a lower net expense for the Directorate due to the way these funds are administered, and the net effect of staff transfers from the Directorate following the Administrative Arrangements of 17 May 2011.

NOTE 11 SUPPLIES AND SERVICES

	2012 $'000	2011 $'000
Accommodation [2]	1,411	2,758
ACT Registry Services	77	679
Advertising [3]	83	2,389
Audit Services (refer Note 18, 'Auditor's Remuneration')	95	105
Consultants [4]	1,656	5,398
Contractors [2, 5]	1,019	4,721
Donations, Sponsorship and Contributions [6]	378	755
IT and Office Equipment	620	942
IT Costs [7]	649	734
Insurance [8]	22	149
Marketing Expenses [9]	358	1,040
Plant and Equipment Hire	95	864
Postage, Printing and Stationery [2]	184	669
Repairs and Maintenance [2]	39	841
Resources Received Free of Charge - Legal Services	516	789
Service Level Agreements - Shared Services Centre	1,074	1,226
Staff Related Expenses [2]	62	130
Subscriptions, Publications, Videos and Memberships	102	94
Telecommunications	111	186
Training and Development [2]	218	291
Travel (and Associated Accommodation)	172	393
Vehicle Expenses	19	42
Other [2]	242	1,246
Total Supplies and Services [1]	**9,205**	**26,438**

[1] These decreases largely result from the transfer of functions out of the Directorate following the Administrative Arrangements of 17 May 2011.

[2] The 2010-11 figures have been reclassified within Supplies and Services to more correctly reflect the recovery of Supplies and Services expenses from Directorates co-tenanted in the Canberra Nara Centre.

[3] This decrease also reflects the cessation of the Time to Talk project.

[4] This decrease also results from the completion of preparation for the enterprise bargaining process in 2010-11, partially offset by consultancies associated with the Centenary of Canberra - ACT Celebratory Program (C100).

[5] The decrease is also partially offset by expenditure associated with C100.

[6] The decrease in this item also includes a large sponsorship payment to Golf Australian during 2010-11 in relation to C100, partially offset by the Territory's donation to the Queen's Diamond Jubilee.

[7] The decrease in IT Costs is also partially offset by an increase in expenses associated with the administration of C100.

NOTE 11 SUPPLIES AND SERVICES - CONTINUED

[8] The decrease in Insurance also reflects a refund for Workers' Compensation premiums paid in prior years.

[9] This decrease is partially offset by marketing expenses being incurred in relation to C100.

NOTE 12 DEPRECIATION AND AMORTISATION

	2012 $'000	2011 $'000
Depreciation		
Buildings	-	1,139
Plant and Equipment [a]	-	38
Leasehold Improvements	21	74
Assets under a Finance Lease [a]	8	73
Total Depreciation [1]	**29**	**1,324**

[a] For the purpose of this Note, 'Plant and Equipment' excludes depreciation on Assets under a Finance Lease, although Assets under a Finance Lease are part of the Property, Plant and Equipment asset class in other areas of the report.

	2012 $'000	2011 $'000
Amortisation		
Intangible Assets	-	46
Total Amortisation [2]	**-**	**46**
Total Depreciation and Amortisation	**29**	**1,370**

[1] The decrease in Depreciation results from the transfer of assets out of the Directorate following the Administrative Arrangements of 17 May 2011. The reduction in Assets under a Finance Lease has also decreased due to a reduction in the number, and value, of finance leases (refer Note 26, 'Finance Leases').

[2] The decrease in Amortisation results mainly from the transfer of the Canberra Business and Events Centre (CBEC) to the Economic Development Directorate following the Administrative Arrangements of 17 May 2011.

NOTE 13 GRANTS AND PURCHASED SERVICES

Grants are amounts provided by the Directorate, to ACT Government agencies and non-ACT Government agencies for general assistance or for a particular purpose. Grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Purchased services are amounts paid to obtain services from other ACT Government agencies and external parties.

	2012 $'000	2011 $'000
Grants		
Australian National University Faculty of Arts [1]	-	1,558
ACT Arts Fund [1]	-	5,946
National ICT Australia (NICTA) [2]	-	800
University of Canberra [2]	-	429
ACT Festival Fund [2]	-	181
Community Initiatives Fund [3]	28	36
Community Support Fund [4]	78	190
Community Centenary Initiatives Fund [5]	67	-
Supporting Innovation [2]	-	373
Regional Development [2]	150	263
Facilitating Business Investment [2]	-	78
Tourism Events Assistance Program [2]	-	255
Canberra Convention Bureau [2]	-	1,000
Science Festival [2]	-	246
National Capital Education Tourism Project [2]	-	200
Pakistan Flood Relief [6]	-	100
Queensland Flood Relief [6]	-	250
East Africa Drought [7]	50	-
Others [8]	46	53
Total Grants	**418**	**11,958**
Payments to Service Providers		
Unions ACT Occupational Health and Safety Officer [8, 9]	142	94
ACT Ombudsman [10]	578	-
Total Payments to Service Providers	**720**	**94**
Total Grants and Purchased Services	**1,138**	**12,052**

[1] These decreases result from the transfer of artsACT to the Community Services Directorate following the Administrative Arrangement changes of 17 May 2011.

NOTE 13 GRANTS AND PURCHASED SERVICES - CONTINUED

[2] These decreases result from the transfer of Business and Industry Development, the Events Unit and Australian Capital Tourism to the Economic Development Directorate following the Administrative Arrangements of 17 May 2011.

[3] The Community Initiatives Fund provides grants to community groups organising one-off events or initiatives that will benefit the community. The decrease from 2010-11 mostly reflects the receipt of a lower level of applicable requests for assistance.

[4] The Community Support Fund provides grant funding to worthy charitable organisations. The decrease from 2010-11 reflects the receipt of a lower level of applicable requestes for assistance.

[5] This increase is due to the establishment of a fund during 2011-12 to support new and existing festivals, events and initiatives, such as the Royal Canberra Show, that will be held in 2013 as part of the Centenary of Canberra celebrations.

[6] These decreases relate to the one-off payment of Treasurer's Advance (TA) funds in 2010-11 for the support of flood relief efforts in Pakistan and Queensland.

[7] This increases reflects a donation made from the TA to UNICEF to support the East Africa drought relief effort.

[8] The 2010-11 figures relating to the Unions ACT Occupational Health and Safety Officer have been reclassified from Grants to Payments to Service Providers to more correctly reflect the nature of the underlying transactions.

[9] This increase reflects the timing of payments associated with the Unions ACT Occupational Health and Safety Officer.

[10] This increase results from the transfer of responsibility for the *Ombudsman Act 1989* from the Justice and Community Safety Directorate following the Administrative Arrangements of 23 November 2011.

NOTE 14 WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS

Under section 131 of the *Financial Management Act 1996,* the Treasurer may, in writing, waive the right to payment of an amount payable to the Territory.

A waiver is the relinquishment of a legal claim to a debt over which the Directorate has control. The write-off of a debt is the accounting action taken to remove a debt from the books but does not relinquish the legal right of the Directorate to recover the amount. The write-off of debts may occur for reasons other than waivers.

	No. of Debts	2012 $'000	No. of Debts	2011 $'000
Impairment Losses				
Impairment Losses from Receivables				
Trade Receivables [1]	15	14	27	29
Reduction in Allowance from Amounts Recovered During the Year	1	(6)	-	-
Total Impairment Losses from Receivables		9		29
Total Impairment Losses		**9**		**29**

Irrecoverable debts to the value of $34,574 (35 debts) were written-off against the receivables provision during 2011-12, of which $11,074 (11 debts) was impaired during 2011-12. There were no write-offs during 2010-11.

[1] In 2011-12, debts in excess of 500 days overdue were written off, most of which relate to functions transferred to the Economic Development Directorate following the Administrative Arrangements of 17 May 2011 that CMCD had retained the responsibility for collecting. The 2010-11 write-off was higher mainly due to the comparatively higher value of outstanding receivables as at 30 June.

NOTE 15 BORROWING COSTS

	2012 $'000	2011 $'000
Finance Charges on Finance Leases	4	17
Total Borrowing Costs [1]	**4**	**17**

[1] This decrease results from a reduction in the number and value of finance leases during the year (refer Note 26, 'Finance Leases').

NOTE 16 RESOURCES RECEIVED AND PROVIDED FREE OF CHARGE

This note identifies expenses related to Resources Received and Provided Free of Charge, all of which have been recorded elsewhere in this report in the expense item to which they relate.

	2012 $'000	2011 $'000
Expenses Relating to Resources Received Free of Charge - Included in Supplies and Services		
Expenses Relating to Legal Services Provided Free of Charge by the Justice and Community Services Directorate (refer Note 6, 'Resources Received Free of Charge')	516	789
Total Expenses Relating to Resources Received Free of Charge - Included in Supplies and Services	**516**	**789**
Resources Provided Free of Charge - Included in Employee Expenses		
Corporate and Accounting Services Provided Free of Charge to the ACT Executive	12	14
Total Resources Provided Free of Charge - Included in Employee Expenses	**12**	**14**
Total Resources Received and Provided Free of Charge	**528**	**803**

NOTE 17 ACT OF GRACE PAYMENTS

There were no Act of Grace payments made during the reporting period pursuant to Section 130 of the *Financial Management Act 1996* (nil for 2010-11).

NOTE 18 AUDITOR'S REMUNERATION

Auditor's remuneration consists of financial audit services provided to the Directorate by the ACT Auditor-General's Office. No other services were provided by the ACT Auditor-General's Office.

	2012 $'000	2011 $'000
Audit Services		
Audit Fees paid to the ACT Auditor-General's Office	95	105
Total Audit Fees	**95**	**105**

NOTE 19 CASH AND CASH EQUIVALENTS

The Directorate holds a number of bank accounts with the Commonwealth Bank as part of the whole-of-government banking arrangements. As part of these arrangements, the Directorate does not receive any interest on these accounts.

	2012 $'000	2011 $'000
Cash on Hand	3	2
Cash at Bank	2,870	1,927
Total Cash and Cash Equivalents [1]	**2,873**	**1,930**

[1] The increase in Cash and Cash Equivalents relates largely to the timing of cash receipts and payments late in the financial year.

NOTE 20 INVESTMENTS

A short-term investment was held with the Territory Banking Account (TBA) in the Cash Enhanced Portfolio until June 2012. The fund was able to be withdrawn upon request.

The purpose of the investment in the Fixed Interest Portfolio was to hold it for a period of longer than 12 months. The total carrying amount of the Fixed Interest Portfolio investment below was measured at fair value.

	2012 $'000	2011 $'000
Current Investments		
Investment with Territory Banking Account - Cash Enhanced Portfolio	-	45
Total Current Investments	-	45
Total Investments	**-**	**45**

NOTE 21 RECEIVABLES

	2012 $'000	2011 $'000
Current Receivables		
Trade Receivables	592	1,798
Less: Allowance for Impairment Losses	(3)	(29)
	589	1,769
Other Trade Receivables	42	9
Less: Allowance for Impairment Losses	-	-
	42	9
Accrued Revenue	828	165
Net GST Receivable from the Australian Taxation Office	301	210
Total Current Receivables	**1,760**	**2,153**
Total Receivables	**1,760**	**2,153**

Ageing of Receivables

	Not Overdue	Past Due			Total
		Less than 30 Days	30 to 60 Days	Greater than 60 Days	
	$'000	$'000	$'000	$'000	$'000
2012					
Not Impaired [a]					
Receivables	1,501	153	29	78	1,760
Impaired					
Receivables	-	-	-	3	3
2011					
Not Impaired [a]					
Receivables	1,889	31	20	213	2,153
Impaired					
Receivables	-	-	-	29	29

[a] 'Not Impaired' refers to Net Receivables (that is Gross Receivable less Impaired Receivables).

	2012 $'000	2011 $'000
Reconciliation of the Allowance for Impairment Losses		
Allowance for Impairment Losses at the Beginning of the Reporting Period	**29**	**-**
Additional Allowance Recognised	14	29
Reduction in Allowance Resulting from a Write Back against Receivables	(35)	-
Reduction in Allowance from Amounts Recovered During the Year	(6)	-
Allowance for Impairment Losses at the End of the Reporting Period	**3**	**29**

NOTE 21 RECEIVABLES - CONTINUED

Classification of ACT Government/Non-ACT Government Receivables

	2012 $'000	2011 $'000
Receivables with ACT Government Entities		
Net Trade Receivables [1]	435	1,074
Accrued Revenue [2]	806	165
Total Receivables with ACT Government Entities	**1,241**	**1,239**
Receivables with Non-ACT Government Entities		
Net Trade Receivables [3]	196	695
Net Other Trade Receivables	-	9
Accrued Revenue	22	-
Net GST Receivable from the Australian Taxation Office (ATO) [4]	301	210
Total Receivables with Non-ACT Government Entities	**519**	**914**
Total Receivables	**1,760**	**2,153**

[1] The decrease in Net Trade Receivables results mainly from the recovery of outstanding receivables from other Directorates for payments made by CMCD on their behalf due to the Administrative Arrangements of 17 May 2011, but not been received prior to 30 June 2011.

[2] The increase in Accrued Revenue relates to the timing of recoveries from other Directorates associated with rental and operating cost for the Canberra Nara Centre.

[3] The decrease in Net Trade Receivables mainly results from the collection during 2011-12 of receivables that related to service delivery functions that were transferred to other Directorates following the Administrative Arrangements of 17 May 2011, but were raised prior to that date.

[4] This increase reflects the timing of GST refunds from the ATO.

NOTE 22 OTHER ASSETS

	2012 $'000	2011 $'000
Current Assets		
Prepayments	47	-
Total Current Other Assets	47	-
Total Other Assets [1]	**47**	**-**

[1] The increase in Other Assets relates to the prepayment of professional memberships.

NOTE 23 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following classes of assets – leasehold improvements, plant and equipment, and assets under a finance lease. Property, plant and equipment does not include assets held for sale or investment property.

Leasehold improvements represent capital expenditure incurred in relation to leased assets. These include fitouts of leased buildings used for administrative purposes.

Plant and equipment includes motor vehicles under a finance lease, mobile plant, air-conditioning and heating systems, office and computer equipment, furniture and fittings, and other mechanical and electronic equipment.

	2012 $'000	2011 $'000
Leasehold Improvements		
Leasehold Improvements at Cost	995	995
Less: Accumulated Depreciation	(827)	(806)
Total Leasehold Improvements at Cost	**168**	**189**
Total Written-Down Value of Leasehold Improvements	**168**	**189**
Plant and Equipment		
Plant and Equipment at Cost	71	106
Less: Accumulated Depreciation	(6)	(46)
Total Written-Down Value of Plant and Equipment [1]	**65**	**61**
Total Written-Down Value of Property, Plant and Equipment	**232**	**249**

Assets under a Finance Lease

Assets under a finance lease are included in the asset class to which they relate in the above disclosure. Assets under a finance lease are also required to be separately disclosed as outlined below.

	2012 $'000	2011 $'000
Carrying Amount of Assets under a Finance Lease		
Plant and Equipment under a Finance Lease	71	99
Less: Accumulated Depreciation	(6)	(38)
Total Written-Down Value of Plant and Equipment under a Finance Lease	**65**	**61**
Total Written-Down Value of Assets under a Finance Lease [1]	**65**	**61**

[1] The decrease in Total Finance Lease Liabilities results from a staff member opting not to retain a vehicle following the expiration of the existing arrangement during 2011-12.

NOTE 23 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2011-12.

	Land $'000	Buildings $'000	Leasehold Improvements $'000	Plant and Equipment $'000	Infrastructure $'000	Community and Heritage $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	**-**	**-**	**189**	**61**	**-**	**-**	**249**
Additions	-	-	-	70	-	-	**70**
Disposals	-	-	-	(58)	-	-	**(58)**
Depreciation	-	-	(21)	(8)	-	-	**(29)**
Carrying Amount at the End of the Reporting Period	**-**	**-**	**168**	**65**	**-**	**-**	**232**

The following table shows the movement of Property, Plant and Equipment during 2010-11.

	Land $'000	Buildings $'000	Leasehold Improvements $'000	Plant and Equipment $'000	Infrastructure $'000	Community and Heritage $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	**15,505**	**33,048**	**57**	**601**	**-**	**6,550**	**55,761**
Additions	-	-	209	88	-	-	**297**
(Disposal) / Acquisition through Administrative Restructuring	(15,505)	(31,909)	(4)	(432)	1	(6,550)	**(54,399)**
Disposals	-	-	-	(86)	-	-	**(86)**
Depreciation	-	(1,139)	(74)	(110)	(1)	-	**(1,324)**
Carrying Amount at the End of the Reporting Period	**-**	**-**	**189**	**61**	**-**	**-**	**249**

NOTE 24 CAPITAL WORKS IN PROGRESS

Capital Works in Progress are assets being constructed over periods of time in excess of the present reporting period. These assets often require extensive installation work or integration with other assets, and contrast with simpler assets that are ready for use when acquired, such as motor vehicles and equipment. Capital Works in Progress are not depreciated as the Directorate is not currently deriving any economic benefits from them.

Assets which the Directorate had under development during 2011-12 include information management systems.

	2012 $'000	2011 $'000
Injury Prevention and Management Information System	37	34
Accident and Information Management System	158	18
Total Capital Works in Progress [1]	**194**	**52**

[1] The increase in Total Capital Works in Progress reflects the progression of captial works in progress during the financial year.

NOTE 24 CAPITAL WORKS IN PROGRESS - CONTINUED

Reconciliation of Capital Works in Progress

The following table shows the movement of Capital Works in Progress during 2011-12.

	Building Works in Progress $'000	Plant and Equipment Works in Progress $'000	Community and Heritage Assets Works in Progress $'000	Infrastructure Works in Progress $'000	Software Works in Progress $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	**-**	**-**	**-**	**-**	**52**	**52**
Additions	-	-	-	-	142	142
Carrying Amount at the End of the Reporting Period	**-**	**-**	**-**	**-**	**194**	**194**

The following table shows the movement of Capital Works in Progress during 2010-11.

	Building Works in Progress $'000	Plant and Equipment Works in Progress $'000	Community and Heritage Assets Works in Progress $'000	Infrastructure Works in Progress $'000	Software Works in Progress $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	**2,268**	**119**	**1,048**	**-**	**-**	**3,435**
Additions	671	90	1,849	214	52	2,876
Capital Works in Progress Completed and Transferred to Property, Plant and Equipment	-	(208)	-	-	-	(208)
(Disposal) / Acquisition through Administrative Restructuring	(2,939)	-	(2,897)	(214)	-	(6,050)
Disposal	-	(1)	-	-	-	(1)
Carrying Amount at the End of the Reporting Period	**-**	**-**	**-**	**-**	**52**	**52**

NOTE 25 PAYABLES

	2012 $'000	2011 $'000
Current Payables		
Trade Payables [1]	22	-
Accrued Expenses [1]	715	613
Other Payables [2]	53	514
Total Current Payables	**791**	**1,127**
Total Payables	**791**	**1,127**
Payables are aged as follows:		
Not Overdue	769	1,127
Overdue for less than 30 days	22	-
Total Payables	**791**	**1,127**
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Accrued Expenses	231	346
Other Payables	35	514
Total Payables with ACT Government Entities	**266**	**860**
Payables with Non-ACT Government Entities		
Trade Payables	22	-
Other Payables	18	-
Accrued Expenses	484	267
Total Payables with Non-ACT Government Entities	**525**	**267**
Total Payables	**791**	**1,127**

[1] The increase in Payables relates to the timing of accounts being processed for payment towards the end of the financial year.

[2] The decrease in Other Payables reflects the transfer of cash owing to the Economic Development Directorate and the Community Services Directorate as a result of the Administrative Arrangements of 17 May 2011.

NOTE 26 FINANCE LEASES

The Directorate holds 2 finance leases for motor vehicles as at 30 June 2012 (3 finance leases for motor vehicles as at 30 June 2011), all of which have been taken up as a finance lease liability and an asset under a finance lease. The interest rates implicit in these leases vary from 6.13% to 7.41% and the term is for 2 years. These leases have no terms of renewal or purchase options, nor escalation clauses.

	2012 $'000	2011 $'000
Current Finance Lease Liabilities		
Secured		
Finance Leases	16	54
Total Current Secured Finance Lease Liabilities	**16**	**54**
Non-Current Finance Lease Liabilities		
Secured		
Finance Leases	53	19
Total Non-Current Secured Finance Lease Liabilities	**53**	**19**
Total Finance Lease Liabilities [1]	**69**	**73**

[1] The decrease in Total Finance Lease Liabilities results from a staff member opting not to retain a vehicle following the expiration of a lease during 2011-12.

NOTE 26 FINANCE LEASES - CONTINUED

Secured Liability

The Directorate's finance lease liability is effectively secured because if the Directorate defaults, the assets under a finance lease revert to the lessor.

	2012 $'000	2011 $'000
Finance Leases		
Finance lease commitments are payable as follows:		
Within one year	19	60
Later than one year but not later than five years	55	19
Later than five years	-	-
Minimum Lease Payments	**74**	**78**
Less: Future Finance Lease Charges	(6)	(5)
Amount Recognised as a Liability	**69**	**73**
Add: Lease incentive involved with non-cancellable operating lease	-	-
Total Present Value of Minimum Lease Payments	**69**	**73**
The present value of the minimum lease payments are as follows:		
Within one year	16	55
Later than one year but not later than five years	53	18
Total Present Value of Minimum Lease Payments	**69**	**73**
The future minimum lease payments for non-cancellable financing sub-leases expected to be received	-	-

Classification on the Balance Sheet

	2012 $'000	2011 $'000
Finance Leases		
Current Finance Leases	16	55
Non-Current Finance Leases	53	18
Total Finance Lease Liabilities	**69**	**73**

NOTE 27 EMPLOYEE BENEFITS

	2012 $'000	2011 $'000
Current Employee Benefits		
Annual Leave [1]	1,799	1,543
Long Service Leave [1, 2]	2,636	2,168
Accrued Wages and Salaries [3]	404	278
Accrued Superannuation [3]	64	47
Other Employee Benefits	15	15
Total Current Employee Benefits	**4,918**	**4,052**
Non-Current Employee Benefits		
Long Service Leave [2]	390	325
Total Non-Current Employee Benefits	**390**	**325**
Total Employee Benefits	**5,308**	**4,376**

At the end of the 2011-12 financial year, the Directorate had 141.2 full time equivalent (FTE) staff (including 2 FTE staff for the Default Insurance Fund (DIF)) employed (119 FTE as at 30 June 2011 (including 1 FTE staff for DIF)). The higher number of FTEs at the end of the 2011-12 financial year is due largely to increased employment associated with the Centenary of Canberra - ACT Celebratory Program.

[1] The increase in Annual and Long Service Leave benefits is impacted by a higher level of accrued leave resulting from the net transfer of staff into the Directorate during the year, and adjustments to employee entitlements associated with the enterprise bargaining outcome.

[2] The increase in the Long Service Leave benefits also reflects an increase in the rate used to calculate the value of future long service leave payments from 92.2% to 106.6%.

[3] Accrued Wages and Salaries and Accrued Superannuation have increased due to the larger number of days between the final pay period and the end of the financial year compared to 2010-11, and are also impacted by the enterprise bargaining outcome.

NOTE 27 EMPLOYEE BENEFITS - CONTINUED

	2012 $'000	2011 $'000
Estimated Amount Payable within 12 Months		
Annual Leave	1,799	1,543
Long Service Leave	254	236
Accrued Wages and Salaries	404	278
Accrued Superannuation	64	47
Other Benefits	15	15
Total Employee Benefits Payable within 12 Months	**2,536**	**2,119**
Estimated Amount Payable after 12 Months		
Long Service Leave	2,773	2,257
Total Employee Benefits Payable after 12 Months	**2,773**	**2,257**
Total Employee Benefits	**5,308**	**4,376**

NOTE 28 OTHER LIABILITIES

Current Other Liabilities		
Revenue Received in Advance	808	89
Total Current Other Liabilities	**808**	**89**
Total Other Liabilities [1]	**808**	**89**

[1] The increase in Total Other Liabilities is due mainly to receiving sponsorship revenue in advance for activities associated with the Centenary of Canberra - ACT Celebratory Program.

NOTE 29 RESERVES

Asset Revaluation Surplus

The Asset Revaluation Surplus is used to record the increments and decrements in the value of property, plant and equipment.

Balance at the Beginning of the Reporting Period [1]	**-**	**18,324**
Transfer (from) Reserves	-	(18,324)
Total (Decrease) in the Asset Revaluation Reserve Surplus	**-**	**(18,324)**
Balance at the End of the Reporting Period [1]	**-**	**-**

[1] The decrease in reserves in 2010-11 reflects the transfer of artsACT to the Community Services Directorate as a result of the Administrative Arrangements of 17 May 2011.

NOTE 30 DISAGGREGATED DISCLOSURE OF ASSETS AND LIABILITIES

Year Ended 30 June 2012

	Output Class 1	Unallocated	Total
	$'000	$'000	$'000
Current Assets			
Cash and Cash Equivalents	2,873	-	2,873
Receivables	1,760	-	1,760
Other Assets	47	-	47
Total Current Assets	**4,680**	**-**	**4,680**
Non-Current Assets			
Property, Plant and Equipment	232	-	232
Intangible Assets	194	-	194
Total Non-Current Assets	**427**	**-**	**427**
Total Assets	**5,107**	**-**	**5,107**
Current Liabilities			
Payables	791	-	791
Finance Leases	16	-	16
Employee Benefits	4,918	-	4,918
Other Liabilities	808	-	808
Total Current Liabilities	**6,533**	**-**	**6,533**
Non-Current Liabilities			
Finance Leases	53	-	53
Employee Benefits	390	-	390
Total Non-Current Liabilities	**443**	**-**	**443**
Total Liabilities	**6,976**	**-**	**6,976**
Net (Liabilities)	**(1,869)**	**-**	**(1,869)**

NOTE 30 DISAGGREGATED DISCLOSURE OF ASSETS AND LIABILITIES - CONTINUED

Year Ended 30 June 2011

	Output Class 1	Unallocated	Total
	$'000	$'000	$'000
Current Assets			
Cash and Cash Equivalents [1]	1,408	522	1,930
Investment	45	-	45
Receivables	2,153	-	2,153
Total Current Assets	**3,606**	**522**	**4,128**
Non-Current Assets			
Property, Plant and Equipment	249	-	249
Capital Works in Progress	52	-	52
Total Non-Current Assets	**301**	**-**	**301**
Total Assets	**3,907**	**522**	**4,429**
Current Liabilities			
Payables	1,127	-	1,127
Finance Leases	54	-	54
Employee Benefits	4,052	-	4,052
Other Liabilities	89	-	89
Total Current Liabilities	**5,321**	**-**	**5,321**
Non-Current Liabilities			
Finance Leases	19	-	19
Employee Benefits	325	-	325
Total Non-Current Liabilities	**343**	**-**	**343**
Total Liabilities	**5,664**	**-**	**5,664**
Net (Liabilities)/Assets	**(1,757)**	**522**	**(1,235)**

[1] Unallocated cash and cash equivalents held by the Directorate as at 30 June 2011 represents amounts payable to the Economic Development Directorate and the Community Services Directorate relating to the transfer of functions associated with the Administrative Arrangements of 17 May 2011.

NOTE 31 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS

Restructures of Administrative Arrangements 2011-12

On 23 November 2011, a restructuring of administrative arrangements occurred between the Justice and Community Safety Directorate (JACSD) and the Chief Minister and Cabinet Directorate (CMCD) involving the Ombudsman function. The Ombudsman function is responsible for administering the Ombudsman Act 1989, investigating complaints about administrative actions of ACT Government Agencies and public education providers.

Income and Expenses

The following table shows the income and expense items associated with the Ombudsman function recognised by the Directorate for the year ended 30 June 2012. It also shows the income and expenses relating to when the function belonged to JACSD. The JACSD income and expense figures were developed in conjunction with JACSD and as such have been relied upon by the Directorate. Finally, the table shows the total income and expenses of the Ombudsman function for the whole financial year.

	Amounts Relating to when the Function was held by		
	JACSD from 1 July 2011 to 22 November 2011 $'000	CMCD from 23 November 2011 to 30 June 2012 $'000	Total 2012 $'000
Revenue			
Government Payment for Outputs	320	483	803
Total Revenue	**320**	**483**	**803**
Expenses			
Supplies and Services	384	578	962
Total Expenses	**384**	**578**	**962**

Assets and Liabilities

No assets or liabilities were transferred during 2011-12 with this function.

NOTE 31 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - CONTINUED

Restructures of Administrative Arrangements 2010-11

On 1 July 2010, a restructuring of administrative arrangements occurred between the Territory and Municipal Services Directorate (TAMSD) (then named the Department of Territory and Municipal Services) and the Chief Minister and Cabinet Directorate (CMCD) involving the ACT Heritage Unit. The Unit is responsible for the administration of the heritage provisions of the *Heritage Act 2004* and assisting in the conservation of the ACT's heritage assets to ensure their identification, preservation, protection, maintenance and enhancement (where appropriate) for present and future generations.

On 17 May 2011, a further restructuring of administrative arrangements occurred involving the ACT Heritage Unit, this time between CMCD and the Environment and Sustainable Development Directorate (ESDD).

Income and Expenses

The following table shows the income and expense items associated with the ACT Heritage Unit recognised by the Directorate for the year ended 30 June 2011. It also shows the income and expenses relating to when the Unit belonged to ESDD. The ESDD income and expense figures were developed in conjunction with ESDD and as such have been relied upon by the Directorate. Finally, the table shows the total income and expenses of the ACT Heritage Unit for the whole financial year.

	Amounts Relating to when the Function was held by		
	CMCD from 1 July 2010 to 16 May 2011 $'000	**ESDD from 17 May 2011 to 30 June 2011 $'000**	**Total 2011 $'000**
Revenue			
Government Payment for Outputs	1,210	229	1,439
Total Revenue	**1,210**	**229**	**1,439**
Expenses			
Employee Expenses	897	139	1,036
Superannuation Expenses	106	61	167
Supplies and Services	198	9	207
Grants	-	20	20
Total Expenses	**1,201**	**229**	**1,430**

NOTE 31 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - CONTINUED

Restructures of Administrative Arrangements 2010-11

On 17 May 2011, a restructuring of administrative arrangements occurred between CMCD and ESDD involving the Government Architect. The Government Architect is responsible for the provision of strategic advice to the Government on architectural and urban design issues, aimed at promoting Canberra as a city of design.

Income and Expenses

The following table shows the income and expense items associated with the Government Architect recognised by the Directorate for the year ended 30 June 2011. It also shows the income and expenses relating to when the Architect belonged to ESDD. The ESDD income and expense figures were developed in conjunction with ESDD and as such have been relied upon by the Directorate. Finally, the table shows the total income and expenses of the Government Architect for the whole financial year.

	Amounts Relating to when the Function was held by		
	CMCD from 1 July 2010 to 16 May 2011 $'000	ESDD from 17 May 2011 to 30 June 2011 $'000	Total 2011 $'000
Expenses			
Employee Expenses	8	-	8
Superannuation Expenses	1	-	1
Supplies and Services	6	-	6
Total Expenses	**16**	**-**	**16**

NOTE 31 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - CONTINUED

Restructures of Administrative Arrangements 2010-11

On 17 May 2011, a restructuring of administrative arrangements occurred between CMCD and EDD involving Business and Industry Development, the Special Events Unit, *Live in Canberra* , the Canberra Business and Events Centre and Australian Capital Tourism functions. The Business and Industry Development function is responsible for the provision of programs, initiatives and business policy advice to support strategic business and industry development in the ACT. The Special Events Unit is responsible for the management and promotion of recreational events. The *Live in Canberra* Program is responsible for undertaking the promotion of Canberra as a place to live and work. The Canberra and Events Centre is a venue responsible for showcasing the ACT and region's strengths to international and interstate delegations and business visitors. The Australian Capital Tourism function is responsible for the creation and implementation of a range of marketing and development programs and activities to promote tourism and major events held in the ACT.

Income and Expenses

The following table shows the income and expense items associated with Business and Industry Development, the Special Events Unit, *Live in Canberra* , the Canberra Business and Events Centre and Australian Capital Tourism recognised by the Directorate for the year ended 30 June 2011. It also shows the income and expenses relating to when the Unit belonged to EDD. The EDD income and expense figures were developed in conjunction with EDD and as such have been relied upon by the Directorate. Finally, the table shows the total income and expenses of the Business and Industry Development, the Special Events Unit, *Live in Canberra* , the Canberra Business and Events Centre and Australian Capital Tourism functions for the whole financial year.

	Amounts Relating to when the Functions were held by		
	CMCD from 1 July 2010 to 16 May 2011 $'000	EDD from 17 May 2011 to 30 June 2011 $'000	Total 2011 $'000
Revenue			
Government Payment for Outputs	21,676	3,434	25,110
Other Revenue	3,649	11	3,660
Total Revenue	**25,325**	**3,445**	**28,770**
Expenses			
Employee Expenses	5,280	762	6,042
Superannuation Expenses	732	109	841
Supplies and Services	15,178	1,681	16,859
Depreciation and Amortisation	280	25	305
Grants	3,809	439	4,248
Borrowing Costs	13	-	13
Other Expenses	-	159	159
Total Expenses	**25,292**	**3,175**	**28,467**

NOTE 31 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - CONTINUED

Restructures of Administrative Arrangements 2010-11

On 17 May 2011, a restructuring of administrative arrangements occurred between CMCD and the Community Services Directorate (CSD) involving artsACT. artsACT is responsible for the implementation of Government policies and facilitation of development of, and community participation in, the arts. In particular, artsACT delivers a range of arts programs, projects and initiatives, develops and implements arts policy, manages and maintains a range of arts facilities and provides support to and participates in advisory mechanisms in the arts.

Income and Expenses

The following table shows the income and expense items associated with artsACT recognised by the Directorate for the year ended 30 June 2011. It also shows the income and expenses relating to when the Unit belonged to CSD. The CSD income and expense figures were developed in conjunction with CSD and as such have been relied upon by the Directorate. Finally, the table shows the total income and expenses of artsACT for the whole financial year.

	Amounts Relating to when the Function was held by		
	CMCD from 1 July 2010 to 16 May 2011 $'000	CSD from 17 May 2011 to 30 June 2011 $'000	Total 2011 $'000
Revenue			
Government Payment for Outputs	9,867	847	10,714
Other Revenue	239	30	269
Total Revenue	**10,106**	**877**	**10,983**
Expenses			
Employee Expenses	1,559	195	1,754
Superannuation Expenses	210	31	241
Supplies and Services	1,205	261	1,466
Depreciation and Amortisation	1,022	-	1,022
Grants	7,789	378	8,167
Other Expenses	-	5	5
Total Expenses	**11,785**	**870**	**12,655**

NOTE 31 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - CONTINUED

Assets and Liabilities

The assets and liabilities were transferred during 2010-11 with the ACT Heritage Unit from TAMSD as part of the Administrative Arrangements of 1 July 2010.

ACT Heritage Unit assets and liabilities were again transferred during 2010-11, this time to ESDD, as part of the Administrative Arrangements of 17 May 2011.

Details of these transfers are provided below.

	Amounts Transferred from TAMS 2011 $'000	Amounts Transferred to ESDD 2011 $'000
Assets		
Cash and Cash Equivalents	12	-
Infrastructure Assets	172	(171)
Capital Works in Progress	152	(366)
Total Assets Transferred	**336**	**(538)**
Liabilities		
Payables	10	-
Employee Benefits	246	(309)
Total Liabilities Transferred	**255**	**(309)**
Total Net Assets Transferred	**80**	**(229)**

NOTE 31 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - CONTINUED

Assets and Liabilities

The assets and liabilities transferred during 2010-11 with the Business and Industry Development, the Special Events Unit, *Live in Canberra* , the Canberra Business and Events Centre and Australian Capital Tourism functions to EDD as part of the Administrative Arrangements of 17 May 2011 are detailed below.

	Amounts Transferred to EDD 2011 $'000
Assets	
Cash and Cash Equivalents	(439)
Inventory	(62)
Other Assets	(873)
Land	(3,600)
Buildings	(1,543)
Leasehold Improvements	(5)
Plant and Equipment	(180)
Computer Software	(474)
Total Assets Transferred	**(7,177)**
Liabilities	
Employee Benefits	(1,977)
Finance Leases	(118)
Other Liabilities	(608)
Total Liabilities Transferred	**(2,703)**
Total Net Assets Transferred	**(4,474)**

NOTE 31 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - CONTINUED

Assets and Liabilities

The assets and liabilities transferred during 2010-11 with artsACT to CSD as part of the Administrative Arrangements of 17 May 2011 are detailed below.

	Amounts Transferred to CSD 2011 $'000
Assets	
Cash and Cash Equivalents	(83)
Capital Works in Progress	(5,836)
Land	(11,905)
Buildings	(30,365)
Plant and Equipment	(194)
Heritage and Community Assets	(6,550)
Total Assets Transferred	**(54,934)**
Liabilities	
Employee Benefits	(508)
Total Liabilities Transferred	**(508)**
Total Net Assets Transferred	**(54,426)**
Total Net Liabilities Transferred during 2010-11 by Administrative Arrangements	**(59,048)**

Total Impact of Administrative Arrangement Transfers during 2010-11

Total Net Assets Transferred in during 2010-11 by Administrative Arrangements	80
Total Net Assets Transferred out during 2010-11 by Administrative Arrangements	(59,128)
Total Net Assets Transferred during 2010-11 by Administrative Arrangements	**(59,048)**

NOTE 32 FINANCIAL INSTRUMENTS

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 2, 'Summary of Significant Accounting Policies'.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Directorate is considered to have no exposure to interest rate risk because cash and cash equivalents are held in non-interest bearing accounts. There have been no changes in risk exposure or processes for managing risk since the last financial reporting period.

Sensitivity Analysis
A sensitivity analysis has not been undertaken for the interest rate risk of the Directorate as it is not exposed to movements in interest rates.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Directorate's credit risk is limited to the amount of the financial assets it holds net of any provision for impairment loss. The Directorate expects to collect all financial assets that are not past due or impaired.

Cash and cash equivalents are held with the Commonwealth Bank, in accordance with whole of ACT Government banking arrangements.

The Directorate manages the credit risk for receivables by regularly monitoring its receivables and issuing monthly statements to overdue accounts where required. The Directorate has no significant concentration of credit risk.

Liquidity Risk
Liquidity risk is the risk that the Directorate will be unable to meet its financial obligations as they fall due. The Directorate's main financial obligations relate to the payment of employee benefits, payment of grants and the purchase of supplies and services. Salaries are paid on a fortnightly basis and purchases of supplies and services are normally paid within 30 days after the invoice date.

The main source of cash to pay these obligations is appropriation from Government which is paid on a fortnightly basis during the year. The Directorate manages its liquidity risk through forecasting appropriation drawdown requirements to enable payment of anticipated obligations.

The Directorate's exposure to liquidity risk is considered insignificant based on experience from prior years and the current assessment of risk.

NOTE 32 FINANCIAL INSTRUMENTS – CONTINUED

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The only price risk which the Directorate is exposed to results from its investment in the Cash Enhanced Portfolio. The Directorate has units in the Portfolio that fluctuate in value. The price fluctuations in the units of the cash enhanced portfolio are caused by movements in the underlying investments of the portfolio. The underlying investments are managed by an external fund manager who invests in a variety of different bonds, including bonds issued by the Commonwealth Government, the State Government guaranteed treasury corporations and semi-government authorities, as well as investment-grade corporate issues, using an investment strategy agreed by the Government.

Sensitivity Analysis

A sensitivity analysis has not been undertaken as it is considered that the Directorate's exposure to this risk is insignificant and would have an immaterial impact on its financial results.

Fair Value of Financial Assets and Liabilities

The carrying amounts and fair values of financial assets and liabilities at the end of the reporting period are as follows.

	Note No.	Carrying Amount 2012 $'000	Fair Value 2012 $'000	Carrying Amount 2011 $'000	Fair Value 2011 $'000
Financial Assets					
Cash and Cash Equivalents	19	2,873	2,873	1,930	1,930
Investments with the Territory Banking Account	20	-	-	45	45
Receivables [1]	21	932	932	1,988	1,988
Total Financial Assets		**3,805**	**3,805**	**3,963**	**3,963**
Financial Liabilities					
Payables [1]	25	76	76	514	514
Finance Leases	26	69	69	73	73
Total Financial Liabilities		**144**	**144**	**587**	**587**

[1] The Receivables and Payables figures exclude accruals.

NOTE 32 FINANCIAL INSTRUMENTS – CONTINUED

The following table sets out the Directorate's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2012. All financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2012		**Weighted**		**Fixed Interest maturing in:**				
	Note No.	**Average Interest Rate**	**Floating Interest Rate $'000**	**1 Year or Less $'000**	**Over 1 Year to 5 Years $'000**	**More than 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Financial Assets								
Cash and Cash Equivalents	19		-	-	-	-	2,873	2,873
Receivables [1]	21		-	-	-	-	932	932
Total Financial Assets			**-**	**-**	**-**	**-**	**3,805**	**3,805**
Financial Liabilities								
Payables [1]	25		-	-	-	-	76	76
Finance Leases	26	6.8%	-	19	55	-	-	74
Total Financial Liabilities			**-**	**19**	**55**	**-**	**76**	**150**
Net Financial (Liabilities)/Assets			**-**	**(19)**	**(55)**	**-**	**3,729**	**3,655**

[1] The Receivables and Payables figures exclude accruals.

2011		**Weighted**		**Fixed Interest maturing in:**				
	Note No.	**Average Interest Rate**	**Floating Interest Rate $'000**	**1 Year or Less $'000**	**Over 1 Year to 5 Years $'000**	**More than 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Financial Assets								
Cash and Cash Equivalents	19		-	-	-	-	1,930	1,930
Investment with the Territory Banking Account	20		-	-	-	-	45	45
Receivables [1]	21		-	-	-	-	2,153	2,153
Total Financial Assets			**-**	**-**	**-**	**-**	**4,128**	**4,128**
Financial Liabilities								
Payables [1]	25		-	-	-	-	514	514
Finance Leases	26	7.2%	-	60	19	-	-	78
Total Financial Liabilities			**-**	**60**	**19**	**-**	**514**	**592**
Net Financial (Liabilities)/Assets			**-**	**(60)**	**(19)**	**-**	**3,614**	**3,536**

[1] The Receivables and Payables figures exclude accruals.

NOTE 32 FINANCIAL INSTRUMENTS – CONTINUED

	Note No.	2012 $'000	2011 $'000
Carrying Amount of Each Category of Financial Assets and Financial Liabilities			
Financial Assets			
Financial Assets at Fair Value through the Profit and Loss Designated upon Initial Recognition	20	-	45
Loans and Receivables [1]	21	932	1,988
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost [1]	25, 26	144	587

[1] The Loans and Receivables and Financial Liabilities Measured at Amortised Cost figures exclude accruals.

The Directorate does not have any financial assets in the 'Available for Sale' category or the 'Held to Maturity' category and, as such, these categories are not included above. Also, the Directorate does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category and as such this category is not included above.

Fair Value Hierarchy

The Directorate does not have any financial liabilities at fair value and the value of financial assets is immaterial. As such, no fair value hierarchy disclosures have been made.

NOTE 33 COMMITMENTS

	2012 $'000	2011 $'000

Other Commitments

The Directorate's Other Commitments relate mainly to activities associated with the Centenary of Canberra - ACT Celebratory Program.

As at 30 June 2012, the Directorate had entered into contracts for the following commitments, which have not been recognised as liabilities:

	2012 $'000	2011 $'000
Within one year	2,541	701
Later than one year but not longer than five years	302	649
Total Other Commitments	**2,843**	**1,350**

Operating Lease Commitments

The Directorate has a non-cancellable operating lease via ACT Property, Territory and Municipal Services Directorate, for rental of the Canberra Nara Centre, with an expiry date of 30 June 2020. The lease has an escalation clause and renewal rights. There are no conditions in the lease requiring CMCD to restore the site which the Canberra Nara Centre is situated on, and the operating lease agreement gives CMCD the right to renew the lease. Renegotiation of the lease terms occur on renewal of the lease.

Non-cancellable operating lease commitments are payable as follows:

	2012 $'000	2011 $'000
Within one year	3,647	3,476
Later than one year and not later than five years	20,173	15,398
Later than five years	9,220	17,742
Total Operating Lease Commitments [1]	**33,039**	**36,616**

[1] The decrease in Operating Lease Commitments largely results from a reduced time until the expiry of the rental lease for the Canberra Nara Centre.

NOTE 34 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directorate has no contingent assets or liabilities as at 30 June 2012.

NOTE 35 CASH FLOW RECONCILIATION

(a) Reconciliation of Cash and Cash Equivalents at the end of the Reporting Period in the Cash Flow Statement to the equivalent items in the Balance Sheet.

	2012 $'000	2011 $'000
Total Cash and Cash Equivalents Recorded in the Balance Sheet	2,873	1,930
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	**2,873**	**1,930**

(b) Reconciliation of Net Cash Inflows/(Outflows) from Operating Activities to the Operating (Deficit)

	2012 $'000	2011 $'000
Operating (Deficit)	(779)	(639)
Add Non-Cash Items		
Depreciation of Property, Plant and Equipment	29	1,324
Amortisation of Intangibles	-	46
Assets Transferred or Contributed	-	2,231
Add Items Classified as Financing		
Administrative Arrangement Cash Transferred	515	7
Transactions associated with the Net (Gain) on Disposal of Non-Current Assets	(5)	(26)
Waived Finance Lease Payments	-	8
Cash Before Changes in Operating Assets and Liabilities	**(240)**	**2,951**
Changes in Operating Assets and Liabilities		
Decrease/(Increase) in Receivables	393	(1,059)
Decrease in Inventories	-	61
(Increase)/Decrease in Other Assets	(47)	755
(Decrease) in Payables	(336)	(55)
Increase/(Decrease) in Employee Benefits	932	(2,194)
Increase/(Decrease) in Other Liabilities	719	(731)
Net Changes in Operating Assets and Liabilities	**1,661**	**(3,223)**
Net Cash Inflows/(Outflows) from Operating Activities	**1,421**	**(272)**

(c) Non-Cash Financing and Investing Activities

	2012 $'000	2011 $'000
Acquisition of Motor Vehicles by means of Finance Lease	**71**	**88**

NOTE 36 EVENTS OCCURRING AFTER BALANCE DATE

There were no events occurring after the balance date, which would affect the financial report as at 30 June 2012.

NOTE 37 THIRD PARTY MONIES

During 2010-11, the Directorate held security deposits for the Tourism Trust Account.

	2012 $'000	2011 $'000
Security Deposits Held for the Australian Capital Tourism Trust Account		
Balance at the Beginning of the Reporting Period	**-**	**168**
Cash Receipts	-	1,458
Cash Payments	-	(1,491)
Transfer of Trust Account [1]	-	(135)
Balance at the End of the Reporting Period	**-**	**-**

[1] The Australian Capital Tourism Trust Account was transferred to the Economic Development Directorate as a result of the Administrative Arrangements of 17 May 2011.

CHIEF MINISTER AND CABINET DIRECTORATE

TERRITORIAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Territorial Financial Statements Contents

Statement of Income and Expenses on Behalf of the Territory
Statement of Assets and Liabilities on Behalf of the Territory
Statement of Changes in Equity on Behalf of the Territory
Cash Flow Statement on Behalf of the Territory
Territorial Statement of Appropriation
Territorial Note Index
Territorial Notes

Chief Minister and Cabinet Directorate
Statement of Income and Expenses on Behalf of the Territory
For the Year Ended 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Income				
Revenue				
Payment for Expenses on Behalf of the Territory	39	-	-	259
Total Revenue		**-**	**-**	**259**
Total Income		**-**	**-**	**259**
Expenses				
Grants	40	-	-	254
Other Expenses	41	-	-	153
Total Expenses		**-**	**-**	**407**
Operating Surplus/(Deficit)		**-**	**-**	**(148)**

The above Statement of Income and Expenses on Behalf of the Territory should be read in conjunction with the accompanying notes.

Chief Minister and Cabinet Directorate
Statement of Assets and Liabilities on Behalf of the Territory
For the Year Ended 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Current Assets				
Cash and Cash Equivalents	42	-	-	28
Receivables	43	-	-	7
Total Current Assets		**-**	**-**	**35**
Total Assets		**-**	**-**	**35**
Current Liabilities				
Payables	44	-	-	35
Total Current Liabilities		**-**	**-**	**35**
Total Liabilities		**-**	**-**	**35**
Net Assets		**-**	**-**	**-**
Equity				
Accumulated Funds		-	-	-
Total Equity		**-**	**-**	**-**

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

Chief Minister and Cabinet Directorate
Statement of Changes in Equity on Behalf of the Territory
For the Year Ended 30 June 2012

	Note No.	Accumulated Funds Actual 2012 $'000	Total Equity Actual 2012 $'000	Original Budget 2012 $'000
Balance at the Beginning of the Reporting Period		**-**	**-**	**2,352**
Comprehensive Income				
Operating Surplus		-	-	-
Total Comprehensive Income		**-**	**-**	**-**
Transactions Involving Owners Affecting Accumulated Funds				
Net Assets transferred out as part of an Administrative Restructure	45	-	-	(2,352)
Total Transactions Involving Owners Affecting Accumulated Funds		**-**	**-**	**(2,352)**
Balance at the End of the Reporting Period		**-**	**-**	**-**

The above Statement of Changes in Equity on Behalf of the Territory should be read in conjunction with the accompanying notes.

Chief Minister and Cabinet Directorate
Statement of Changes in Equity on Behalf of the Territory - Continued
For the Year Ended 30 June 2012

	Note No.	Accumulated Funds Actual 2011 $'000	Total Equity Actual 2011 $'000
Balance at the Beginning of the Reporting Period		**2,352**	**2,352**
Comprehensive Income			
Operating (Deficit)		(148)	(148)
Total Comprehensive (Deficit)		**(148)**	**(148)**
Transactions Involving Owners Affecting Accumulated Funds			
Net Assets transferred out as part of an Administrative Restructure	45	(2,204)	(2,204)
Total Transactions Involving Owners Affecting Accumulated Funds		**(2,204)**	**(2,204)**
Balance at the End of the Reporting Period		**-**	**-**

The above Statement of Changes in Equity on Behalf of the Territory should be read in conjunction with the accompanying notes.

Chief Minister and Cabinet Directorate
Cash Flow Statement on Behalf of the Territory
For the Year Ended 30 June 2012

	Note No.	Actual 2012 $'000	Original Budget 2012 $'000	Actual 2011 $'000
Cash Flows from Operating Activities				
Receipts				
Cash from Government for Expenses on Behalf of the Territory		-	-	259
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		5	-	13
Other Receipts		3	-	-
Total Receipts from Operating Activities		**8**	**-**	**272**
Payments				
Grants		31	-	226
Goods and Services Tax Paid to Suppliers		-	-	18
Total Payments from Operating Activities		**31**	**-**	**244**
Net Cash (Outflows)/Inflows from Operating Activities	49	**(23)**	**-**	**28**
Net Cash Flows from Investing Activities		-	-	-
Cash Flows from Financing Activities				
Payments				
Payments of Transferred Cash Balances		5	-	-
Total Payments from Financing Activities		**5**	**-**	**-**
Net Cash (Outflows)/Inflows from Financing Activities		**(5)**	**-**	**-**
Net (Decrease)/Increase in Cash and Cash Equivalents Held		**(28)**	**-**	**28**
Cash and Cash Equivalents at the Beginning of the Reporting Period		28	-	-
Cash and Cash Equivalents at the End of the Reporting Period	49	**-**	**-**	**28**

The above Cash Flow Statement on Behalf of the Territory should be read in conjunction with the accompanying notes.

Chief Minister and Cabinet Directorate
Territorial Statement of Appropriation
For the Year Ended 30 June 2012

	2012 Original Budget $'000	2012 Total Appropriated $'000	2012 Appropriation Drawn $'000	2011 Appropriation Drawn $'000
Territorial				
Expenses on Behalf of the Territory	-	-	-	259
Total Territorial Appropriation	**-**	**-**	**-**	**259**

The above Territorial Statement of Appropriation should be read in conjunction with the accompanying notes.

Column Heading Explanations

The *Original Budget* column shows the amounts that appear in the Cash Flow Statement on Behalf of the Territory in the Budget Papers. This amount also appears in the Cash Flow Statement on Behalf of the Territory.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the Original Budget.

The *Appropriation Drawn* is the total amount of appropriation received by the Directorate during the year. This amount appears in the Cash Flow Statement on Behalf of the Territory.

Note 38 Summary of Significant Accounting Policies - Territory

Income Notes
Note 39 Payment for Expenses on Behalf of the Territory - Territorial

Expense Notes
Note 40 Grants - Territorial
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Note 47 Commitments - Territorial
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Note 49 Cash Flow Reconciliation - Territorial
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NOTE 38 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - TERRITORIAL

All of the Directorate's accounting policies are contained in Note 2, 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to the Controlled and Territorial Financial statements.

NOTE 39 PAYMENT FOR EXPENSES ON BEHALF OF THE TERRITORY – TERRITORIAL

Under the *Financial Management Act 1996* , funds can be appropriated for expenses incurred on behalf of the Territory. The Directorate receives this appropriation to fund a number of expenses incurred on behalf of the Territory, the main one being the payment of grants to various non-government organisations. For 2010-11, the Directorate only received Payment for Expenses on Behalf of the Territory for heritage grants (See Note 40, 'Grants - Territorial').

	2012 $'000	2011 $'000
Payment for Expenses on Behalf of the Territory	-	259
Total Payment for Expenses on Behalf of the Territory [1]	**-**	**259**

[1] The decrease is due to the transfer of the Heritage Unit to the Environment and Sustainable Development Directorate, resulting from the Administrative Arrangements of 17 May 2011 (AAs). The CMCD Territorial accounts ceased operating following the AAs.

NOTE 40 GRANTS – TERRITORIAL

Heritage Grants	-	254
Total Grants [1]	**-**	**254**

[1] The decrease is due to the transfer of the Heritage Unit to the Environment and Sustainable Development Directorate, resulting from the Administrative Arrangements of 17 May 2011.

NOTE 41 OTHER EXPENSES – TERRITORIAL

Other Expenses	-	153
Total Other Expenses [1]	**-**	**153**

[1] The 2010-11 Other Expense reflects the negative performance of investments within the Canberra Business Development Fund (CBDF). The decrease in 2011-12 results from the Directorate's investment in the CBDF being transferred to the Economic Development Directorate following the Administrative Arrangements of 17 May 2011.

NOTE 42 CASH AND CASH EQUIVALENTS - TERRITORIAL

	2012 $'000	2011 $'000
Cash at Bank	-	28
Total Cash and Cash Equivalents [1]	**-**	**28**

[1] The 2010-11 Cash and Cash Equivalents reflects the settlement of outstanding net payables as at 30 June 2012 relating to the transfer of the Heritage Unit to the Environment and Sustainable Development Directorate following the Administrative Arrangements of 17 May 2011 (AAs). The CMCD Territorial accounts ceased operating following the AAs.

NOTE 43 RECEIVABLES – TERRITORIAL

Current Receivables

	2012 $'000	2011 $'000
Trade Receivables	-	3
Less: Allowance for Impairment Losses	-	-
	-	3
Other Trade Receivables	-	4
Less: Allowance for Impairment Losses	-	-
	-	4
Total Current Receivables	**-**	**7**
Total Receivables [1]	**-**	**7**

Ageing of Receivables

	Not Overdue	Past Due			Total
		Less than 30 Days	30 to 60 Days	Greater than 60 Days	
	$'000	$'000	$'000	$'000	$'000
2012					
Not Impaired [a]					
Receivables	-	-	-	-	-
Impaired					
Receivables	-	-	-	-	-
2011					
Not Impaired [a]					
Receivables	7	-	-	-	7
Impaired					
Receivables	-	-	-	-	-

[a] 'Not Impaired' refers to Net Receivables (that is Gross Receivable less Impaired Receivables).

NOTE 43 RECEIVABLES – TERRITORIAL - CONTINUED

	2012 $'000	2011 $'000
Classification of ACT Government/Non-ACT Government Receivables		
Receivables with ACT Government Entities		
Net Trade Receivables	-	3
Total Receivables with ACT Government Entities	**-**	**3**
Receivables with Non-ACT Government Entities		
Net GST Receivable from the Australian Taxation Office	-	4
Total Receivables with Non-ACT Government Entities	**-**	**4**
Total Receivables	**-**	**7**

[1] This decrease reflects the collection of outstanding Hertiage Unit related receivables as at 30 June 2012. The Heritage Unit was transferred to the Environment and Sustainable Development Directorate, and the CMCD Territorial accounts ceased operations, following the Administrative Arrangements of 17 May 2011.

NOTE 44 PAYABLES – TERRITORIAL

	2012 $'000	2011 $'000
Current Payables		
Trade Payables	-	35
Total Current Payables	-	35
Total Payables	**-**	**35**
Payables are aged as follows:		
Not Overdue	-	35
Overdue for more than 60 days	-	-
Total Payables	**-**	**35**
Classification of ACT Government/Non-ACT Government Payables		
Payables with Non-ACT Government Entities		
Trade Payables	-	35
Total Payables with Non-ACT Government Entities	**-**	**35**
Total Payables	**-**	**35**

[1] The decrease in Payables results from the settlement of outstanding Hertiage Unit related payables as at 30 June 2012. The Heritage Unit was transferred to the Environment and Sustainable Development Directorate, and the CMCD Territorial accounts ceased operations, following the Administrative Arrangements of 17 May 2011.

NOTE 45 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - TERRITORIAL

Restructures of Administrative Arrangements 2010-11

On 1 July 2010, a restructuring of administrative arrangements occurred between the Territory and Municipal Services Directorate (TAMSD) and CMCD involving the ACT Heritage Unit. The Unit is responsible for the administration of the heritage provisions of the *Heritage Act 2004* and assisting in the conservation of the ACT's heritage assets to ensure their identification, preservation, protection, maintenance and enhancement (where appropriate) for present and future generations. The grants program administered on behalf of the Territory in association with this function was transferred from TAMSD as part of this restructuring of administrative arrangements.

On 17 May 2011, a further restructuring of administrative arrangements occurred involving the ACT Heritage Unit, this time between CMCD and the Environment and Sustainable Development Directorate (ESDD). The grants program administered on behalf of the Territory in association with this function was transferred to ESDD as part of this administrative arrangement.

Income and Expenses on Behalf of the Territory

The following table shows the income and expenses on behalf of the Territory associated with the ACT Heritage Unit recognised by the Directorate for the year ended 30 June 2011. It also shows the income and expenses on behalf of the Territory relating to when the Unit belonged to ESDD. The ESDD income and expense on behalf of the Territory figures were developed in conjunction with ESDD and as such have been relied upon by the Directorate. Finally, the table shows the total income and expenses on behalf of the Territory for the ACT Heritage Unit for the whole financial year.

	Amounts Relating to when the Function was held by		
	CMCD from 1 July 2010 to 16 May 2011 $'000	ESDD from 17 May 2010 to 30 June 2011 $'000	Total 2011 $'000
Revenue			
Expenses on Behalf of the Territory	259	30	289
Total Revenue	**259**	**30**	**289**
Expenses			
Grants	257	32	289
Total Expenses	**257**	**32**	**289**

NOTE 45 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - TERRITORIAL - CONTINUED

Restructures of Administrative Arrangements 2010-11

On 17 May 2011, a restructuring of administrative arrangements occurred between CMCD and the Economic Development Directorate (EDD) involving Business and Industry Development (BID). The BID function is responsible for the provision of programs, initiatives and business policy advice to support strategic business and industry development in the ACT. The responsibility for managing the Territory's interest in the Canberra Business Development Fund (CBDF) in association with this function was transferred to EDD as part of this administrative arrangement.

Income and Expenses on Behalf of the Territory

The following table shows expenses on behalf of the Territory associated with the CBDF recognised by the Directorate for the year ended 30 June 2011. It also shows the income and expenses on behalf of the Territory relating to when the CBDF belonged to EDD. The EDD income and expense on behalf of the Territory figures were developed in conjunction with EDD and as such have been relied upon by the Directorate. Finally, the table shows the total income and expenses on behalf of the Territory for the CBDF for the whole financial year.

	Amounts Relating to when the Function was held by		
	CMCD from 1 July 2010 to 16 May 2011 $'000	EDD from 17 May 2010 to 30 June 2011 $'000	Total 2011 $'000
Expenses			
Other Expenses	153	561	714
Total Expenses	**153**	**561**	**714**

NOTE 45 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - TERRITORIAL - CONTINUED

Assets and Liabilities on Behalf of the Territory

On 1 July 2010, a restructuring of administrative arrangements occurred between the Territory and Municipal Services Directorate (TAMSD) and the Chief Minister and Cabinet Directorate (CMCD) involving the ACT Heritage Unit. The Unit is responsible for the administration of the heritage provisions of the Heritage Act 2004 and assisting in the conservation of the ACT's heritage assets to ensure their identification, preservation, protection, maintenance and enhancement (where appropriate) for present and future generations. The grants program administered on behalf of the Territory in association with this function was transferred from TAMSD as part of this restructuring of administrative arrangements.

On 17 May 2011, a further restructuring of administrative arrangements occurred involving the ACT Heritage Unit; this time between CMCD and the Environment and Sustainable Development Directorate (ESDD). The grants program administered on behalf of the Territory in association with this function was transferred to ESDD as part of this administrative arrangement. Given the timing of the transfer, $1,648 of cash was on hand for the payment of grants. This cash was transferred to ESDD as part of the transfer.

Details of these transfers are provided below.

	Amounts Transferred from TAMS 2011 $'000	Amounts Transferred to ESDD 2011 $'000
Assets		
Cash	-	(5)
Total Assets Transferred	**-**	**(5)**
Total Net Assets Transferred	**-**	**(5)**

NOTE 45 RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - TERRITORIAL - CONTINUED

Assets and Liabilities on Behalf of the Territory

On 17 May 2011, a restructuring of administrative arrangements occurred between CMCD and the Economic Development Directorate (EDD) involving the Business and Industry Development (BID). The BID is responsible for the provision of programs, initiatives and business policy advice to support strategic business and industry development in the ACT. In particular, BID is responsible for managing the Territory's interest in the Canberra Business Development Fund (CBDF). Details of the assets on behalf of the Territory attached to this function transferred to EDD as part of this administrative arrangement are provided below.

	Amounts Transferred to EDD 2011 $'000
Assets	
Investments	(2,199)
Total Assets Transferred	**(2,199)**
Total Net Assets Transferred	**(2,199)**

Total Impact of Administrative Arrangement Transfers during 2010-11

Total Net Assets Transferred in during 2010-11 by Administrative Arrangements	-
Total Net Assets Transferred out during 2010-11 by Administrative Arrangements	(2,204)
Total Net Assets Transferred during 2010-11 by Administrative Arrangements	**(2,204)**

NOTE 46 FINANCIAL INSTRUMENTS - TERRITORIAL

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 2, 'Summary of Significant Accounting Policies'.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Directorate is considered to have no exposure to interest rate risk because cash and cash equivalents are held in non-interest bearing accounts. There have been no changes in risk exposure or processes for managing risk since the last financial reporting period.

Sensitivity Analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Directorate as it is not exposed to movements in interest rates.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Directorate's credit risk is limited to the amount of the financial assets held less any provision for losses. The Directorate expects to collect all financial assets that are not past due or impaired.

Cash and cash equivalents are held with the Commonwealth Bank, in accordance with whole of ACT Government banking arrangements.

During 2010-11, the Directorate held an equal investment with Australian Capital Ventures Limited (ACVL) in the Canberra Business Development Fund (CBDF). These investments were transferred to the Economic Development Directorate following the revision to Administrative Arrangements of 17 May 2011. The Fund is a unit trust whose principal activity is to invest in the equity of early stage businesses carrying out activities providing potential benefits to the Canberra Region. ACVL was engaged to manage the fund in October 2001. The CBDF manages this risk, as comprehensively as possible, by engaging ACVL to select and oversee the investments of the Fund, and maintaining a representative as a Director of the CBDF. See Note 2(m), 'Investments', for more information. Prior to 17 May 2011, there had been no change in the Directorate's credit risk exposure since the previous reporting period.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The CBDF invests in early stage companies that are commercialising research and development. As a result, there is an inherent risk that investments will not realise any returns for the Fund. The CBDF manages this risk, as comprehensively as possible, by engaging ACVL to select and oversee the investments of the Fund.

NOTE 46 FINANCIAL INSTRUMENTS - TERRITORIAL - CONTINUED

The CBDF invests in early stage companies that are commercialising research and development. As a result, there is an inherent risk that investments will not realise any returns for the Fund. The CBDF manages this risk, as comprehensively as possible, by engaging ACVL to select and oversee the investments of the Fund.

The Directorate's exposure to price risk and the management of this risk has not changed since last reporting period. On 17 May 2011, the balance of the CBDF was transferred to EDD, reflecting the revised Administrative Arrangments announced on that date.

Fair Value of Financial Assets and Liabilities

The carrying amounts and fair values of financial assets and liabilities at balance date are:

	Note No.	Carrying Amount 2012 $'000	Fair Value 2012 $'000	Carrying Amount 2011 $'000	Fair Value 2011 $'000
Financial Assets					
Cash and Cash Equivalents	42	-	-	28	28
Receivables [1]	43	-	-	7	7
Total Financial Assets		**-**	**-**	**35**	**35**
Financial Liabilities					
Payables [1]	44	-	-	35	35
Total Financial Liabilities		**-**	**-**	**35**	**35**

[1] The Receivables and Payables figures exclude accruals.

NOTE 46 FINANCIAL INSTRUMENTS - TERRITORIAL - CONTINUED

The following table sets out the Directorate's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2012. All financial assets and liabilities which are non-interest bearing will mature in one year or less.

All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2012				**Fixed Interest maturing in:**				
	Note No.	**Weighted Average Interest Rate**	**Floating Interest Rate $'000**	**1 Year or Less $'000**	**Over 1 Year to 5 Years $'000**	**More than 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Financial Assets								
Cash and Cash Equivalents	42		-	-	-	-	-	-
Receivables [1]	43		-	-	-	-	-	-
Total Financial Assets			**-**	**-**	**-**	**-**	**-**	**-**
Financial Liabilities								
Payables [1]	44		-	-	-	-	-	-
Total Financial Liabilities			**-**	**-**	**-**	**-**	**-**	**-**
Net Financial Assets			**-**	**-**	**-**	**-**	**-**	**-**

[1] The Receivables and Payables figures exclude accruals.

2011				**Fixed Interest maturing in:**				
	Note No.	**Weighted Average Interest Rate**	**Floating Interest Rate $'000**	**1 Year or Less $'000**	**Over 1 Year to 5 Years $'000**	**More than 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Financial Assets								
Cash and Cash Equivalents	42		-	-	-	-	28	28
Receivables [1]	43		-	-	-	-	7	7
Total Financial Assets			**-**	**-**	**-**	**-**	**35**	**35**
Financial Liabilities								
Payables [1]	44		-	-	-	-	35	35
Total Financial Liabilities			**-**	**-**	**-**	**-**	**35**	**35**
Net Financial Assets			**-**	**-**	**-**	**-**	**-**	**-**

[1] The Receivables and Payables figures exclude accruals.

NOTE 46 FINANCIAL INSTRUMENTS - TERRITORIAL - CONTINUED

	Note No.	2012 $'000	2011 $'000
Carrying Amount of Each Category of Financial Asset and Financial Liability			
Financial Assets			
Loans and Receivables [1]	43	-	7
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost [1]	44	-	35

[1] The Loans and Receivables and Financial Liabilities Measured at Amortised Cost figures exclude accruals.

The Directorate does not have any financial assets in the 'Available for Sale' category or the 'Held to Maturity' category, so these categories are not included above. Also, the Directorate does not have any financial liabilities in the 'Financial Liaiblities at Fair Value through Profit and Loss' category, so this category is not included above.

Fair Value Hierarchy

The Directorate does not have any financial liabilities at fair value and the value of financial assets is immaterial. As such, no fair value hierarchy disclosures have been made.

NOTE 47 COMMITMENTS - TERRITORIAL

There were no commitments as at 30 June 2012 (nil as at 30 June 2011).

NOTE 48 CONTINGENT LIABILITIES AND CONTINGENT ASSETS - TERRITORIAL

There were no contingent liabilities or contingent assets as at 30 June 2012 (nil as at 30 June 2011).

NOTE 49 CASH FLOW RECONCILIATION - TERRITORIAL

Reconciliation of Cash and Cash Equivalents at the end of the Reporting Period in the Cash Flow Statement on Behalf of the Territory to the related items in the Statement of Assets and Liabilities on Behalf of the Territory.

	2012 $'000	2011 $'000
Total Cash and Cash Equivalents Disclosed on the Statement of Assets and Liabilities on Behalf of the Territory	-	28
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement on Behalf of the Territory	**-**	**28**
Reconciliation of Net Cash Inflows from Operating Activities to the Operating Surplus/(Deficit)		
Operating (Deficit)	-	(148)
Decrease in valuation of the investment in the Canberra Business Development Fund	-	153
Liability Transferred/Recovered	5	(5)
Cash Before Changes in Operating Assets and Liabilities	5	-
Changes in Operating Assets and Liabilities		
Decrease/(Increase) in Receivables	7	(7)
(Decrease)/Increase in Payables	(35)	35
Net Changes in Operating Assets and Liabilities	**(28)**	**28**
Net Cash (Outflows)/Inflows from Operating Activities	**(23)**	**28**

NOTE 50 EVENTS OCCURRING AFTER BALANCE DATE - TERRITORIAL

There were no events occurring after the balance date, which would affect the financial report as at 30 June 2012.

Statement of Performance
For the Year Ended
30 June 2012

Chief Minister and Cabinet Directorate

ACT AUDITOR-GENERAL'S OFFICE

REPORT OF FACTUAL FINDINGS

CHIEF MINISTER AND CABINET DIRECTORATE

To the Members of the ACT Legislative Assembly

Report on the statement of performance

The statement of performance of the Chief Minister and Cabinet Directorate (the Directorate) has been reviewed.

Responsibility for the statement of performance

The Director-General of the Directorate is responsible for the preparation and fair presentation of the statement of performance in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures used to measure the results of the accountability indicators reported in the statement of performance.

The auditor's responsibility

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

This review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in the statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Directorate, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

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No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

Electronic presentation of the statement of performance

Those viewing an electronic presentation of this statement of performance should note that the review does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from this statement. If users of the statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the review.

Review opinion

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Directorate for the year ended 30 June 2012, are not fairly presented in accordance with the *Financial Management Act 1996.*

This review opinion should be read in conjunction with the other information disclosed in this report.

M. Cooper.

Dr Maxine Cooper
Auditor-General
5 September 2012

Chief Minister and Cabinet Directorate
Statement of Performance
For the Year Ended 30 June 2012

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Directorate's records and fairly reflects the service performance of the Directorate in providing each class of outputs during the financial year ended 30 June 2012 and also fairly reflects the judgements exercised in preparing them.

Andrew Cappie-Wood
Director-General
Chief Minister and Cabinet Directorate
24th August 2012

CHIEF MINISTER AND CABINET DIRECTORATE

STATEMENT OF PERFORMANCE [1]

FOR THE YEAR ENDING 30 JUNE 2012

Output Class 1: **GOVERNMENT STRATEGY**

Output 1.1: **GOVERNMENT POLICY AND STRATEGY**

Description: Provision of advice and support to the Chief Minister and the Director-General on strategic policy and the effective delivery of government policies and priorities.

Government Policy and Strategy will:

- provide ongoing advice to the Chief Minister and the Government in relation to whole of government policy development and priorities, and the implementation of key Government decisions;
- support the Head of the ACTPS as the Chair of the Strategic Board and provide secretariat services to the Board;
- lead, coordinate and monitor policy and project initiatives to promote across-government outcomes and delivery;
- lead and coordinate the Government's participation in the COAG reform agenda and the Council of Australian Federation, and its engagement with regional leaders and local governments;
- provide advice and support to Cabinet and the Manager of Government Business in the Legislative Assembly; and
- provide across-government advice and coordination on ICT issues and release of government information through the Government Information Office.

Accountability Indicator	Original Target 2011-12	Amended Target 2011-12	Actual Result 2011-12	% Variance from Original Target 2011-12	Explanation of Material Variances
a. Whole of government policy and project initiatives	4		8	100%	Additional projects were completed to respond to emerging priorities.
b. Regional Partnerships and Participation	2		2	0%	
c. Support COAG and CAF meetings	4		4	0%	
d. Annual Report on The Canberra Plan	1		1	0%	
e. Release an issues paper on the 2013 Canberra Plan	1		0	(100%)	Project completion has been deferred because of other priorities.
f. Infrastructure Plan	1	0	0	(100%)	Measure deleted.
g. Demographic Update	1		1	0%	
h. Complete a scoping study on opportunities for electronic service delivery	1		1	0%	
i. Finalise and release an across-government ICT Strategic Plan	1		1	0%	
TOTAL COST ($'000)	**$7,839**	**$7,839**	**$7,676**	(2%)	
GOVERNMENT PAYMENT FOR OUTPUTS ($'000)	**$7,662**	**$7,662**	**$6,872**	10%	The lower than target Government Payment for Outputs largely results from the planned rollover of appropriation from 2011-12 to 2012-13 related to the Canberra Plan 2013 and the ACTGov 2.0 - Exploring Opportunities for Electronic Service Delivery (Scoping), and the allocation of corporate overheads.

The Accountability Indicators, including the original targets, presented in the Statement of Performance for the Directorate are those that appear in the 2011-12 Supplementary Budget Papers, which aligns to information included in the first *Appropriation Act 2011-12* .

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

Notes

a. This accountability indicator incorporates key Government policy and project initiatives to be delivered under Output 1.1. Planned project initiatives completed included:
- the "Seeing it Through: Options for improving offender outcomes in the community" issues paper, released on 19 December 2011;
- Performance and Accountability implementation, including the delivery of a number of initiatives during 2012;
- the "Achieving Results for the Community: An ACT Government Strategic Service Planning Framework" released on the CMCD website in June 2012; and
- the "Triple Bottom Line Assessment Framework Discussion Paper " provided to Government for consideration in June 2012.

Additional project initiatives completed included:
- the "ACT Targeted Assistance Strategy Expert Panel Report and Data Paper" released on the CMCD website in April 2012;
- the Jervis Bay Territory Memorandum of Understanding with the Commonwealth signed in January 2012;
- the Auditor General Amendment Bill tabled in the Legislative Assembly in May 2012; and
- the "Climate Change Vulnerability Assessment Framework for Infrastructure Discussion Paper" released on the CMCD website in April 2012.

b. This accountability indicator covers the ACT's engagement and collaboration mechanisms with its regional neighbours. The measure was renamed from "Regional Leaders Forums" by Notifiable Instrument NI2012 –173 to reflect the superseding of the Forum as a regional engagement mechanism. The two projects completed during the year involved developing two new regional engagement mechanisms:
- the signing of the ACT-NSW Memorandum of Understanding (MoU) for Regional Collaboration in December 2011. The MoU reflects a new era of engagement, details the shared vision for the region, and specifies areas for immediate work; and
- joining the South East Regional Organisation of Councils (SEROC) in May 2012. The purpose of the forum is to pursue a shared vision for the region, and membership now includes the ACT along with the 12 surrounding NSW local governments.

c. This accountability indicator covers briefing and support to the Chief Minister for meetings of the Council of Australian Governments (COAG) and the Council for the Australian Federation (CAF). COAG is a forum for decisions on key national issues and for fostering unified commitments to support Australians. COAG meetings were held on 19 August 2011 and 13 April 2012. CAF, consisting of State and Territory First Ministers, was established in 2006 as a body to enable States and Territories to share policy learning and further the debate on Commonwealth/State relations. CAF meetings were held on 18 August 2011 and 12 April 2012.

d. This accountability indicator covers the preparation of an annual Achievement Report on progress in implementing The Canberra Plan - Towards Our Second Century. The Report on "Implementation of The Canberra Plan - Towards Our Second Century 2011-2012" was released on the CMCD website in June 2012.

e. This accountability indicator involves the development and release of an issues paper on the proposed 2013 Canberra Plan. Funding for two years was provided in the 2011-12 Budget for research and development of a new long-term strategic planning approach for the ACT and related social media activities. While work has progressed on this indicator, project completion was deferred because of other priorities.

f. Discontinued accountability indicator. The responsibility for the development of the ACT Government Infrastructure Plan was transferred from the Chief Minister and Cabinet Directorate to the Economic Development Directorate in October 2011 - by Notifiable Instrument NI2011—790.

g. This accountability indicator supports demographic projects. In 2011-12 the demographic project undertaken incorporated scoping and development for public release of a regional demographic paper. The report "Indicators for a Statistical Portrait of the Australian Capital Region" was provided to the Chief Minister on 21 June 2012.

h. This accountability indicator involves a scoping study on the electronic delivery of government services. The "Electronic Services Delivery Opportunities Issues Paper" has been completed and provided to the Information Strategy Committee, one of the sub-committees supporting the Strategic Board. The paper will be released to support wider public discussion and input on opportunities for the ACT Government.

i. This accountability indicator involves the release of an across-government ICT Strategic Plan for the ACT Public Service. "The Strategic Plan for ICT 2011-15" was released on the Open Government website in October 2011.

[1] The accountability indicators were reviewed by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996* .

Note: Further information on performance against the above accountability indicators is provided in *Section A.9 Analysis of Agency Performance* in Volume 1 of the Annual Report.

CHIEF MINISTER AND CABINET DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2012

Output Class 1:	**GOVERNMENT STRATEGY**
Output 1.2:	**PUBLIC SECTOR MANAGEMENT**
Description:	Provision of an employment and policy framework to support a professional, skilled and accountable public service that is responsive to the Government and the community, and management of whole of government capacity-building programs. Public Sector Management will: • develop and review whole of government employment policies, regulations and standards and provide industrial relations services to support this framework; • support and coordinate workforce planning and change management across the service, including through service-wide development programs; • develop and implement whole of government capacity-building programs; and • support the Commissioner for Public Administration and the Remuneration Tribunal.

Accountability Indicator	Original Target 2011-12	Actual Result 2011-12	% Variance from Original Target 2011-12	Explanation of Material Variances
a. Publish ACT Public Sector Workforce Profile Report	March 2012	March 2012	0%	
b. Conduct the annual whole of government Graduate Program	1	1	0%	
c. Implement the new enterprise agreement	1	1	0%	
d. Finalise public interest disclosure legislation	Dec 2011	Dec 2011	0%	
e. Conduct a review of the *Public Sector Management Act 1994*	Feb 2012	Not completed	(100)%	The introduction of the revised legislation and associated discussion paper has been deferred to the 8th Legislative Assembly.
f. Report on the implementation of the ACTPS Respect, Equity and Diversity Framework	Sept 2011	March 2012	(100)%	The completion date was delayed by the late provision of input by some directorates.
g. Implement the ACTPS workers' compensation and work safety improvement plan	Dec 2011	Dec 2011	0%	
TOTAL COST ($'000)	**$5,183**	**$6,632**	28%	The variance reflects the impact of budget reallocations from Output 1.3, 'Industrial Relations Policy', since preparation of the 2011-12 Budget, the transfer of responsibility for the *Ombudsman Act 1989* from the Justice and Community Safety Directorate, and costs associated with the One Service Implementation. This is partially offset by the planned rollover of appropriation from 2011-12 to 2012-13 for the ACTPS workers' compensation and work safety improvement plan.
GOVERNMENT PAYMENT FOR OUTPUTS ($'000)	**$4,616**	**$5,938**	29%	The higher than target Government Payment for Outputs reflects the impact of budget reallocations from Output 1.3, since preparation of the 2011-12 Budget, and the transfer of responsibility for the *Ombudsman Act 1989* from the Justice and Community Safety Directorate. This is partially offset by the planned rollover of appropriation from 2011-12 to 2012-13 for the ACTPS workers' compensation and work safety improvement plan.

The Accountability Indicators, including the original targets, presented in the Statement of Performance for the Directorate are those that appear in the 2011-12 Supplementary Budget Papers, which aligns to information included in the first *Appropriation Act 2011-12* .

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

CHIEF MINISTER AND CABINET DIRECTORATE

STATEMENT OF PERFORMANCE [1]

FOR THE YEAR ENDING 30 JUNE 2012

Notes

a. This accountability indicator covers the publication of the annual ACT Public Service Workforce Profile Report. The Profile Report contains a comprehensive quantitative snapshot of the ACTPS in 2011-12, and was released in March 2012.

b. This accountability indicator covers implementation of the ACTPS whole of government Graduate Program; including the 2011 intake graduation, recruitment, selection and commencement of the 2012 intake, and planning for the 2013 intake. During the ten-month program, graduates participate in three work rotations and complete a nationally recognised Diploma of Government. On completion of the program graduates are placed with an ACTPS Directorate, determined by their areas of interest and qualifications, and the organisation’s capacity.

c. This accountability indicator covers the implementation of the Enterprise Agreement across ACTPS agencies under the *Fair Work Act 2009 (Cwlth)* . Negotiations of common terms and conditions for use in ACTPS general category enterprise agreements were completed in August 2011, and detailed advice was provided to Directorates to enable the commencement of staff consideration and approval.

d. This accountability indicator covers finalising the reform of Public Interest Disclosure law in the ACT to the extent that an exposure draft is available for public comment. The exposure draft was released in December 2011. After a period of community consultation, a replacement Bill was introduced into the ACT Legislative Assembly in the June 2012 sitting.

e. This accountability indicator covers the conduct of a review of the *Public Sector Management Act 1994* , as recommended in the Hawke Review of the ACTPS. The review of the PSM Act was deferred until the next Assembly due to a change in Government priorities. During the reporting period the focus of activities was on the development of revised values, behaviours and code of conduct, including the drafting of Public Sector Management Standards to support and further explain the conduct provisions in the Act.

f. This accountability indicator covers implementation of the ACTPS Respect, Equity and Diversity (RED) Framework launched in December 2010. The Framework outlines and defines the principles of respect, equity and diversity. It highlights the benefits of valuing diversity and creating respectful and equitable workplaces, including increased employee engagement, and improved levels of workplace participation and innovation. Activities during the reporting period included establishment of the Respect Equity and Diversity Implementation Committee, and production of the first Respect Equity and Diversity report for the Chief Minister, highlighting the implementation work being undertaken across the service, including the appointment of over 225 RED Contact Officers.

g. This accountability indicator covers the implementation of stage one of the ACTPS workers' compensation improvement plan. Stage one included Strategic Board endorsement of the improvement plan and finalisation of the infrastructure of the plan (detailed model, supporting processes and procedures and implementation of case manager strengthening program). A progress report was tabled in the Assembly in December 2011.

[1] The accountability indicators were reviewed by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996* .

Note: Further information on performance against the above accountability indicators is provided in *Section A.9 Analysis of Agency Performance* in Volume 1 of the Annual Report.

CHIEF MINISTER AND CABINET DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2012

Output Class 1: **GOVERNMENT STRATEGY**

Output 1.3: **INDUSTRIAL RELATIONS POLICY [2]**

Description: Provision of advice to Government that concentrates on the relationship between employers and workers in the ACT. This spans, but is not limited to, workplace safety, dangerous substances, workers' compensation, the rights of injured workers, the rights of contractors to be paid, public holidays and the costs of workers' compensation to business.

Industrial Relations Policy will:
- advise the Government on the national workplace safety agenda and continue to participate in the development of harmonised workplace safety laws;
- continue to implement enhancements to the ACT's existing Occupational Health and Safety regime, taking account of directions in the a national workplace safety agenda;
- advise the Government on the performance of the ACT workers' compensation scheme and of issues arising within the scheme;
- continue to make changes to the ACT's workers' compensation scheme where agreed by the Government;
- advise the Government in relation to the National Workplace Relations System;
- contribute, where relevant, to consultation with the Commonwealth, States and the Northern Territory in relation to the National Workplace Relations System in accordance with the terms of the Inter-Governmental Agreement on a National Workplace Relations System; and
- coordinate the Territory's consultative bodies for workers' compensation and work safety.

Accountability Indicator	Original Target 2011-12	Actual Result 2011-12	% Variance from Original Target 2011-12	Explanation of Material Variances
a. Provide advice to Government on developments in the national workplace safety agenda	4	8	100%	The increase was due to the need to brief Government on emerging issues with the harmonised occupational health and safety regime.
b. Represent the ACT on Safe Work Australia and its various sub-committees and working groups, and coordinate input to and activities arising from the national initiatives to harmonise occupational health and safety laws	10	21	110%	The increase in meetings attended reflects the national consultation in the lead up to the harmonisation of work health and safety legislation, and post implementation consultation.
c. Conduct an actuarial review of the ACT Workers' Compensation Scheme	May 2012	Feb 2012	100%	A copy of the actuarial report was provided to the Minister in late February 2012, earlier than the target date.
d. In accordance with Government directions, make changes to the *Workers' Compensation Act 1951*	June 2012	April 2012	100%	Advice was provided to the Minister in April 2012, earlier than the target date.
e. Provide advice to Government regarding issues arising from the National Workplace Relations System	4	4	0%	
f. Coordinate input to and activities arising from the Inter-Governmental Agreement on a National Workplace Relations System	4	3	(25%)	Two High Level Officials' Group meetings and one Ministerial Council meeting were held, but one anticipated Ministerial meeting was not held during the reporting period.
g. Maintain consultative fora within the ACT on workplace safety and on workers' compensation	4	4	0%	
h. Provide policy and legislative advice to the Government on issues affecting ACT workers	3	7	133%	The increased number of briefings was due to complexities associated with the Portable Long Service Leave Scheme.
TOTAL COST ($'000)	**$4,632**	**$3,804**	(18%)	The variance is mainly due to the impact of budget reallocations to Output 1.2, 'Public Sector Management', since preparation of the 2011-12 Budget.
GOVERNMENT PAYMENT FOR OUTPUTS ($'000)	**$4,463**	**$3,406**	(24%)	The lower than target Government Payment for Outputs mainly reflects the impact of budget reallocations to Output 1.2 since preparation of the 2011-12 Budget.

The Accountability Indicators, including the original targets, presented in the Statement of Performance for the Directorate are those that appear in the 2011-12 Supplementary Budget Papers, which aligns to information included in the first *Appropriation Act 2011-12* .

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

Notes

a. This accountability indicator covers the preparation of briefing papers to the Government on significant national developments in workplace safety including those requiring amendments to ACT legislation. This accountability indicator is counted as completed when submissions are lodged with the Government. The *Work Health and Safety Act 2011* was introduced, debated, passed and commenced in the reporting period. The Directorate provided briefs to the Minister for Industrial Relations on the national harmonisation process including the progress of other jurisdictions in implementing the model laws.

b. This accountability indicator covers preparation for, and attendance at, meetings of Safe Work Australia, and meetings of the Strategic Issues Group established to harmonise occupational health and safety legislation. The accountability indicator is counted as completed with attendance at meetings and provision of summaries of outcomes. The Directorate represented the ACT on Safe Work Australia through a number of committees including the Strategic Issues Group – Work Health and Safety and related technical advisory groups.

c. This accountability indicator covers review of the performance of the ACT Workers' Compensation Scheme and consideration of the broader implications of these findings. The accountability indicator is counted as completed on receipt of the actuarial analysis and reporting to the Minister for Industrial Relations. The report, released in February 2012, included the estimated reasonable 2012-13 premium rates for over 400 industries.

d. This accountability indicator covers the development of amendments to the *Workers' Compensation Act 1951* , which are intended to improve the overall efficiency and effectiveness of the workers' compensation scheme. During the reporting period, the *Workers Compensation (Terrorism) Amendment Act 2012* was passed in March 2012, introducing amendments to the power of the Government to establish a temporary reinsurance fund in the event of an act or acts of Terrorism in the ACT. Advice on further possible amendments to improve the efficiency and effectiveness of the scheme was provided to the Minister in April 2012.

e. This accountability indicator covers the provision of advice to the ACT Government on the progress of any amendments to the *Fair Work Act 2009 (Cwlth)* , and any other issues arising in relation to the national workplace relation laws. The Government was briefed on the original and revised draft project plan for the Select Council on Workplace Relations (formally the Workplace Relations Ministers' Council and on the ACT Government Submission to the Review of the Fair Work Act.

f. This accountability indicator covers the ACT's participation and involvement in the various federally sponsored fora on the administration of the *Fair Work Act 2009 (Cwlth)* . During the reporting period the Directorate attended two High Level Officials' Group meetings and briefed the Minister for Industrial Relations on one Ministerial Council meeting (two were scheduled, but only one was held during the reporting period), comprising a number of issues arising from the Inter-Governmental Agreement on a national workplace relations system.

g. This measure covers the secretariat role of Work Safety Policy Section to the ACT Work Safety Council, supporting four meetings of the Council. Additional work was undertaken providing secretarial services to, and participating on an advisory committee to the Work Safety Council to consider strategies to address safety issues on civil construction sites in the Territory.

h. This measure covers advice to Government on sham contracting, long service leave and public holidays. The Government was briefed on the new levy for the building and construction industry under the *Long Service Leave (Portable Schemes) Act 2009* .

[1] The accountability indicators were reviewed by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996* .

[2] This Output relates to the Minister for Industrial Relations.

Note: Further information on performance against the above accountability indicators is provided in *Section A.9 Analysis of Agency Performance* in Volume 1 of the Annual Report.

CHIEF MINISTER AND CABINET DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2012

Output Class 1: **GOVERNMENT STRATEGY**

Output 1.4: **COORDINATED COMMUNICATIONS AND COMMUNITY ENGAGEMENT**

Description: Provision of communications support, centenary management, protocol services and Executive support to the ACT Government and the community.

Coordinated Communications and Community Engagement will:
- provide information and protocol services for the Chief Minister;
- provide corporate support to the ACT Executive and its staff;
- coordinate planning for the Centenary of Canberra;
- provide whole-of-government advice and assistance on community engagement policies and practices; and
- provide whole-of-government communications and support, including for whole of government emergency responses.

	Accountability Indicator	Original Target 2011-12	Actual Result 2011-12	% Variance from Original Target 2011-12	Explanation of Material Variances
a.	Deliver annual city-wide whole of government newsletter	March 2012	March 2012	0%	
b.	Quarterly reporting to Government on Centenary of Canberra progress	4	4	0%	
c.	Average number of visits per month to the Community engagement website	2,000	2,317	16%	Following the March 2012 integration of the 'Community Engagement' and 'Time to Talk' websites there was an increase in average monthly visits to the new website.
	TOTAL COST ($'000)	**$10,578**	**$9,285**	(12%)	The variance is due to the timing of staff recruitment and finalising contractual arrangements for the Centenary of Canberra - ACT Celebratory Program.
	GOVERNMENT PAYMENT FOR OUTPUTS ($'000)	**$10,341**	**$8,313**	(20%)	The lower than target Government Payments for Outputs is mainly due to the planned rollover of appropriation from 2011-12 to 2012-13 due to the timing of staff recruitment and finalising contractual arrangements for the Centenary of Canberra - ACT Celebratory Program.

The Accountability Indicators, including the original targets, presented in the Statement of Performance for the Directorate are those that appear in the 2011-12 Supplementary Budget Papers, which aligns to information included in the first *Appropriation Act 2011-12* .

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

Notes

a. This accountability indicator covers the production and distribution of the annual Our City, Our Community newsletter providing information to ACT Residents on the activities of the ACT Government over the past twelve months, and outlining upcoming programs, initiatives and events. The newsletter is distributed to approximately 150,000 households across the Territory.

b. This accountability indicator covers the provision of quarterly information updates to Government on the Centenary of Canberra program.

c. This accountability indicator covers visits to the ACT Government Community Engagement website. In early 2012, the 'Community Engagement' and 'Time to Talk Canberra' websites were integrated to create a single entry point for ACT Government engagement activities. The new 'Time to Talk' website provides a central location for the community to access all information on community engagement, and a variety of ways to provide feedback, such as online submission, discussion and survey, or using Twitter.

[1] The accountability indicators were reviewed by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996* .

Note: Further information on performance against the above accountability indicators is provided in *Section A.9 Analysis of Agency Performance* in Volume 1 of the Annual Report.

Financial Report
For the Year Ended
30 June 2012

Default Insurance Fund

ACT AUDITOR-GENERAL'S OFFICE

ACT Government

INDEPENDENT AUDIT REPORT

DEFAULT INSURANCE FUND

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the Default Insurance Fund (the Fund) for the year ended 30 June 2012 have been audited. The financial statements are comprised of the operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

Responsibility for the financial statements

The Director-General of the Chief Minister and Cabinet Directorate is responsible for the preparation and fair presentation of the financial statements of the Fund. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

The auditor's responsibility

I am responsible for expressing an independent audit opinion on the financial statements of the Fund.

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

The audit is not designed to evaluate the prudence of decisions made by the Fund.

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Electronic presentation of the audited financial statements

Those viewing an electronic presentation of the financial statements should note that the audit does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the financial statements of the Fund for year ended 30 June 2012:

(i) are presented in accordance with the Accounting Standards and other mandatory financial reporting requirements in Australia; and

(ii) present fairly the financial position of the Fund as at 30 June 2012 and the results of its operations and cash flows for the year then ended.

This audit opinion should be read in conjunction with the other information disclosed in this report.

Bernie Sheville
Director, Financial Audits
14 September 2012

Default Insurance Fund
Financial Statements
For the Year Ended 30 June 2012

Statement of Responsibility

In my opinion, the Financial Statements are in agreement with the Fund's accounts and records and fairly reflect the financial operations of the Default Insurance Fund for the year ended 30 June 2012, and the financial position of the Fund on that date.

Andrew Cappie-Wood
Director-General
Chief Minister and Cabinet Directorate
18th August 2012

Statement by the Fund Manager

In my opinion, the Financial Statements of the Default Insurance Fund have been presented in accordance with generally accepted accounting principles, and are in agreement with the Fund's accounts and records and fairly reflect the financial operations of the Fund for the year ended 30 June 2012, and the financial position of the Fund on that date.

John Fletcher
Fund Manager
Default Insurance Fund
9 August 2012

DEFAULT INSURANCE FUND (DIF)

Comprised of the
Collapsed Insurer Fund (CIF) and
Uninsured Employer Fund (UEF)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Default Insurance Fund
Operating Statement
For the Year Ended 30 June 2012

	Note No.	CIF Actual 2012 $'000	UEF Actual 2012 $'000	DIF Actual 2012 $'000	CIF Actual 2011 $'000	UEF Actual 2011 $'000	DIF Actual 2011 $'000
Income							
Interest and Distribution	5	1,150	190	**1,340**	1,322	95	**1,417**
Levies	6	-	82	**82**	-	2,249	**2,249**
Recoveries	7	883	283	**1,166**	1,959	278	**2,237**
Other Revenue	8	25	110	**135**	16	62	**78**
Gain on Investments	9	150	-	**150**	-	-	**-**
Total Income		**2,208**	**665**	**2,873**	**3,297**	**2,684**	**5,981**
Expenses							
Employee Expenses	10	31	125	**156**	17	69	**86**
Superannuation Expenses	10	4	17	**21**	2	10	**12**
Claims Expense	11	124	416	**540**	485	2,500	**2,985**
Supplies and Services	12	91	107	**198**	62	105	**167**
Loss on Investments	9	-	-	**-**	26	-	**26**
Total Expenses		**250**	**665**	**915**	**592**	**2,684**	**3,276**
Operating Surplus		**1,958**	**-**	**1,958**	**2,705**	**-**	**2,705**
Total Comprehensive Income		**1,958**	**-**	**1,958**	**2,705**	**-**	**2,705**

The above Operating Statement should be read in conjunction with the accompanying notes

Default Insurance Fund
Balance Sheet
As at 30 June 2012

	Note No.	CIF Actual 2012 $'000	UEF Actual 2012 $'000	DIF Actual 2012 $'000	CIF Actual 2011 $'000	UEF Actual 2011 $'000	DIF Actual 2011 $'000
Current Assets							
Cash and Cash Equivalents	13	12,493	5,433	**17,926**	14,817	2,653	**17,470**
Receivables	14	41	1,316	**1,357**	161	2,729	**2,890**
Total Current Assets		**12,534**	**6,749**	**19,283**	**14,978**	**5,382**	**20,360**
Non-Current Assets							
Receivables	14	21	4,130	**4,151**	17	5,629	**5,646**
Investments		-	-	-	9,482	-	**9,482**
Total Non-Current Assets		**21**	**4,130**	**4,151**	**9,499**	**5,629**	**15,128**
Total Assets		**12,555**	**10,879**	**23,434**	**24,477**	**11,011**	**35,488**
Current Liabilities							
Payables	15	11	28	**39**	13	9	**22**
Employee Benefits	16	8	32	**40**	3	7	**10**
Outstanding Claims Provision	17	737	1,022	**1,759**	699	1,359	**2,058**
Total Current Liabilities		**756**	**1,082**	**1,838**	**715**	**1,375**	**2,090**
Non-Current Liabilities							
Outstanding Claims Provision	17	1,904	9,789	**11,693**	2,126	9,628	**11,754**
Employee Benefits	16	5	8	**13**	4	8	**12**
Total Non-Current Liabilities		**1,909**	**9,797**	**11,706**	**2,130**	**9,636**	**11,766**
Total Liabilities		**2,665**	**10,879**	**13,544**	**2,845**	**11,011**	**13,856**
Net Assets		**9,890**	**-**	**9,890**	**21,632**	**-**	**21,632**
Equity							
Accumulated Funds		9,890	-	**9,890**	21,632	-	**21,632**
Total Equity		**9,890**	**-**	**9,890**	**21,632**	**-**	**21,632**

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

Default Insurance Fund
Statement of Changes in Equity
For the Year Ended 30 June 2012

	CIF Actual 2012 $'000	UEF Actual 2012 $'000	DIF Actual 2012 $'000
Balance at the Beginning of the Reporting Period	**21,632**	**-**	**21,632**
Comprehensive Income			
Operating Surplus	1,958	-	**1,958**
Distribution to Government	(13,700)	-	**(13,700)**
Balance at the End of the Reporting Period	**9,890**	**-**	**9,890**

	CIF Actual 2011 $'000	UEF Actual 2011 $'000	DIF Actual 2011 $'000
Balance at the Beginning of the Reporting Period	**18,927**	**-**	**18,927**
Comprehensive Income			
Operating Surplus	2,705	-	**2,705**
Balance at the End of the Reporting Period	**21,632**	**-**	**21,632**

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

Default Insurance Fund

Cash Flow Statement

For the Year Ended 30 June 2012

	Note No.	CIF Actual 2012 $'000	UEF Actual 2012 $'000	DIF Actual 2012 $'000	CIF Actual 2011 $'000	UEF Actual 2011 $'000	DIF Actual 2011 $'000
Cash Flow From Operating Activities							
Receipts							
Interest and Distributions Received		1,273	242	**1,515**	1,401	93	**1,494**
Levies		-	3,071	**3,071**	-	2,437	**2,437**
Recoveries		887	278	**1,165**	1,939	28	**1,967**
Goods and Services Input Tax Credits from the Australian Taxation Office		26	44	**70**	13	61	**74**
Other Revenue		5	29	**34**	46	193	**239**
Total Receipts from Operating Activities		**2,191**	**3,665**	**5,855**	**3,399**	**2,812**	**6,211**
Payments							
Employee		30	103	**133**	22	89	**111**
Supplies and Services		86	88	**174**	112	84	**196**
Payment of Claims		305	652	**957**	197	1,264	**1,461**
Goods and Services Tax Paid to Suppliers		26	41	**67**	18	58	**76**
Total Payments from Operating Activities		**447**	**884**	**1,331**	**349**	**1,495**	**1,844**
Net Cash Inflows from Operating Activities	20	**1,744**	**2,780**	**4,524**	**3,050**	**1,317**	**4,367**
Cash Flow from Financing Activities							
Distribution to Government		(13,700)	-	**(13,700)**	-	-	-
Net Cash (Outflows) from Financing Activities		(13,700)	-	**(13,700)**	-	-	-

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

Default Insurance Fund
Cash Flow Statement - Continued
For the Year Ended 30 June 2012

	Note No.	CIF Actual 2012 $'000	UEF Actual 2012 $'000	DIF Actual 2012 $'000	CIF Actual 2011 $'000	UEF Actual 2011 $'000	DIF Actual 2011 $'000
Cash Flows from Investing Activities							
Proceeds from Sale/Maturity of Investments		9,632	-	**9,632**	-	-	-
Net Cash Inflows from Investing Activities		**9,632**	-	**9,632**	-	-	-
Net Increase/ (Decrease) in Cash and Cash Equivalents Held		**(2,324)**	**2,780**	**456**	**3,050**	**1,317**	**4,367**
Cash and Cash Equivalents at the Beginning of Reporting Period		14,817	2,653	**17,470**	11,767	1,336	**13,103**
Cash and Cash Equivalents at the End of the Reporting Period	13	**12,493**	**5,433**	**17,926**	**14,817**	**2,653**	**17,470**

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

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2012

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Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2012

NOTE 1 OBJECTIVES OF THE DEFAULT INSURANCE FUND

Operations and Principal Activities of the Default Insurance Fund

The Default Insurance Fund (the Fund) was established on 1 July 2006, and all activities, assets and liabilities of the Workers' Compensation Supplementation Fund and Nominal Insurer were transferred into the Fund on that date. The Fund is operated under the *Workers Compensation Act 1951*. The objectives of the Fund are to:

- provide a safety net mechanism to meet the costs of workers' compensation claims made by workers where:
  - (a) an employer does not have a compulsory insurance policy; or
  - (b) an approved insurer is wound up under the *Corporations Act 2001* or cannot provide the indemnity required under a compulsory insurance policy;
- ensure that workers who are injured in the circumstances listed above, receive the same entitlements as an injured worker would receive where the employer did have insurance, and the employer is able to provide indemnity;
- make payment of statutory entitlements under the *Workers Compensation Act 1951*; and
- satisfy or settle claims.

Note: The Workers' Compensation Supplementation Fund is now known as the Collapsed Insurer Fund (CIF) and Nominal Insurer is now known as the Uninsured Employer Fund (UEF).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP). These financial statements have been prepared in accordance with:

(i) Australian Accounting Standards; and
(ii) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effect of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention, except for assets which were valued in accordance with the valuation policy applicable to the Fund.

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

The Fund is an individual reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(b) The Reporting Period

These financial statements state the financial performance, change in equity and cash flows of the Fund for the year ended 30 June 2012 together with the financial position of the Fund as at 30 June 2012.

(c) Comparative Figures

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for all amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed. Where the presentation or classification of items in the financial statements are amended, the comparative amounts have been reclassified where practical. Where a reclassification occurs, the nature, amount and reason for the reclassification is provided.

(d) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of "-" represents zero amounts or amounts rounded down to zero. Some totals throughout this report may not add due to rounding.

(e) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised:

Levies

Monies required to satisfy UEF claims are funded by way of levies placed on ACT Workers' Compensation Insurers and Self-Insurers. The *Workers Compensation Act 1951* provides the framework around the calculation of levies. In 2011-12, the Fund Manager imposed contributions from insurers and self-insurers equal to 1.7% of gross written premiums.

Taxes, Fees and Fines

Taxes are recognised as revenue at the time of payment. Fees and fines are either recognised as revenue at the time of payment or when the fee is incurred.

(f) Current and Non-Current Items

Assets and liabilities are classified as either current or non-current in the Balance Sheet and the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the Fund does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Assets or liabilities which do not fall within the current classification are classified as non-current.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. This includes short-term investments held in the Justice and Community Safety Directorate (JACSD) Cash Trust Account managed by an external fund manager on behalf of the Public Trustee for the ACT. Short-term investments in the Cash Trust Account are measured at fair value.

(h) Receivables

Accounts receivable (including trade receivables and other receivables) are recognised at fair value and subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

The collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when some doubt as to collection exists. The value of unfunded claims is accounted for as receivables consistent with the *Workers Compensation Act 1951.* Where by the fund may raise a levy at anytime to meet the cost of claims.

(i) Investments

Long-term investments for the Collapsed Insurer Fund are held in the Justice and Community Safety Directorate (JACSD) Fixed Interest Trust Portfolio managed by an external fund manager on behalf of the Public Trustee for the ACT. The price of units in the unit trust fluctuates in value. The net gain or loss on investments consists of the fluctuation in price of the unit trust between the end of the last reporting period and the end of this reporting period as well as any profit on the sale of units in the unit trust (the profit being the difference between the price at the end of the last reporting period and the sale price). The net gains or losses do not include interest or dividend income.

These short-term and long-term investments are measured at fair value with any adjustments to the carrying amount recorded in the Operating Statement. Fair value is based on an underlying pool of investments which have quoted market prices at reporting date.

(j) Payables

Payables are a financial liability and are measured at the fair value of the consideration received when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 30 days after the invoice date. Payables include Trade Payables, Accrued Expenses and Other Payables.

Trade Payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Fund.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Payables - continued

Accrued expenses represent goods and services provided by other parties during the reporting period that are unpaid at the end of the reporting period and where an invoice has not been received by period-end. Other Payables are those unpaid invoices that do not directly relate to the normal operations of the Fund.

(k) Employee Benefits

Employee benefits include wages and salaries, annual leave, long service leave and applicable on-costs. On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual and long service leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid. They are recorded as a liability and as an expense.

Wages and Salaries
Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period.

Annual and Long Service Leave
Annual leave and long service leave that falls due wholly within the next 12 months is measured based on the estimated amount of remuneration payable when the leave is taken.

Annual and long service leave including applicable on-costs that do not fall due within the next 12 months are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At each reporting period, the estimated future payments are discounted using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. In 2011-12, the rate used to estimate the present value of these future payments is 106.6% (92.2% in 2010-11).

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years qualifying service, the probability the employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and the applicable on-costs.

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in service, the probability that the employees will take annual and long service leave while in service has been taken into account in estimating the liability for the on-costs.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(k) Employee Benefits - continued

Annual leave and long service leave liabilities are classified as current liabilities in the Balance Sheet where there is no unconditional right to defer the settlement of the liability for at least 12 months. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability in the Balance Sheet.

(l) Superannuation

The Fund receives funding for superannuation payments as part of the Government Payment for Outputs. The Agency then makes payments on a fortnightly basis to the Territory banking Account to cover the Fund's superannuation liability for the Public Sector Superannuation Scheme (PSS). This payment covers the PSS employer contribution but does not include the productivity component. The productivity component is paid directly to ComSuper by the Fund. The PSS is defined benefit superannuation plans meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

Superannuation payments are also made directly to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation Scheme Accumulation Plan (PSSaP) and employee choice schemes.

Superannuation employer contribution payments, for the PSS, are calculated by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal PSS employer contribution rate for each employee. The productivity component payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee. Superannuation payments for the PSSaP are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate.

A superannuation liability is not recognised in the Balance Sheet as the Superannuation Provision Account recognises the total Territory superannuation liability for the PSS, and ComSuper and the external schemes recognise the superannuation liability for the PSSaP and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the PSS in respect of the ACT Government service provided after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) Claims

The provision covers claims reported but not yet paid, incurred but not yet reported claims (“IBNR”), incurred but not enough reported (“IBNER”) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends. In limited instances this is supplemented or replaced by a review of individual claims information.

The Fund appointed an independent actuary, KPMG Actuarial Pty Limited, to provide a full assessment of Outstanding Claims Provision. The review was done from April to July 2012. Adam Searle is the actuary responsible for the valuation of outstanding claims and is a Fellow of the Institute of Actuaries of Australia.

The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and “superimposed inflation”. Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury. The expected future payments are then discounted to present value using the Commonwealth Government Bonds risk free rate.

Claims estimated to fall due within a 12-month period are classified as a current liability and all other claims as a non-current liability.

(n) Recoveries

The Collapsed Insurer Fund may receive recoveries from the administrators of failed insurance companies and the Uninsured Employer Fund may receive recoveries from other insurers due to third party arrangements. Both funds may receive repayments by claimant third parties, and court associated recoveries. The recoveries are included in the actuarial calculations.

(o) Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the Fund has made the following judgements and estimates that have the most significant impact on the amounts recorded in the financial statements:

Employee Benefits: Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for employee benefits requires a consideration of the future wage and salary levels, experience of employee departures and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and that on-costs will become payable. Further information on this estimate is provided in Note 2(k); ‘Employee Benefits’ and Note 3: ‘Change in Accounting Policy Estimates, and Correction of a Prior Period Error’.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(p) Impact of Accounting Standards Issued but yet to be Applied

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The Fund does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their application date. It is estimated that the effect of adopting the below pronouncements, when applicable, will have no material financial impact on the Fund in future reporting periods:

- AASB 9 Financial Instruments (application date 1 January 2013);
- AASB 2010-07 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 7, 101, 108, 112, 120, 121, 127, 128, 132, 136, 137, 139 & 1023 and Interpretations 2, 5, 10, 12, 19 and 127] (application date 1 January 2013);
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (application date 1 January 2013);
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 101, 107, 112, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (application date 1 January 2013); and
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (application date 1 July 2012.

NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION OF A PRIOR PERIOD ERROR

(a) Changes in Accounting Estimates

Changes in Actuarial Assumptions

The Fund uses actuaries (Refer Note 4: 'Significant Accounting Judgements and Estimates') to estimate the outstanding claims provision (liability) and related claims expenses. Actuarial assumptions are based on past claims experience, risk exposure and projections of economic variables. As such the estimate of the outstanding claims provision has changed. This change has resulted in a slight reduction to the gross estimate of the outstanding claims provision (including claims handling expenses) in the current reporting period of approximately $360,000.

Revision Of Employee Benefit

The Fund uses a factor (Refer Note 2(k): 'Employee Benefits') for annual leave and long service leave, including applicable on-costs, which do not fall due in the next 12 months. These liabilities are measured at the present value of estimated payments to be made in respect of services provided by employees up to the reporting date. The estimated future payments are discounted back to present value using the government bond rate.

Last financial year, the rate was 92.9%, however, due to a change in the government bond rate the rate is now 106.6%.

As such, the estimate of the long service leave has changed. This change has resulted in an increase to the estimate of the long service leave liability and expense in the current reporting period of approximately $25,000.

Change in Accounting Policy

The Fund had no changes in Accounting Policy during the reporting period.

Correction of Prior Period Errors

The Fund had no correction of prior period errors during the reporting period.

(b) Measurement of the Outstanding Claims Provision

The Fund is not required to comply with AASB 1023: General Insurance Contracts as its operations are not underpinned by contracts of insurance with its customers. Contracts of insurance need to be in existence in order for a reporting entity to apply AASB 1023. Instead, the business liabilities are reported under AASB 137: Provisions, Contingent Liabilities and Contingent Assets. The measurement of liabilities under AASB 137 is based on a best estimate which management believes, in the context of the Fund's business, equates to the central estimate of claim liabilities (i.e. the value of the liability without an explicit risk margin).

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Actuarial Assumptions

The Fund uses actuaries to estimate the outstanding claims provision. Actuarial assumptions are based on past claims experience, risk exposure and projections of economic variables.

The actuarial estimate of outstanding claims provision comprises:

- future compensation payments on open reported claims;
- future compensation payments for claims that have been incurred but not reported (i.e. IBNR);
- net apportionment and cross-claims (i.e. 'sharing') with other defendants, where identified;
- an estimate of the costs associated with managing the claims, such as the staff costs for employees managing the claims; and
- claims inflated and discounted to a 'present value' basis.

Analysis and estimates are subdivided by:

- latent (including asbestos related and hearing claims); and
- all other injury types.

The approach used in determining the provision for claims in the Uninsured Employers Fund was as follows:

- historical claim payments gross of recoveries have been inflated to 30 June 2012 values;
- development of open claims (current value payments to date plus current case estimates) was analysed; and consideration was then given to the need to adjust the case estimates on the open claims for future case estimate development;
- a further allowance was made for incurred but not yet reported (IBNR) claims, based on a projection of future claim reports and an adopted average claim size;
- a pattern of future payment was applied to apportion the current value of the liability over future payment periods;
- an allowance was made for the effect of future recoveries, based on historic experience; and
- an allowance was made for the timing of benefit payments by adjusting for future claims inflation and discounting to a present value.

The approach used in determining the provision for claims in the Collapsed Insurers Fund was as follows:

- historical claim payments gross of recoveries have been inflated to 30 June 2012 values;
- future claims payments were projected, based on payment experience to date;
- development of open claims (current value payments to date plus current case estimates) was analysed; and consideration was then given to the need to adjust the case estimates on the open claims for future case estimate development;
- a pattern of future payment was applied to apportion the current value of the liability over future payment periods.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED

(a) Actuarial Assumptions - continued

- an allowance was made for the effect of future recoveries, based on historic experience; and
- an allowance was made for the timing of benefit payments by adjusting for future claims inflation and discounting to a present value.

Table 1 outlines the main assumptions which were made in determining the outstanding claims provision.

Table 1 – Selected Assumptions

Assumption	Collapsed Insurer Fund		Uninsured Employer Fund	
	2012	**2011**	**2012**	**2011**
Projected claim numbers	*	*	35.9	30.3
Net average claim size	*	*	$124,625	$119,487
Average weighted term to settlement (years)	2.4	2.5	4.5	4.8
Inflation rate p.a. - wage plus superimposed	6.1%	6.1%	6.1%	6.1%
Discount rate p.a.	2.6%	4.9%	2.8%	5.0%
Claims handling expenses	20%	16%	20%	16%

*The approach used to value CIF claims in the current year is an aggregated method, which projects future claims payments directly. It does not require projected numbers of claims and average costs.

Projected Claim Numbers

The projected claim numbers have been determined based on assumed pattern of claim emergence using chain ladder projections. This projection gives the average number of IBNR claims expected in the future from a notional distribution of possible outcomes. Because it is the result of an estimation process, the result is not an integral number.

For the Uninsured Employer Fund, 29% of new claims are expected to be reported in 2012-13.
A description of the processes used to determine these assumptions is provided below:

Claims Inflation Rate

A rate of 6% per annum has been selected, in line with the expected payment profile of the claims.

Superimposed Inflation Rate

This represents the tendency of claims costs to increase above the rate of wage inflation over time. A rate of 1.76% per annum has been adopted.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

(a) Actuarial Assumptions - Continued

Discount Rate

The estimate of the Default Insurance Fund's Outstanding Claims Provision is provided on both a discounted (i.e. allowing for future investment income) and undiscounted basis. To discount the liability, the Fund has used the market yield as at 30 June 2012 on long-duration Commonwealth Government bonds, which gives weighted average discount rates of 2.6% and 2.8% per annum for the Collapsed Insurer Fund and Uninsured Employer Fund respectively.

Claims Handling Expenses

An assumption of 20% of gross future claims payments are made for the expenses of the Default Insurance Fund. This has increased from the previous assumption of 16% due to a slightly higher projection of expenses and a slightly lower projection of claim payments than at the 30 June 2011. The claims handling expense is allocated 20% to the Collapsed Insurer Fund and 80% to the Uninsured Employer Fund.

Sensitivity Analysis

A sensitivity analysis is conducted to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Default Insurance Fund.

Impact of Movement in Claims Variables

Claims frequency

The outstanding claims provision is calculated by reference to expected claim frequency and average claim sizes. An increase or decrease in the claim frequency would have a proportional impact on IBNR claims expense.

Average claim size

The outstanding claims provision is calculated by reference to expected claim frequency and average claim sizes. An increase or decrease in the average claim size would have a proportional impact on IBNR claims expense.

Case estimate development

The outstanding claims provision relies in part on the case estimates held by the Fund. The impact on reported claim expense will reflect the extent that the development of case estimate differs from the current case estimates.

Average weighted term to settlement

Expected payment patterns are used in determining the outstanding claims provision. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated and so would decrease the discounted liability for claims. An increase in the average term to settlement would lead to claims being paid later than anticipated and would increase the liability.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

(a) Actuarial Assumptions - Continued

Expense rate

An estimate for the internal costs of handling claims is included in the outstanding claims provision. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.

Discount rate

The outstanding claims provision is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase in the assumed discount rate will reduce the total claims expense. A decrease in the assumed discount rate will increase the total claims expense.

Inflation and superimposed inflation rates

Expected future payments are inflated to take account of inflationary increases. In addition to the general economic inflation rate, an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards. Such rates of superimposed inflation are specific to the model adopted. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding and magnified impact on the claims expense.

Uncertainty

General Claims Uncertainty

The Fund is exposed to Asbestos related claims which are generally reported long after the injury was incurred. The period of delay in claims reporting makes reliable estimate of the number of future reported Asbestos claims difficult. Combined with the nature of assessing the cost of these claims and legislative impacts, the total cost of Asbestos related claims is difficult to assess. Given the small size of the Fund's claims liabilities, the actual experience of Asbestos related claims could lead to large deviations from the estimated outstanding claims provisions contained in the financial statements.

Global Financial Crisis

The global financial crisis (GFC) which began late 2007 increased the likelihood that some employers were operating uninsured during 2008-09 and 2009-10 with these claims falling to the Fund. The Fund has observed that the 2009-10 year had an increased number of claims, with levels of claims reported reducing again during the following two accident years. There is an allowance for a higher number of IBNR claims for the 2009-10 period. It should be recognised that this is based on judgement because there is no objective basis on which to gauge the potential impact on Fund's claims outcomes.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2012

NOTE 5 INTEREST AND DISTRIBUTIONS

	2012 $'000	2011 $'000
Revenue Received from within ACT Government Entities		
Interest Revenue – Collapsed Insurer Fund	842	722
Distribution Revenue – Collapsed Insurer Fund	284	592
Interest Revenue – Uninsured Employer Fund	160	82
Total Interest and Distribution Revenue from ACT Government Entities	**1,286**	**1,396**
Revenue from Non-ACT Government Entities		
Interest Revenue from Bank – Collapsed Insurer Fund	25	8
Interest Revenue from Bank – Uninsured Employer Fund	29	13
Total Interest Revenue from Non-ACT Government Entities	**54**	**21**
Total Interest and Distribution Revenue	**1,340**	**1,417**

Interest receipts are higher than the previous year due to a higher level of funds invested. Distributions in CIF are lower due to $13.7 million being returned to the ACT Government.

NOTE 6 LEVIES

	2012 $'000	2011 $'000
Levies – Uninsured Employer Fund	3,209	2,404
Levies Attributed to Unfunded Component – Movement in Receivables	(3,127)	(155)
Total Levies	**82**	**2,249**

Claims and administrative costs pertaining to the Uninsured Employer Fund are paid by raising a quarterly levy on all approved workers' compensation insurers and exempt employers who are currently operating in the Territory. A new funding model was introduced on 1 July 2010 to move towards full funding by levy. This levy builds a reserve to cover the cost of the unfunded component of the claims provision. Until such time as the UEF is fully funded, levies are recognised by matching revenue to the expenses incurred in the financial year. This treatment recognises that the Fund has the ability to raise the levies to meet expenses should there be a cash shortfall before full funding is reached. *The Workers Compensation Act 1951* provides the framework around the calculation of levies. In 2011-12, the Fund Manager imposed contributions from insurers and self-insurers equal to 1.7% of gross written premiums. Levies paid during the year are balanced against a receivable "Levies Required to meet the Cost of Future Claims" (refer 'Note 14 – Receivables').

In 2011-12 there was a decline in the claims expense. This was as a result of a downward revision of actuarial assumptions and a decrease in claim payments (refer 'Note 11 – Claims Expense'). As a consequence there is a decrease in the amount of levy required to match the claims expense, and only $82,000 of the $3.2 million in levies raised in 2011-12 has been recognised. The remainder of the levy was applied to the receivables and as such is building reserves to meet the cost of the unfunded component of the claims provision. (See Note 17)

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2012

NOTE 7 RECOVERIES

	2012 $'000	2011 $'000
Insurer – Collapsed Insurer Fund	869	1,959
Other – Collapsed Insurer Fund	14	-
Other – Uninsured Employer Fund	283	278
Total Recoveries	**1,166**	**2,237**

Insurer recoveries are HIH Insurance Limited (HIH) recoveries which are determined by the funds the administrator has on hand. Other recoveries include repayments by claimant third parties, and court associated recoveries, both are subject to yearly variation.

NOTE 8 OTHER REVENUE

	2012 $'000	2011 $'000
Fines – Uninsured Employer Fund	29	-
Services Provided to the Nominal Defendant – Collapsed Insurer Fund	25	16
Services Provided to the Nominal Defendant – Uninsured Employer Fund	81	62
Total Other Revenue	**135**	**78**

NOTE 9 GAIN/ (LOSS) ON INVESTMENTS

	2012 $'000	2011 $'000
Gain on Investments – Collapsed Insurer Fund	150	-
Loss on Investments – Collapsed Insurer Fund	-	(26)
Total Unrealised Gain/ (Loss) on Investments	**150**	**(26)**

The net gain or loss on investments consists of the fluctuation in price of the unit trust between the end of the last reporting period and the end of this reporting period as well as any profit on the sale of units in the unit trust (refer 'Note 2 (i) – Investments').

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2012

NOTE 10 EMPLOYEE AND SUPERANNUATION EXPENSES

	2012 $'000	2011 $'000
(a) Employee Expenses		
Salaries	124	99
Annual Leave Expense	7	1
Long Service Leave Expense	25	(14)
Other Employee Benefits and On-Costs	-	-
Total Employee Expenses	**156**	**86**
(b) Superannuation Expense		
Superannuation Contribution to the Territory Banking Account	19	12
Productivity Benefit	2	-
Total Superannuation Expenses	**21**	**12**

Employee expenses have increased in 2012 as DIF has been fully staffed. In 2011 one member of staff was on secondment for a proportion of the year.

NOTE 11 CLAIMS EXPENSES

	2012 $'000	2011 $'000
Claims Expenses - Uninsured Employer Fund	416	2,500
Claims Expenses - Collapsed Insurer Fund	124	485
Total Claims Expenses	**540**	**2,985**

Claims have decreased due to reductions in actuarial assumptions on the open claims. The reductions are predominately the result of revised estimates on open claims. The reductions are partially offset by increases in economic indicators, most notably on reduced discount rate.

NOTE 12 SUPPLIES AND SERVICES

	2012 $'000	2011 $'000
Actuarial – Collapsed Insurer Fund	6	7
Actuarial – Uninsured Employer Fund	32	7
Audit Fees – Collapsed Insurer Fund	12	11
Audit Fees – Uninsured Employer Fund	12	11
Contractors and Consultants – Collapsed Insurer Fund	-	-
Contractors and Consultants – Uninsured Employer Fund	5	-
Investment & Commission – Collapsed Insurer Fund	55	65
Investment & Commission – Uninsured Employer Fund	7	4
Support Services – Collapsed Insurer Fund	16	12
Support Services – Uninsured Employer Fund	46	35
Other – Collapsed Insurer Fund	2	11
Other – Uninsured Employer Fund	5	4
Total Supplies and Services	**198**	**167**

Actuarial expenses have increased in 2011-12 due a review of the levy funding arrangements by the Funds actuaries. The increase is also due to a change of the Funds actuaries that has caused a timing difference in the completion of the actuary reports and work billed.

NOTE 13 CASH AND CASH EQUIVALENTS

The Fund holds a bank account with the Commonwealth Bank as part of the whole-of-government banking arrangements. The Fund also held short-term investments with the Public Trustee in the JACSD Cash Trust Account throughout the year. The investment earned a floating interest rate of 5.74% (5.84% in 2011). These funds are able to be withdrawn upon request and are not subject to movements in their market value, and therefore meet the definition of a cash equivalent.

	2012 $'000	2011 $'000
Cash at Bank – Collapsed Insurer Fund	165	1
Cash at Bank – Uninsured Employer Fund	519	1
Investments – Collapsed Insurer Fund	12,328	14,816
Investments – Uninsured Employer Fund	4,914	2,652
Total Cash and Cash Equivalents	**17,926**	**17,470**

UEF investments have increased as a result of increased levies which will enable full funding in the future.

NOTE 14 RECEIVABLES

	2012 $'000	2011 $'000
Current Receivables		
Interest – Collapsed Insurer Fund and Uninsured Employer Fund	-	137
Services supplied to Nominal Defendant	102	-
Goods and Services Tax Receivable – Collapsed Insurer Fund	11	6
Goods and Services Tax Receivable – Uninsured Employer Fund	8	17
	122	**160**
Other Receivables		
Claims Related – Collapsed Insurer Fund	10	18
Claims Related – Uninsured Employer Fund	203	463
Levies Required to meet the cost of Future Claims Settlements – Uninsured Employer Fund	1,022	2,249
Less: Allowance for Impaired Losses	-	-
	1,235	**2,730**
Total Current Receivables	**1,357**	**2,890**

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2012

NOTE 14 RECEIVABLES - CONTINUED

	2012 $'000	2011 $'000
Non-Current Receivables		
Other – Collapsed Insurer Fund	21	17
Other – Uninsured Employer Fund	752	767
Levies Required to Meet the Cost of Future Claims Settlements		
- Uninsured Employer Fund	3,378	4,862
Total Non-Current Receivables	**4,151**	**5,646**
Total Receivables	**5,508**	**8,536**

Levies required to meet the cost of future claims settlements is the amount that needs to be raised to enable the outstanding claims liability of UEF to be fully funded. (See note 17). The decrease in the amount of levies required between 2011 and 2012 reflects a change in actuarial assumptions on the value of open claims.

Ageing of Current Receivables

	Not Overdue	Past Due			Total
		Less Than 30 Days	30 to 60 Days	Greater than 60 days	
	$'000	$'000	$'000	$'000	$'000
2012					
Not Impaired[1]					
Receivables	1,353	3	-	1	**1,357**
Impaired					
Receivables	-	-	-	-	**-**

Ageing of Current Receivables

	Not Overdue	Past Due			Total
		Less Than 30 Days	30 to 60 Days	Greater than 60 days	
	$'000	$'000	$'000	$'000	$'000
2011					
Not Impaired					
Receivables	2,890	-	-	-	**2,890**
Impaired					
Receivables	-	-	-	-	**-**

1. 'Not Impaired' refers to Net Receivables (that is Gross Receivables less Impaired Receivables).

The Fund does not hold any collateral for receivables that are overdue or determined to be impaired.

NOTE 14 RECEIVABLES - CONTINUED

	2012 $'000	2011 $'000
Reconciliation of the Allowance for Impairment Losses		
Allowance for Impairment Losses at the Beginning of the Reporting Period	-	64
Additional Allowance Recognised	-	-
Reduction in Allowance Resulting from a Write-off of Receivables	-	(64)
Allowance for Impairment Losses at the End of the Reporting Period	**-**	**-**
Classification of ACT Government/Non-ACT Government Receivables		
Receivables with ACT Government Entities		
Interest – Collapsed Insurer Fund and Uninsured Employer Fund	-	137
Services supplied to Nominal Defendant	102	-
	102	**137**

Current Receivables with Non-ACT Government Entities

	2012 $'000	2011 $'000
Goods and Services Tax Receivable – Collapsed Insurer Fund	11	6
Goods and Services Tax Receivable – Uninsured Employer Fund	8	17
Other – Collapsed Insurer Fund	12	18
Other - Uninsured Employer Fund	1,224	2,712
	1,255	**2,753**
Total Current Receivables	**1,357**	**2,890**
Non-Current Receivables with Non-ACT Government Entities		
Other – Collapsed Insurer Fund	21	17
Other – Uninsured Employer Fund	4,130	5,629
Total Non-Current Receivables	**4,151**	**5,646**
Total Receivables	**5,508**	**8,536**

Other Current and Non-Current Receivables for the Uninsured Employer Fund represent levies to be raised to meet the cost of future claim settlements.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
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NOTE 15 PAYABLES

	2012 $'000	2011 $'000
Current Payables		
Trade Payables – Collapsed Insurer Fund	11	13
Trade Payables – Uninsured Employer Fund	28	9
Total Payables	**39**	**22**
Payables are Aged as follows:		
Not Overdue	**39**	**22**
Total Payables	**39**	**22**
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Trade Payables – Uninsured Employer Fund	7	9
Trade Payables – Collapsed Insurer Fund	28	13
	35	**22**
Payables with Non-ACT Government Entities		
Trade Payables – Uninsured Employer Fund	4	-
Trade Payables – Collapsed Insurer Fund	-	-
	4	**-**
Total Payables	**39**	**22**

NOTE 16 EMPLOYEE BENEFITS

	2012 $'000	2011 $'000
Current Employee Benefits		
Accrued Salaries	8	3
Annual Leave	8	7
Long Service Leave	24	-
	40	**10**
Non-Current Employee Benefits		
Long Service Leave	13	12
Total Employee Benefits	**53**	**22**

Employee Numbers	2012 Number	2011 Number
Full-Time Equivalents at the End of the Reporting Period	2	1

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2012

NOTE 17 OUTSTANDING CLAIMS PROVISION

Inflated and Discounted Liability at 30 June 2012 (Gross of Recoveries)

Liability	Collapsed Insurer Fund Component $'000	Uninsured Employer Fund Component $'000	Total Default Insurance Fund $'000
Reported	1,479	3,616	5,094
IBNR	722	5,394	6,116
Claims Handling Expense	440	1,802	2,242
Total	**2,641**	**10,811**	**13,452**

Reported claims arising from the collapse of the HIH Group comprise 73% and reported claims arising from the collapse of National Employers Mutual (NEM) comprise 27% of the cost of the Collapsed Insurer Fund component of the Fund. HIH became insolvent in March 2001 and NEM in May 1990.

Inflated and Discounted Liability at 30 June 2011 (Gross of Recoveries)

Liability	Collapsed Insurer Fund Component $'000	Uninsured Employer Fund Component $'000	Total Default Insurance Fund $'000
Reported	1,434	4,834	6,267
IBNR	940	4,638	5,578
Claims Handling Expense	451	1,515	1,966
Total	**2,825**	**10,987**	**13,812**

Reconciliation of Movement in Discounted Outstanding Claims Liability

	Collapsed Insurer Fund $'000	Uninsured Employer Fund $'000	Total $'000
Carrying Amount at 30 June 2011	**2,825**	**10,987**	**13,812**
Plus: Additional Provisions Made in the Period for:			
New Accident Period	-	1,684	1,684
Existing Provisions	-	-	-
Less: Amounts Used During the Period	(297)	(556)	(853)
Less: Unused Amounts Reversed During the Period	(159)	(2,871)	(3,029)
Plus: Change in Future Discounting *Assumptions:*			
Impact of Discounting Unwind	122	503	625
Change in Assumptions	150	1,064	1,214
Carrying Amount at 30 June 2012	**2,641**	**10,811**	**13,452**

NOTE 17 OUTSTANDING CLAIMS PROVISION - CONTINUED

	2012	2011
Funding of Outstanding Claims Provision – Uninsured Employer Fund	**$'000**	**$'000**
Funded proportion of Claims Provision	6,411	3,876
Unfunded proportion of Claims Provision	4,400	7,111
Total Claims Provision – Uninsured Employer Fund	**10,811**	**10,987**

NOTE 18 FINANCIAL INSTRUMENTS

(a) Fair Values of Financial Assets and Liabilities

The carrying amounts and fair values of financial assets and liabilities at the end of the Reporting period are:

	Carrying Amount 2012 $'000	Fair Value 2012 $'000	Carrying Amount 2011 $'000	Fair Value 2011 $'000
Financial Assets				
Cash and Cash Equivalents	17,926	17,926	17,470	17,470
JACS Fixed Interest Trust Portfolio	-	-	9,482	9,482
Receivables	102	102	137	137
Total Financial Assets	**18,028**	**18,028**	**27,089**	**27,089**
Financial Liabilities				
Payables	39	39	22	22
Total Financial Liabilities	**39**	**39**	**22**	**22**

NOTE 18 FINANCIAL INSTRUMENTS - CONTINUED

(a) Fair Values of Financial Assets and Liabilities - Continued

Fair Value Hierarchy

The Fund is required to classify financial assets and financial liabilities into a fair value hierarchy that reflects the significance of the inputs used in determining their fair value. The fair value hierarchy is made up of the following three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount of financial assets measured at fair value, as well as the methods used to estimate the fair value are summarised in the table below. All other financial assets and liabilities are measured, subsequent to initial recognition, at amortised cost and as such are not included in the table below.

2012

	Classification According to Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Financial Assets at Fair Value through the Profit and Loss				
Investment JACS Fixed Interest Trust Portfolio	-	-	-	-
Total	**-**	**-**	**-**	**-**

Transfer Between Categories

There have been no transfers of financial assets or financial liabilities between Level 1 and Level 2 during the reporting period.

2011

	Classification According to Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Financial Assets at Fair Value through the Profit and Loss				
Investment JACS Fixed Interest Trust Portfolio	-	9,482	-	9,482
Total	**-**	**9,482**	**-**	**9,482**

Transfer Between Categories

There have been no transfers of financial assets or financial liabilities between Level 1 and Level 2 during the reporting period.

NOTE 18 FINANCIAL INSTRUMENTS - CONTINUED

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Funds cash and cash equivalents are held in floating interest rate arrangements which are subject to interest rate risk as these rates may vary. The Fund's investments are also subject to interest rate risk as the rates which determine their fair value may vary.

Interest rate risk for financial assets is managed by the Fund by only investing in arrangements that are low risk.

There are no changes in risk exposure or processes for managing risk since the last financial reporting period.

Sensitivity Analysis

Taking into account past performance, future expectations and economic forecasts, the impact on profit or loss and the impact on equity in the table below are 'reasonably possible' over the next 12 months if interest rates change by -/+ 1.0% per annum.

	Carrying Amount 2012 $'000	**(1.0%) Profit/ (Loss) $'000**	**+1.0% Profit/ (Loss) $'000**
Financial Assets:			
Cash and Cash Equivalents	17,926	(179)	179
Total (Decrease)/Increase	**17,926**	**(179)**	**179**

NOTE 18 FINANCIAL INSTRUMENTS - CONTINUED

(c) Credit Risk Exposure

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund's credit risk is limited to the amount of the financial assets it holds net any allowance for impairment.

Credit risk for investments is managed by the Fund through investing surplus funds with the JACS Public Trustee for the ACT. The Public Trustee for the ACT has set appropriate investment criteria for the external fund manager they have engaged to manage the surplus funds of agencies, resulting in an insignificant credit risk.. No significant concentration of credit risk has been identified by the Fund.

A large proportion of the Fund's receivables are from major Australian insurers or self-insurers of with major Australian companies. The credit risk of these receivables going into default is considered low. A small proportion of receivables are expected from employers that did not take out workers' compensation. These receivables are impaired as part of the actuarial valuation. The Fund expects to collect all financial assets that are not past due or impaired.

Since the last reporting period, the Collapsed Insurer Fund no longer holds any units in the Fixed Interest Trust Portfolio further reducing its credit risk exposure.

(d) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

Previously, the only price risk which the Fund was exposed to resulted from its investment in the fixed interest trust portfolio. As a distribution $13.7 million has been transferred back to Government, the Fund no longer has any units in the fixed interest trust portfolio, and is no longer subject to this risk.

(e) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Limiting its exposure to liquidity risk, the Fund keeps sufficient cash on hand to meet its payables. The Fund's outstanding claims, while not financial liabilities, are unlikely to settle in any one financial year. At any particular point in time, through raising levies, the Fund has sufficient current financial assets to meet its current financial liabilities. This ensures that the Fund has enough liquidity to meet its emerging financial liabilities.

The Fund's exposure to liquidity risk and the management of this risk has not changed since the previous reporting period.

NOTE 18 FINANCIAL INSTRUMENTS – CONTINUED

The following table sets out the Fund's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2012. All financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2012	Notes	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	over 1 to 5 years $'000	more than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Instruments							
Financial Assets							
Cash and Cash Equivalents - Collapsed Insurer Fund	13	**12,493**	**-**	**-**	**-**	**-**	**12,493**
Cash and Cash Equivalents - Uninsured Employer Fund	13	**5,433**	**-**	**-**	**-**	**-**	**5,433**
Receivables	14	**-**	**-**	**-**	**-**	**102**	**102**
Total Financial Assets		**17,926**	**-**	**-**	**-**	**102**	**18,028**
Weighted average interest rate		**5.74%**					
Financial Liabilities							
Payables - Uninsured Employer Fund	15	**-**	**-**	**-**	**-**	**28**	**28**
Payables - Collapsed Insurer Fund	15	**-**	**-**	**-**	**-**	**11**	**11**
Total Financial Liabilities		**-**	**-**	**-**	**-**	**39**	**39**
Net Financial Assets		**17,926**	**-**	**-**	**-**	**63**	**17,989**

Reconciliation of Net Financial Assets to Net Liabilities	**Notes**	**2012 $'000**
Net Financial Assets (as above)		**17,989**
Claims Receivable	14	**5,385**
Goods and Services Tax Receivable	14	**19**
Employee Benefits		**(53)**
Outstanding Claims Provision	17	**(13,452)**
Net Assets as per Balance Sheet		**9,890**

NOTE 18 FINANCIAL INSTRUMENTS – CONTINUED

The following table sets out the Fund's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2011. All financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2011	Notes	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	over 1 to 5 years $'000	more than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Instruments							
Financial Assets							
Cash and cash equivalents - Collapsed Insurer Fund	13	**14,817**	**-**	**-**	**-**	**-**	**14,817**
Cash and Cash Equivalents – Uninsured Employer Fund	13	**2,653**	**-**	**-**	**-**	**-**	**2,653**
Investments– Collapsed Insurer Fund		**-**	**-**	**-**	**-**	**9,482**	**9,482**
Receivables	14	**-**	**-**	**-**	**-**	**137**	**137**
Total Financial Assets		**17,470**	**-**	**-**	**-**	**9,619**	**27,089**
Weighted average interest rate		**5.84%**					
Financial Liabilities							
Payables - Uninsured Employer Fund	15	**-**	**-**	**-**	**-**	**9**	**9**
Payables - Collapsed Insurer Fund	15	**-**	**-**	**-**	**-**	**13**	**13**
Total Financial Liabilities		**-**	**-**	**-**	**-**	**22**	**22**
Net Financial Assets		**17,470**	**-**	**-**	**-**	**9,597**	**27,067**

Reconciliation of Net Financial Assets to Net Assets	**Notes**	**2011 $'000**
Net Financial Assets (as above)		**27,067**
Claims Receivable	14	**8,376**
Employee Benefits		**23**
Claims Payable	14	**(22)**
Goods and Services Tax Receivable	17	**(13,812)**
Net Assets as per Balance Sheet		**21,632**

NOTE 18 FINANCIAL INSTRUMENTS – CONTINUED

Carry Amount of Each Category of Financial Asset	2012 $'000	2011 $'000
Financial Assets		
Financial Assets at Fair Value through the Operating Statement Designated upon Initial Recognition	-	9,482
Receivables	102	137
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost	39	22
Gains on Each Category of Financial Asset and Financial Liability		
Gain/(Loss) on Financial Assets		
Financial Assets at Fair Value through the Operating Statement Designated upon Initial Recognition	150	(26)

NOTE 19 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities or assets were recognised at the reporting date.

NOTE 20 CASH FLOW RECONCILIATION

(a) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Cash Flow Statement to the Equivalent Items in the Balance Sheet

	2012 $'000	2011 $'000
Total Cash and Cash Equivalents Recorded in Balance Sheet	17,926	17,470
Cash and Cash Equivalents at the End of the Financial Year as Recorded In the Cash Flow Statement	**17,926**	**17,470**

NOTE 20 CASH FLOW RECONCILIATION - CONTINUED

(b) Reconciliation of Net Cash Inflows from Operating Activities to the Operating Surplus

	2012 $'000	2011 $'000
Operating Surplus	1,958	2,705
(Gain)/Loss in Net Market Value of Investments	(150)	26
Cash before Operating Assets and Liabilities	**1,808**	**2,731**
Changes in Operating Assets and Liabilities		
Decrease in Receivables	3,028	148
(Decrease)/ Increase in Outstanding Claims Payable	(360)	1,528
Increase/ (Decrease) in Payables	46	(40)
Net Changes in Operating Assets and Liabilities	2,714	1,636
Net Cash Inflows From Operating Activities	**4,524**	**4,367**

NOTE 21 AUDITOR'S REMUNERATION

Auditor's remuneration consists of financial audit services provided to the Fund by the ACT Auditor -General's Office.

Audit Services	2012 $'000	2011 $'000
Audit Fees Paid to the ACT Auditor-General's Office	26	25
Total Auditor's Fees	**26**	**25**

No other services were provided by the ACT Auditor-General's Office.

NOTE 22 EVENTS OCCURING AFTER BALANCE DATE

The Fund has no events occurring after 30 June 2012 which would affect the financial statements of the Fund in the current or future reporting periods.