



GPO BOX 12 SYDNEY  
NSW 2001

## INDEPENDENT AUDIT REPORT

### Office of the Protective Commissioner - Client Assets External to the Common Fund

To the Protective Commissioner and the Treasurer

#### Audit Opinion

In my opinion, the special purpose financial report of the Office of the Protective Commissioner - "Client Assets External to the Common Fund" presents fairly in accordance with the accounting policies described in the Notes to the financial statements and its financial position as at 30 June 2004.

My opinion should be read in conjunction with the rest of this report.

#### The Protective Commissioner's Role

The financial report is the responsibility of the Protective Commissioner, and he has determined that the accounting policies used and described in the Notes meet the needs of the Protective Commissioner and Treasurer. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

The financial report consists of the statement of financial position and the accompanying notes. It has been prepared for distribution to Protective Commissioner and the Treasurer only.

#### The Auditor's Role and the Audit Scope

As required by the *Public Finance and Audit Act 1983* (the Act), I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Protective Commissioner and the Treasurer that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and

I:

- evaluated significant accounting estimates used by the Protective Commissioner in preparing the financial report, and

· examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Protective Commissioner had failed in his reporting obligations.

My opinion does *not* provide assurance:


- about the future viability of the Client Assets External to the Common Fund,
- that it has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- that the accounting policies used and described in Note 1, are appropriate to the needs of Protective Commissioner or the Treasurer.

I disclaim any assumption of responsibility for any reliance on this report, or on the financial report to which it relates to any person other than the Protective Commissioner or the Treasurer, or for any purpose other than that for which it was prepared.

#### Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
  - mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

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AB Yeturiji CPA

Director, Financial Audit Services

SYDNEY

11 February 2005

OFFICE OF THE PROTECTIVE COMMISSIONER

FINANCIAL STATEMENTS  
FOR YEAR ENDED 30 JUNE 2004

Special Purpose Financial Report  
Client Assets External to the Common Fund



**STATEMENT BY THE COMMISSIONER**

The financial statements for the Client Assets External to the Common Fund and notes thereon exhibit a true and fair view of the financial position and transactions for the year ended 30 June 2004.

I am not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

A handwritten signature in dark ink, appearing to read 'Ken Gabb', written in a cursive style.

**Ken Gabb**  
**PROTECTIVE COMMISSIONER & PUBLIC GUARDIAN**  
**Dated 11th February 2005.**

**Client Assets External to the Common Fund**

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Other Financial Assets (i)		<u>1,614</u>
<b>Current Assets</b>		<b>1,614</b>
<b>Non-Current</b>		
Other Financial Assets (i)	141,672	48,632
Properties (ii) (iii)	697,590	459,002
<b>Non-Current</b>		
	<b><u>839,262</u></b>	<b><u>507,634</u></b>
<b>TOTAL ASSETS</b>	<b>839,262</b>	<b>509,248</b>
<b>Equity</b>		
Estates under Management	<u>839,262</u>	<u>509,248</u>
<b>TOTAL EQUITY</b>	<b>839,262</b>	<b>509,248</b>

(i) These assets are valued at their net market values.

(ii) These are properties held by clients for investment and domicile purposes.

(iii) These assets have been independently valued at their fair value as at 30/06/2004 on the basis of current value for existing use.

**End of audited statements**

**NOTES TO THE FINANCIAL STATEMENTS for  
the financial year ended 30 June 2004**

**1. Basis of Accounting**

SAC 1 outlines the circumstances in which an entity is considered to be a reporting entity. Reporting entities are identified by reference to the existence of users who are dependent on General Purpose Financial Reports for making and evaluating resource allocation decisions. As Parliament does not require via the Public Finance and Audit Act 1983, reporting of Client Assets External to the Common Fund, there are no further stakeholders who see themselves as users of these financial reports, other than the Protective Commissioner.

SAC 1 further states that in most instances private sector entities are unlikely to be required to prepare General Purpose Financial Report where they are "... trusts other than those where funds are subscribed by the public". Clearly OPC's Client Assets External to the Common Fund do not meet these criteria.

**2. Special Purpose Financial Report**

This Special Purpose Financial report is prepared to report the details of assets and liabilities that are not included in the client trust fund (Common Fund) financial report. This is prepared for the use of the Protective Commissioner to safeguard and manage the client assets such as land, buildings and financial assets.

**3. Significant Accounting Policies**

The accounting policies used in the preparation of this report, as described below, are consistent with the financial reporting requirements for Client Assets. The policies are considered appropriate to meet the needs of the Protective Commissioner.

The financial report has been prepared on a modified accrual basis of accounting including the historical cost convention and the going concern assumption.

The requirements of Accounting Standards and other professional reporting requirements in Australia do not have mandatory applicability to Client Assets because it is not a reporting entity. See note on SAC1. The Protective Commissioner has prepared the financial report in accordance with the following Australian Accounting Standards and other mandatory professional reporting requirements in Australia. They are:

AASB 1001 Disclosure of Accounting Policies  
AASB 1015 Acquisition of assets  
AASB 1040 Statement of Financial Position AASB  
1044 Provisions

4. This Special Purpose Financial Report does not comply with the following Australian Accounting Standards:

AASB 1010 Recoverable Amount Test  
AASB 1026 Cash flows  
AASB 1033 Financial Instruments  
AASB 1041 Revaluation of non current assets  
AASB 1047 Impact of International Accounting Standards

5. Client Assets External to the Common Fund

Client assets external to the Common Fund are distinct from the Common Fund assets in that they are not pooled and ownership is retained directly in the name of the client, not indirectly in the name of the custodian as with Common Fund assets. The only indication of OPC's role is that the address for correspondence purposes, rate notices etc, is "C/o Office of the Protective Commissioner".

Where applicable, OPC obtains insurance over various client assets including property (except vacant land) and motor vehicle assets. The purpose of this is principally to protect the client's interests but also to allow OPC to use its market presence to obtain the most cost-effective insurance.

Unlike the Common Fund where the assets of many clients are pooled, acquisition and disposal of assets external to the Common Fund and relevant expenditure (eg rates & insurance) are only of relevance to each individual client.

## 6. Basis of Valuation of Property and Other Assets

The four main categories of assets are: (i)

- Financial Assets
- (ii) Investment Properties
- (iii) Domiciled Properties
- (iv) Other assets

### (i) Financial Assets

These assets are those as defined in AASB 1033- Presentation and Disclosure of Financial Instruments and include items such as bank accounts, insurance and superannuation policies, shares and managed funds and term deposits. These assets are split between current and noncurrent in accordance with AASB 1040 - Statement of Financial Position, and are valued at their net market values.

### (ii) Investment Properties

These properties should follow the definition of investments in AASB 1023 - Financial Reporting of General Insurance Activities which highlights the objective of these properties as being related to the derivation of investment income.

### (iii) Domiciled Properties

These are properties which clients do not hold for investment purposes. These Client Residential Properties were valued by OPC using software leased from RP Data. These Client assets are not subject to fees. There may be some properties where relatives are currently occupying and paying rent, but the objective of holding the property is not primarily as an investment. In these circumstances, such properties are considered domiciled properties, however, in this instance fees may be chargeable if rent is collected. Investment properties however, have been

independently valued at their fair value as at 30 June 2004 by MVS Valuers Australia Pty. Ltd registered valuer on the basis of current value for existing use. The OPC has commenced a 3 year progressive independent revaluation of real property client assets under management, with the next valuation due for the period ended 30-6-2007.

(iv) Other Assets

These include motor vehicles, jewellery, heirlooms and chattels. After reviewing the nature of these, OPC has determined that these are of a minor nature.

7. Valuation of Liabilities

OPC has adopted the method of reporting by net assets as per MSB 1044. OPC considers liabilities not to be significant compared to other client assets under management.

8. Conditions for Managing Financial Client Assets

Relevant details of all financial assets are recorded in the appropriate database and controlled centrally by Client Asset Management Branch. Investments held by new clients are reviewed by OPC's Financial Planning Unit and recommendations made to the relevant estate manager regarding retention or disposal. Section 50 of the Protected Estates Act 1983 requires that the OPC have due regard for the views of the client and his or her relatives or significant others when making investment decisions.