

Department for
Communities

**Annual Report to Parliament
2006-07**



SUE ELLERY BA MLC

Minister for Communities; Women's Interests; Seniors and Volunteering

In accordance with section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to the Parliament the Annual Report of the Department for Communities for the two months ending 30 June 2007.

This report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.

Wayne Salvage
A/Director General
Department for Communities

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Message from the Director General

The review of the Department for Community Development, conducted by Ms Prudence Ford in 2006, recommended the abolition of that Department and the establishment of two separate departments, namely the Department for Child Protection and the Department for Communities.

The Department for Communities was created on 1 May 2007, and I was pleased to be appointed as the Acting Director General. The Department will address the State Government's need for a focal point for social policy development and for collaboration across government in program delivery and community engagement to support and strengthen communities.

The Department has a strong focus on communities of interest through the incorporation of the Office for Children and Youth, the Office for Women's Policy, the Office for Seniors Interests and Volunteering, and the Office of Multicultural Interests. The capacity to work with each of these communities of interest and remain relevant and responsive to issues is crucial, and will be maintained in the development of the new Department.

In addition, the Department incorporates functions that will strengthen the social fabric of our State and provide support for families and the development of children in their early years. These functions include the Family and Domestic Violence Unit, locally based children's services officers who support licensed child care arrangements and children's services, and a number of universal parenting programs and staff associated with the Early Years Strategy.

All of the above-mentioned functions transferred to the new Department effective from 1 July 2007. In addition, the Child Care Licensing and Standards Unit, which is responsible for the licensing of child care services, transferred to the Department on 10 August 2007, on commencement of the *Child Care Services Act 2007*

Establishing a new Department of State in two short months has been a challenging task. I would like to thank the staff of the new Department for their patience, professionalism and commitment during this period of transition. I would also like to acknowledge the invaluable assistance received from staff in the Department for Child Protection and the Department of the Premier and Cabinet, who were involved in transferring services and functions to the Department for Communities.

Wayne Salvage
A/Director General
Department for Communities

The Department

In 2006, the State Government appointed Ms Prudence Ford to conduct a review of the Department for Community Development. Ms Ford's report contained 70 recommendations, of which 69 were accepted by the Western Australian Government. Recommendations 1 and 2 advocated that the Department for Community Development be split into two departments; one focussing on child safety and wellbeing, and the other on broader social development issues and frameworks for population sub-groups with special needs, and for strengthening communities.

In response to these recommendations, the State Government announced the establishment of the Department for Child Protection and the Department for Communities in March 2007. The Department for Communities was established on 1 May 2007 with the appointment of the Acting Director General, Mr Wayne Salvage, and commenced operation on 1 July 2007 following the transfer of staff and functions from the following organisational units within the former Department for Community Development:

- Office for Seniors Interests and Volunteering,
- Office for Women's Policy,
- Family and Domestic Violence Unit,
- Office for Children and Youth,
- Children's Service Officers,
- Early Years Strategy, and
- Parenting Service Coordinators.

In addition, the Office of Multicultural Interests, formerly part of the Department of the Premier and Cabinet, transferred to the new Department effective from 1 July 2007.

The Ford Review also recommended the transfer of the Child Care Licensing and Standards Unit to the new Department. The Unit is responsible for administering the licensing functions set out in Part 8 of the *Children and Community Service Act 2004*. On State Solicitor's Office advice the transfer of this function and statutory responsibility to the Department for Communities necessitated the preparation and enactment of the *Child Care Services Act 2007*. This Act replicated the licensing provisions of Part 8 of the 2004 Act, enabling their administration to be assigned to a separate department of State.

The broad mission of the Department for Communities is to support and strengthen communities to enhance the quality of life for Western Australians through the promotion of across Government collaboration in social policy, service delivery and industry support.

A commitment has been made to undertake a broad consultation process with staff and key stakeholders in the later part of 2007, to formulate the new Department's strategic directions and priorities.

Report on Operations

Following the creation of the Department for Communities on 1 May 2007, an implementation process was put in place to achieve a smooth transfer of functions to the new Department on 1 July 2007.

During a very short timeframe the following key milestones were achieved.

- *Child Care Services Act 2007* - Cabinet approved the drafting of legislation to enable the implementation of recommendations 4 and 5 of the Ford Review of the Department for Community Development. The *Child Care Services Act 2007* does not create procedural or substantive changes for the regulation of child care services in Western Australia, however, it enables the structural changes necessary to transfer the child care licensing function to the Department for Communities. The legislation was tabled on 16 May 2007 and was passed by the Parliament on 28 June 2007.
- **Executive Structure** – an interim executive structure for the new Department was approved by the Department of the Premier and Cabinet. The structure was approved for a period of six months to facilitate the transfer of services and functions to the new Department, and to enable strategic directions to be established in consultation with staff and key stakeholders in the community. Recruitment of executives to the interim structure was undertaken.
- **Staff Communication** - the Acting Director General met with the staff of each of the functional units transferring to the Department for Communities, to gain an understanding of their core business and programs, and to provide staff with an opportunity to raise issues relating to the establishment of the new Department. Once the interim executive structure was approved, a series of presentations was delivered to staff to inform them of the interim structure and outline the implementation process for the Department for Communities. To enhance communication, a staff bulletin was developed and a direct email address to the Acting Director General was established.
- **Budget** - a review of the budget apportionment between the Department for Child Protection and Department for Communities was undertaken.
- **Non Government Organisation (NGO) Funding** – a review of the apportionment of non government funding and related contract management resources between the Department for Child Protection and the Department for Communities was undertaken.
- **Employment Transfer** – the employment of staff in functions recommended for transfer to the Department for Communities was successfully transitioned effective from 1 July 2007. This involved the transfer of staff from the Department for Child Protection and Department of the Premier and Cabinet (Office of Multicultural Interests).
- **Governance Arrangements** – the Department for Communities commenced the process of establishing new business systems, procedures, protocols and standards to support robust governance arrangements, and to comply with public sector standards and the WA Code of Ethics.
- **Corporate Identity** - a working group consisting of communication staff was established to address immediate internal communications strategies and to develop the initial corporate identity, including branding and web presence for the Department.

Independent Audit Opinion

To the Parliament of Western Australia

DEPARTMENT FOR COMMUNITIES FINANCIAL STATEMENTS FOR THE TWO MONTHS
ENDED 30 JUNE 2007

*(*Audit Opinion to be provided in Sept 2007)*

Financial Statements

Statement of certification

The accompanying financial statements of the Department for Communities have been prepared in compliance with the provision of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the two months ending 30 June 2007 and the financial position as at 30 June 2007.

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

Jennifer McGrath
A/Executive Director Resources
Department for Communities

20 September 2007

Wayne Salvage
A/Director General
Department for Communities

20 September 2007

DEPARTMENT FOR COMMUNITIES

**INCOME STATEMENT
FOR THE TWO MONTHS ENDED 30 JUNE 2007**

	Note	2007 (\$'000)
COST OF SERVICES		
Expenses		
Employee benefits expense	5	27
Total Cost of Services		<u>27</u>
NET COST OF SERVICES		
		27
INCOME FROM STATE GOVERNMENT		
Service Appropriation	6	27
Total Income from State Government		<u>27</u>
SURPLUS/(DEFICIT) FOR THE PERIOD		
		<u>0</u>

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

DEPARTMENT FOR COMMUNITIES
BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 (\$'000)
ASSETS		
Current Assets		
Cash and cash equivalents	7	27
Total Current Assets		<u>27</u>
TOTAL ASSETS		<u>27</u>
LIABILITIES		
Current Liabilities		
Payables	8	27
Total Current Liabilities		<u>27</u>
Net Assets		0
EQUITY		
Accumulated surplus/(deficiency)	9	0
Total Equity		<u>0</u>
TOTAL LIABILITIES AND EQUITY		<u>27</u>

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

DEPARTMENT FOR COMMUNITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE TWO MONTHS ENDED 30 JUNE 2007

	Note	2007 (\$'000)
Balance of equity at start of period		0
ACCUMULATED SURPLUS (RETAINED EARNINGS)	9	
Balance at start of period		0
Change in accounting policy or correction of prior period errors		0
Restated balance at start of period		0
Surplus/(deficit) for the period		0
Balance at end of period		0
Balance of equity at end of period		0
Total income and expense for the period		0

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

DEPARTMENT FOR COMMUNITIES

**CASH FLOW STATEMENT
FOR THE TWO MONTHS ENDED 30 JUNE 2007**

	Note	2007 (\$'000)
CASH FLOWS FROM STATE GOVERNMENT		
Service appropriation	6	27
Net cash provided by State Government		<u>27</u>
Net increase/(decrease) in cash and cash equivalents		27
Cash and cash equivalents at the beginning of the period		0
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	10(a)	<u><u>27</u></u>

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

DEPARTMENT FOR COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO MONTHS ENDED 30 JUNE 2007

1 Department Mission

On 1 May 2007, the Government approved the transfer of community and family support functions, child care services and policy coordination initiatives from the Department for Community Development to a newly created Department for Communities, and renamed the Department for Community Development as the Department for Child Protection.

The Department for Communities commenced operational functions on 1 July 2007.

The Department for Communities mission is to support and strengthen communities to enhance the quality of life for Western Australians through the promotion of across Government collaboration in social policy, service delivery and industry support.

2 Australian Equivalents to International Financial Reporting Standards

General

The Department's financial statements for the two months ended 30 June 2007 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Department has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early Adoption of Standards

The Department cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Department for the annual reporting period ending 30 June 2007.

DEPARTMENT FOR COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO MONTHS ENDED 30 JUNE 2007

3 Summary of Significant Accounting Policies

a General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

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

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

b Basis of Preparation

The financial statements have been prepared in accordance with Accounting Standard (AAS) 29 'Financial Reporting by Government Departments' on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land, buildings and leasehold improvements which have been measured at fair value.

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

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

c Income

Service Appropriations

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

See note 6 'Income from State Government' for further detail.

DEPARTMENT FOR COMMUNITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO MONTHS ENDED 30 JUNE 2007

3 Summary of Significant Accounting Policies (continued)

d Financial Instruments

The Department has two categories of financial instrument:

- Receivables (including cash); and
- Non-trading financial liabilities (payables).

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

e Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These are comprised of cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash, and which are subject to insignificant risk of changes in value.

f Payables

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

See note 8 'Payables'.

g Superannuation Expense

The following elements are included in calculating the superannuation expense in the Income Statement:

- (a) Defined benefit plans – change in the unfunded employer's liability (i.e. current service cost and actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that scheme to the Gold State Superannuation Scheme (GSS); and
- (b) Defined contribution plans – employer contributions paid to the West State Superannuation Scheme (WSS), GESB Super Scheme (GESB), and the equivalent of employer contributions to the GSS.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE TWO MONTHS ENDED 30 JUNE 2007

3 Summary of Significant Accounting Policies (continued)

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

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

4 Disclosure of Changes in Accounting Policy and Estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual period beginning on or after 1 July 2006.

- 1 AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Department does not currently undertake these types of transactions, resulting in no financial impact in applying the Standard.
- 2 UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease' as issued in June 2005. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At balance sheet date, the Department has not entered into any arrangements as specified in the Interpretation, resulting in no impact in applying the Interpretation.
- 3 UIG Interpretation 9 'Reassessment of Embedded Derivatives'. This Interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Department has not entered into any contracts as specified in the Interpretation resulting in no impact in applying the Interpretation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWO MONTHS ENDED 30 JUNE 2007**

4 Disclosure of Changes in Accounting Policy and Estimates (continued)

The following Australian Accounting Standards and Interpretations are not applicable to the Department as they have no impact or do not apply to not-for-profit entities:

AASB Standards
and Interpretations

2005-1	'Amendments to Australian Accounting Standard' (AASB 139 - Cash flow hedge accounting of forecast intragroup transactions)
2005-5	'Amendments to Australian Accounting Standards [AASB 1 & AASB 139]'
2006-1	'Amendments to Australian Accounting Standards [AASB 121]'
2006-3	'Amendments to Australian Accounting Standards [AASB 1045]'
2006-4	'Amendments to Australian Accounting Standards [AASB 134]'
2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – paragraph 9
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'
UIG 8	Scope of AASB 2'

Future impact of Australian Accounting Standards Standard not yet operative

The Department cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Department has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

- 1 AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Department's exposure to risks, enhanced disclosure regarding components of the Department's financial position and performance, and possible changes to the way of presenting certain items in the financial statements. The Department does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWO MONTHS ENDED 30 JUNE 2007**

4 Disclosure of Changes in Accounting Policy and Estimates (continued)

- 2 AASB 2005-10 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038)'. The amendments are as a result of the issue of AASB 7 'Financial Instruments: Disclosures', which amends the financial instrument disclosure requirements in these standards. The Department does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
- 3 AASB 101 'Presentation of Financial Statements'. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 'Presentation of Financial Statements' (as issued by the IASB) in respect of for-profit entities. The Department is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
- 4 AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)'. This Standard introduces policy options and modifies disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
- 5 AASB 2007-5 'Amendment to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)'. This amendment changes AASB 102 'Inventories' so that inventories held for distribution by not-for-profit entities are measured at cost, adjusted when applicable for any loss of service potential. The Department does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
- 6 AASB Interpretation 4 'Determining whether an Arrangement Contains a Lease [revised]'. This Interpretation was revised and issued in February 2007 to specify that if a public-to-private service concession arrangement meets the scope requirements of AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Department has not entered into any arrangements as specified in the Interpretation or within the scope of Interpretation 12, resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWO MONTHS ENDED 30 JUNE 2007**

4 Disclosure of Changes in Accounting Policy and Estimates (continued)

- 7 AASB Interpretation 12 'Service Concession Arrangements'. This Interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity) for public-to-private service concession arrangements. It does not address the accounting by grantors (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Department if and when public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Department has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
- 8 AASB Interpretation 129 'Service Concession Arrangements: Disclosures [revised]'. This Interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Department has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

The following Australian Accounting Standards and Interpretations are not applicable to the Department as they will have no impact or do not apply to not-for-profit entities:

AASB Standards
and Interpretations

AASB 8	'Operating Segments'
AASB 1049	'Financial Reporting of General Government Sectors by Governments'
AASB 2007-1	'Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]'
AASB 2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]' – paragraphs 1 to 8
AASB 2007-3	'Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]'
Interpretation 10	'Interim Financial Reporting and Impairment'
Interpretation 11	'AASB 2 – Group and Treasury Share Transactions'

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWO MONTHS ENDED 30 JUNE 2007**

2007
(\$'000)

5 Employee Benefits Expense

Wages and salaries ^(a)	23
Superannuation – defined contribution plans ^(b)	2
Long service leave ^(c)	1
Annual leave ^(c)	1
	<u>27</u>

- (a) Includes the value of fringe benefit to the employee plus the fringe benefits tax component.
- (b) Defined contribution plans include West State and Gold State (contributions paid).
- (c) Includes a superannuation contribution component.

6 Income from State Government

Appropriations received during the year:

Cash received from government ^(a)	27
	<u>27</u>

- (a) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

7 Cash and Cash Equivalents

Operating bank account at Commonwealth Bank	27
	<u>27</u>

8 Payables

Payables and accrued expenses	
Liability for goods and services	27
	<u>27</u>

See note 3(f) 'Payables' and note 12 'Financial Instruments'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWO MONTHS ENDED 30 JUNE 2007**

2007
(\$'000)

9 Equity

Equity represents the residual interest in the net assets of the Department.

The Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

Accumulated Surplus

Balance at the start of the year	0
Result for the period	0
Balance at the end of the year	0

Total Equity	0
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10 Notes to the Cash Flow Statement

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalents (see note 7)	27
	27

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

Net cost of services	(27)
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Increase/(decrease) in liabilities

Current payables	27
Net cash provided by/(used in) operating activities	0

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWO MONTHS ENDED 30 JUNE 2007**

**2007
(\$'000)**

11 Remuneration of Senior Officers

Remuneration

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

\$	2007
20,001 – 30,000	1

The total remuneration of senior officers is:

27

The total remuneration includes the superannuation expense incurred by the Department in respect of senior officers. Senior officers are defined as those officers who have sat on the corporate executive for all or part of the financial year. No senior officers are members of the Pension Scheme.

12 Financial Instruments

Financial Risk Management Objectives and Policies

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

Credit Risk

All financial assets are unsecured. Amounts owing by other government agencies are guaranteed and therefore no credit risk exists in respect of those amounts. In respect of other financial assets the carrying amounts represent the Department's maximum exposure to credit risk in relation to these assets. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Liquidity Risk

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

Cash Flow Interest Rate Risk

The Department has limited exposure to interest rate risk, as cash and cash equivalents are held in non-interest bearing accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWO MONTHS ENDED 30 JUNE 2007**

12 Financial Instruments (continued)

Financial Instrument Disclosures

Interest Rate Risk Exposure

The following table details the Department's exposure to interest rate risk as at the reporting date:

	Weighted average interest rate %	Within 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000
30 June 2007								
Cash and cash equivalents								27
	-	-	-	-	-	-	-	27
Financial Liabilities								
Payables								27
	-	-	-	-	-	-	-	27
								0

13 Events Occurring After Balance Date

On 1 May 2007, the Government approved the transfer of community and family support functions, child care services and policy coordination initiatives from the Department for Community Development to a newly created Department for Communities, and renamed the Department for Community Development as the Department for Child Protection.

Both Departments commenced operational functions in their new capacities on 1 July 2007. Consequently, certain assets, liabilities and commitments recorded under the Department for Child Protection at 30 June 2007 will be reported on by the Department for Communities from 1 July 2007 onwards.