

# OFFICE OF WATER REGULATION

REPORT FOR THE  
PERIOD ENDED  
31 DECEMBER 2003





Office of  
Water Policy

Your ref:

Our ref:

Enquiries:

Dr Judy Edwards MLA  
Minister for the Environment  
29<sup>th</sup> Floor  
77 St Georges Terrace  
PERTH WA 6000

Dear Minister

**OFFICE OF WATER REGULATION REPORT FOR THE SIX MONTHS ENDED  
DECEMBER 31, 2003**

In accordance with the Financial Administration and Audit Act 1985, the report of the Office of Water Regulation for the six months ending 31 December 2003 is submitted for tabling in Parliament.

The Office of Water Regulation was abolished on 23 December 2003 by Executive Council. Licensing functions performed by the Office of Water Regulation have been transferred to the Economic Regulation Authority, established under the *Economic Regulation Authority Act 2003*.

Policy functions performed by the Office of Water Regulation have been transferred to the Office of Water Policy, which has been established within the Department of Environmental Protection.

As approved by the Treasurer, this report does not contain performance indicators or a report on operations. As the report is for six months only it was considered that the performance indicators and report on operations would be meaningless as the comparatives relate to 12 months.

Yours sincerely

A handwritten signature in black ink that reads 'Daniel Nevin'.

Daniel Nevin  
ACTING DIRECTOR

11 May 2004



## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### OFFICE OF WATER REGULATION FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2003

#### **Audit Opinion**

In my opinion,

- (i) the controls exercised by the Office of Water Regulation provide reasonable assurance that the receipt and expenditure of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Office at December 31, 2003 and its financial performance and cash flows for the six months ended on that date.

#### **Scope**

##### *The Reporting Officer's Role*

The Reporting Officer is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Output Schedule of Expenses and Revenues, Summary of Consolidated Fund Appropriations and Revenue Estimates, and the Notes to the Financial Statements.

##### *Summary of my Role*

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.


An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

D D R PEARSON  
AUDITOR GENERAL  
April 23, 2004

**CERTIFICATION OF FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2003**

The accompanying financial statements of the Office of Water Regulation have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the period ending 31 December 2003 and the financial position as at 31 December 2003.

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



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Gary Ticehurst  
**Reporting Officer**

13 February 2004



**OFFICE OF WATER REGULATION**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the period ended 31 December 2003

	Note	31/12/2003	2002-03
		\$	\$
<b>COST OF SERVICES</b>			
<b>Expenses from ordinary activities</b>			
Employee expenses	4	1,070,729	1,956,086
Depreciation expense	5	22,291	55,344
Administration expenses	6	692,072	920,031
Accommodation expenses	7	91,822	230,725
Grants and subsidies	8	105,862	120,670
Capital user charge	9	12,500	61,119
Other expenses from ordinary activities	10	-	23,806
<b>Total Cost Of Services</b>		<b>1,995,276</b>	<b>3,367,781</b>
<b>Revenues from ordinary activities</b>			
<i>Revenue from operating activities</i>			
User charges and fees	12	-	800
<i>Revenue from non-operating activities</i>			
Proceeds from disposal of non-current assets		-	200
Other revenues from ordinary activities	13	120,138	109,736
<b>Total revenues from ordinary activities</b>		<b>120,138</b>	<b>110,736</b>
<b>NET COST OF SERVICES</b>		<b>1,875,138</b>	<b>3,257,045</b>
<b>REVENUES FROM STATE GOVERNMENT</b>			
Output Appropriations	14	2,197,000	2,966,000
Return of funds to State Government		-	(364,000)
Liabilities assumed by/(transferred to) the Treasurer		4,015	(5,995)
Resources received free of charge		17,564	27,789
<b>Total revenues from State Government</b>		<b>2,218,579</b>	<b>2,623,794</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS</b>		<b>343,441</b>	<b>(633,251)</b>

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



**OFFICE OF WATER REGULATION**  
**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2003

	Note	2003	2002
<b>Current Assets</b>			
Cash assets	23(a)	754,305	642,315
Receivables	16	187,765	95,468
Amounts receivable for outputs	17	-	60,000
<b>Total Current Assets</b>		<u>942,070</u>	<u>797,783</u>
<b>Non-Current Assets</b>			
Restricted cash assets	15	57,550	57,550
Amounts receivable for outputs	17	99,000	63,000
Plant and equipment	18	114,627	134,993
<b>Total Non-Current Assets</b>		<u>271,177</u>	<u>255,543</u>
<b>TOTAL ASSETS</b>		<u>1,213,247</u>	<u>1,053,326</u>
<b>Current Liabilities</b>			
Payables	19	78,830	231,746
Provisions	20	262,645	228,065
Other liabilities	21	-	45,933
<b>Total Current Liabilities</b>		<u>341,475</u>	<u>505,744</u>
<b>Non-Current Liabilities</b>			
Provisions	20	115,712	145,963
<b>Total Non-Current Liabilities</b>		<u>115,712</u>	<u>145,963</u>
<b>TOTAL LIABILITIES</b>		<u>457,187</u>	<u>651,707</u>
<b>Equity</b>			
Contributed equity	22	103,000	92,000
Accumulated surplus		653,060	309,619
<b>TOTAL EQUITY</b>		<u>756,060</u>	<u>401,619</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>1,213,247</u>	<u>1,053,326</u>

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



**OFFICE OF WATER REGULATION**  
**STATEMENT OF CASH FLOWS**  
for the period ended 31 December 2003

	Note	31/12/2003	2002-03
		Inflows	Inflows
		Outflows	Outflows
		\$	\$
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Output appropriations		2,161,000	2,906,000
Capital contributions		11,000	37,000
Return of funds to State Government		-	(364,000)
Holding account drawdowns		60,000	59,000
<b>Net cash provided by State Government</b>		<u>2,232,000</u>	<u>2,638,000</u>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee costs		(1,010,729)	(1,837,694)
Superannuation		(97,589)	(164,977)
Grant & subsidy payments		(261,648)	(115,182)
Administration		(674,508)	(960,491)
Accommodation		(91,822)	(244,252)
Capital user charge		(12,500)	(61,119)
GST payments on purchases		(464,063)	(113,704)
<b>Receipts</b>			
User charges and fees		-	800
Other revenues		161,444	25,087
GST receipts on sales		11,661	8,460
GST receipts from taxation authority		321,669	108,298
<b>Net cash used in operating activities</b>	23(c)	<u>(2,118,085)</u>	<u>(3,354,774)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		-	200
Purchase of non-current physical assets		(1,925)	(82,737)
<b>Net cash used in investing activities</b>		<u>(1,925)</u>	<u>(82,537)</u>
<b>Net increase/(decrease) in cash held</b>		111,990	(799,311)
Cash assets at the beginning of the financial year		699,865	1,499,176
Cash assets transferred to other sources		-	-
<b>CASH ASSETS AT THE END OF THE FINANCIAL YEAR</b>	23(a)	<u>811,855</u>	<u>699,865</u>

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



**OFFICE OF WATER REGULATION**  
**OUTPUT SCHEDULE OF EXPENSES AND REVENUES**  
for the period ended 31 December 2003



	Water Service Operating Licences		Water Industry Development		TOTAL	
	31/12/2003	2003	31/12/2003	2003	31/12/2003	2003
	\$000	\$000	\$000	\$000	\$000	\$000

**COST OF SERVICES**

**Expenses from ordinary activities**

Employee expenses	413	762	658	1,194	1,071	1,956
Depreciation expense	9	23	13	32	22	55
Administration expenses	126	217	566	703	692	920
Accommodation expenses	39	92	53	139	92	231
Grants and subsidies	(2)	3	108	118	106	121
Capital user charge	6	26	7	35	13	61
Other expenses from ordinary activities	-	10	-	14	-	24
<b>Total cost of services</b>	<b>591</b>	<b>1,133</b>	<b>1,405</b>	<b>2,235</b>	<b>1,996</b>	<b>3,368</b>

**Revenues from ordinary activities**

User charges and fees	-	-	-	1	-	1
Other revenues from ordinary activities	50	38	70	72	120	110
<b>Total revenue from ordinary activities</b>	<b>50</b>	<b>38</b>	<b>70</b>	<b>73</b>	<b>120</b>	<b>111</b>

**NET COST OF SERVICES**

	<b>541</b>	<b>1,095</b>	<b>1,335</b>	<b>2,162</b>	<b>1,876</b>	<b>3,257</b>
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**REVENUES FROM GOVERNMENT**

Output Appropriations	922	1,244	1,275	1,722	2,197	2,966
Return of funds to State Government	-	(153)	-	(211)	-	(364)
Liabilities assumed by/(transferred to) the Treasurer	2	(3)	2	(3)	4	(6)
Resources received free of charge	8	12	10	16	18	28
<b>Total revenues from Government</b>	<b>932</b>	<b>1,100</b>	<b>1,287</b>	<b>1,524</b>	<b>2,219</b>	<b>2,624</b>

**CHANGE IN NET ASSETS**

	<b>391</b>	<b>5</b>	<b>(48)</b>	<b>(638)</b>	<b>343</b>	<b>(633)</b>
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**OFFICE OF WATER REGULATION**  
**SUMMARY OF CONSOLIDATED FUND APPROPRIATIONS AND REVENUE ESTIMATES**  
for the period ended 31 December 2003

	2004 Estimate \$000	31/12/2003 Actual \$000	Variance \$000	31/12/2003 Actual \$000	2003 Actual \$000	Variance \$000
<b>PURCHASE OF OUTPUTS</b>						
Item 74 - Net amount appropriated to purchase outputs	3,708	2,133	(1,575)	2,133	2,850	(717)
Return of funds to State Government	-	-	-	-	(364)	364
Amount Authorised by other Statutes - Salaries and Allowance Act 1975	116	64	(52)	64	116	(52)
<b>Total appropriations provided to purchase outputs</b>	<b>3,824</b>	<b>2,197</b>	<b>(1,627)</b>	<b>2,197</b>	<b>2,602</b>	<b>(405)</b>
<b>CAPITAL</b>						
Item 148 - Capital Contribution	11	11	-	11	37	(26)
<b>ADMINISTERED</b>						
Item 75 - Amount provided for administered grants, subsidies and other transfer payments	2,375	3,545	1,170	3,545	-	3,545
<b>GRAND TOTAL OF APPROPRIATIONS</b>	<b>6,210</b>	<b>5,753</b>	<b>(457)</b>	<b>5,753</b>	<b>2,639</b>	<b>3,114</b>
<b>Details Of Expenditure by Outputs</b>						
Water Service Operating Licences	1,360	591	(769)	591	1,133	(542)
Water Industry Development	2,426	1,405	(1,021)	1,405	2,235	(830)
Total cost of outputs	3,786	1,996	(1,790)	1,996	3,368	(1,372)
Less total revenues from ordinary activities	(21)	(120)	(99)	(120)	(111)	(9)
Net cost of outputs	3,765	1,876	(1,889)	1,876	3,257	(1,381)
Adjustments (l)	(59)	321	380	321	(655)	976
<b>Total appropriations provided to purchase outputs</b>	<b>3,706</b>	<b>2,197</b>	<b>(1,509)</b>	<b>2,197</b>	<b>2,602</b>	<b>(405)</b>
<b>Capital Expenditure</b>						
Purchase of non-current physical assets	37	2	(35)	2	83	(81)
Adjustments for other funding sources	-	35	35	35	(46)	81
<b>Total capital expenditure</b>	<b>37</b>	<b>37</b>	<b>-</b>	<b>37</b>	<b>37</b>	<b>-</b>

(l) Adjustments are related to movements in cash balances and other accrual items such as receivables, payables and superannuation.

The Office of Water Regulation was abolished on 31 December 2003. The actual shown for 31/12/2003 is for the period between 1 July 2003 and 31 December 2003. An application was made to transfer the unexpended portion of the Office's appropriation to the respective agencies in accordance with section 25 of the Financial Administration and Audit Act.

Explanatory Statements were not prepared as they would not be considered meaningful as the comparative figures for the current year only represents six months of transactions.



**OFFICE OF WATER REGULATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 31 December 2003

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**FINAL REPORT OF THE OFFICE**

The Office of Water Regulation was abolished on 31 December 2003. Its functions have been split between the newly established Economic Regulation Authority and the Department of Environmental Protection effective as at 1 January 2004. This is the Final Report of the Office of Water Regulation and is prepared in accordance with section 65A of the Financial Administration and Audit Act.

The financial result reported for the 2003-04 is for the period between 1 July 2003 to 31 December 2003.

**1 OFFICE MISSION AND FUNDING**

The Office's mission is to be a highly effective water industry regulator, by regulating for efficiency, equity and quality of service.

The Office is predominantly funded by Parliamentary appropriations. The Office also generates revenue from the issue of Water Service Operating Licences. The financial statements encompass all Funds through which the Office controls resources to carry on its functions.

In the process of reporting on the Office as a single entity, all intra-entity transactions and balances have been eliminated.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated these policies are consistent with those adopted in the previous year.

General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group (UIG) Consensus Views 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 Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements.

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

Basis of Accounting

The financial statements have been prepared in accordance with Accounting Standard AAS 29.

The statements have been prepared on the accrual basis of accounting using the historical cost convention, except for certain assets and liabilities which, as noted, are measured at fair value.



**OFFICE OF WATER REGULATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 31 December 2003

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**(a) Output Appropriations**

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

**(b) Contributed Equity**

Under UIG 38 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" transfers in the nature of equity contributions must be designated by the Government (owners) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions in the Financial Statements. Capital contributions (appropriations) have been designated as contributions by owners and have been credited directly to Contributed Equity in the Statement of Financial Position. Capital appropriations which are repayable to the Treasurer are recognised as liabilities.

**(c) Net Appropriation Determination**

Pursuant to section 23A of the Financial Administration and Audit Act, the net appropriation determination by the Treasurer provides for retention of the following moneys received by the Office:

- proceeds from fees and charges
- Commonwealth specific purpose grants and contributions
- revenues derived from the sale of real property
- one off revenues with a value of less than \$10,000 derived from the sale of property other than real property; and
- other Office's revenue

In accordance with the determination, the Office retained \$121,138 as at 31 December 2003 (\$110,736 in 2003).

Retained revenues may only be applied to the outputs specified in the 2003-2004 Budget Statements.

**(d) Grants and Other Contributions**

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when the Office obtains control over the assets comprising the contributions. Control is normally obtained upon their receipt.

Contributions are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

**(e) Revenue Recognition**

Revenue from the sale of goods and disposal of other assets and the rendering of services, is recognised when the Office has passed control of the goods or other assets or delivery of the service to the customer.



**OFFICE OF WATER REGULATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 31 December 2003

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**(f) Acquisition of Assets**

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

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

**(g) Depreciation of Non-current Assets**

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation is calculated on the straight line basis, using rates which are reviewed annually. Useful lives for each class of depreciable asset are:

Plant and equipment	7 years
Computing equipment	5 years
Furniture and fittings	7 years

**(h) Leases**

The Office has entered into a number of operating lease arrangements for the rent of the office building where the lessor effectively retains all of the risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

**(i) Cash**

For the purposes of the Statement of Cash Flows, cash includes cash assets and restricted cash assets. These include short-term deposits that are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

**(j) Accrued Salaries**

The accrued salaries suspense account (refer note 15) consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur in that year instead of the normal 26. No interest is received on this account.

Accrued salaries (refer note 21) represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Office considers the carrying amount of accrued salaries to be equivalent to the net fair value.



**OFFICE OF WATER REGULATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 31 December 2003

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**(k) Receivables**

Receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to collection exists and in any event where the debt is more than 60 days overdue.

**(l) Payables**

Payables, including accruals not yet billed, are recognised when the Office becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

**(m) Employee Benefits**

**Annual Leave**

This benefit is recognised at the reporting date in respect to employees' services up to that date and is measured at the nominal amount expected to be paid when the liabilities are settled.

**Long Service Leave**

Leave benefits are calculated at remuneration rates expected to be paid when the liabilities are settled. A liability for long service leave is recognised after an employee has completed four years of service. An actuarial assessment of long service leave undertaken by PricewaterhouseCoopers in 2001 determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments.

This method of measurement of the liability is consistent with the requirements of Accounting Standard AASB 1028 "Employee Benefits".

**Superannuation**

Staff may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. All of these schemes are administered by the Government Employees Superannuation Board (GESB).

The superannuation expense comprises the following elements:

(i) change in the unfunded employer's liability in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme; and

(ii) employer contributions paid to the Gold State Superannuation Scheme and the West State Superannuation Scheme.



**OFFICE OF WATER REGULATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 31 December 2003

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

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

The Office is funded for employer contributions in respect of the Gold State Superannuation Scheme and the West State Superannuation Scheme. These contributions were paid to the GESB during the year. The GESB subsequently paid the employer contributions in respect of the Gold State Superannuation Scheme to the Consolidated Fund.

**Employee benefit on-costs**

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when employee benefits to which they relate are recognised as liabilities and expenses (see notes 4 and 20).

**(n) Resources Received Free of Charge or For Nominal Value**

Resources received free of charge or for nominal value which can be reliably measured are recognised as revenues and as assets or expenses as appropriate at fair value.

**(o) Comparative Figures**

Comparative figures are included but represent a full financial year, whereas the current figures represent a period of six months only.

**(p) Rounding**

Amounts in the financial statements have been rounded to the nearest dollar, or in certain cases, to the nearest thousand dollars.

**3 OUTPUTS OF THE OFFICE**

Information about the Office's outputs and, the expenses and revenues which are reliably attributed to those outputs is set out in the Output Schedule.

The two key outputs of the Office:

**Output 1: Water Service Operating Licences**

Water service operating licences issued by the Office set standards for the efficient and effective delivery of water services. The Office monitors and reports compliance and performance of services provided by licensees.

**Output 2: Water Industry Development**

The Office provides policy advice to the Minister to promote the development of the water industry to meet the needs of the State and provides opportunities for competition and efficiency in the water services industry.



**OFFICE OF WATER REGULATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 31 December 2003

	31/12/2003	2002-03
	\$	\$
<b>4 EMPLOYEE EXPENSES</b>		
Wages and salaries	938,062	1,730,160
Change in annual and long service leave entitlements	4,329	2,452
Fringe Benefits Tax	10,021	43,524
Workers Compensation	20,728	20,968
Superannuation (refer note 14)	97,589	158,982
	<u>1,070,729</u>	<u>1,956,086</u>
<b>5 DEPRECIATION EXPENSE</b>		
Plant and equipment	2,803	8,227
Computing equipment	15,705	38,346
Furniture and fittings	3,783	8,771
	<u>22,291</u>	<u>55,344</u>
<b>6 ADMINISTRATION EXPENSES</b>		
Service level agreement	92,000	184,000
Communication	68,984	43,085
Consultants/contractors	397,955	445,219
Consumables	42,139	57,378
Other staffing costs	50,174	88,177
Other	23,256	74,383
Resources received free of charge (refer note 14)	17,564	27,789
	<u>692,072</u>	<u>920,031</u>
<b>7 ACCOMMODATION EXPENSES</b>		
Lease rentals	<u>91,822</u>	<u>230,725</u>
<b>8 GRANTS AND SUBSIDIES</b>		
Local Government Sewerage Subsidy Scheme	101,021	110,670
WACOSS	4,545	10,000
Other	296	-
	<u>105,862</u>	<u>120,670</u>
<b>9 CAPITAL USER CHARGE</b>		
	<u>12,500</u>	<u>61,119</u>
<p>A capital user charge rate of 8% has been set by the Government and represents the opportunity cost of capital invested in the net assets of the Office used in the provision of outputs. The charge is calculated on the net assets adjusted to take account of exempt assets. Payments are made to the Department of Treasury and Finance on a quarterly basis.</p>		
<b>10 OTHER EXPENSES FROM ORDINARY ACTIVITIES</b>		
Carrying amount of non-current assets disposed of	-	<u>23,806</u>



**OFFICE OF WATER REGULATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 31 December 2003

	31/12/2003	2002-03
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**11 NET LOSS ON DISPOSAL OF NON-CURRENT ASSETS**

Loss on Sale of Non-current Assets

Computing equipment	-	21,225
Plant and equipment	-	2,381
Net loss	-	<u>23,606</u>

**12 USER CHARGES AND FEES**

Water Service Operating Licences	-	800
	-	<u>800</u>

**13 OTHER REVENUES**

Sundry Revenue	359	4,857
Recoups from other departments	64,834	78,584
Benchmarking Conference	54,945	-
Rural Water Grants – Receipts	-	6,295
WA Water Industry Awards	-	20,000
	<u>120,138</u>	<u>109,736</u>

**14 REVENUES (TO)/FROM STATE GOVERNMENT**

Appropriation revenue received during the year:		
- Output appropriation <sup>(a)</sup>	2,197,000	2,966,000
Return of funds to Government: <sup>(b)</sup>	-	(364,000)
	<u>2,197,000</u>	<u>2,602,000</u>

The following liabilities have been assumed by/  
(transferred to) the Treasurer during the financial year: <sup>(c)</sup>

- Superannuation	4,015	(5,995)
Total liabilities assumed by the Treasurer	<u>4,015</u>	<u>(5,995)</u>

Resources received free of charge <sup>(d)</sup>

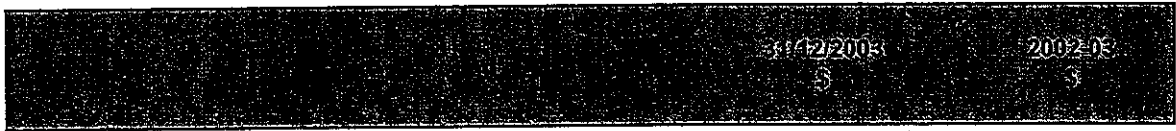
Determined on the basis of the following estimates  
provided by agencies:

Office of the Auditor General	15,000	12,500
Department of Housing and Works	669	1,338
Crown Solicitors Office	1,895	13,951
	<u>17,564</u>	<u>27,789</u>
	<u>2,218,579</u>	<u>2,623,794</u>





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(a) Output appropriations are accrual amounts reflecting the full cost of outputs 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.

(b) Funds identified as surplus to the requirements of the Office.

(c) The assumption of the superannuation liability by the Treasurer is only a notional revenue to offset the notional superannuation expense reported in respect of current employees who are members of the pension scheme and current employees who have a transfer benefit entitlement under the Gold State Scheme.

(d) Where assets or services have been received free of charge or for nominal consideration, the Office recognises revenues (except where the contributions of assets or services are in the nature of contributions by owners in which case the Office shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.

**15 RESTRICTED CASH ASSETS**

Non-current		
Accrued Salaries Suspense Account <sup>(a)</sup>	<u>57,550</u>	<u>57,550</u>

(a) Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

**16 RECEIVABLES**

Trade debtors	43,343	84,649
GST Receivable	<u>144,422</u>	<u>10,819</u>
	<u>187,765</u>	<u>95,468</u>

**17 AMOUNTS RECEIVABLE FOR OUTPUTS**

Current	-	60,000
Non-current	<u>99,000</u>	<u>63,000</u>
	<u>99,000</u>	<u>123,000</u>

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



OFFICE OF WATER REGULATION  
 NOTES TO THE FINANCIAL STATEMENTS  
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	31/12/2003	2002-03
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**18 PLANT AND EQUIPMENT**

Plant and equipment - at cost	62,087	62,087
Accumulated depreciation	(35,337)	(32,534)
	<u>26,750</u>	<u>29,553</u>
Computing equipment - at cost	185,485	183,560
Accumulated depreciation	(100,028)	(84,323)
	<u>85,457</u>	<u>99,237</u>
Furniture and fittings - at cost	58,729	58,729
Accumulated depreciation	(56,309)	(52,526)
	<u>2,420</u>	<u>6,203</u>
	<u>114,627</u>	<u>134,993</u>

**Reconciliations**

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year are set out below.

2004	Plant and equipment \$	Computer equipment \$	Furniture and fittings \$	Total \$
Carrying amount at start of year	29,553	99,237	6,203	134,993
Additions	-	1,925	-	1,925
Disposal	-	-	-	-
Revaluation increments	-	-	-	-
Depreciation	(2,803)	(15,705)	(3,783)	(22,291)
Carrying amount at end of year	<u>26,750</u>	<u>85,457</u>	<u>2,420</u>	<u>114,627</u>

**19 PAYABLES**

Trade payables	-	73
Accrued expenses	78,830	231,673
	<u>78,830</u>	<u>231,746</u>



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	31/12/2003	2002-03
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**20 PROVISIONS**

Current		
Annual leave	127,277	132,980
Long service leave	135,368	95,085
	262,645	228,065
Non-current		
Long service leave	115,712	145,963
	115,712	145,963

The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation and workers compensation premiums. The liability for such on-costs is included here. The associated expense is included under Wages and Salaries (under employee expenses) at Note 4.

The Office considers the carrying amount of employee benefits to approximate the net fair value.

Employee Benefit Liabilities

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

Provision for employee benefits:

Current	262,645	228,065
Non-current	115,712	145,963
	378,357	374,028

**21 OTHER LIABILITIES**

Accrued salaries	-	45,933
	-	45,933

**22 EQUITY**

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

Contributed equity		
Opening balance	92,000	55,000
Capital contributions <sup>(a)</sup>	11,000	37,000
Closing balance	103,000	92,000

(a) Capital Contributions have been designated as contributions by owners and are credited directly to equity in the Statement of Financial Position.

Accumulated surplus		
Opening balance	309,619	942,870
Change in net assets	343,441	(633,251)
Closing balance	653,060	309,619
<b>Total equity</b>	<b>756,060</b>	<b>401,619</b>



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	31/12/2003	2002-03
	\$	\$

23 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash assets	754,305	642,315
Restricted cash assets (refer to note 15)	<u>57,550</u>	<u>57,550</u>
	<u>811,855</u>	<u>699,865</u>

(b) Non-cash financing and investing activities

During the financial year, there were no assets/liabilities transferred/assumed from other government agencies not reflected in the Statement of Cash Flows.

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

Net cost of services	(1,875,138)	(3,257,045)
Non-cash items:		
Depreciation expense	22,291	55,344
Superannuation expense	4,015	(5,995)
Resources received free of charge	17,564	27,789
Accrued equity contributions	-	-
(Profit)/loss on sale of non-current assets	-	23,606
(Increase)/decrease in assets:		
Receivables	41,306	(84,649)
Other assets	-	-
Increase/(decrease) in liabilities:		
Payables	(152,916)	(77,728)
Provisions	4,329	2,452
Other liabilities	(45,933)	(38,780)
Net GST receipts/(payments)	(130,733)	3,054
Change in GST in receivables/payables	<u>(2,870)</u>	<u>(2,822)</u>
Net cash (used in) operating activities	<u>(2,118,085)</u>	<u>(3,354,774)</u>



**OFFICE OF WATER REGULATION**  
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	31/12/2003	2002-03
	\$	\$

**24 COMMITMENTS FOR EXPENDITURE**

Non-cancellable operating lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable:

Within 1 year	227,809	233,575
Later than 1 year and not later than 5 years	569,522	700,724
Later than 5 years	-	-
	<u>797,331</u>	<u>934,299</u>

**25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Office has no contingent liabilities and assets at 31 December 2003

**26 EVENTS OCCURRING AFTER REPORTING DATE**

The Office of Water Regulation (OWR) was abolished on 31 December 2003. Its functions have been split between the newly established Economic Regulation Authority and the Department of Environmental Protection effective as at 1 January 2004.

An application was made to the Treasurer to transfer the unexpended portion of the OWR's appropriation to the respective agencies in accordance with section 25 of the Financial Administration and Audit Act.

The net assets of OWR will be apportioned in accordance with the agreement of both agencies in terms of their requirements in carrying out their respective functions.

**27 EXPLANATORY STATEMENT**

The Summary of Consolidated Fund Appropriations and Revenue Estimates discloses appropriations and other statutes expenditure estimates, the actual expenditures made and revenue estimates and payments into the Consolidated Fund, all on an accrual basis.

As the Office was abolished on 31 December 2003, the financial statements represent only six months of transactions. Explanations for variations between estimates and actuals and also between actual and prior year actuals were not prepared as they would not be considered meaningful.



OFFICE OF WATER REGULATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 for the period ended 31 December 2003

31/12/2003	2002-03
\$	\$

28 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposure

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

	Weighted average effective interest rate	Fixed Interest Rate Maturities				Non- Interest Bearing	Total
		Variable Interest Rate	Less than 1 Year	1 to 5 Years	More than 5 Years		
2004	%	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>							
Cash assets		-	-	-	-	812	812
Receivables		-	-	-	-	188	188
						1,000	1,000
<b>Financial Liabilities</b>							
Payables		-	-	-	-	79	79
Other liabilities		-	-	-	-	-	-
						79	79
<b>2003</b>							
Financial assets		-	-	-	-	795	795
Financial liabilities		-	-	-	-	278	278

(b) Credit Risk Exposure

The Office does not have any significant exposure to any individual customer or counter party. Amounts owing by other government agencies are guaranteed and therefore no credit risk exists in respect to those amounts. In respect of other financial assets the carrying amounts represent the Office's maximum exposure to credit risk in relation to those assets. All financial assets are unsecured.

The following is an analysis of amounts owing within the categories of government and private sector:

Western Australian Government agencies	38,317	79,649
Commonwealth Government (GST)	144,422	10,319
Private sector	5,000	5,000
	187,739	95,468

(c) Net Fair Values

The carrying amounts of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in note 2 to the financial statements.



OFFICE OF WATER REGULATION  
 NOTES TO THE FINANCIAL STATEMENTS  
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	31/12/2003	2002-03
	\$	\$

**29 REMUNERATION OF SENIOR OFFICERS**

Remuneration

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

\$	31/12/2003	2003
60,001 – 70,000	1	0
80,001 – 90,000	1	0
120,001 – 130,000	0	1
170,001 – 180,000	0	1

The total remuneration of senior officers is: 151,187                      303,957

The superannuation included here represents the superannuation expense incurred by the Office in respect of senior officers.

No senior officers are members of the Pension Scheme.

**30 RELATED AND AFFILIATED BODIES**

The Office does not provide any assistance to other agencies which would deem them to be regarded as related or affiliated bodies under the definitions included in Treasurer's Instruction 951.

**31 SUPPLEMENTARY INFORMATION**

Write Offs

The Office had no write-offs during the financial year.

Losses Through Theft, Defaults and Other Causes

Losses of public moneys and public and other property through theft or default	-	4,009
Amount recovered	-	(4,009)
	-	-

Gifts of Public Property

The Office had no gifts of public property during the financial year.

**32 ADMINISTERED EXPENSE AND REVENUES**

**Expenses**

Grants and subsidies	3,545,000	-
<b>Total administered expenses</b>	<b>3,545,000</b>	<b>-</b>

**Revenues**

Administered Appropriation	3,545,000	-
<b>Total administered revenues</b>	<b>3,545,000</b>	<b>-</b>

