



Department of  
Justice

# Annual Report 2003/2004

PUBLIC TRUSTEE WESTERN AUSTRALIA



PUBLIC TRUSTEE





## STATEMENT OF COMPLIANCE

FOR THE YEAR ENDED 30 JUNE 2004

To the Hon Michelle Roberts MLA  
Minister for Justice

In accordance with section 66 of the *Financial Administration and Audit Act 1985*, I hereby submit for your information and presentation to Parliament the Report of the Public Trustee for the year ended 30 June 2004.

The Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*.

A.R. (Nina) McLaren  
MBA, B Arts  
Accountable Officer

31 August 2004

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## THE PUBLIC TRUSTEE

### VISION

To lead in the provision of trustee and asset management services to Western Australians.

### DIRECTION

At the Public Trustee Office we aim to:

- Focus on the core business of Trust Management, Estate Administration and Wills.
- Offer products and services that meet the needs of our clients.
- Maximise operational efficiencies.

### TO CONTACT THE PUBLIC TRUSTEE

Head Office: 565 Hay Street  
PERTH WA 6000

Postal Address: GPO Box M946  
PERTH WA 6843

Telephone: (08) 9222 6777

Free call: 1800 642 777

Email: [public.trustee@justice.wa.gov.au](mailto:public.trustee@justice.wa.gov.au)

Facsimile: (08) 9221 1102

Internet site: [www.justice.wa.gov.au](http://www.justice.wa.gov.au)

Click on 'Wills, Estates and Trusts' for a complete explanation of:

- Deceased estate administration
- Executors
- Enduring Power of Attorney
- Probate
- Wills
- Trust management
- Customer service standards
- Frequently asked questions
- Electronic copies of all Public Trustee publications, including previous Annual Reports, 'Who we are, what we do', 'Protecting your Trust' and fee schedules for deceased estates.

## THE ROLE OF THE PUBLIC TRUSTEE

The Public Trustee provides trustee services for all Western Australians, delivering professional and independent trustee and asset management services. The person appointed to administer the office is called the Public Trustee. The Public Trustee is a Statutory Authority within the provisions of the *Financial Administration and Audit Act 1985*.

The Public Trustee is committed to:

- Ensuring that people with decision-making abilities, who are some of the most vulnerable in our community, have their assets appropriately managed for future needs, are protected from exploitation and are not financially disadvantaged by their inability to manage their own finances.
- Ensuring that all Western Australians have access to affordable, professional estate management, regardless of their ability to pay, thereby ensuring a just and equitable resolution of deceased estate matters and minimising conflict and litigation.
- Ensuring that all Western Australians have the opportunity to make a will or an Enduring Power of Attorney if they so desire, and that the critically ill have access to a will drawing service, so that the wishes of every Western Australian can be respected once they are no longer able to carry them out.

To achieve these core business outcomes, the Public Trustee offers the following key services:

### Trust Management

The Public Trustee provides a comprehensive range of financial and asset management services for people who, through age or disability, are unable to manage their financial affairs.

### Estate Administration

The Public Trustee administers the estates of deceased persons in the absence of an executor of a will, when an executor is unwilling to act, or when actually named as executor. The Public Trust Office may also administer the estates of persons who die intestate (without making a will).

### Will Drawing

The Public Trustee offers professional advice to those seeking to make a will or Enduring Power of Attorney appointing the Public Trustee as executor or donee.

### Investment Management

Services include funds management and investment services to clients through the operation of the Common Fund, an at-call investment facility backed by the State Government.

### Power of Attorney Management

If appointed by an individual, the Public Trustee can act under a Power of Attorney or Enduring Power of Attorney to help that individual manage his or her affairs.

### Agency Assistance

The Public Trustee manages specific investment, financial, legal and administrative tasks as agent for people who do not wish to undertake these tasks themselves.

### Other Trustee Services

The Public Trustee also offers a number of other services including taxation, legal, property and contract assistance. Reports on these services are included in this annual report.

### Christmas Island and Cocos (Keeling) Island Services

An agreement negotiated between the Commonwealth and the State Government enables trustee services to be provided to communities on Christmas Island and on the Cocos Islands on a cost recovery basis. The Commonwealth Government meets any shortfall between the Public Trustee's normal fees charged for trustee services, and the actual cost of delivery.

## HIGHLIGHTS

During 2003/2004, the Public Trustee:

- Developed new processes for recruitment and training of Trust Managers and Estate Managers, including testing of candidates and dedicated technical training resources for new staff, with a view to reducing turnover, decreasing the time taken to acquire critical competencies, and improving services to clients.
- Significantly enhanced and updated a Community Service Obligation model, which transparently identifies and costs each of the major services that are provided to the community for free or at a reduced cost, which are now valued at over \$6m per annum.
- Developed a business framework to ensure the future viability of the Public Trustee and continued services to all Western Australians, including stakeholders review of the new framework and the development of structured implementation plan.

In the year ahead, the Public Trustee will:

- Conduct a review of statutory and management reporting requirements with a view to improving and maximising reporting from the MATE system.
- Conduct a Wills Imaging Project for disaster recovery purposes. This project involves processing an electronic image of each will to ensure the safe keeping of client wills in the event of a disaster. The project began in June 2004 and expected completion date is February 2005.
- Finalise the pilot project dealing with client complaints and introduce the new Customer Feedback Policy, with associated training, forms and monitoring mechanisms to develop accountability and to improve customer focus, in line with Government policy.
- Develop draft legislation, in consultation with stakeholders, in order to implement a business framework to ensure the future viability of the Public Trustee and continued trustee services to all Western Australians. This will allow the Public Trustee to self-fund anticipated increases in client demand due to the ageing of the population and other social trends.



## FROM THE PUBLIC TRUSTEE

The financial year ended 30 June 2004 was a year of community consultation as a first step towards developing a sustainable business model for the Public Trust Office. This is extremely important to the future of the Public Trust Office as, without such a model it will be very difficult to further improve the quality of our services.

I also take this opportunity to note two important issues for the Public Trust Office. The first is in relation to the limits of the Public Trustee's role, and in particular the issue of client confidentiality. The second issue is our attempts to better understand and serve our many different client groups, by way of a cultural awareness example.

### Sustainable Business Model

The Functional Review Taskforce identified that the growth in demand for Public Trustee services is such that we will not be able to fulfil our obligations to the community in years to come without additional funding, unless we are able to re-shape our business structure.

As I reported in last year's annual report, future demand is expected in the area of mental illness and intellectual disability due to the long duration of those conditions. Administration Orders through the Guardianship and Administration Board are expected to grow at a rate of 7.5% over the next five years and to remain above the population growth rate for more than 30 years.

In 2004 the groundwork was laid for a new business model that will allow the Public Trustee to cope with the changes in demand and protect the quality of services, particularly to financially disadvantaged Western Australians.

The new model will be built on a better understanding of the needs of a wide range of stakeholders gained during thorough consultation conducted over the past year and better ongoing communication with stakeholders. In 2004, more than a dozen presentations and discussions were held with stakeholder groups, in addition to numerous individual meetings with current and prospective clients.

Public trustees in other states are able to meet the growth in demand for community service obligations through self-funding. Western Australia is well behind the trend set by Queensland and Victoria, which have very similar client groups to Western Australia.

The State Government has approved the drafting of amendments to the *Public Trustee Act* to enable a sustainable business model to be implemented, subject to consultation and consideration of various alternatives to suit the specific needs of Western Australians. Consultation with stakeholder groups will continue to provide valuable input to this process through the coming financial year, so that draft legislation can be finalised and presented to Government for consideration.

### Client Confidentiality

The Public Trustee renewed its commitment to maintain client confidentiality and take the least restrictive alternative for clients in the face of significant media scrutiny during the year. We stand behind our policy that a client's details are always kept confidential even if the Public Trustee risks public misrepresentation.

From time to time we receive enquiries from the media about a particular client, but under law we are not permitted to make any comment. Sometimes erroneous and misleading reports have appeared in the media but we are unable to respond with the true facts of the matter.

This safeguard is for the benefit of our vulnerable clients, who deserve to have their privacy respected. Whatever the circumstance, the Public Trustee is required at all times to protect the client's confidentiality. This confidentiality is a requirement by law, and protects vulnerable clients from potential financial abuse in the community.

The Public Trustee primarily provides financial services, and administers the estates of thousands of vulnerable Western Australians – people who, due to age, illness, injury or other circumstances, cannot manage their own affairs. Decisions on matters such as accommodation or health care are the responsibility of guardians and family members, not the Public Trustee. The Public Trustee's main responsibility is to ensure that decisions taken are financially viable and appropriate.

In looking after the affairs of many of our clients, the Public Trustee is guided by a principle known as "least restrictive alternative".

The 'least restrictive alternative' principle means that we allow the client the greatest amount of independence appropriate for their circumstances. We also try to engage family members and guardians in the planning and management of the person's affairs.

However, it is a fact of life that in today's society, with a general loosening of family ties, many people do not have family members who are willing or able to be involved. It is a difficult balancing act to allow personal independence to our clients, and at the same time protect their finances, with limited or even no assistance from family or specialist service providers.

## Cultural Awareness

The Public Trustee assists people of all ages, from all walks of life, and from every cultural background within Western Australia, which is one of the most culturally diverse states in Australia. As a trustee, it is incumbent upon us to treat each client fairly, which requires a sensitivity to many cultural differences.

The Public Trustee is required by law to administer all intestate estates of Aboriginal persons, by virtue of the *Aboriginal Affairs Planning Authority Act*. This is a unique situation, and until it is changed it is incumbent upon us to develop and maintain good relationships with the Aboriginal community. Accordingly, our cultural awareness focus was on the Aboriginal community during the financial year.



The Public Trust Office held a staff workshop on Aboriginal Cultural Awareness, which incorporated several modules specifically designed for the Public Trust Office dealing with issues of death and disability.

These are everyday issues for staff at the Public Trust Office, and accordingly the session concentrated on 'sorry business', attendance at funerals, communication protocols with families in bereavement and cultural attitudes to medical institutions, so as to provide specific knowledge that will assist with 'on-the-job' issues.

Two of the many positive results of the workshop are that procedures for deceased estates and trust administration have been re-examined and amended, and a brochure is being developed to address culturally specific issues for Aboriginal clients. Further workshops are in planning to roll out the procedural changes to all staff.

### The Year Ahead

In the year ahead, we will focus on continuing client and stakeholder consultation, with a view to finalising the sustainable business model and enabling legislation.

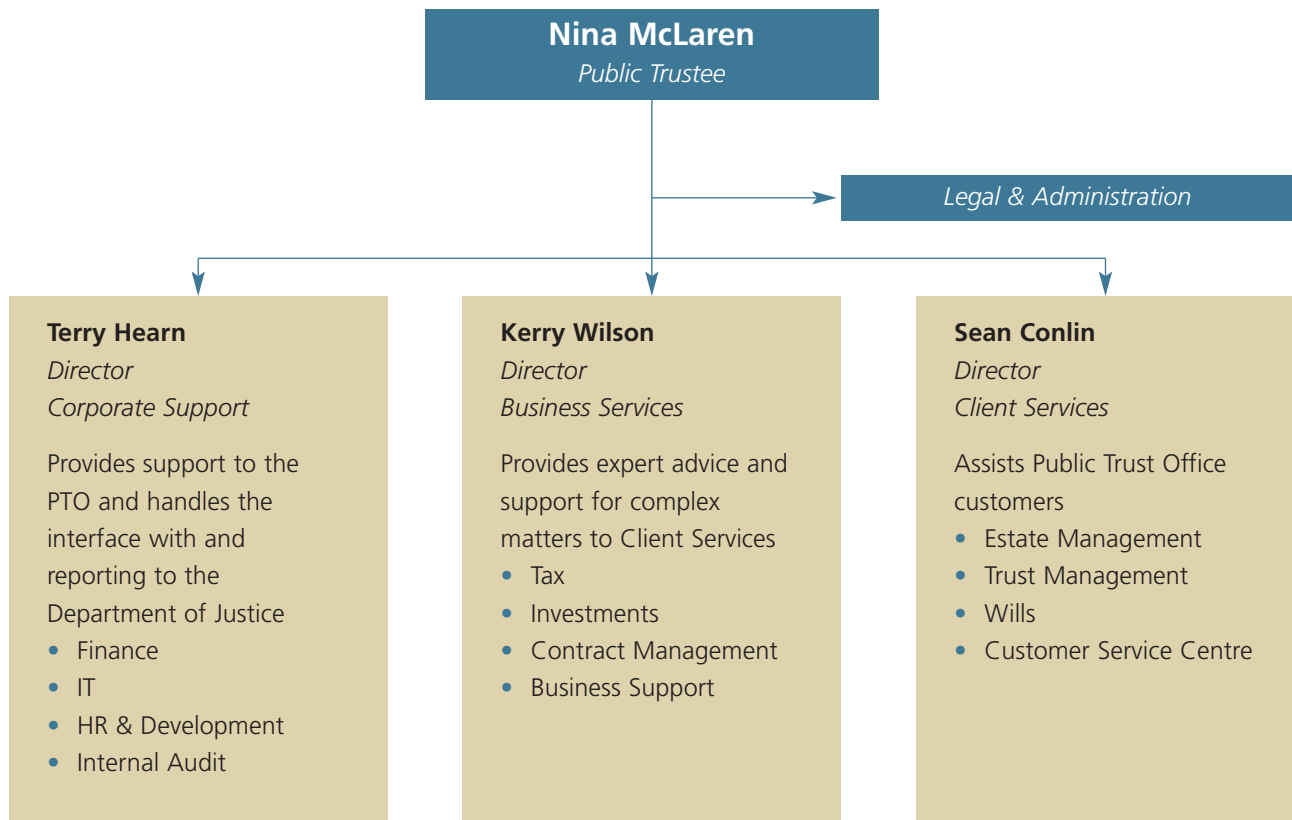
I look forward to the continued support of the Department of Justice, and in particular thank Alan Piper, Director General, for his ongoing assistance. His advice and support continue to be crucial to the direction of the Public Trust Office.

I also thank our stakeholders, primary among them the Office of the Public Advocate and the Guardianship and Administration Board, for their assistance and valuable feedback over the course of the year.

Finally, I thank all staff of the Public Trust Office for the manner in which they conduct the business of the Public Trustee, and for their unfailing good humour in the face of many difficulties.

A.R. (Nina) McLaren  
Public Trustee

## PUBLIC TRUSTEE MANAGEMENT STRUCTURE



## PUBLIC TRUSTEE MANAGEMENT

### PUBLIC TRUSTEE

#### **Nina McLaren**

Nina McLaren holds a Bachelor of Arts (English) and a Master of Business Administration. She joined the Public Trust Office in 1999, having previously worked in management in the private sector. She brings to her position a proven record of accomplishment in financial services and management, having held senior positions with ASGARD Capital Management Ltd and UWL Ltd.

### DIRECTOR, CORPORATE SUPPORT

#### **Terry Hearn**

Terry Hearn holds a Bachelor of Business in Accounting and Finance, an Associate Diploma in Business and is a member of CPA Australia. He joined the Public Trust Office in 1995 in the position of Manager Finance. He has worked in both the private and public sectors, primarily in the accounting field, specialising in financial and management accounting.

### DIRECTOR, BUSINESS SERVICES

#### **Kerry Wilson**

Kerry Wilson holds a Bachelor of Business in Accounting, a Diploma in Financial Planning, is a registered Tax Agent and is a member of CPA Australia. After a decade with the Australian Taxation Office and then having established a career in public accounting, Kerry took up the post of Executive Manager of Finance and Corporate Services with CSA Credit and later joined SGIO Insurance as Corporate Services Manager of Personal Insurance. Kerry was appointed Director of Business Services with the Public Trust Office in 1999.

### DIRECTOR, CLIENT SERVICES

#### **Sean Conlin**

Sean Conlin holds a Bachelor of Business degree and a Graduate Diploma in Business. He is also a member of the Institute of Chartered Accountants in Australia. Sean joined the Public Trust Office in 1999 having spent the previous 15 years working in the financial services sector in accounting and management roles with organisations such as ASGARD Capital Management Ltd, Growth Equities Mutual Limited and Coopers and Lybrand.

## REPORT ON OPERATIONS

The Public Trust Office has three main directorates:

- Client Services
- Business Services
- Corporate Support

### CLIENT SERVICES

The Client Services directorate is responsible for providing core services to clients of the Public Trustee, including:

- Estate Administration
- Trust Management
- Wills
- Customer Service Centre

Following a number of years of internal restructure and the installation of a new computer system, the focus of the Client Services directorate during the year under review has been towards consolidation. As part of the consolidation process we have examined a number of key areas that impact upon our service delivery to our clients to determine how to improve them.

The areas that we have reviewed during the year include staff training, client correspondence and stakeholder relationships.

The staff training initiatives that we have introduced to improve the skill levels of our staff include the following:

- Creating a full time training officer position who is responsible for delivering and coordinating all internal training for our trust officers
- Sourcing external consultants to provide us with specialist training that addresses the unique needs of some of our clients
- Providing targeted training to staff to enable them to maximise the benefits to be gained from our new computer system.

In relation to client correspondence we have embarked upon a review of the top 100 pieces of standard client correspondence to make them more user friendly and less legalistic. This work is being performed with the help of an external consultant.

The relationships we have with our external stakeholders are very important to us, as it is often these stakeholders that provide us with the feedback that we need to improve the way we go about our business. During the year we embarked upon a program of improving stakeholder relationships by interacting far more frequently with them. These interactions included home visits (where the stakeholder was a guardian or carer of a client), giving presentations to staff at the stakeholder's premises (where the stakeholder is an organisation that has a mutual interest in our clients) or holding in-house talks and seminars.

### Estate Administration

The Estate Administration section is responsible for administering the estates of people who die with or without a will. Continued emphasis has been placed on improving the standard of services to clients in order to meet client expectations and demands.

During the year, the Public Trustee continued to assist and encourage a more active role by beneficiaries in estates where there are only limited or nominal assets, including beneficiaries administering the estate themselves.

The Public Trustee has adopted this strategy to maximise the return to beneficiaries.

As a result of this policy the Public Trust Office's market share declined during the year from 17.5 percent of total applications to the probate registry in 2003 to 15.5 percent in 2004.

### Applications to the Probate Registry

	Public Trustee	Other	Total
2000	1,047	3,790	4,837
2001	903	3,688	4,591
2002	780	3,771	4,751
2003	882	4,158	5,040
2004	784	4,273	5,057

Statistics provided by the Supreme Court Probate Registry

### CASE STUDY

'John' died with a will that named the Public Trustee and his son 'Jason', as co-executors of his estate. The assets included a house, motor vehicle, seven bank accounts, eighteen investment accounts, one cash management account and 26 share holdings. The value of the estate was in excess of one million dollars.

The beneficiaries of the estate were John's wife and his sisters. The sisters resided in Switzerland and did not

The sisters resided in Switzerland and did not speak English, so Jason was appointed spokesperson to enable easy communication and prevent significant delays, as it was necessary to obtain advice from the beneficiaries about the disposal of certain assets.

speak English, so Jason was appointed spokesperson to enable easy communication and prevent significant delays, as it was necessary to obtain advice from the beneficiaries about the disposal of certain assets. The administration of the estate took a considerable amount of time to finalise. This was, in part, due to the number of assets involved and the many institutions that held assets of the estate. The beneficiaries were often perplexed at the amount of time the administration was taking.

One matter that was of considerable concern was the return of certain family heirlooms to the sisters in Switzerland. Jason arranged for the items to be packed and shipped but when they arrived one of the heirlooms was damaged. The company that shipped the heirlooms refused to cover them for full market value. By intervening at the beginning of the insurance claim, with the assistance of Jason, the Public Trustee was able to obtain a full refund to the satisfaction of all parties.

"It was a pleasure working with you. The task certainly required a good sense of humour and happily you had plenty of that", wrote Jason when the estate was finalised. And John's wife wrote, "I wish to personally thank you for the very excellent work performed as executors of my husband's estate. I must admit that I was often concerned about how things were proceeding, not understanding regulations and requirements governing estates, and knowing that the estate was large and complicated. Please accept my sincere thanks to you especially and those who cooperated in completing this difficult and sensitive task."

The sisters, too, were satisfied with the outcome with a note saying, "my brother could not have chosen a better executor of his last will."

## Trust Management

The Trust Management section provides services where the Public Trustee acts as trustee, manager, substitute trustee, or administrator for people who are unable or unwilling to manage their own financial affairs.

The total number of new trusts (including appointments by the Guardianship and Administration Board) reported for administration during the year was 471. This figure is 8.5% above that of the previous year, when 434 new trusts were reported.

The total number of trusts on hand at the end of the financial year increased marginally at June 2004 to 4,375 compared to 4,360 at June 2003.

Total files on hand at year-end			
2001	2002	2003	2004
4,393	4,481	4,360	4,375

The number of people for whom the Public Trustee acts as administrator as a result of being appointed by the Guardianship and Administration Board continues to rise. This year the Board referred 249 cases to the Public Trust Office (compared to 192 in 2002/2003). At year-end there were 1,249 Guardianship and Administration Board clients being administered by the Public Trustee, compared to 1,149 at 30 June 2003.

The continuing increase in the number of Guardianship and Administration Board appointments of the Public Trustee can be attributed to the increase in the number of people in society with decision-making disabilities, due in the most part to the ageing population. People whose affairs are managed by the Public Trust Office pursuant to an Administration Order include those who suffer dementia, an intellectual disability, mental illness or brain damage, and who are susceptible to neglect, abuse or exploitation by others. The role of the Public Trustee includes making financial and legal decisions that are in the best interests of the client.

The number of new court trusts allocated to Trust Managers for the year decreased slightly to 183 in 2004 from 192 in 2003. Court trusts originate mainly from the District Court and the Assessor of Criminal Injuries Compensation, and the size of these trusts varies from several thousand dollars to several million dollars. Administering these trusts includes setting up investment portfolios, collecting income, working out budgets for the beneficiaries and attending to their accommodation and transport needs.

Ongoing communications with clients is achieved through meetings at the Public Trust Office and through Trust Managers visiting homes and nursing homes. During the year, Trust Managers held 3,543 client interviews, either within the office, or at the client's residence.

Trust Managers also attended 258 hearings at the Guardianship and Administration Board.

## CASE STUDY

"Jill" is a young mother of a 2-year-old boy. Jill had an accident that left her with long-term injuries and she frequently suffers headaches, backaches, insomnia, memory and concentration problems as well as depression. She received a trust to compensate for her injuries and inability to support herself.

A house was quickly purchased for Jill, as she was experiencing conflict in the family home and needed safe and secure accommodation for her son.

Considering the duty of care that the Public Trustee has to Jill's son, regular communication takes place with other government agencies and the Trust also employs a professional organisation to assist with parenting classes and independent living skills for Jill.

Jill also has a history of drug abuse and had pawned or sold items to support her drug habit, including her car. The Public Trustee was able to regain possession of her car, and with Jill's agreement decided to auction the car and invest the proceeds in the trust, to reduce the temptation related to Jill's drug habit and provide a 'nest egg' for her son.

Considering the duty of care that the Public Trustee has to Jill's son, regular communication takes place with other government agencies and the Trust also employs a professional organisation to assist with parenting classes and independent living skills for Jill.

Jill is now aware of the support she can expect from the Public Trustee for financial management as well as assistance with the major challenges she faces in life.

## Wills

The Public Trust Office provides a professional will drawing service for Western Australians who wish to appoint the Public Trustee as their executor. Although this service is becoming less significant due to people choosing 'do it yourself' will kits or asking their solicitor to draw up their will, there are more than 100,000 wills held in safe custody with the Public Trustee.

During the year the Public Trust Office prepared or amended more than 4,000 wills. The Wills on Wheels service continues to be provided to the critically infirm in hostels or nursing homes in the metropolitan areas.

The Public Trustee also provides an Enduring Power of Attorney service to ensure a person's assets are protected during any period of incapacity. The Public Trustee makes Enduring Powers of Attorney for clients who wish to appoint the Public Trustee as donee or substitute donee.

## CASE STUDY

"Janine" was an elderly widow who, through investing wisely during her lifetime, had acquired substantial assets valued in excess of \$2,000,000.

Janine had recently been given some bad news regarding her health and as a result had decided to review her will. Not only did she want her immediate children to benefit from her will, but also her grandchildren – some of whom were minors.

The Wills Officer who interviewed Janine explained that the Public Trustee was independent and unbiased in its dealings with beneficiaries and that the administration of her estate would be carried out in an efficient, sympathetic and confidential manner.

Unfortunately, Janine's family were factionalised with misunderstandings and petty jealousies occurring over the years and Janine was concerned that if she appointed one or other of her children as Executor and Trustee of her will these problems would be exacerbated.

Janine's accountant recommended that she should discuss the matter with the Public Trustee. She contacted the Wills section and an appointment was made. The Wills Officer who interviewed Janine explained that the Public Trustee was independent and unbiased in its dealings with beneficiaries and that the administration of her estate would be carried out in an efficient, sympathetic and confidential manner.

Of particular importance to Janine is that the Public Trustee can be relied upon to prudently manage the trust funds for the minor beneficiaries. Unlike a natural person, there will always be a Public Trustee to properly invest and fairly distribute the trust funds to Janine's grandchildren.

Janine proceeded to issue instructions for the preparation of her will, happy in the knowledge that the Public Trustee would remove the burden of the distribution of her assets from her family.

## Customer Service Centre

The Customer Service Centre is the first point of contact for clients, and plays an important role in the delivery of improved client service. The Service Center provides information on all the Public Trustee's services to any member of the public, and arranges appointments and allocates files to Estate and Trust Managers.

The Service Centre answers miscellaneous correspondence and written enquiries, checks the death notices daily in the newspapers against the Public Trustee's wills index and initiates first contact with the families and next of kin of deceased clients.

## CASE STUDY

A social worker contacted the Public Trustee's Customer Service Centre to advise of the death of 'James', a local businessman. The social worker was assisting James' brother, "Joe," with funeral arrangements and was

The Public Trustee agreed to administer the estate, relieving Joe of this pressing responsibility.

Furthermore, the Public Trustee agreed to act as donee under an Enduring Power of Attorney, and so Joe appointed the Public Trustee to manage his personal financial affairs giving him time to put his personal life in order.

concerned that Joe would not be able to cope with administration of the estate as he suffers from a manic depressive illness.

James died without a will, and had no spouse, no children and no surviving parents. Since his mother passed away in 2001, James had been the primary carer for Joe.

Joe cannot care for himself during his bouts of depression and is struggling to come to terms with the death of his only surviving relative. He is presently unable to make any decisions about his own finances, much less make an application for Letters of Administration in order to manage his brother's estate.

The Customer Service Centre determined that there were two business ventures, several bank accounts, a number of share holdings and three motor vehicles in James' estate, with several matters requiring urgent attention.

The Public Trustee agreed to administer the estate, relieving Joe of this pressing responsibility. Furthermore, the Public Trustee agreed to act as donee under an

Enduring Power of Attorney, and so Joe appointed the Public Trustee to manage his personal financial affairs giving him time to put his personal life in order.

## Client Feedback Policy – compliments or complaints

If clients have a compliment or complaint regarding any aspect of the service provided by the Public Trustee, the following avenues are available:

- **The officer handling the matter:** Clients should discuss fully any concerns with the Trust or Estate Manager handling the matter.
- **Section Manager:** If an issue remains unresolved, clients should ask for a Client Feedback Form to lodge an official comment, which will be reviewed by the Section Manager.
- **Directors:** Clients whose issues remain unresolved after initial review of the Client Feedback Form are entitled to a second review by the Director Client Services.
- **The State Ombudsman:** The State Ombudsman is available to assist people who have complaints against the administrative actions of government departments or agencies. The Ombudsman can be contacted at:  
St Martins Tower, 44 St Georges Terrace, Perth WA 6831  
Telephone: (08) 9220 7555  
Free call: 1800 117 000 (Country Western Australia)  
Facsimile: (08) 9325 1107

## The Future

In 2005 the Client Services directorate will:

- Build upon the current policy of cementing and strengthening relationships with key external stakeholders and links with the community.
- Introduce the improved complaint handling procedures developed during the previous year to improve accountability and enhance customer focus.
- Deliver additional specialised training to staff regarding Aboriginal clients.
- Develop a comprehensive management and statistical reporting framework.

## BUSINESS SERVICES

The Business Services directorate provides professional advice and support to Client Services on matters such as:

- Investments
- Taxation Services
- Contract Management
- Business Support

### Investments

The Investments section manages the Common Fund and the individual investment portfolios of larger value trusts. This is achieved through supervision of individual portfolios for clients with investment needs that cannot be met through the Common Fund. These portfolios are prepared by a licensed financial planner selected by the Public Trustee. The Public Trustee, in consultation with the Investment Portfolio Review Committee, approves the list of investments from which the financial planner draws the final recommendations, ensuring the investments are consistent with the needs of the client and meet the Trustee's prudential requirements. This method of investment selection also ensures complete independence from any bias to related products that may contain hidden fees. The Public Trustee's financial planner is contractually required to rebate all up front and trail commissions to the client. The total value of these individual portfolios is more than \$80 million.

The Investment Manager also helps the Trust and Estate Managers with any queries they may have with individual client files.

The Investments Committee monitors the daily operations of the section, reviews the performance of the investments and provides strategic investment policy to the Public Trustee. It also acts as a review and approval panel for Common Fund mortgage applications.

A significant investment during the year has been the ongoing major capital works program to upgrade and refurbish the Public Trust office building, which is an asset of the Common Fund. The refurbishment includes improvements to all floors, the installation of new air conditioning systems and upgrading the elevators. Consolidation of the Public Trustee's office space has resulted in three floors being available for lease. The decision to undertake the refurbishment was made to protect and maintain one of the Common Fund's most valuable assets, and has already paid dividends with one floor now leased and keen interest in the other two floors.

### Gross Assets under Administration

	2004 \$	2003 \$
Investments in Common Fund	248,364,569	229,752,048
Bank Deposits	29,677,121	32,073,856
Shares	41,153,828	41,045,505
Unit Trusts	52,313,839	43,374,593
Life Policies	1,374,636	2,282,130
Real Estate	148,452,365	140,774,395
Other Assets	11,970,872	11,494,896
<b>TOTAL</b>	<b>533,307,230</b>	<b>500,797,423</b>

The property function of the Investments section manages the sale, purchase and rental of properties on behalf of trust and deceased estate clients. The Investment section appoints a real estate agent. The Trust or Estate Manager liaises with the families of Trust clients or the beneficiaries of deceased estates and negotiates the final sale price. The Investments section is responsible for checking contract documentation and for ensuring that the transaction is properly completed.

A particular challenge for the section this year has been the over-heated Perth property market. Property valuations are generally based on historic information, and rapidly rising values made it more complex to establish sales prices, which could be well above the property valuation. Analysing the market has entailed additional work for the Investments section, but the prices realised reflect improved returns to beneficiaries in line with the current state of the market. Predicted stabilisation and perhaps stagnation of property prices over the next year will bring different challenges in managing the expectations of beneficiaries and clients.

### Property Transactions

	2001	2002	2003	2004
Number of properties sold	146	157	151	207
Value of properties sold	\$23.4m	\$24.9m	\$29.8m	\$46.1m
Average Number of properties rented	115	101	98	84

The Investments section also manages the transfer of land, shares and registered securities during the management and distribution of trusts and deceased estates. A significant amount of this work involves liaising with the Department of Land Information.

This section continues to provide an exemplary, efficient and accurate document preparation service, which is reflected by the minimal number of requisitions received from the Supreme Court, share registries and the Department of Land Information.

### CASE STUDY

"Joanne" was in her mid twenties when she was involved in a serious accident. After remaining in a coma for several months, Joanne recovered consciousness but had significant permanent brain damage and had to re-learn the most basic functions. The recovery process took many years during which her parents suffered a significant financial drain.

The Public Trustee, in consultation with Joanne's parents and various occupational experts, constructed a very modest house which was still suitable to Joanne's requirements, and set a strict budget to ensure that Joanne's Trust lasts as long as possible.

Subsequent to the accident, Joanne's parents commenced legal proceedings for damages for loss of income, injuries and ongoing care.

The Court awarded several million dollars in total damages. However this was significantly reduced by contributory negligence, thus reducing Joanne's award. In addition to this, Joanne would not be eligible to receive a pension for over 20 years.

Would this be enough? Although the award seemed like a large amount of money, in fact it was well short of the amount the Public Trustee estimated that Joanne needed to live comfortably for the rest of her life.

The Public Trustee, in consultation with Joanne's parents and various occupational experts, constructed a very modest house which was still suitable to Joanne's requirements, and set a strict budget to ensure that Joanne's Trust lasts as long as possible. Joanne's parents remain her principle carers, further conserving the Trust.

*Continued next page...*

*...from previous page.*

The Investment section maintains ongoing contact with Joanne's parents, and will continue to do so over the life of the trust to ensure that Joanne's future needs can be met. This involves regular review of Trust investments and Joanne's household budget, and modelling the income and expenditure streams to ensure there will be sufficient funds to maintain Joanne in independent care at home.

Joanne's case is quite typical of many of the clients managed by the Public Trustee. Although the newspaper headlines may lead us to believe that clients like Joanne get a large payout, the truth is that many clients, either through compromised settlement or contributory negligence, receive much less than they actually need to live comfortably and independently.

## Taxation

Taxation Services oversees the preparation, review and electronic lodgement of all tax returns for both trust and estate administration clients. Taxation services provided by the Public Trustee include individual, partnership, business, company and trust returns.

A Tax Manager who is also a Registered Tax Agent heads the section. The Tax Manager also provides training for Trust and Estate Managers and advises on complex tax matters to provide the most effective outcomes for trust under administration. Taxation Services lodged 1,073 tax returns in 2004. The increase in the number lodged over last year (992 returns in 2003) shows the steady increase in clients requiring this service.

## Contracts Management

Contracts Management oversees the letting and management of contracts for the provision of services and supplies to the Public Trust Office. The contracts are managed in accordance with Western Australian Public Service requirements and, where required, in conjunction with Department of Treasury and Finance.

Contracts fall within two broad groups – those where the cost of purchasing goods and services for corporate needs are sourced from government funds and, contracts where the cost of purchasing services are paid for from funds held on behalf of Public Trustee clients.

In both cases contracts are managed in accordance with State Supply Policies and Guidelines and in accordance with Department of Treasury and Finance requirements. Ensuring open and effective competition and adopting a value for money approach consistent with the highest ethical standards are key elements of those policies.

A Tender Committee approves the awarding of contracts that involve purchases with funds held on behalf of Public Trustee clients, and to oversee the due diligence of all contracts. The Committee also supports and provides guidance to the Contracts Manager.

During the year the Committee approved a significant contract for the awarding of the tender for the lift refurbishment in the Public Trust building. The Public Trustee is a member of the Government Electronic Market (GEM) and all public tenders over \$50,000 are placed on the GEM bulletin board.

## Business Support

Business Support provides a file and mail service, including security storage of wills and other financially sensitive documents, as well as routine receipting and payments online. The section also handles the purchasing and asset management for all office needs, with the exception of computer and information technology items.

The installation of the MATE software means routine payments of client expenses, such as gas and electricity bills, can now be paid in an efficient and timely manner. During the year the section worked hard to develop relationships with major suppliers such as Western Power and the Water Corporation to ensure an even more streamlined approach to routine bill paying. Trust Managers have the authority to approve payments in advance; this has resulted in significant time savings and reduced workloads, which means that staff are able to devote more time to client liaison and support.

During the year, the section participated in the Department of Justice Records and Knowledge Management Project with the outcome of updated retention and destruction policies for all Public Trustee records and compliance with LISWA guidelines.

## The Future

In 2005 the Business Services directorate will:

- Complete the refurbishment of the Public Trustee office building, including upgrading facilities for people with disabilities
- Prepare investment policies for expected legislative changes to the *Public Trustee Act*.
- Complete a project to scan and digitally store all wills held in security by the Public Trustee as a disaster recovery initiative.

## CORPORATE SUPPORT DIRECTORATE

The Corporate Support directorate is responsible for providing quality, cost-effective services that support the strategic objectives of the Public Trustee. Corporate Support continues to work on improving the way the Public Trustee manages and links business planning with funding models as a part of its overall strategic management framework.

Corporate Support has four main responsibility functions:

- Finance
- Internal Audit
- Information Technology
- Human Resources

### Finance

The Finance section provides the internal financial and accounting services for the Public Trustee. The section was responsible for coordinating significant financial transactions during the year, in excess of \$265 million in receipts and \$294 million in disbursements. This year recruiting was completed for two substantive appointments, including the position of Manager Finance. These were a result of the new finance structure and will allow for greater resource stability within the section. It will also ensure continued improvement in the quality and timeliness of information provided to the organisation.

In 2004, the Finance section made several achievements including:

- Introduction of new budgeting software working with the Department of Justice.
- Update and refinement of the Community Service Obligation model to provide a more accurate understanding of the Public Trust Office's cost structure and level of subsidy contributed by government to specific client groups.
- Enhancement of the fee statistics provided from the MATE computer system, providing management with more accurate information on the source of revenue.
- Review of the Balanced Scorecard used for management reporting.
- Upgrade of the Diamond Services on-line banking system, to allow for on-line investing of term deposits.

Following last year's focus of improving cooperation with the Business Services and Client Services divisions, the Finance section has provided regular budget updates at staff briefings. The section has also continued to build working relationships with the Department of Justice by participating in across-agency issues, including Department of Justice finance groups and being represented on whole of government matters.

### Internal Audit

The 2004 Internal Audit Plan focussed on three main areas:

- Estate Management
- Financial Processes
- Records Management

Each review by Internal Audit has identified further opportunities for improvement and also highlighted many areas of strength. Where necessary, corrective action was taken to further strengthen controls.

The Audit Committee, which oversees the management of the Internal Audit function, met twice during the year. Its purpose is to provide guidance and direction, review audit reports and recommend action to ensure an efficient and effective internal audit function. The Committee is a blend of both internal senior management and representation from external agencies, which include Office of the Auditor General, RiskCover and Department of Justice.

## Information Technology

The MATE system, which was implemented in 2002, has continued to deliver efficiencies and service benefits.

This includes:

- Real time processing that enables staff to maintain accurate and up-to-date client information and their true financial position;
- Efficient payments and receipts processing;
- Tracking and processing of client correspondence; and
- Reconciliation of all accounts.

During this financial year, significant information systems and technology projects commenced were:

- Upgrade of the MATE application's computer platform including the operating system, database management system and server;
- Upgrade of the MATE software (MR16) to resolve a bundle of minor problems causing processing inefficiencies;
- Rationalisation and reorganisation of network devices, cables and the computer room;
- Development of a management and statistical reporting system. The benefits of the system will enable managers to monitor services and performance delivery by replacing several existing manual monitoring and reporting processes, and improve management decision-making processes through sharing accurate and timely information online. Expected completion date is September 2004;
- Wills imaging for disaster recovery purposes. This project involves processing wills so that an electronic image is securely stored for each will thus ensuring the safe keeping of client wills in the event of a disaster. The expected completion date for this project is February 2005; and
- Consolidation of MATE payments screens. The benefits expected are a friendlier and speedier way for staff to view, access, and process client payments. This project is in the initial stage and implementation is not scheduled until early 2005.

## Human Resources

During the year the Human Resources section continued to work on improving the way the Public Trustee manages and links planning with performance, to ensure that the Office achieves its objectives.

The Employee Performance Assessment System (EPAS) that was implemented in July 2003 has identified training and development opportunities for staff to increase their level of skills and provide direct two-way feedback on staff performance. The EPAS is already showing the benefits by highlighting areas where more cost effective group training can be contracted, and will be beneficial for future development planning.

Employee turnover has increased slightly from 12 percent to 14 percent; however it remains within acceptable industry standards. The stability within the department is expected to continue.

	2002	2003	2004
Employee turnover	21%	12%	14%
Sickness absence	9.1 days per employee per annum	12.26 days per employee per annum	8.7 days per employee per annum

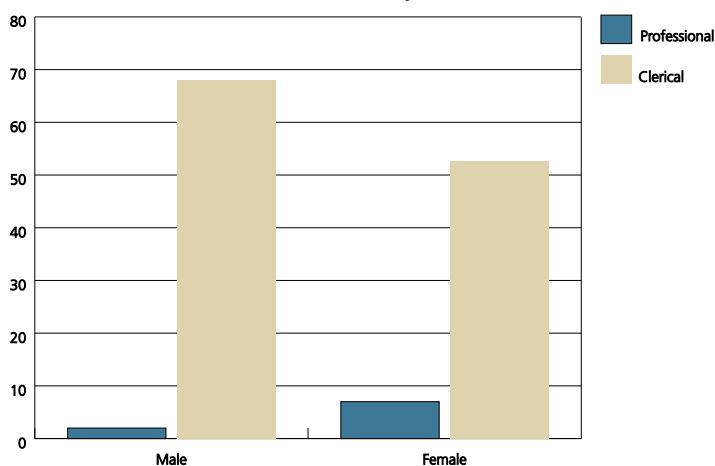
## Number of Full Time Equivalent staff

The number of employees at the 30 June 2004 was 129.6 compared to 127.2 the previous year.

### Employee Profile

	Male		Female		Total	%
Professional	2	22.22%	7	77.78%	9	6.9
Clerical	68	56.38%	52.6	43.62%	120.6	93.1
<b>Total</b>	<b>70</b>	<b>54.01%</b>	<b>59.6</b>	<b>45.99%</b>	<b>129.6</b>	<b>100</b>

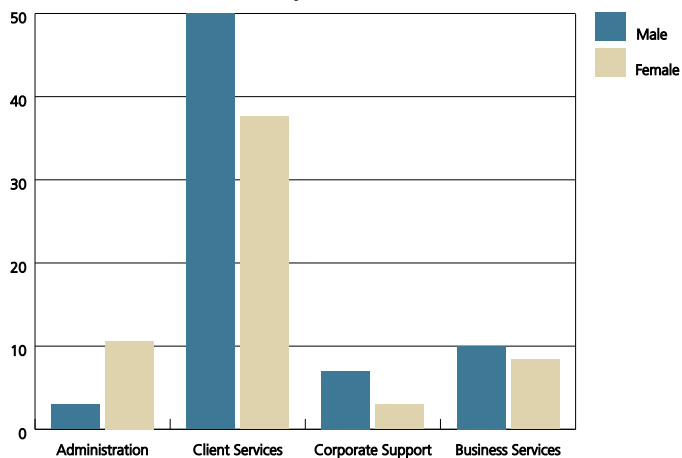
% Professional & Clerical Staff by Gender



### Program Basis

	Male		Female		Total	%
Administration	3	22.05%	10.6	77.95%	13.6	10.5
Client Services	50	57.08%	37.6	42.92%	87.6	67.6
Corporate Support	7	70.0%	3	30.0%	10	7.7
Business Services	10	54.35%	8.4	45.65%	18.4	14.2
<b>Total</b>	<b>70</b>	<b>54.01%</b>	<b>59.6</b>	<b>45.99%</b>	<b>129.6</b>	<b>100</b>

% Staff by Gender



### Training and Development

The Office is committed to the personal and professional development of its staff. As part of that commitment, during the year:

- 30 officers attended an Aboriginal Cultural Awareness Course.
- 25 officers undertook a course in Dealing with Difficult Clients.
- 43 officers undertook a course in Successful Job Application and Interview Skills.
- 17 officers undertook a Report Writing Course.
- 20 officers undertook various levels of training in Excel, Word and Outlook.
- 9 officers attended a seminar in Dealing with Negative Attitudes.

The Trustee Corporations Association of Australia (TCA) provides training courses in Trust Administration, Investments, Estate Administration and Taxation that directly relate to the duties of Trust and Estate Managers.

There has been a concerted effort by management to identify officers that would benefit from these courses. This year 27 officers enrolled in various TCA courses. This training has directly increased the performance of staff in providing a quality service to clients. The courses will continue to be offered to staff in 2005.

### Staff Communication

The policy of open communication with staff continued during the year to ensure staff have the understanding and knowledge they need to deliver a high standard of service, and that they are able to contribute to decision-making on policy and service improvement. These communication activities, which also serve as forums in which staff can be recognised and rewarded, include:

- A regular staff newsletter which acknowledges the outstanding performance of staff nominated by their peers or manager; and
- Staff briefings held regularly to discuss significant projects and issues currently being addressed. Staff briefings are held for all staff, with additional regular briefings for staff at managerial level.

### Occupational Safety and Health

The Public Trustee recognises the importance of maintaining a safe and healthy work environment for all employees. An Occupational Safety and Health Committee with representatives from all areas of the organisation meets quarterly (or more often if required) to ensure compliance and to help formulate and introduce policies, procedures and training for employees.

In April 2004, an annual Department of Justice compliance audit was conducted and revealed that the Public Trust Office was compliant with all standards.

An employee assistance program provides staff with access to professional counselling for any personal or work related problems. In 2004, 13 employees or their family members used this service.

### The Future

In 2005, the Corporate Support directorate will endeavour to:

- Actively participate in the development of a business framework for long-term viability of the Public Trustee.
- Continue to identify and promote strategic relationship with key stakeholder groups.
- Further identify and refine strategies to enhance staff recruitment.
- Enhance corporate governance through compliance and establishment of new initiatives.
- Develop and improve information and knowledge management capacity.

## PUBLIC TRUSTEE STAFF

In addition to the three directorates, the Public Trustee has staff in the areas of administration and legal services.

### Legal Services

The Legal Services section provides the internal legal resources the Public Trustee requires to perform its legal and statutory duties as trustee, administrator, attorney and executor. Duties cover a broad range of areas including probate, property, commercial, debt recovery, personal injuries and family law. The section is staffed by six full time equivalent legal officers, two law clerks, a legal secretary and a clerk. One or two articulated clerks on rotation from the State Solicitor's Office are also part of the team.

The Legal Services section provides a comprehensive service similar to a private legal practice. Legal Officers generally conduct their own litigation, appearing in the Supreme, District, Local and Family Courts, and before Boards such as the Guardianship and Administration Board. Legal work is outsourced to private practitioners if there is a conflict of interest with the Public Trustee or in cases where it is appropriate for the estate to bear the cost. The opinion of Senior Counsel is sought in difficult cases.

At year-end, the Legal Services team was handling 409 legal matters, not including wills and estate distributions. Approximately half of the legal matters are expected to result in court actions, predominantly in the Supreme Court. Most of those court actions concern issues arising from the administration of the estates of represented persons, deceased estates and trusts. They include proving wills, seeking directions from the Supreme Court with regard to entitlements to deceased estates, recovery of misappropriated assets, personal injuries claims and family law proceedings.

## CORPORATE GOVERNANCE

The Public Trustee is a body corporate and is responsible for the administration of the Public Trust Office, in accordance with section 4 of the *Public Trustee Act* 1941.

A management team comprising the Public Trustee and directors of Client Services, Business Services and Corporate Support make up the Corporate Executive of the Public Trust Office. This team is responsible for the development and implementation of policies and strategies for the delivery of trustee and asset management services to the people of Western Australia.

To optimise services while minimising risks, and to ensure that a wide range of views are taken into consideration, a number of committees have been established to confer with the Public Trustee on specific areas of Public Trust Office operations. These committees, listed below, comprise the Public Trustee's Corporate Governance structure.

### Corporate Executive

ROLE: Provides support and advice to the Public Trustee on the management and operations of the Public Trust Office.

MEMBERSHIP: The Public Trustee, Director Business Services, Director Client Services and Director Corporate Support.

### Audit Committee

ROLE: Oversees compliance and statutory responsibilities, oversees internal accounting controls, reviews internal audit and the internal audit plan.

MEMBERSHIP: The Public Trustee, Director Business Services, Director Client Services, Director Corporate Support, a representative from the Office of the Auditor General, the Manager Internal Audit from the Department of Justice and an independent member with risk management expertise.

### Investment Committee

ROLE: Provides guidance and gives direction on the investments of the Common Fund.

MEMBERSHIP: The Public Trustee, Director Business Services, Director Client Services, Director Corporate Support and Manager Investments.

### Investment Portfolio Committee

ROLE: Provides guidance to the Public Trustee in setting the approved investments vehicles for investment external to the common fund.

MEMBERSHIP: The Public Trustee, Director Business Services, Director Client Services, Director Corporate Support and Manager Investments. Two independent representatives from other State Government agencies with investment expertise attend the meetings as non-voting members.

### Legal and Compliance Committee

ROLE: Develop a strong compliance culture by reviewing and communicating policy regarding process and compliance issues, legislative changes, corporate legal matters and relationships with other agencies.

MEMBERSHIP: The Public Trustee, Principal Legal Officer, Director Client Services and Director Business Services.

### Risk Management Committee

ROLE: Reviews and monitors the risk management issues of the Public Trustee.

MEMBERSHIP: The Public Trustee, Director Client Services, Director Business Services, Director Corporate Support and an independent member with risk management expertise.

### Occupational Safety and Health Committee

ROLE: Promotes a safe and healthy working environment for all employees and provides advice to the Corporate Executive on any areas of concern.

MEMBERSHIP: Manager Human Resources and staff representatives from all operational areas of the Office.

### Tenders Committee

ROLE: To approve the awarding of contracts where the cost of purchasing services is paid from funds held on behalf of Public Trustee clients and to oversee the due diligence of all contracts.

MEMBERSHIP: The Public Trustee, Director of Business Services, a representative from the Department of Justice Contracts and Services Branch and/or a representative from the Department of Industry and Technology.

### Department of Justice Committees

Representatives of the Public Trustee also participate on a number of committees under the auspices of the Department of Justice including:

- Corporate Executive Committee (Executive Director Management)
- Business Management Sub-Committee
- Corporate Services Executive Committee (Corporate Services Management)
- Web Steering Committee (Website Management)
- Compliance Management System Group (Compliance)
- Customer Feedback Steering Group (Customer Service)
- Information Security Group (Information Technology)
- Information Sharing Group (Finance)

### Membership

The Public Trustee is a member of the Trustee Corporations Association of Australia (TCA) and actively participates through various sub-committees of the TCA in matters concerning the trustee industry.

## PRINCIPAL LEGISLATION

The Public Trustee was created by the *Public Trustee Act* (No. 26 of 1941) proclaimed to come into operation on 1 July 1942 as successor in law to the Curator of Intestate Estates and Official Trustee.

The Public Trust Office is a Statutory Authority within the provisions of the *Financial Administration and Audit Act* and operates as a division within the Department of Justice.

The operational expenses of the Public Trust Office form part of the appropriation for the Department of Justice.

## LEGISLATION ADMINISTERED

The Public Trustee administers the *Public Trustee Act* 1941, and complies with 106 State or Federal Acts in conducting its business.

Legislation impacting on the functions of Public Trust Office

The following legislation has the most impact on the day-to-day operations of the Public Trustee:

- *Public Trustee Act* 1941
- *Administration Act* 1903
- *Trustees Act* 1962
- *Guardianship and Administration Act* 1990
- *Aboriginal Affairs Planning Authority Act* 1972
- *Inheritance (Family and Dependants Provision) Act* 1972
- *Wills Act* 1970
- *Financial Administration Audit Act* 1985
- *Criminal Property Confiscation Act* 2000

Many other laws impact on the commercial and public service activities of the Public Trustee.



## RESPONSIBLE MINISTER

The Public Trustee is responsible to the Minister for Justice for the administration of the *Public Trustee Act 1941*.

## STATEMENT OF COMPLIANCE WITH RELEVANT LEGISLATION

In the management of the Public Trust Office, the Public Trustee has complied with the requirements of all written law and exercised controls which provide reasonable assurance that the receipt and expenditure of monies and the acquisition and disposal of the public property and incurring of liabilities has been in accordance with legislative provisions.

At the date of signing I am not aware of any circumstances that would render the particulars of this statement misleading or inaccurate.

A. R. (Nina) McLaren  
PUBLIC TRUSTEE

31 August 2004

## OTHER DISCLOSURES

### Advertising and Sponsorship

In accordance with Section 175ZE of the *Electoral Act*, the following expenditure was incurred:

Market research organisations		<b>\$9,086</b>
• Australian Market Intelligence	\$7,850	
• Van Zellar & Associates	\$1,236	
• Advertising Agencies		Nil
• Media advertising organisations		Nil
• Polling organisations		Nil
• Direct mail organisations		Nil

### Publications

The following publications may be obtained from our office:

- Code of Conduct
- F.O.I. Information Statement
- Annual Reports
- Standards of Service Charter
- About our charges
- Who we are, What we do
- Protecting your trust
- Representing your interests

### Freedom of Information

There were no applications received under the *Freedom of Information Act* in 2004.

An Information Statement has been prepared, which provides details about the operations of the Office, documents held and advice on the manner by which the public can gain access to that information.

A copy of the Information Statement is available on request from the Freedom of Information Coordinator, Public Trustee, 6th Floor 565 Hay Street, Perth. A complete range of information and an online Freedom of Information application form is available on the Department of Justice website at [www.justice.wa.gov.au](http://www.justice.wa.gov.au).

### Disability Services Plan

The Office recognises its responsibilities under the Department of Justice's Disability Services Plan by ensuring that people with disabilities, their families and carers are able to access the services provided.

The needs of people with disabilities were taken into account when designing new interview rooms on the ground floor of the Public Trust Building, and the building refurbishments also include enhanced access for people with disabilities.

The Wills on Wheels service enables severely disabled or infirm people to have a will prepared in their own home, nursing home or hospital. In the last financial year, 566 people were assisted in this way.

### Equal Employment Opportunity

The Public Trustee is committed to equal opportunity and the encouragement of diversity in the workplace. All job description forms reflect equal opportunity principles and staff selection panels have received staff selection training that cover EEO principles.

The Grievance Resolution Officers are the first point of contact or referral for staff with EEO specific issues, act as a source of support and assistance, and provide general information on processes to supervisors, managers and colleagues.

### Customer Focus Program

In 2004 external market research of a cross-section of the Public Trustee's client base was conducted to ascertain the extent to which our trustee services met their needs. Details of the research conducted can be found in the Performance Indicators section of this report.

### Waste Paper Recycling

The Public Trustee engaged Specialised Security Shredding to collect and destroy confidential and other documents from some 22 recycling stations within its office. Collections occur every 3–4 weeks and the contents are sent for recycling.

### Energy Smart Government Policy

In line with the State Government's Sustainable Energy for the Future Policy, which commits to a reduction in greenhouse gas emissions and the development of renewable energy and energy efficient industry, all government agencies are required to report their energy consumption for the year.

Energy Smart Government Program	Baseline	2004	Variation %
Energy Consumption (MJ)	1,294,000	1,078,000	17%
Energy Cost (\$)	42,686	72,721	
Greenhouse Gas (tonnes of CO <sub>2</sub> )	331	280	
Performance Indicators:			
MJ/sqm	332	396	
MJ/FTE	9,950	8,163	

*Note: Above information was provided by the Energy Data Gathering and Reporting system. The square meters occupied decreased from the base year from 3900m<sup>2</sup> to 2720m<sup>2</sup>.*

During the year the following energy saving initiatives were undertaken:

Public Trustee as building owner -

1. Three floors refurbished and energy saving devices installed:

- After hours light switches;
- Smaller light fittings with upgraded reflectors so we need less tubes per fitting;
- Tri-phosphorus tubes – lower energy use and longer lasting, also brighter light;
- Air conditioning after hours switches.

2. Installed new energy efficient chiller-units to the air conditioning system.

3. Upgraded building ventilation.

4. Re-programmed building management system to more efficiently manage the air conditioning.

Public Trustee as tenant -

1. Installed tri-phosphorous tubes and reduced the number of tubes per fitting.

2. Followed Department of Justice guidelines on switching off PC's.

## STATEMENT OF COMPLIANCE WITH PUBLIC SECTOR STANDARDS

In the administration of the Public Trust Office, I have complied with Public Sector Standards in Human Resource Management, the Public Sector Code of Ethics and our Code of Conduct in conjunction with the Department for Justice.

I have put in place procedures designed to ensure such compliance and conducted appropriate internal checks to satisfy myself that the statement made above is correct.

The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

- Number Lodged Nil
- Number of breaches Nil
- Number still under review Nil



A.R. (Nina) McLaren  
MBA, B Arts  
Accountable Officer

31 August 2004



## **CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

The accompanying financial statements of the Public Trustee have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985*, from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2004 and the financial position as at 30 June 2004.

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.

A handwritten signature in black ink, appearing to read 'Terry Hearn'.

**Terry Hearn**  
B Bus, Assoc Dip Bus, ASA  
Principal Accounting Officer

31 August 2004

A handwritten signature in black ink, appearing to read 'A R (Nina) McLaren'.

**A R (Nina) McLaren**  
MBA, B Arts  
Accountable Officer

31 August 2004

## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

	Note	2004 \$	2003 \$
<b>REVENUE</b>			
<b>Revenue from ordinary activities</b>			
Fees raised from Estates & Trusts	1(j)	6,342,552	6,342,507
Public Trustee 6% fee from Common Fund	1(j), 20(a)	879,248	794,636
Receipts from Common Fund surplus interest	1(j), 6, 20(a)	1,632,260	1,702,324
Interest	1(j), 20(a)	447,810	409,986
Other revenue	1(j)	117,797	110,995
Total revenue from ordinary activities		9,419,667	9,360,448
<b>EXPENSES</b>			
<b>Expenses from ordinary activities</b>			
Write offs	3	28,458	34,197
Other expenditure		92,376	–
Salaries	4	6,392,938	6,138,075
Superannuation and pension	4	954,364	947,470
Computer services	4	253,574	260,923
Administration expenses	4	1,791,185	1,922,524
Accommodation expenses	4	1,046,560	970,511
Corporate Service expenses	4	1,019,082	618,925
Total expenses from ordinary activities before payments to Consolidated Fund		11,578,537	10,892,625
Fees paid to the Consolidated Fund	5	7,221,800	7,137,143
Surplus Common Fund Interest paid to Consolidated Fund	6	1,632,260	1,702,324
Total expenses from ordinary activities		20,432,597	19,732,092
<b>Loss from ordinary activities before grants and subsidies from Government</b>		(11,012,930)	(10,371,644)
Grants and Subsidies from Government			
Resources received free of charge from the Department of Justice	4, 15	11,457,703	10,858,428
<b>NET PROFIT</b>		<b>444,773</b>	<b>486,784</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>			
		<b>444,773</b>	<b>486,784</b>

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

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	Note	2004 \$	2003 \$
<b>Current Assets</b>			
Investment in Common Fund	10(a)	8,821,801	8,319,072
<b>Total Current Assets</b>		8,821,801	8,319,072
<b>Total Assets</b>		<b>8,821,801</b>	<b>8,319,072</b>
<b>Current Liabilities</b>			
Accrued fees payable to Consolidated Fund	8	247,893	205,676
Tax liabilities	9	174,056	158,317
<b>Total Current Liabilities</b>		421,949	363,993
<b>Total Liabilities</b>		<b>421,949</b>	<b>363,993</b>
<b>NET ASSETS</b>		<b>8,399,852</b>	<b>7,955,079</b>
<b>Equity</b>			
Indemnity reserve	7(a)(i)	2,623,262	2,464,922
General reserve	7(a)(ii)	2,530,000	1,530,000
Superannuation fund reserve	7(a)(iii)	2,648,932	2,741,307
Retained profits	7(b)	597,658	1,218,850
<b>TOTAL EQUITY</b>		<b>8,399,852</b>	<b>7,955,079</b>

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

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2004

	Note	2004 Inflows (Outflows) \$	2003 Inflows (Outflows) \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Fees raised from Estates and Trusts		6,329,833	6,357,526
Public Trustee 6% fee from Common Fund		880,964	714,838
Receipts from Common Fund surplus interest		1,632,260	1,702,324
Interest received from Common Fund		447,810	409,986
GST receipts on fees		789,914	851,724
Other revenue		117,797	110,995
<b>Payments</b>			
Other expenditure		(92,376)	—
GST payments on purchases		(105,558)	(178,513)
GST payments to taxation authority		(686,072)	(593,413)
<b>Net Cash provided by operating activities</b>	10(b)	9,314,572	9,375,467
<b>CASH FLOW PROVIDED TO GOVERNMENT</b>			
Fees paid to Consolidated Fund		(7,179,583)	(7,114,217)
Surplus Common Fund interest	6	(1,632,260)	(1,702,324)
<b>Net Cash provided to Government</b>		(8,811,843)	(8,816,541)
<b>Net increase in cash held</b>		<b>502,729</b>	<b>558,926</b>
Cash assets at the beginning of the financial year		8,319,072	7,760,146
<b>Cash assets at the end of the financial year</b>	10(a)	<b>8,821,801</b>	<b>8,319,072</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

### Note 1. 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.

#### 1(a) (i) **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 effects are disclosed in individual notes to these financial statements.

#### (ii) **Basis of Accounting**

The financial 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.

#### 1(b) **Investments (Common Fund)**

Investments have been brought to account as follows:

##### (i) Money Market Investments:

Government and other money market securities are recorded at cost, adjusted for premium or discount amortisation, on a constant yield basis over the period to maturity. As these investments are held to maturity, no provision is considered necessary for the difference between the amortised book value and market value. In the event of sale, any differences between amortised value and proceeds are recognised in the Statement of Financial Performance.

##### (ii) Mortgages:

Mortgages are recorded at lending cost and remain fixed for the term of the loan.

##### (iii) Property:

The building is recorded at fair value – refer note 20(f)(ii). Valuations are undertaken by the Valuer General's Office and are recognised in the financial statements.

**1(c) Trust Funds**

The total cash held on behalf of estates and trusts under the control of the Public Trustee is represented in the Public Trustee Common Fund Account, Note 20(b) and 20(g). Details of receipts and payments in the individual estates and trusts are not shown in the financial statements.

**1(d) Reserves**

The level of reserves is determined by the Public Trustee from earnings not paid to the Consolidated Fund. The Public Trustee Indemnity Reserve has been established to meet possible future liabilities of the Public Trustee in lieu of payment to the Consolidated Fund. The General Reserve has been established to meet future capital requirements (refer Note 7(a)).

These reserves are in contrast to the Common Fund General Reserve, which is used primarily for the operations of the Common Fund, such as to stabilise interest paid to estates, meet losses on investments and maintain Common Fund assets (refer Note 20(h)).

**1(e) Reporting of Assets and Liabilities Used by the Public Trustee**

The Department of Justice provides the Public Trustee with resources in the form of staff, equipment and other operating expenses. The assets and liabilities relating to these provided resources are reported in the Department of Justice Financial Statements (refer Note 4 & 15).

**1(f) Foreign Currency Translation**

Transactions denominated in a foreign currency are translated at the rates in existence at the dates of the transactions. Foreign currency receivables and payables at balance date are translated at exchange rates current at balance date. Exchange gains and losses are brought to account in determining the result for the year.

**1(g) Comparative Information**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and disclosures.

**1(h) Net Fair Value**

Net fair values of financial instruments are determined on the following basis:

Monetary financial assets and liabilities not traded in an organised financial market – cost basis for carrying amounts of investments in the Common Fund and accrued fees payable to the Consolidated Fund (which approximates net market value).

**1(i) Revenue recognition**

Revenue is recognised in the following manner:

1. Fees realised from Estates and Trusts are recognised in the period in which they are determined.
2. Public Trustee 6% fee from the Common Fund is recognised at the end of each month, with a final adjustment at year-end.
3. Receipts from Common Fund surplus interest are recognised at year-end.
4. Interest revenue is recognised as it accrues and accounted for on a monthly basis.
5. Other revenue is recognised at the time the transaction is recorded.

**1(j) Resources received free of charge or for a nominal value**

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

**1(k) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

**1(l) Recoverable amount of non-current assets valued on cost basis**

The carrying amounts of non-current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

**1(m) Impact of Adopting AASB Equivalents to IASB Standards**

The Public Trustee has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of the International Financial Reporting Standards (IFRS). Internal resources have been allocated to conduct assessments to isolate key areas that will be impacted by the transition to IFRS. As the Public Trustee has a 30 June year-end, priority has been given to considering the preparation of the opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Public Trustee prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. At this stage the Public Trustee has not been able to reliably quantify the impacts on the financial report.

## Note 2. Events Occurring Subsequent to Balance Date

There has not arisen in the interval between the end of financial year and the date of this report, any item, transaction or event of a material or unusual nature is likely, in the opinion of the Public Trustee, to affect significantly the operations of the Public Trustee, results of those operations or the state of affairs of the Public Trustee in future financial years.

### Note 3. Write Offs

The amount of \$28,457 represents losses incurred during the administration of estates and trusts, which have been written off in accordance with Section 45 of the *Financial Administration and Audit Act*.

	2004	2003
	\$	\$
Write Offs	28,458	34,197

### Note 4. Resources Received Free of Charge from the Department of Justice

The operational costs of the Public Trustee are funded from the Public Trust Administration program of the Department of Justice.

A breakdown of the resources provided free of charge to the Public Trustee is as follows:

	2004	2003
	\$	\$
<b>Operating Expenses</b>		
Salaries	6,392,938	6,138,075
Superannuation and pension	954,364	947,470
Computer Services	253,574	260,923
Administration expenses	1,791,185	1,922,524
Accommodation expenses	1,046,560	970,511
Corporate Service expenses	1,019,082	618,925
	<b>11,457,703</b>	<b>10,858,428</b>

### Note 5. Fees paid to the Consolidated Fund

Fees received during the year are paid to the Consolidated Fund in accordance with Section 38(1) of the Public Trustee Act.

	2004	2003
	\$	\$
Fees paid to the Consolidated Fund	7,221,800	7,137,143

### Note 6. Public Trustee Common Fund Surplus Interest

Following the payment of interest to trusts, estates and to the Public Trustee (includes Public Trustee 6% fee), any surplus earnings are deemed to be surplus Common Fund interest. As detailed in Note 7, the Public Trustee may determine to pay some into the Consolidated Fund (Section 40(4)(c) of *Public Trustee Act*), determine to retain a portion as reserves or elect to leave as retained profit.

	2004	2003
	\$	\$
Public Trustee Common Fund surplus interest	1,632,260	1,702,324

## Note 7. Equity

### (a) Reserves

The Public Trustee has determined to retain a portion of the earnings as reserves. Funds that have been set aside to meet possible future liabilities of the Public Trustee have been transferred to reserves.

Details of the Reserves are as follows:

	Note	2004 \$	2003 \$
<b>Total Reserves</b>			
Opening balance		6,736,229	6,081,043
ADD Transfer to Reserves		1,160,340	1,005,186
LESS Transfer from Reserves		(94,375)	(350,000)
Closing balance		<u>7,802,194</u>	<u>6,736,229</u>
<b>Represented by:</b>			
<b>Indemnity Reserve</b>			
Opening Balance		2,464,922	2,409,736
ADD Transfer to Reserves		160,340	55,186
LESS Transfer from Reserves		(2,000)	–
Closing Balance	7(a)(i)	<u>2,623,262</u>	<u>2,464,922</u>
<b>General Reserve</b>			
Opening Balance		1,530,000	1,280,000
ADD Transfer to Reserves		1,000,000	600,000
LESS Transfer from Reserves		–	(350,000)
Closing Balance	7(a)(ii)	<u>2,530,000</u>	<u>1,530,000</u>
<b>Superannuation Reserve</b>			
Opening Balance		2,741,307	2,391,307
ADD Transfer to Reserves		–	350,000
LESS Transfer from Reserves		(92,375)	–
Closing Balance	7(a)(iii)	<u>2,648,932</u>	<u>2,741,307</u>
Total Balance of Reserves		<u>7,802,194</u>	<u>6,736,229</u>

#### 7(a) (i) Indemnity Reserve

The Public Trustee Indemnity Reserve has been established to meet possible future liabilities of the Public Trustee in lieu of payment to the Consolidated Fund.

#### 7(a) (ii) General Reserve

The purpose of the General Reserve is to provide for future anticipated capital requirements. It also includes amounts previously held in the computer replacement and furniture reserves.

7(a) (iii) **Superannuation Reserve**

The Consolidated Fund is liable to meet the superannuation liability of the Office of the Public Trustee in accordance with Section 39 of the *Public Trustee Act*.

In 1988 State Treasury approved the establishment of a "Superannuation Fund" to meet future superannuation commitments of the Consolidated Fund in relation to employees of the Public Trustee. Part of the surplus of the Common Fund, which is otherwise payable to the Consolidated Fund under Section 40 of the *Public Trustee Act* is, with Treasury approval, set aside in the "Superannuation Fund". Payments are made to the Consolidated Fund by way of statutory contributions, some time in the future when the superannuation costs become due.

Superannuation for the employees of the Office is provided through the appropriate Western Australian Government Superannuation Schemes. Initially it was the Superannuation and Family Benefits Act Scheme (SFBAS) established under the *Superannuation and Family and Benefits Act 1938*.

A new lump sum scheme, the Government Employees Superannuation Act Scheme (GESAS), was established on 1 July 1987 under the *Government Employees Superannuation Act 1987*. Members of the SFBAS were given the option of transferring to this new scheme.

(b) **Retained Profits**

	2004 \$	2003 \$
Opening balance	1,218,850	1,387,252
Net profit	444,773	486,784
Transfer to reserves	(1,160,340)	(1,005,186)
Transfer from reserves	94,375	350,000
Closing balance	597,658	1,218,850

## Note 8 Accrued Fees

**Current**

Accrued fees payable to the Consolidated Fund	247,893	205,676
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## Note 9 Tax Liabilities

**Current**

GST payable	174,056	158,317
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## Note 10 Notes to the Statement of Cash Flows

### (a) Reconciliation of Cash

All Public Trustee funds held within the Public Trustee Common Fund Account are available at call. 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:

	2004 \$	2003 \$
Investment in Common Fund	8,821,801	8,319,072

### (b) Reconciliation of profit from ordinary activities to net cash flows provided by operating activities:

	2004 \$	2003 \$
Loss from ordinary activities before grants and subsidies	(11,012,930)	(10,371,644)
Non-cash items:		
Salaries	6,392,938	6,138,075
Superannuation and pension	954,364	947,470
Computer services	253,574	260,923
Administration expenses	1,791,185	1,922,524
Accommodation expenses	1,046,560	970,511
Corporate Service expenses	1,019,082	618,925
Reclassification:		
Fees paid to the Consolidated Fund	7,221,800	7,137,143
Surplus Common Fund Interest paid to the Consolidated Fund	1,632,260	1,702,324
Net GST receipts/(payments)		
Change in GST in payables	15,739	49,216
Net cash provided by operating activities	9,314,572	9,375,467

### (c) Non-cash Financing and Investing Activities

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

## Note 11. Remuneration and Retirement Benefits of Members of the Accountable Authority and Senior Officers

### Remuneration of Members of the Accountable Authority

The number of members of the Accountable Authority, whose total of fees, salaries, superannuation and other benefits received, or due and receivable, for the financial year, fall within the following bands are:

	2004	2003
\$110,001 – \$120,000	–	1
\$120,001 – \$130,000	1	–
Total remuneration of the members of the Accountable Authority is:	121,070	116,587

The superannuation included here represents the superannuation expense incurred by the Authority in respect of members of the Accountable Authority.

No members of the Accountable Authority are members of the Pension Scheme

### Remuneration of Senior Officers

The number of senior officers other than members of the Accountable Authority, whose total of fees, salaries, superannuation and other benefits received, or due and receivable, for the financial year, fall within the following bands:

	2004	2003
\$80,001 – \$ 90,000	2	2
\$ 90,001 – \$100,000	1	1
\$100,001 – \$110,000	–	–
\$110,001 – \$120,000	2	1
Total remuneration of Senior Officers is:	\$497,402	\$375,097

The superannuation included here represents the superannuation expense incurred by the Authority in respect of Senior Officers other than senior officers reported as members of the Accountable Authority.

One Senior Officer resigned during the year.

No Senior Officers are members of the Pension Scheme.

## Note 12. Remuneration of Auditors

	2004 \$	2003 \$
The total fees paid (GST exclusive) or due and payable to the auditors of the Authority for the financial year are:		
Fees to the Auditor General	70,000	62,500

## Note 13. Contingent Liabilities

In addition to the liabilities incorporated in the financial statements, the Authority has four matters where litigation against the Public Trustee may result. They involve potential claims for damages to the value of \$289,000 inclusive of court costs.

## Note 14. Additional Financial Instruments Disclosures

	Weighted average effective interest rate	Floating Interest rate	1 year or less	Fixed interest rate maturities 1 to 5 years	Over 5 Years	Non interest bearing	Total
30 June 2004	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>							
Investment in Common Fund	5.63	8,822	–	–	–	–	8,822
Total financial assets		8,822	–	–	–	–	8,822
<b>Financial Liabilities</b>							
Accrued fee		–	–	–	–	248	248
Tax liabilities		–	–	–	–	174	174
Total financial liabilities		–	–	–	–	422	422
<b>Net financial assets/(liabilities)</b>		<b>8,822</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(422)</b>	<b>8,400</b>
	Weighted average effective interest rate	Floating Interest rate	1 year or less	Fixed interest rate maturities 1 to 5 years	Over 5 Years	Non interest bearing	Total
30 June 2003	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>							
Investment in Common Fund	5.49	8,319	–	–	–	–	8,319
Total financial assets		8,319	–	–	–	–	8,319
<b>Financial Liabilities</b>							
Accrued fee		–	–	–	–	206	206
Tax liabilities		–	–	–	–	158	158
Total financial liabilities		–	–	–	–	364	364
<b>Net financial assets/(liabilities)</b>		<b>8,319</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(364)</b>	<b>7,955</b>

## Note 14. Additional Financial Instruments Disclosures (continued)

### (a) **Interest Rate Risk Exposure**

The Authority's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments, as above.

### (b) **Credit Risk Exposure**

The State Government guarantees all financial assets of the Public Trustee and therefore no credit risk exists in respect of those amounts.

### (c) **Net Fair Values**

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

## Note 15. Related Bodies

The Public Trustee is a Statutory Authority. However, its operational expenses are appropriated by Parliament to the Public Trust Administration, which is a division of the Department of Justice. Financial assistance was provided during the year – refer Note 4. Full details on the financial operations of the Public Trust Office are detailed in the Department of Justice Annual Report.

## Note 16. Financial Reporting by Segments

Disclosure of outcome results in terms of Treasury Instruction 1101 is not required because the Public Trustee operates predominantly in one industry as defined in Paragraph 2 of Australian Accounting Standard 16.

## Note 17. Indian Ocean Territories

### **Christmas Island and Cocos (Keeling) Island**

An agreement negotiated between the Commonwealth and the State Government, enables trustee services to be provided to both communities on a cost recovery basis.

The Commonwealth Government meets any shortfall between our normal fees charged for trustee services and our hourly rates. There were no visitations made to the islands during the financial year.

Statement of Receipts and Expenditure for the year ended 30 June 2004:

Opening Balance	Revenue	Expenditure	Closing Balance
\$	\$	\$	\$
7,275	–	766	6,509

## Note 18. Explanatory Statement

### 18(a) Significant variations between actual revenues and expenditures for the financial year and revenues and expenditures for the immediately preceding financial year

Details and reasons for significant variations between actual results with the corresponding items of the preceding year are detailed below. Significant variations are considered to be those greater than 10% and \$100,000.

	2004 \$	2003 \$	Variance \$
Corporate service expenses	1,019,082	618,925	(400,157)

#### Corporate service expenses

The variance is due to increased corporate services cost allocated by the Department of Justice.

### 18(b) Significant variations between estimates and actual results for the financial year

Section 42 of the *Financial Administration and Audit Act 1985* requires statutory authorities to prepare annual budget estimates. Treasurer's Instruction 945 requires an explanation of significant variations between these estimates and actual results.

Details and reasons for significant variations between estimates and actual results are detailed below. Significant variations are considered to be those greater than 10% of estimates and \$100,000.

	2004 Estimates \$	2004 Actual \$	Variance \$
Public Trustee's 6% Fee	740,669	879,248	138,579
Administration expenses	2,483,816	1,791,185	692,631
Accommodation expenses	838,794	1,046,560	(207,766)
Corporate Services expenses	700,000	1,019,082	(319,082)
Fees paid to the Consolidated Fund	6,540,669	7,221,800	(681,131)

#### Public Trustee's 6% Fee

The variance is due to an increase in the average balance of estates and trusts under administration and increases in the average interest.

#### Administration expenses

The variance is due to non-recurrence of expense associated with implementation of the new trust management accounting system.

#### Accommodation expenses

The variance is due to continued expenses associated with the building maintenance and refurbishment program.

#### Corporate service expenses

The variance is due to increased corporate services costs allocated by the Department of Justice.

#### Fees paid to the Consolidated Fund

The variance is the result of increased fees raised for work on estates, in turn, increasing the amount available for payment to the Consolidated Fund.

## Note 19. Estates and Trusts under Administration

The following statement of assets held and/or liabilities incurred in a trustee capacity is prepared in accordance with Treasurer's Instruction 1103 (14)(ii). It includes all assets realised and non-realised which are under the control and administration of the Public Trustee.

### Statement of Estates and Trusts being administered as at 30 June 2004:

#### NET TRUST ASSETS UNDER ADMINISTRATION WERE:

	Note	2004 \$	2003 \$
<b>ESTATES AND TRUSTS</b>			
Deceased Estates		104,635,266	116,606,900
Direct Action		2,080,573	1,789,120
Entitled Trusts		203,565,638	186,629,207
Protected Management		123,611,437	100,945,905
Testamentary Trusts		47,796,211	47,246,757
Power of Attorney		24,875,282	23,898,777
Trusts		10,434,703	8,828,678
Safe-care		7,653,231	7,039,013
<b>NET TOTAL TRUST ASSETS</b>		<b>524,652,341</b>	<b>492,984,357</b>
<b>REPRESENTED BY:</b>			
<b>INVESTMENTS AND LOANS</b>			
Investments in Common Fund	20(g)	248,364,569	229,752,048
Bank deposits		29,677,121	32,073,856
Equities	19(i)	41,153,828	41,045,505
Unit Trusts	19(i)	52,313,839	43,374,593
Life Policies	19(ii)	1,374,636	2,282,130
Real Estate	19(iii)	148,452,365	140,774,395
Other Assets	19(iv)	11,970,872	11,494,896
Total Investment and Loan Assets		533,307,230	500,797,423
<b>TOTAL TRUST ASSETS</b>		<b>533,307,230</b>	<b>500,797,423</b>
Deduct			
<b>CURRENT LIABILITIES</b>			
Creditors		5,882,189	4,531,058
Loans		1,113,122	1,017,038
Mortgages – Deceased estates		592,565	1,252,798
Total Current Liabilities		7,587,876	6,800,894
<b>NON CURRENT LIABILITIES</b>			
Mortgages – Trust estates		1,067,013	1,012,172
Total Non Current Liabilities		1,067,013	1,012,172
<b>TOTAL TRUST LIABILITIES</b>		<b>8,654,889</b>	<b>7,813,066</b>
<b>NET TRUST ASSETS</b>		<b>524,652,341</b>	<b>492,984,357</b>

**Basis of Valuation(s):**

(i) Equities and Unit Trusts

For deceased estates the valuation is at the date of death. In other matters the valuation for equities is at 30 June 2004 and sourced from market publications. Valuation of unit trusts is recorded at cost.

(ii) Life Policies

Life policies have been valued on the basis of the surrender value supplied by relevant insurance companies.

(iii) Real Estate

Deceased estate valuations are conducted by registered valuers, with values effective at the date of death. In other matters, real estate is shown at last valuation, cost or estimated value. Where estimates are made, appropriate Public Trustee personnel assess the value at time of inspection.

It is not the policy of the Public Trustee to regularly value real estate since it is considered an unnecessary expense to impose on the client.

(iv) Other Assets

Deceased estates valuation is at the date of death. In other matters, valuation is either at the date the Public Trustee was appointed manager, administrator, new trustee or at the date of acquisition. Valuations are at cost or estimated disposal value.

For items of minor value (eg. personal effects, furniture and other chattels) the beneficiaries' estimates are usually accepted. For more valuable items such as jewellery and motor vehicles, valuations from a registered jeweller or use of the Red Book Guide, are adopted.

## Note 20. Public Trustee Common Fund Account

The following financial statements of the Public Trustee Common Fund Account are prepared in accordance with the Public Trust Office Trust Statement No. 13.

### 20(a) PUBLIC TRUSTEE COMMON FUND ACCOUNT STATEMENT OF FINANCIAL PERFORMANCE

*For the year ended 30 June 2004*

	Note	2004 \$	2003 \$
<b>REVENUE</b>			
<b>Revenue from ordinary activities</b>			
Income on Investments		15,360,277	14,165,869
Doubtful Debts recovered		13,912	–
Total revenue from ordinary activities		15,374,189	14,165,869
<b>EXPENSES</b>			
<b>Expenses from ordinary activities</b>			
Doubtful Debts		30,030	10,056
Investment expenses		706,139	921,950
Public Trustee's fee		879,248	794,636
Interest paid to Estates and Trusts	20(d)	10,505,205	9,371,823
Interest paid to the Public Trustee		447,810	409,986
Decrement from revaluation of investment		–	267,799
Other expenditure		–	122
Total expenses from ordinary activities before payments to Consolidated Fund		12,568,432	11,776,372
Payments to the Consolidated Fund (via Public Trustee)		1,632,260	1,702,324
Total expenses from ordinary activities		14,200,692	13,478,696
<b>NET PROFIT</b>		1,173,497	687,173
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>1,173,497</b>	<b>687,173</b>

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

**20(b) PUBLIC TRUSTEE COMMON FUND ACCOUNT STATEMENT OF FINANCIAL POSITION***As at 30 June 2004*

	<b>Note</b>	<b>2004</b>	<b>2003</b>
		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash at Bank	20(i)(a)	24,092,157	39,248,234
Debtor		66,969	–
Accrued Mortgage Fees		58,630	62,448
Advances to Estates	20(e)	50,377	31,956
Accrued Interest		1,233,078	1,481,570
<b>Total Current Assets</b>		<b>25,501,211</b>	<b>40,824,208</b>
<b>Non-Current Assets</b>			
Investments	1(b), 20(f)	249,181,858	213,035,961
<b>Total Assets</b>		<b>274,683,069</b>	<b>253,860,169</b>
<b>Current Liabilities</b>			
Fees & Accrued Taxation		25,000	44,275
Creditors		220	33,273
Stamp Duty Recouped		405	460
Interest Received in Advance		21,573	19,010
Public Trustee Funds	10(a)	8,821,801	8,319,072
Accrued Interest due to Estates and Trusts		2,879,597	2,295,624
<b>Total Current Liabilities</b>		<b>11,748,596</b>	<b>10,711,714</b>
<b>Non-Current Liabilities</b>			
Estates & Trusts Under Administration	1(c), 20(g)	248,364,569	229,752,048
<b>Total Liabilities</b>		<b>260,113,165</b>	<b>240,463,762</b>
<b>NET ASSETS</b>		<b>14,569,904</b>	<b>13,396,407</b>
<b>Equity</b>			
General Reserve	20(h)(a)	13,482,380	12,282,380
Retained Profits	20(h)(b)	1,087,524	1,114,027
<b>TOTAL EQUITY</b>		<b>14,569,904</b>	<b>13,396,407</b>

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

**20(c) PUBLIC TRUSTEE COMMON FUND ACCOUNT STATEMENT OF CASH FLOWS***For the year ended 30 June 2004*

	<b>Note</b>	<b>2004 Inflows (Outflows) \$</b>	<b>2003 Inflows (Outflows) \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Income on Investments		14,602,032	13,529,156
Doubtful Debts recovered	13,912	–	
<b>Payments</b>			
Interest paid to Estates and Trusts		(10,505,205)	(9,371,823)
Interest paid to the Public Trustee		(447,810)	(409,986)
Investment expenses		(706,139)	(921,950)
Other expenditure		–	(122)
<b>Net Cash provided by operating activities</b>	20(i)(b)	2,956,790	2,825,275
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for short term investments		(45,000,000)	(10,000,000)
Proceeds from maturing mortgages		9,233,618	19,531,423
Payment for building improvements		(375,697)	(767,799)
<b>Net cash provided by/(used in) investing activities</b>		(36,142,079)	8,763,624
<b>CASH FLOWS FROM ESTATES, TRUSTS &amp; PUBLIC TRUSTEE</b>			
Surplus Common Fund Interest paid to the Public Trustee		(1,632,260)	(1,702,324)
From Public Trustee's liability		502,729	558,926
From Estates and Trusts		19,158,743	17,438,603
<b>Net cash provided by estates, trusts &amp; Public Trustee</b>		18,029,212	16,295,205
<b>Net increase/(decrease) in cash held</b>		<b>(15,156,077)</b>	<b>27,884,104</b>
Cash assets at the beginning of financial year		39,248,234	11,364,130
<b>Cash assets at the end of the financial year</b>	20(i)(a)	<b>24,092,157</b>	<b>39,248,234</b>

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

Cash flows in respect of Investments, Estates and Trusts and Public Trustee equity have been reported on a net basis in accordance with Australian Accounting Standards No. 28 Statement of Cash Flows, Paragraph 8.1.

**20(d) Interest Paid to Estates and Trusts**

Interest is distributed to Estates and Trusts on 1 April and 1 October each year in accordance with Section 40(4)(b) of the *Public Trustee Act 1941*.

	2004 \$	2003 \$
Interest paid to Estates and Trusts	10,505,205	9,371,823

**20(e) Advances to Estates****Current**

Advances to Estates	85,251	50,712
Less Provision for Doubtful Debts	34,874	18,756
<b>Total</b>	<b>50,377</b>	<b>31,956</b>

**20(f) Investments (Common Fund)****(i) At Cost:**

Money Market Securities	215,000,000	170,000,000
Mortgage Loans	26,406,161	35,635,961
	<u>241,406,161</u>	<u>205,635,961</u>

**(ii) At fair value:**

Land and Building	7,775,697	7,400,000
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<b>Total</b>	<b>249,181,858</b>	<b>213,035,961</b>
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A revaluation of land and buildings was performed in June 2003 in accordance with an independent valuation by the Valuer General's Office. The valuation was performed on the basis of current market values of the freehold interest in the Public Trust building encumbered by the existing leases. The valuation was made in accordance with a regular policy of revaluation performed on a three-year basis but is assessed by management on an annual basis – refer note 1(b)(iii).

Management assessment at 30 June 2004 recognised capital improvements were not material to necessitate a full revaluation, and on this basis the carrying amount at year-end has been indexed to include this amount as per AASB 1041 p5.1.11.

Reconciliation of the carrying amount of property at the beginning and end of the current and previous financial year is:

	2004 \$	2003 \$
Carrying amount at beginning of year	7,400,000	6,900,000
Additions	375,697	767,799
Revaluation increment/(decrement)	–	(267,799)
Carrying amount at end of year	<u>7,775,697</u>	<u>7,400,000</u>

20(g) **Estates and Trusts Under Administration**

	2004 \$	2003 \$
<b>Activity</b>		
Deceased Estates	37,031,119	38,579,300
Direct Action	1,841,240	1,744,866
Entitled Trusts	105,489,141	98,183,804
Protected Management	58,622,539	48,844,859
Testamentary Trusts	19,910,777	18,249,451
Power of Attorney	10,310,651	10,745,769
Trusts	7,505,870	6,364,986
Safe-care	7,653,232	7,039,013
Total estates and trusts under administration	248,364,569	229,752,048

The above amounts represent the realised value of estate and trust assets presently held in the Public Trustee Common Fund.

20(h) **Equity**

## (a) Reserves

## General Reserve

Opening balance	12,282,380	11,782,380
ADD Transfer to Reserves	1,200,000	500,000
Closing balance	13,482,380	12,282,380

The General Reserve is used to stabilise interest paid to estates, to meet losses on investments and maintain Common Fund assets.

## (b) Retained Profits

Opening balance	1,114,027	926,854
Net profit	1,173,497	687,173
Transfer (to)/from reserves	(1,200,000)	(500,000)
Closing balance	1,087,524	1,114,027

20(i) **Notes to the Statement of Cash Flows**

## (a) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash at bank. 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:

	2004 \$	2003 \$
Cash	24,092,157	39,248,234

## (b) Reconciliation of profit from ordinary activities to net cash flows provided by operating activities.

	2004 \$	2003 \$
Profit from ordinary activities	1,173,497	687,173
Non-cash items:		
Payments to the Consolidated Fund	1,632,260	1,702,324
Decrement from revaluation of investment	–	267,799
Decrease /(Increase) in assets:		
Debtor	(66,969)	–
Accrued interest	248,492	115,696
(Decrease)/Increase in liabilities:		
Creditors	(33,053)	33,273
Interest received in advance	2,563	19,010
Net cash provided by operating activities	2,956,790	2,825,275

## (c) Non-cash Financing and Investing Activities

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

## 20(j) Additional Financial Instruments Disclosure

	Weighted average effective interest rate	Floating Interest rate	Fixed interest rate maturities			Non interest bearing	Total
			1 year or less	1 to 5 years	Over 5 Years		
30 June 2004	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>							
Cash at Bank	5.09	24,092	—	—	—	—	24,092
Debtor		—	—	—	—	67	67
Accrued Mortgage Fees		—	—	—	—	59	59
Advances to Estates		—	—	—	—	50	50
Accrued Interest		—	—	—	—	1,233	1,233
Investments:							
Securities	5.28	—	215,000	—	—	—	215,000
Mortgages	7.54	—	19,208	7,198	—	—	26,406
Property		—	—	—	—	7,776	7,776
<b>Total financial assets</b>		<b>24,092</b>	<b>234,208</b>	<b>7,198</b>	<b>—</b>	<b>9,185</b>	<b>274,683</b>
<b>Financial Liabilities</b>							
Fees & Accrued Taxation		—	—	—	—	25	25
Creditor		—	—	—	—	1	1
Stamp duty		—	—	—	—	1	1
Interest in advance		—	—	—	—	21	21
Public Trustee funds	5.63	8,822	—	—	—	—	8,822
Accrued interest		—	—	—	—	2,879	2,879
Estates	3.00	3,251	—	—	—	—	3,251
Estates	3.25	25,784	—	—	—	—	25,784
Estates	3.50	7,856	—	—	—	—	7,856
Trusts & Other	4.30	31,468	—	—	—	—	31,468
Trusts & Other	5.30	120,259	—	—	—	—	120,259
Trusts & Other	5.70	59,746	—	—	—	—	59,746
<b>Total financial liabilities</b>		<b>257,186</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,927</b>	<b>260,113</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>(233,094)</b>	<b>234,208</b>	<b>7,198</b>	<b>—</b>	<b>6,258</b>	<b>14,570</b>

	Weighted average effective interest rate	Floating Interest rate	Fixed interest rate maturities				
			1 year or less	1 to 5 years	Over 5 Years	Non interest bearing	Total
30 June 2003	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>							
Cash at Bank	4.91	39,248	—	—	—	—	39,248
Accrued Mortgage Fees	—	—	—	—	62	62	
Advances to Estates	—	—	—	—	32	32	
Accrued interest	—	—	—	—	1,482	1,482	
Investments:							
Securities	4.89	—	170,000	—	—	—	170,000
Mortgages	7.73	—	23,888	11,748	—	—	35,636
Property			—	—	—	7,400	7,400
<b>Total Financial Assets</b>		<b>39,248</b>	<b>193,888</b>	<b>11,748</b>	<b>—</b>	<b>8,976</b>	<b>253,860</b>
<b>Financial Liabilities</b>							
Fees & Accrued Taxation		—	—	—	—	44	44
Creditors		—	—	—	—	33	33
Stamp Duty		—	—	—	—	1	1
Interest in Advance		—	—	—	—	19	19
Public Trustee Funds	5.49	8,319	—	—	—	—	8,319
Accrued Interest		—	—	—	—	2,296	2,296
Estates & Trusts							
Estates	3.00	37,772	—	—	—	—	37,772
Trusts & Other	3.75	32,133	—	—	—	—	32,133
Trusts & Other	4.50	116,204	—	—	—	—	116,204
Trusts & Other	4.75	43,643	—	—	—	—	43,643
<b>Total Financial Liabilities</b>		<b>238,071</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,393</b>	<b>240,464</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>(198,823)</b>	<b>193,888</b>	<b>11,748</b>	<b>—</b>	<b>6,583</b>	<b>13,396</b>

## (a) Interest Rate Risk Exposure

The Common Funds exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments, as above.

## (b) Credit Risk Exposure

Government guarantees all financial assets of the Common Fund and therefore no credit risk exists in respect of those amounts. In addition, insurance is taken out to cover the building and also professional indemnity insurance cover for staff involved with management of Common Fund investments.

## (c) Net Fair Values

The carrying value of financial assets and liabilities recorded in the financial statements are not materially different to their net fair values determined in accordance with accounting policies disclosed in the following Notes; 1(b), 1(h).

20(k) **Explanatory Statement****Comparison of Actual Results with those of the Preceding Year**

Details and reasons for significant variations between actual revenue and expenditure and the corresponding item of the preceding year are detailed below.

Significant variations are considered to be those greater than 10% and \$100,000.

	2004 \$	2003 \$	Variance \$
Investment expenses	706,139	921,950	215,811
Interest distributed to clients	10,505,205	9,371,823	(1,133,382)
Decrement from revaluation of investment	–	267,799	267,799

**Investment Expenses**

The variance is due to a decrease in the value of building maintenance and repairs conducted during the year.

**Interest distributed to clients**

The variance is due to an increase in average balance of estates and trusts under administration and a marginal increase in average crediting rate to client accounts.

**Decrement from revaluation of investment**

The variance is due to decrement written off on revaluation of Public Trust Building in June 2003 (refer notes 1(b) (iii) and 20 (f) (ii)). A revaluation was not performed in June 2004.



## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### PUBLIC TRUSTEE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

#### Audit Opinion

In my opinion,

- (i) the controls exercised by the Public Trustee provide reasonable assurance that the receipt, expenditure and investment 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 Public Trustee at June 30, 2004 and its financial performance and cash flows for the year ended on that date.

#### Scope

##### *The Public Trustee's Role*

The Public Trustee 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 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  
September 28, 2004



## CERTIFICATION OF PERFORMANCE INDICATORS

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Public Trustee's performance, and fairly represent the performance of the Public Trustee for the financial year ended 30 June 2004.

A.R. (Nina) McLaren  
MBA, B Arts  
Accountable Officer

31 August 2004

## PERFORMANCE INDICATORS

### OUTCOME: EQUITABLE ACCESS TO TRUSTEE SERVICES FOR ALL WESTERN AUSTRALIANS

Equitable access to trustee services for all Western Australians is a crucial element in maintaining an orderly environment. Providing trustee services is the responsibility of the Public Trust Office.

The Public Trustee is a Statutory Authority within the provisions of the *Financial Administration and Audit Act*. It provides a funds management and investment service through the operations of the Common Fund – an at-call investment facility backed by the State – and acts as trustee or financial administrator pursuant to the orders of courts or tribunals. It also administers the estates of people who die with or without a will, in accordance with the terms of the will or the relevant law and under the authority of the Supreme Court.

The Public Trustee offers high quality, personalised trustee services to meet the needs of all sectors of the Western Australian community.

Key performance indicators have been selected to measure the office's effectiveness and efficiency in fulfilling the duties of the *Public Trustee Act*.

#### Key Output/Service

#### 1. Trustee services

Description:

Trustee services include:

- Administering estates of people who die with or without a will (estate administration);
- Managing the financial affairs of people who are unable or unwilling to manage their financial affairs (trust management); and
- Preparing wills and Powers of Attorney for people who wish to appoint the Public Trustee as their executor or donor (wills).

These services are available to all Western Australians irrespective of profitability or complexity.

#### Effectiveness

##### 1.1 Extent to which trustee services meet the needs of clients

This indicator measures the level of client satisfaction with the quality of trustee services provided. In 2003/04 Patterson Market Research were engaged to conduct a telephone survey among a random sample of the Public Trustee client base. The sample client base parameters consisted of:

- Clients who are aged between 18 and 80 years;
- Clients who have an account that is current during the 2004 financial year; and
- Clients who are capable of making meaningful comment, i.e. those who are known not to be suffering from dementia or in a comatose state etc.

Based on the above definition, a random sample of 949 clients was generated and selected, representing a cross-section of clients who use the various trustee services provided by the Public Trustee.

	2000	2001	2002	2003	Actual 2004	Target 2004
Extent to which trust management services meet the needs of customers	88%	75%	71%	80%	76%	75%

**Notes:**

- 1 The survey covered several criteria of customer satisfaction, including aspects of reliability and customer service attributes.
- 2 A total of 401 were surveyed yielding a sampling precision of +/- 4.9% at 95% confidence interval. The survey results, whilst similar to 2003, indicated insignificant decreased percentages across most criteria.

**1.2 Number of estates relative to the number of adult (18 years and over) deaths in Western Australia**

This indicator measures the Public Trust Office's performance in the market to monitor its success in providing an estate administration service for all Western Australians.

The Public Trustee administers estates regardless of whether it is appointed executor or not. Some estates do not require formal administration but still require work to get assets registered in the survivor or beneficiaries name, e.g. joint assets and/or nominal bank accounts.

This indicator represents the number of estates/deaths reported as a percent of the number of adult deaths in Western Australia.

In 2004, 1,815 estates were referred to the office, and 16% of all estates of people who died in 2003/04 were referred to the Public Trustee, either as executor of the estate or the beneficiaries of the estate sought the assistance of the office. The Public Trust Office aimed to reach a target of 17%.

	2000	2001	2002	2003	Actual 2004	Target 2004
Number of estates relative to the number of adult (18 years and over) deaths in Western Australia.	23%	19%	15%	17%	16%	17%

	2001	2002	2003 2004	Actual 2004	Target
Number of adult deaths in WA	10,301	11,235	11,433	11,571	N/A
Number of deceased estates referred	1,923	1,642	1,965	1,815	N/A

**1.3 Extent to which the Public Trustee maintains a market share in drawing wills naming the Public Trustee as executor**

The Public Trustee operates in a commercial environment offering services that can be provided by numerous professional service providers.

This indicator represents the number of people who died during the year who had a will prepared naming the Public Trustee as executor. It is shown as a percent of the total number of adult deaths in Western Australia.

In 2003/04, the Public Trustee administered 1,535 estates that named the Public Trustee as executor. The Public Trustee's market share for this period was 13%.

	2000	2001	2002	2003 2004	Actual 2004	Target
Extent to which Public Trustee maintains a market share in drawing Wills naming the Public Trustee as executor	20%	16%	13%	14%	13%	15%
		2001	2002	2003	Actual 2004	Target 2004
Number of adult deaths in WA		10,301	11,235	11,433	11,571	N/A
Number of estates in which the Public Trustee had prepared a Will.		1,666	1,432	1,621	1,535	N/A

*Note the reduction in market share is directly attributable to increasing competition from DIY will kits.*

#### 1.4 Percent of estates finalised within 12 months of being reported

This indicator provides a measure of success from a client's perspective, of the average time taken to administer an estate.

Issues such as life interests, taxation, family disputes and testator family maintenance actions contribute to the time taken to close an estate and these are outside the control of the Public Trust Office.

The average time taken to complete an estate, if completed within twelve months, was 5.87 months based on the date of final completion.

There has been a marked improvement in the percentages for all three categories. The most significant improvement was experienced within the six months category, predominantly due to the greater level of experienced staff in the use of the recently introduced MATE web-enabled trust management system.

	2000	2001	2002	2003	Actual 2004	Target 2004
Percent of estates finalised within 12 months of being reported						
• Within 12 months	69%	76%	49%	54%	62%	60%
• Within 9 months	53%	62%	28%	40%	52%	45%
• Within 6 months	29%	42%	2%	22%	35%	30%

**Efficiency****1.5 Cost per trust managed**

This indicator measures the cost of managing a trust, calculated by dividing the total cost of providing trust management services by the number of trusts under management.

It is presented in an index format. The base index of 100 was set in 1995.

	2000	2001	2002	2003	Actual 2004	Target 2004
Cost per trust managed	186	209	217	200	214	200
		2001	2002	2003	Actual 2004	Target 2004
Number of trusts managed		4,785	4,820	4,915	4,847	5,252

*The Public Trustee's client demand for Trust Management Services is subject to market forces, which directly affects cost efficiencies.*

**1.6 Cost per deceased estate administered and cost per will prepared**

The deceased estate administration service comprises two main cost areas, which have been separated in this indicator to provide a clear indication of the costs involved.

It is presented in an index format. The base index of 100 was set in 1995.

	2000	2001	2002	2003	Actual 2004	Target 2004
Cost per deceased estate administered	198	188	210	187	238	236
		2001	2002	2003	Actual 2004	Target 2004
Number of deceased estates administered		3,227	3,023	3,183	2,635	2,700
	2000	2001	2002	2003	Actual 2004	Target 2004
Cost per will prepared	146	180	226	204	222	223
		2001	2002	2003	Actual 2004	Target 2004
Number of wills prepared		4,849	4,043	4,188	4,063	4,100

## 1.7 Common Fund Indicators

### Effectiveness

Of critical importance to potential customers is the rate of interest paid on their funds. Our clients expect a reasonable return on their funds, and our effectiveness in achieving these objectives can be measured by a comparison of our rates with those offered by other investment institutions.

### Common Fund Earning Rate

The returns paid by the Public Trustee's Common Fund to clients after deducting expenses, and those paid by comparable "at call" investment institutions are as follows:

As at 30 June	Public Trustee Deceased Estates	Other Trusts	Investment Agencies	Other Savings Bank** Investments (>\$15,000)	Bank A/C Call Deposits** (<\$15,000)	Cash Management Trust **
%	%	%	%	%	%	
1998	4.50	3.50 & 5.50	3.50 & 5.00	0.15	0.15	4.40
1999	4.50	3.50 & 5.50	3.50 & 5.50	0.10	0.10	4.10
2000	4.00	3.50, 4.50 & 5.50	3.50 & 5.50	0.40	0.20	5.25
2001	3.50	3.50, 4.00 & 5.00	4.00 & 5.00	0.05	0.05	4.50
2002	3.25	3.75, 4.50 & 4.75	3.75, 4.50 & 4.75	0.00	0.00	3.65
2003	3.00	3.75, 4.50 & 4.75	3.75, 4.50 & 4.75	0.00	0.00	3.90
2004	3.00, 3.25 & 3.50	4.30, 5.30 & 5.70	4.30, 5.30 & 5.70	0.00	0.00	4.75

(\*\*As published in the Reserve Bank Bulletin – July 2004 issue)

All funds invested in the Public Trustee's Common Fund are "at call".

During the year the Public Trustee's Common Fund continued to remain competitive against other comparable at call funds.

## Public Trustee's Common Fund Performance versus WA State Treasury and CMT Benchmark Earning Rates (On a net basis).

In order to generate sufficient income to enable an attractive rate of interest to be paid to clients, all monies deposited to the Common Fund are invested in the open market. The principal aim of the service is to achieve an attractive earning rate that maximises the investment potential of the fund within acceptable prudential levels.

A comparison of the performance with Western Australia's State Treasury's earning rate on the Public Bank Account and the earning rate of three leading cash management trusts (CMT) is as follows:

	1999	20/00	2001	2002	2003	2004
	%	%	%	%	%	%
Treasury Earning Rate	5.38	5.35	5.93	4.64	4.93	5.11
CMT Benchmark Rate	4.74	5.08	5.86	4.48	4.67	4.99
Public Trustee Common Fund	6.61	6.07	6.55	5.46	5.49	5.63

In the twelve months to 30 June 2004, the Public Trustee Common Fund achieved a net return of 5.63% on the investment of the funds comprising the Common Fund. Average funds under management for the year to 30 June totalled \$260.32 million.

## Efficiency

### Common Fund Investment Cost per Dollar Invested

The Public Trustee is responsible for the management and investment of the funds that comprise the Common Fund, as well as funds invested in the financial market. At 30 June 2004 the average value of the Common Fund for the year was \$260.32 million, with a further \$93.46 million invested in the financial market on behalf of individual clients.

The cost of managing these funds in 2004 was \$370,269\* or 0.10% of the mean value of the funds under management.

Comparative cost for:	2003 was \$420,186* or 0.13%
	2002 was \$425,638* or 0.14%
	2001 was \$407,896* or 0.15%
	2000 was \$376,970* or 0.15%
	1999 was \$398,043* or 0.16%
	1998 was \$378,532* or 0.17%

(\* Costs include expenses incurred by all officers involved in the management of the fund including on-costs such as rent and electricity as well as superannuation and payroll tax. For 2004, on-costs were charged at 66% of direct salary).



## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### **PUBLIC TRUSTEE PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004**

##### **Audit Opinion**

In my opinion, the key effectiveness and efficiency performance indicators of the Public Trustee are relevant and appropriate to help users assess the Public Trustee's performance and fairly represent the indicated performance for the year ended June 30, 2004.

##### **Scope**

###### ***The Public Trustee's Role***

The Public Trustee is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

###### ***Summary of my Role***

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it 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 performance indicators.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON  
AUDITOR GENERAL  
September 28, 2004

**ESTIMATES 2005****STATEMENT OF FINANCIAL PERFORMANCE**

For the year ended 30 June 2005

	<b>ESTIMATES 2005 \$</b>	<b>ACTUAL 2004 \$</b>
<b>REVENUE</b>		
<b>Revenue from ordinary activities</b>		
Fees raised from estates & trusts	5,860,400	6,342,552
Public Trustee 6% fee from Common Fund	1,000,600	879,248
Receipts from Common Fund surplus interest	1,740,000	1,632,260
Interest	545,500	447,810
Other Revenue	120,000	117,797
Total revenue from ordinary activities	9,266,500	9,419,667
<b>EXPENSES</b>		
<b>Expenses from ordinary activities</b>		
Write Offs	20,000	28,458
Transfer of Reserves to Dept of Treasury & Finance	2,648,932	–
Other Expenditure	–	92,376
Salaries	6,630,700	6,392,938
Superannuation and pension	646,259	954,364
Computer Services	253,587	253,574
Administration expenses	1,794,780	1,791,185
Accommodation expenses	755,785	1,046,560
Corporate Service expenses	1,346,897	1,019,082
Total expenses from ordinary activities before transfers to Consolidated Fund	14,096,940	11,578,535
Fees paid to the Consolidated Fund	6,861,000	7,221,800
Surplus Common Fund Interest paid to Consolidated Fund	1,740,000	1,632,260
Total expenses from ordinary activities	22,697,940	20,432,597
<b>Loss from ordinary activities before grants and subsidies from Government</b>	(13,431,440)	(11,012,930)
Grants and Subsidies from government		
Resources received free of charge from the Department of Justice	11,428,008	11,457,703
Net Profit	(2,003,432)	444,773
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>(2,003,432)</b>	<b>444,773</b>

## STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2005

	ESTIMATES 2005 \$	ACTUAL 2004 \$
<b>Current Assets</b>		
Investment in Common Fund	6,746,420	8,821,801
<b>Total Current Assets</b>	6,746,420	8,821,801
<b>Total Assets</b>	<b>6,746,420</b>	<b>8,821,801</b>
<b>Current Liabilities</b>		
Accrued fees payable to the Consolidated Fund	200,000	247,893
Tax liabilities	150,000	174,056
<b>Total Current Liabilities</b>	350,000	421,949
<b>Total Liabilities</b>	<b>350,000</b>	<b>421,949</b>
<b>NET ASSETS</b>	<b>6,396,420</b>	<b>8,399,852</b>
<b>Equity</b>		
Indemnity reserve	2,723,262	2,623,262
General reserve	3,030,000	2,530,000
Superannuation fund reserve	—	2,648,932
Retained profits/(accumulated losses)	643,158	597,658
<b>TOTAL EQUITY</b>	<b>6,396,420</b>	<b>8,399,852</b>