



Department of the Attorney General  
Government of Western Australia



PUBLIC TRUSTEE

# Annual Report 2006

PUBLIC TRUSTEE WESTERN AUSTRALIA



## STATEMENT OF COMPLIANCE

FOR THE YEAR ENDED 30 JUNE 2006

To the Hon Jim A McGinty BA BJuris(Hons) LLB JP MLA  
Attorney General

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 2006.

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

**John Skinner**  
PUBLIC TRUSTEE

THE PUBLIC TRUSTEE .....	2
THE ROLE OF THE PUBLIC TRUSTEE .....	3
HIGHLIGHTS .....	5
GLOSSARY OF TERMS .....	6
FROM THE PUBLIC TRUSTEE .....	7
PUBLIC TRUSTEE MANAGEMENT STRUCTURE .....	10
PUBLIC TRUSTEE MANAGEMENT .....	11
MEETING THE STATE GOVERNMENT STRATEGIC OBJECTIVES .....	12
MEETING DEPARTMENT OF THE ATTORNEY GENERAL DESIRED OUTCOMES .....	13
REPORT ON OPERATIONS .....	14
CLIENT SERVICES .....	14
BUSINESS SERVICES .....	21
CORPORATE SUPPORT SERVICES .....	26
LEGAL SERVICES .....	31
CORPORATE GOVERNANCE .....	32
PRINCIPAL LEGISLATION .....	34
LEGISLATION ADMINISTERED .....	34
RESPONSIBLE MINISTER .....	35
STATEMENT OF COMPLIANCE WITH RELEVANT LEGISLATION .....	35
OTHER DISCLOSURES .....	36
STATEMENT OF COMPLIANCE WITH PUBLIC SECTOR STANDARDS .....	39
CERTIFICATION OF FINANCIAL STATEMENTS .....	40
INCOME STATEMENT .....	41
BALANCE SHEET .....	42
STATEMENT OF CHANGES IN EQUITY .....	43
CASH FLOW STATEMENT .....	45
NOTES TO THE FINANCIAL STATEMENTS .....	46
OPINION OF THE OFFICE OF THE AUDITOR GENERAL .....	89
CERTIFICATION OF PERFORMANCE INDICATORS .....	90
PERFORMANCE INDICATORS .....	91
OPINION OF THE OFFICE OF THE AUDITOR GENERAL .....	97
INCOME STATEMENT .....	98
BALANCE SHEET .....	99

## THE PUBLIC TRUSTEE

### VISION

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

### DIRECTION

At the Public Trustee 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/publictrustee](http://www.justice.wa.gov.au/publictrustee)

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,' 'Representing Your Interests' and fee schedules.



## 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 disabilities, 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 Trustee 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.

## Private Administrators

The Public Trustee has taken on the role of examining the accounts of Private Administrators who have been appointed by the State Administrative Tribunal. The Guardianship and Administration Board previously performed this role. Private Administrators are required to lodge annual accounts with the Public Trustee who will examine them and determine if they should be allowed.

## 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 2005/2006, the major highlights for the Public Trustee were:

- Finalising consultations with stakeholders to gain support for the proposed changes to the Trustee Act 1941. Consequently, Cabinet approved the printing of the *Acts Amendment (Public Trustee and Trustee Companies) Bill* 2005. The Bill is now ready for consideration by Government. This will allow the Public Trustee to fully meet the needs of its clients without placing a burden on the community.
- The approval, in January 2006, to reclassify 84 positions within the Public Trustee (PT). This was the result of a formal review that was undertaken during 2005 to consider changes in work-value and responsibilities in key areas. The filling of positions under open merit selection commenced in early February and is almost complete.
- The engagement of a consultant, in May 2006, to provide strategic advice regarding the future direction of the PT's primary IT business system, MATE. The major objectives of this review include the examination of enhancement and replacement options, the identification of gaps between current and future business needs, options for maintenance and support, and high level business requirements.
- The retirement of the Public Trustee, Nina McLaren, and the appointment of a new Public Trustee.

In the year ahead, the Public Trustee will:

- Focus on developing a coordinated and integrated training program to prepare staff to meet new client, business and legislation challenges. The program will be designed to identify and deliver training and development needs for all areas of the PT. The objective is to have trained staff who can deliver a range of services to their clients that is both professional and skilled.
- Complete the review of our core business computer system with a view to a possible upgrade to meet future needs. In light of the impending legislation changes, it is vital that the Public Trustee has a system that is both up-to-date and relevant to the future strategic direction and its business needs. The strategic review and subsequent implementation of recommendations will be of vital importance to Public Trustee clients.
- Continue detailed planning currently being undertaken to prepare for the implementation of the changes that will arise if our Act is amended as proposed.
- Develop and implement a coordinated public awareness campaign to raise the profile of the Public Trustee. The aim of the campaign will be to increase the community's understanding of the Public Trustee's role and how that role is fulfilled.
- Focus on reviewing and improving customer service levels, and improving the efficiency of business processes.



## GLOSSARY OF TERMS

Administrator	A person or corporate trustee that takes on the responsibility of managing the assets and financial affairs of another person, under the authority and provisions of the Guardianship and Administration Act 1999; or manages a deceased estate in the absence of an appointed executor.
Administration order	An Order of the State Administrative Tribunal appointing an Administrator (or Joint Administrators) to make financial and property decisions on behalf of a person with an impaired decision-making ability.
Beneficiary	Any person or organisation (such as a charity) that is left something in a will, or under an intestacy.
Executor	The title given to a person or organisation that you nominate to manage and distribute your estate in the manner you describe in your will.
Represented Person	Any person in respect of whom a guardianship order is in force, an administration order is in force, or both a guardianship order and an administration order are in force.
Guardian	A legally appointed substitute decision-maker appointed by the State Administrative Tribunal, who has responsibility for 'lifestyle' decisions – such as decisions about medical treatment, accommodation, education, and other personal matters.
Testamentary capacity	The ability of a person to give valid instructions as to the preparation or amendment of a Will.
Trustee	A person or corporate entity that takes responsibility for various assets and manages them for another person.
State Administrative Tribunal	The State Administrative Tribunal (SAT) was established in Western Australia in 2005 as an independent body to make and review a range of administrative decisions. SAT handles most matters that were previously the responsibility of the Guardianship and Administration Board.
Public Advocate	The Public Advocate is an independent statutory officer appointed under the Guardianship and Administration Act 1990 to provide advocacy at hearings of the State Administrative Tribunal and in the community, and to provide information and education on ways of safeguarding the best interests of people with a decision-making impairment. The Public Advocate also acts as guardian when appointed by the Tribunal if no other person is suitable and willing.



## FROM THE PUBLIC TRUSTEE

This Annual Report provides a review of performance and the outcomes we have delivered during the financial year ending 30 June 2006. The Report also outlines a year of change where we have sought to continue to position the Public Trustee to respond to the demands the future will present.

The issues associated with an ageing community are of genuine concern at all levels of government and in society generally. These issues are being felt by staff at the Public Trustee and it is apparent that work in assisting clients with decision making disabilities will increase significantly over the coming years. This in turn will increase the demand on government to fund the costs of our Community Service Obligations.

To assist in meeting this increased demand on services, the Office has further progressed the development of a sustainable business model. This reshaping of our business structure is now at the stage where changes to the *Public Trustee Act* are required. Further consultation on proposed changes to meet the needs of Western Australians was held with a wide range of stakeholder groups and other interested parties. The feedback and support enabled Cabinet to agree to submitting the changes to the State Government for consideration.

### Community Service Obligations

The Public Trustee's services are available to all Western Australians. Although many can afford to pay for the services they receive, we are very aware in our planning and service delivery that there are also people in our community who, through no fault of their own, cannot afford these services. Through the delivery of our Community Service Obligations, we seek to ensure that all Western Australians will have access to professional legal, financial, estate and trust management services regardless of their ability to pay. This commitment, being part of our contribution to a just society, will continue with the proposed changes to the *Public Trustee Act* and the implementation of the new sustainable business model.

### Providing our Service

We believe that the ability of any organisation, including the Public Trustee, to remain relevant to its customers and the community in a changing society, will ultimately depend on its commitment to providing high level service to its customers and the community with respect and dignity.

Previous Public Trustees have commented that our primary role is to provide trust and financial services, and to administer the estates of thousands of Western Australians. Our main responsibility is to ensure that the decisions we make for people who, due to age, illness, injury or other circumstances cannot manage their own affairs, are financially and legally viable and appropriate, and to manage assets and expenditure in a prudent fashion. We believe that we do this with an attitude of professional service and ethical behaviour.

We occasionally come under some criticism from some sections of the community for the way we provide our services. This, in most cases, comes from a less than fully informed position and in circumstances where we are not able to disclose individual client details to justify our actions. As an example, in a recent hearing, Justice Michael Barker, President of the State Administrative Tribunal, commented:

"... the Tribunal is satisfied that the Public Trustee has acted appropriately in the management of (the client's) affairs in difficult circumstances. It is of course desirable that there be good communication and good relationships between administrators and represented persons. The Tribunal acknowledges that this is often, for many reasons, difficult to consistently achieve and that there will often be tensions between the demands of a represented person and the resources (including time and staffing options) available to an administrator, particularly a public administrator such as the Public Trustee. The management of (the client's) affairs has been particularly fraught at times, nonetheless the Tribunal accepts that the Public Trustee has at all times endeavoured to fulfil its responsibilities as (the client's) administrator with good faith and proper endeavour".

It appears to me that this is the nature of our business, and perhaps what is needed is greater community awareness of our role and how we undertake that role. This will be followed up in the coming year.

## Our Staff

Although I am new to the Office, I have been impressed by the way staff in all areas have responded to the increasing challenges we face. The year just ended has been one of considerable change for all staff. They have seen the previous Public Trustee, Nina McLaren, retire, and the Director Client Services, Sean Conlin, continue to steer the Office through challenging times as the Acting Public Trustee for a six month period. I would like to express my gratitude on behalf of all staff and our clients for the excellent leadership that both Nina and Sean have shown, and how well positioned the Office is to meet the future challenges.

The staff also responded very positively to the requirements of the review of the core business areas of the Office and the subsequent reclassification of many positions. Despite the unsettling nature of this period, as we went through an open merit selection process to fill positions, our service standards continued to be met. This review, and government approval to fund some additional positions, will result in a reduction in case loads and hence an improvement in service standards. This improvement should be shown in the coming year when recruitment will be completed.

The type of work we undertake in the Office is such that it does not suit or appeal to everyone. It takes a special kind of strength, resilience and compassion to be able to bear the strain of dealing with other people's financial affairs and issues, while retaining a balance in one's own life and workplace. The staff who undertake this sort of work are dedicated people. They also work in an environment where they are occasionally subject to public questioning and criticism, but are not able to respond because of client confidentiality concerns. Nevertheless, despite these difficulties, they continue to serve with compassion, diligence, dedication and professionalism. It is an honour for me to be leading these people and I am particularly grateful to the staff who remain determined to treat all our customers and each other with respect and dignity, and for making a difference in the lives of so many people.

## The Year Ahead

With the potential for further significant change ahead in the near future for the Office, with proposed changes to the Public Trustee Act and the implementation of the sustainable business model, our staff will need to be even more adaptable and prepared. Considerable work has begun this year and will continue into the next financial year to develop a coordinated and integrated training program to address the future needs of all staff. A review of our core business computer system will also be completed with a view to a possible upgrade to meet future needs. Detailed planning is also being undertaken to prepare for the implementation of the changes that will arise if our Act is amended as proposed. It is also intended to develop and implement a coordinated public awareness campaign to raise the profile of the Public Trustee, with the aim of increasing the community's understanding of our role and how we fulfil that role.

## In Closing


This Annual Report highlights the significant contributions and efforts of our staff and our service partners in delivering our services to the people of Western Australia.

I would like to thank all of our clients for choosing the Public Trustee to be involved in your life and your plans for the future. I and all of our staff at the Public Trustee will continue to strive to do better in delivering our services to you with respect and dignity while seeking to understand your particular needs.

To all our business associates and stakeholders, in both the private and public sectors, thank you for your support, feedback and advice to the Office. We will continue to rely on you to enhance our services to the people of Western Australia.

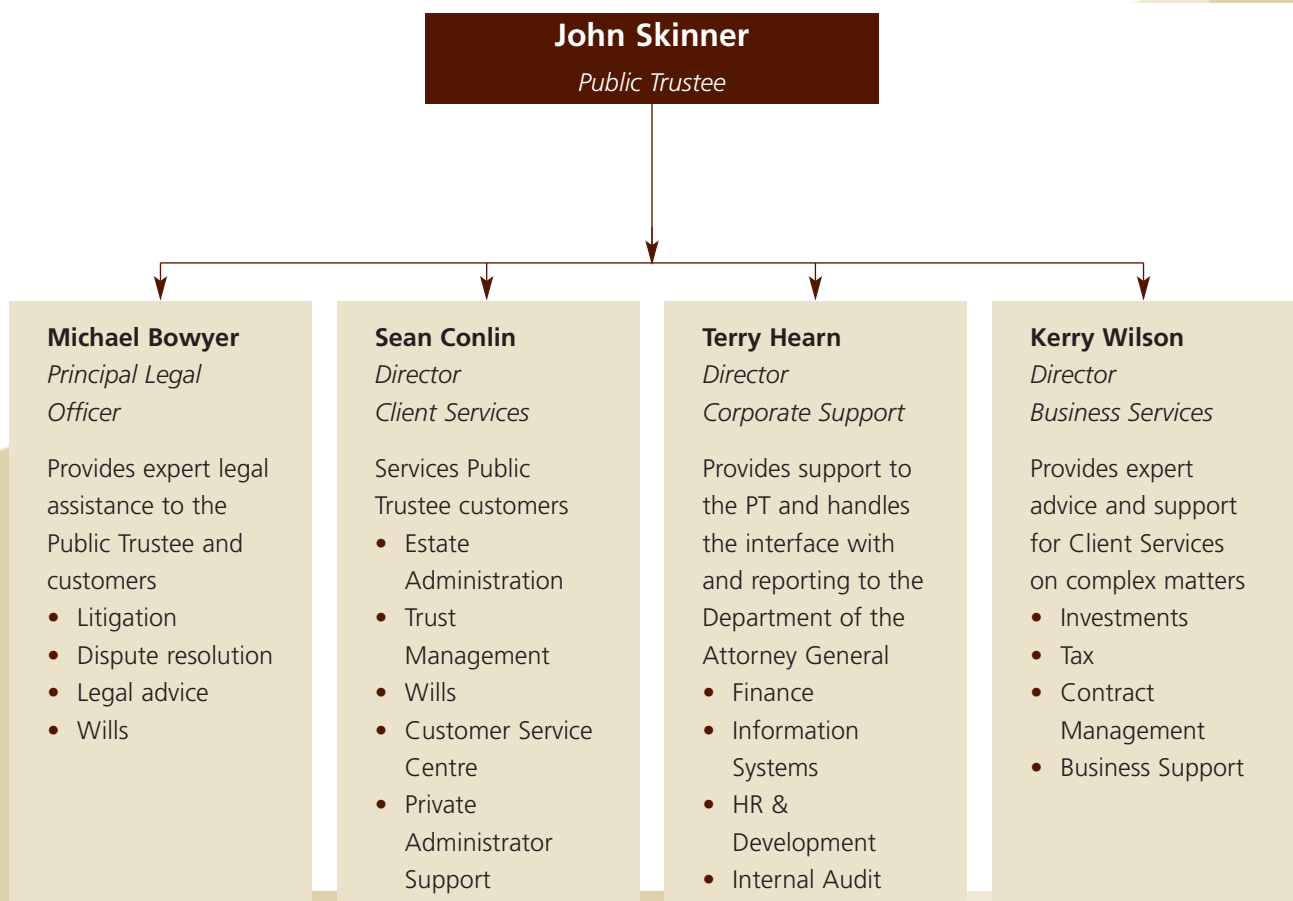
Thanks also to the Director General and staff of the Department of Justice and the Department of the Attorney General for the continued high level of support and cooperation provided by them to the Office.

Finally, I would like to thank the previous Minister for Justice, John D'Orazio MLA, and the Attorney General, Jim McGinty MLA, for their public support for this Office and for their interest in the services that we provide.

A handwritten signature in black ink, appearing to read 'John Skinner', with a long horizontal line extending to the right.

**John Skinner**  
PUBLIC TRUSTEE

## PUBLIC TRUSTEE MANAGEMENT STRUCTURE



## PUBLIC TRUSTEE MANAGEMENT

### PUBLIC TRUSTEE

#### **John Skinner**

John Skinner holds a Bachelor of Science (Mathematics) degree, a Graduate Diploma in Financial Planning and a Graduate Certificate in Applied Finance and Investment. He commenced as the Public Trustee in February 2006 and has previously worked in the WA and Commonwealth public sectors. He brings to the position a proven track record in financial services and management, having held senior positions with GESB (Government Employees Superannuation Board), and the Insurance and Superannuation Commission.

### PRINCIPAL LEGAL OFFICER

#### **Michael Bowyer**

Michael Bowyer holds a Bachelor of Laws degree. He joined the Public Trustee in 1997 and has been Principal Legal Officer since 2004. He has worked in a number of other government agencies, including the State Solicitor's Office, Commonwealth Director of Public Prosecutions and Legal Aid, in both Western Australia and New South Wales. He has notable experience in policy, law reform and criminal and civil litigation.

### 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 Trustee 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.

### 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 Trustee 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 Trustee in 1999.



## MEETING THE STATE GOVERNMENT STRATEGIC OBJECTIVES

### Better Planning: Better Services

The Department of the Attorney General contributes to all five of the strategic goals for government as articulated in the Government Strategic Framework: *Better Planning: Better Services*:

### People and Communities

*To enhance the quality of life and well being of all people throughout Western Australia.*

### The Economy

*To develop a strong economy that delivers more jobs, more opportunities and greater wealth to Western Australians by creating the conditions required for investment and growth.*

### The Environment

*To ensure that Western Australia has an environment in which resources are managed, developed and used sustainably, biological diversity is preserved and habitats protected.*

### The Regions

*To ensure that regional Western Australia is strong and vibrant.*

### Governance

*To govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future.*

The Public Trustee supports the Department through the following key strategies:

### People and Communities

The Public Trustee continues to protect and enhance the assets, both financial and personal, of vulnerable persons in the Western Australian community. In doing so, the dignity, strength and independence of our clients is a priority when considering client services strategies.

### Governance

The Public Trustee continues to enhance corporate governance through its open and accountable management of its investments and service to its clients. The organisation has a strong corporate governance commitment particularly in its compliance focus and risk management approach. In 2006/07, further review and identification of opportunities for improvement will be undertaken in recognition of the important role the Public Trustee has in regard to its client responsibilities.

## MEETING DEPARTMENT OF THE ATTORNEY GENERAL DESIRED OUTCOMES

Since the early part of the 2005 – 2006 financial year the Department of Justice's new Strategic Framework was available to all staff via *J-Staff*. Strategic Framework Support Kits were provided to all senior officers down to manager level.

The Framework was also integrated into Divisional business plans and, in some cases, operational level plans. Systematic work was commenced to progressively integrate the Framework into key corporate documentation.

In anticipation of significant departmental reform likely to flow from the Mahoney Inquiry, further deployment of the Strategic Framework by the Organisational Performance Directorate was put on hold in November 2005 and subsequently discontinued following the creation of the new departments in February 2006.

The new Department of the Attorney General has now endorsed Terms of Reference for the work of the Corporate Executive Committee and this group is currently working on its inaugural strategic framework which will be deployed during 2006 – 2007.

The challenges for the Public Trustee, in providing services designed to protect vulnerable persons, both financially and personally, support the Department's desired outcome to ensure that the right to justice and safety for all people in Western Australia is preserved and enhanced.

## REPORT ON OPERATIONS

The Public Trustee has four main directorates:

- Client Services
- Business Services
- Corporate Support Services
- Legal 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
- Private Administrator Support

Following on from last year's theme of consolidation, the primary focus of the Client Services Directorate this year has been on working on strategies to attract and retain suitably qualified staff, reduce trust officer file loads and provide targeted training to staff. All these initiatives should enable the Public Trustee to provide a better quality of service to our clients in the medium to long term as well as equipping our staff to better cope with the demands of their jobs.

Some of the initiatives that we have embarked upon include the following:

- Reclassifying all positions within the Trust Management and Estate Administration teams of the Client Services directorate. This has been a major exercise that has not only involved the assessment and reclassification of some 75 positions but also the advertising and filling of those positions. As at 30 June 2006 this exercise was approximately 90% complete.



- Created a specialised and dedicated forensic accounting service to investigate circumstances where clients may have had their income and assets misappropriated.
- Obtained additional funding to employ more staff in the Trust Management area that will lead to a reduction in file numbers per officer in that area. This will have a positive effect on our clients as each trust officer will now have fewer clients to service which in turn will lead to a better level of service provided.
- Secured additional funding for specialist staff training for trust officers in how to better understand and deal with clients who suffer from various clinical conditions. This training will better equip our staff to overcome the challenges they face on a day-to-day basis and enable them to adopt a confident, empathetic and decisive approach to clients.

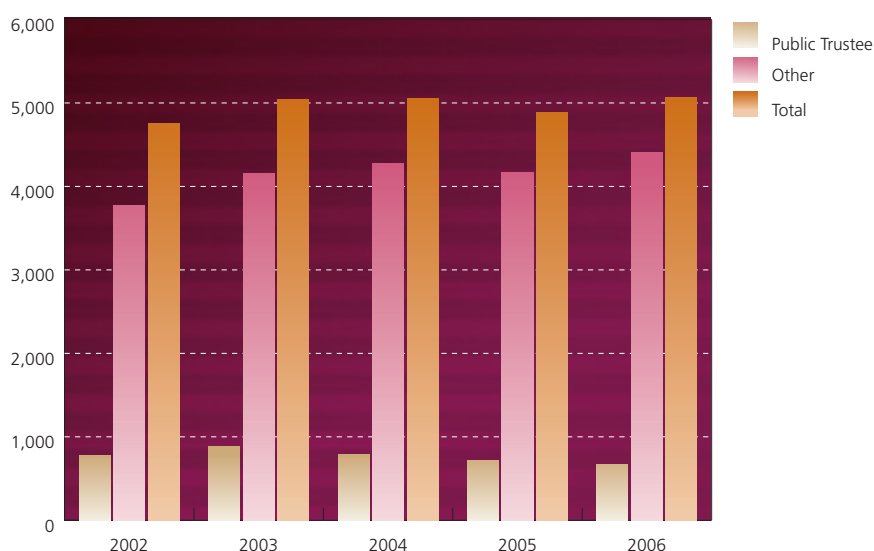
## Estate Administration

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.

The Public Trustee's market share decreased during the year from 14.60 percent of total applications to the probate registry in 2005 to 13.2 percent in 2006. There has been a general trend of an increase in applications to the Probate Registry by individuals and solicitors which has affected the number of applications from the Public Trustee.

**Applications to the Probate Registry**



## CASE STUDY

During the administration of the estate of Shirley Champion, who died without a will, it was discovered that her late brother's estate had not been finalised.

John Champion owned two properties that sat alongside each other, one of which was a vacant lot. The house had become rundown and vandalised and the vacant land was being used by local businesses for unapproved parking.

John and Shirley's family advised the Public Trustee of the possible existence of an unsigned will. This, they believed, was being held by the solicitor responsible for administering John's estate.

This was of particular interest to the Public Trustee. In the event that John had not signed his will, dying intestate, his estate would be distributed, according to the law, to the estate of his sister, two other surviving siblings and a nephew.

John and Shirley's family expressed their concerns regarding the solicitor's lack of action to date and indicated that they wanted the Public Trustee to administer John's estate

However, the Public Trustee's numerous attempts for further information from John's solicitor remained unanswered and a probate search produced no results indicating no formal authority had been granted to administer his estate.

John and Shirley's family expressed their concerns regarding the solicitor's lack of action to date and indicated that they wanted the Public Trustee to administer John's estate. It was especially concerning that John's property had been neglected since his death several years earlier.

An application was made to the Supreme Court for the Public Trustee to have the authority to administer the assets of John's estate. This was granted pending further investigation regarding his unsigned will. John's family had no knowledge of potential assets apart from the properties. Subsequent investigations by the Public Trustee unearthed five bank accounts, including a term deposit containing over one million dollars.

As the properties were frequented by squatters and covered in graffiti, priority was given to clean up the rubbish, secure the properties and sell them at the earliest opportunity. With the family's approval, the properties were sold for over one million dollars.

Perseverance by the Public Trustee's Solicitor in gathering evidence surrounding the unsigned will resulted in the Public Trustee obtaining Letters of Administration from the Supreme Court.

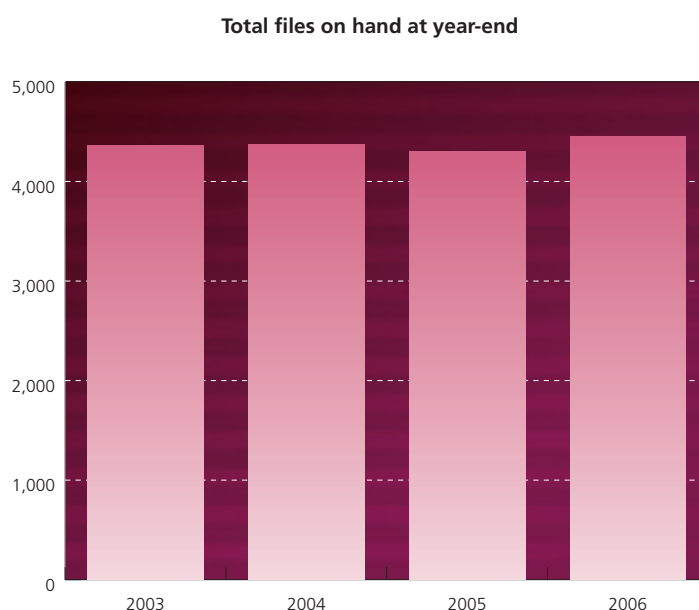
*Names and some details have been changed to protect our clients.*



## 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 State Administrative Tribunal) reported for administration during the year was 528. This figure is 11 per cent above that of the previous year, when 477 new trusts were reported.

The total number of trusts on hand at the end of the financial year increased marginally at June 2006 to 4,455 compared to 4,303 at June 2005.



The number of people for whom the Public Trustee acts as administrator as a result of being appointed by the State Administrative Tribunal continues to rise. This year the Tribunal referred 285 cases to the Public Trustee (compared to 230 in 2004/2005). At year-end there were 1,473 State Administrative Tribunal clients being administered by the Public Trustee, compared to 1,338 at 30 June 2005.

The continuing increase in the number of State Administrative Tribunal 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 Trustee 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 increased slightly to 200 in 2006 from 188 in 2005. 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 Trustee and through Trust Managers visiting homes and nursing homes. During the year, Trust Managers held 2,483 client interviews, either within the office or at the client's residence.

Trust Managers also attended 473 hearings at the State Administrative Tribunal.

## CASE STUDY

The Public Trustee was appointed Plenary Administrator of the financial affairs of Mr Richard Miller who is 97 years old and lives alone in his own home. His state of health was good, and he was accustomed to social activity and an independent lifestyle.

Mr Miller's finances, however, had depleted to the point that his only income consisted of a Centrelink Age Pension and a low bank account balance. The Trust Manager responsible for administering Mr Miller's finances was in constant contact by telephone and through personal meetings. The Trust Manager was aware that Mr

Mr Miller wished to remain residing in his home and to continue the lifestyle to which he was accustomed.

Miller wished to remain residing in his home and to continue the lifestyle to which he was accustomed. In order to assist Mr Miller, bearing in mind his age and the fact that his lifestyle and living expenses were costing more than the income that he was receiving from Centrelink, the Public Trustee looked at all possibilities available to increase his income.

The Public Trustee's solution was to increase an existing reverse mortgage over Mr Miller's residence. This provided the extra funds Mr Miller needed to enable him to continue his current lifestyle. The extra income also provided for extra support care, including delivery of meals, garden and swimming pool maintenance, and house cleaning.

However, Mr Miller's lifestyle, together with the usual costs of living, eventually saw his finances depleting once again. At this time, Mr Miller enjoyed his 100th birthday (including receiving a telegram from Queen Elizabeth II) and was still healthy enough to remain living independently with some outside support care.

The Public Trustee was able to provide further assistance to Mr Miller by selling his home with the condition that the purchaser agreed to Mr Miller remaining in the property on a fixed term rental basis. The lease would expire 28 days after the death of Mr Miller or 28 days after the date upon which the property ceases to be the principal place of residence for Mr Miller. The weekly rent, agreed by all parties, was also set at an easily affordable rate.

The substantial sale proceeds were credited to Mr Miller's account with the Public Trustee and will be more than sufficient to satisfy his needs in the future. Mr Miller continues to reside in the home that has been a major part of his life, and continues to enjoy the lifestyle to which he has always been accustomed.

*Names and some details have been changed to protect our clients.*

## Wills

The Public Trustee 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 Trustee prepared or amended 3,497 wills. The Wills on Wheels service continues to be provided to persons unable to attend the office due to infirmity or extreme age, in hostels, nursing homes, hospitals or their own homes within the metropolitan area.

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

The Public Trustee administered the estate of Mrs Laura Billingsgate. Her son, Bob, received an entitlement from her estate. Bob was so impressed with the way in which the Public Trustee managed his late mother's estate that he expressed a desire to make a will of his own, naming the Public Trustee as executor, to dispose of his newly acquired assets.

Unfortunately, Bob was quite ill, so he was not able to attend our office to give instructions. Bob contacted the

Bob was quite upset about this unsatisfactory situation and anxious to have the will drawn as quickly as possible. The Wills Manager moved quickly to prevent this situation from further impacting on Bob's health.

Public Trustee explaining that he could not have a wills officer attend on him in his home because he was always attending a medical specialist for tests and treatment. Bob was quite upset about this unsatisfactory situation and anxious to have the will drawn as quickly as possible. The Wills Manager moved quickly to prevent this situation from further impacting on Bob's health. He contacted the medical specialist, explained the situation and asked if a solution could be found that would alleviate Bob's anxieties. The doctor explained that there was a lengthy break between two sets of tests for which Bob was booked and that a private consulting room could be made available in which the wills officer could take Bob's instructions.

The doctor's willingness to cooperate and the Wills Manager's desire to obtain Bob's instructions in the least stressful manner produced a satisfactory outcome and the will was prepared.

*Names and some details have been changed to protect our clients..*

## Private Administrator Support Team

Following the creation of the State Administrative Tribunal (SAT) in January 2005, the Public Trustee assumed responsibility for the function of examining accounts prepared and submitted by private administrators. Those examinations are performed by the Public Trustee's Private Administrators Support Team (PAS Team).

During the 2005/2006 year, the PAS Team concluded 1,486 examinations with total assets exceeding \$290 million. The Public Trustee issued eight Certificates of Loss arising out of our examinations with combined losses of more than \$558,539.

The PAS Team assists administrators to understand their role and responsibilities including providing technical advice regarding the preparation of the annual accounts. In this capacity, the Public Trustee worked closely with the Office of the Public Advocate in presenting training seminars for recently appointed administrators and in producing a revised 2006 edition of the Private Administrators' Guide.

## 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 Centre 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 verbal and written inquiries, 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.

## 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.
- **Director:** 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

In the past twelve months the Client Feedback Form has been used by clients in respect of 36 different matters. One pleasing aspect of the policy is that the forms make it easy for clients to record a compliment or register a complaint and, of the 36 matters referred, six of them were compliments.

Without exception, compliments relate to the way that individual staff members of the Public Trustee handled matters, not to the outcome achieved. Clients were impressed by the thoughtful treatment, thorough explanations and conciliatory manner of the staff member.

Thirty complaints were received, and only one of them related to the manner or tone adopted by the staff member. Twenty nine of the complaints related to the outcome or a specific event. All of the complaints were finalised as at 30 June 2006.

As the Client Feedback Policy includes the Ombudsman as a final reference, the Public Trustee observes with interest the results published annually in the Ombudsman's annual report. While statistics are not yet available for the year under review, in the previous year there was a 14 per cent reduction in complaints referred to the Ombudsman.

## The Future

In 2007 the Client Services directorate will:

Implement the new team in the Trust Management area thus reducing file loads for individual trust officers.

Continue with the task of providing specialist training to trust officers to better equip them to deal with the day-to-day challenges that they face.

Review our standards of client service to determine the areas that need improving.

## 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

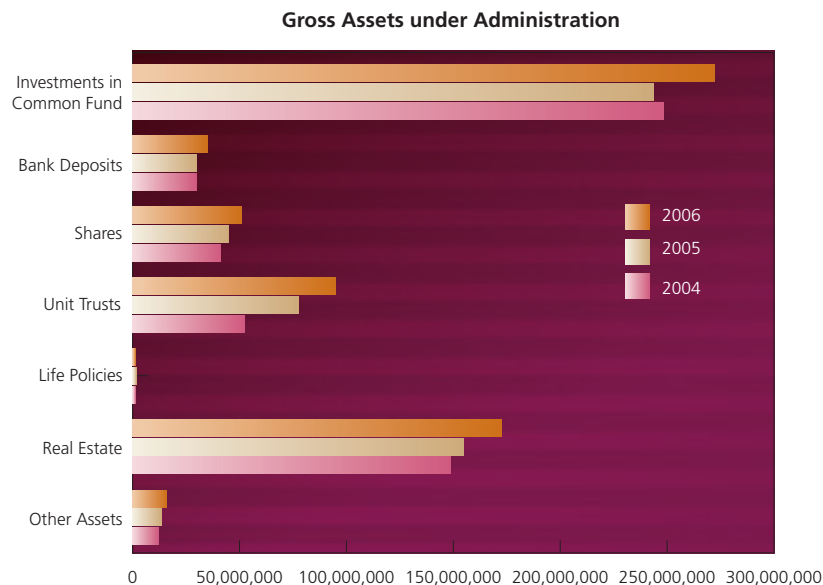
The Investments section manages the Common Fund and the individual investment portfolios of larger value trusts. This is achieved through supervision of individual portfolios for clients with investment needs that cannot be met through the Common Fund. The licensed financial planner, who has been selected by the Public Trustee through a tender process, prepares the portfolios. 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. This ensures the investments are consistent with the needs of the client and meet the Public 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 return all up-front and trail commissions to the client and the Public Trustee does not receive a commission on this service. The total value of these individual portfolios is more than \$150 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 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.



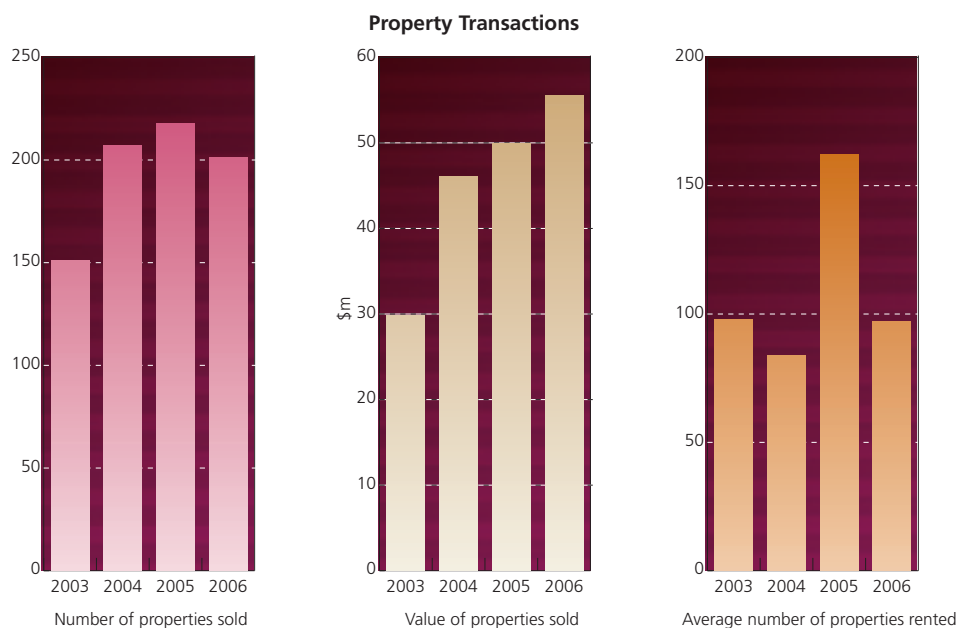
## Gross Assets under Administration



The Public Trustee office building, which is a major asset of the Common Fund, became fully leased over the financial year, aside from a small retail shop which is still available, and there is keen interest in this space. There are some capital works to be completed on the building but these are relatively small in value and will protect and maintain the asset.

The property function of the Investments section manages the sale and purchase of properties on behalf of trust and deceased estate clients. The Investment section is responsible for appointing and liaison with the real estate agent, checking contract documentation, and for ensuring that the transaction is properly completed. The Client Services directorate liaises with the beneficiaries and families during this process.

A particular challenge for the Investments section in any year is the management of client expectations of the value of properties. In a rising market the historically based valuations are usually lower than the amounts that will be achieved at sale but in a softening market the valuation and the expectations of clients can be higher than the market is willing to pay. Valuations and market appraisals are always collected and compared to assist the clients and Client Services staff to set realistic sale and purchase prices for all properties handled by the Public Trustee.



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 liaison 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

Susan Taylor is a 14 year-old-girl who is severely disabled as a result of injuries sustained in a motor vehicle accident. She now resides in Queensland where she enjoys greater family support and assistance. Susan is due to receive an award which will be secured in the form of a Court Trust.

It was ideal for Susan's special needs and would prevent the family from having to move twice, creating an urgency to procure the property.

The Public Trustee was approached by the solicitors acting for Susan to prepare an estimate of the fees payable for the management of the trust over the life of the client.

During an interview between Susan's mother and the Public Trustee it came to light that the family were interested in purchasing a property that was for sale close to their current rental. The landlord had served them with notice to vacate, they needed to move in a short time, but the award

enabling them to buy the property was still some way off settling.

Susan's solicitor had done some research but was unsure of the best way to proceed to ensure they secured the property immediately. It was ideal for Susan's special needs and would prevent the family from having to move twice, creating an urgency to procure the property.

The Investment Section worked with Susan's solicitors and the Public Trustee of Queensland to prepare and execute a contract with the current owners of the property. The agreement is that Susan and her family can live in the property as tenants until the settlement of the award, at which time the trust would secure the property at the agreed price. This agreement enables Susan's family to secure the property, protects the Public Trustee and Susan's mother in the event the settlement is delayed, and the family need only move house once.

The family is happy to have secured their perfect house at the current asking price and removed any doubt about their living arrangements.

The Public Trustee of WA will continue to manage the property and Susan's financial and legal affairs once the award is made.

*Names and some details have been changed to protect our clients.*

## Taxation Services

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.

The Tax Manager, who is also a registered tax agent also provides training for trust and estate managers and advises on complex tax matters to provide the most effective outcomes for trusts under administration. Taxation Services lodged 1,196 tax returns in 2006.

## Contracts Management

Contracts Management oversees the letting and management of contracts for the provision of services and supplies to the Public Trustee. The contracts are managed in accordance with Western Australian Public Service requirements and where required in conjunction with the 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 oversees the due diligence of all contracts. The committee also supports and provides guidance to the Contracts Manager. During the year the committee approved contracts for the provision of a realty valuation service, provision of a search, inventory and removal service, and provision of a real estate settlement service. 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. Trust Managers have the authority to approve payments in advance. This has resulted in significant time savings and reduced workloads, which means that Client Services staff are able to devote more time to client liaison and support.

The Business Support section has been involved in the implementation of the whole of Department of the Attorney General Record Management Project. This project introduced new software and technology, including document imaging, and improved file tracking systems by aligning some operational and record keeping databases. This is a large undertaking and will be continuing over a number of years.

## The Future

In 2007 the Business Services directorate will:

- Prepare investment policies for expected legislative changes to the *Public Trustee Act*; and
- Continue with the alignment of operational and records databases.

## CORPORATE SUPPORT SERVICES

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
- Human Resources
- Information Technology
- Internal Audit

### Finance

The Finance section provides the financial management and reporting functions within the Public Trustee. The section assists the Corporate Executive in delivering financial outcomes consistent with its financial targets. This is achieved through the provision of regular analysis and advice on the Public Trustee's finances, thereby ensuring that the Corporate Executive is fully informed of the current financial position when making decisions. This, in turn, results in sound financial management outcomes being attained. Information prepared by the section includes monthly Operation Reports and Expenditure Forecasts, quarterly Key Performance Indicator analysis, Budget analysis and Budget Statement preparation.

During 2006 Finance was responsible for managing a consolidated operational expenditure budget of \$12.6 million and a revenue budget of \$9.3 million. This involved liaison with the Department of the Attorney General to ensure the requirements of the Public Trustee were addressed in meeting their financial and strategic targets.

Finance effectively manages the Public Trustee Common Fund Bank Account, which averaged a balance of \$9.3 million throughout the 2006 financial year. This involved the coordination of a significant volume of financial transactions relating to clients' trust money, with receipts exceeding \$288 million and disbursements in excess of \$281 million.

Finance conducted a review of the new standards issued by the Australian Accounting Standards Board in relation to the adoption of international accounting standards. The process required extensive analysis of the new standards to allow the Public Trustee to meet its reporting obligations during the transition to Australian Equivalents to International Financial Reporting Standards.



## Internal Audit

The 2005/06 Internal Audit Plan focuses on three main areas:

- Estate Management
- Financial Processes, and
- Investments

Each review conducted by Internal Audit identified further opportunities for improvement and also highlighted many areas of strength. Where appropriate, corrective action was undertaken to address and further strengthen internal controls.

The Audit Committee, which oversees the management of the Internal Audit function, met twice during the year. Its primary 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 includes the Office of the Auditor General, RiskCover and the Department of Attorney General.

## Information Technology

During this reporting period, the Information Systems Branch continued to deliver a seam-less service to the staff of the Public Trustee.

A major focus over the past year has involved upgrading critical hardware and software components of the network as well as replacing aging PCs and printers. The objective of the recent upgrades was to minimise the risk of business systems failing, which in turn ensures the continuation of efficient delivery of Public Trustee services to the public.

The program of works undertaken included:

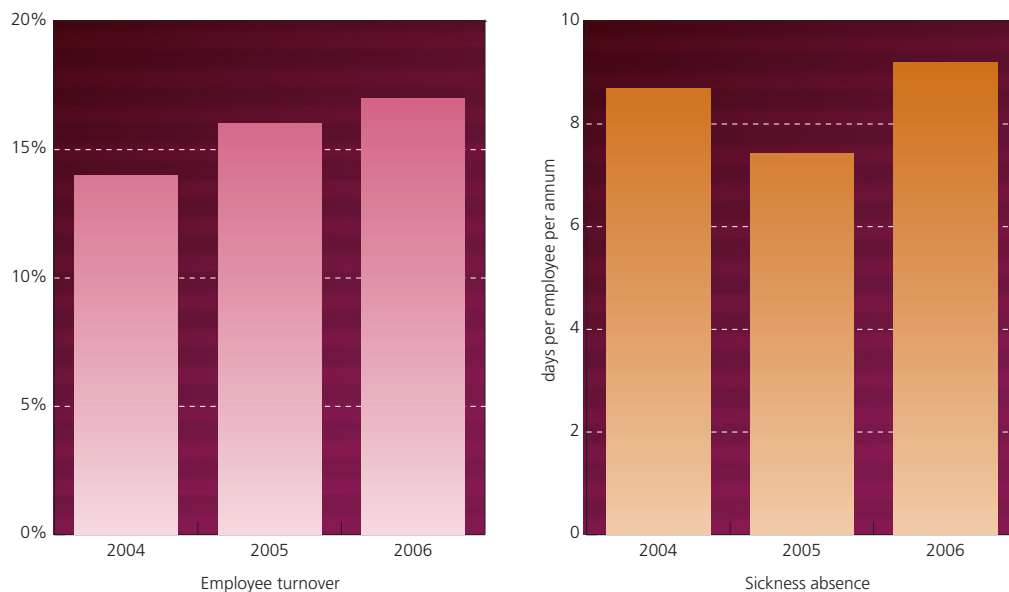
- Implementing changes to our core systems application (MATE) which provided staff with improvements in business processing;
- Upgrading the MATE application servers;
- Upgrading all PCs to the Department's Standard Operating Environment (SOE);
- Upgrading the Voice-mail and PABX interface software and hardware;
- Implementing the Public Trustee's digital marketing software; and
- Updating policies and procedures associated with information systems and technology.

In addition, a strategic IT review was commissioned in May and recommendations are due for consideration in August.

## Human Resources

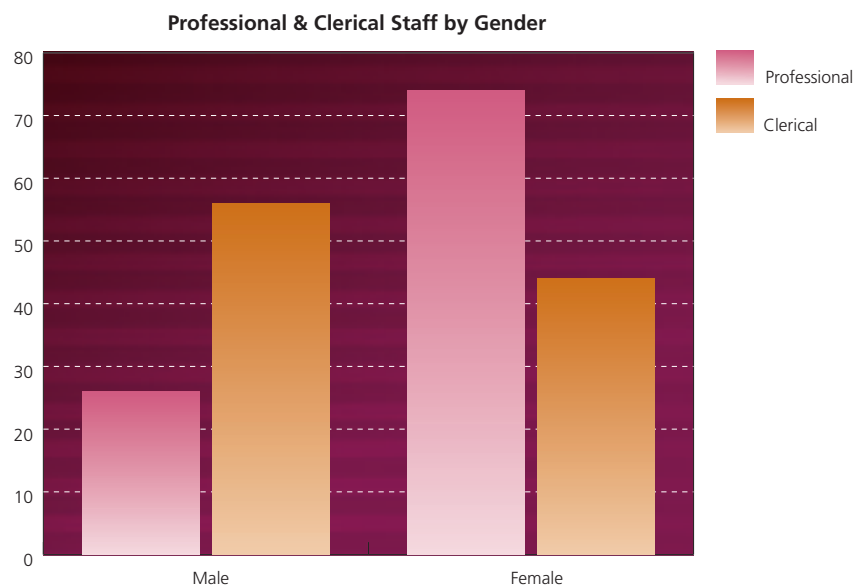
During the year the Human Resources branch continued to work on developing strategies to address the recruitment and retention of staff in the Public Trustee. A review of the work value undertaken by positions in the Public Trustee led to the re-classification of a number of positions, across most areas of the Office. A total of 84 positions were re-classified and it is believed that this will have a significant impact on the retention of staff within the Public Trustee.

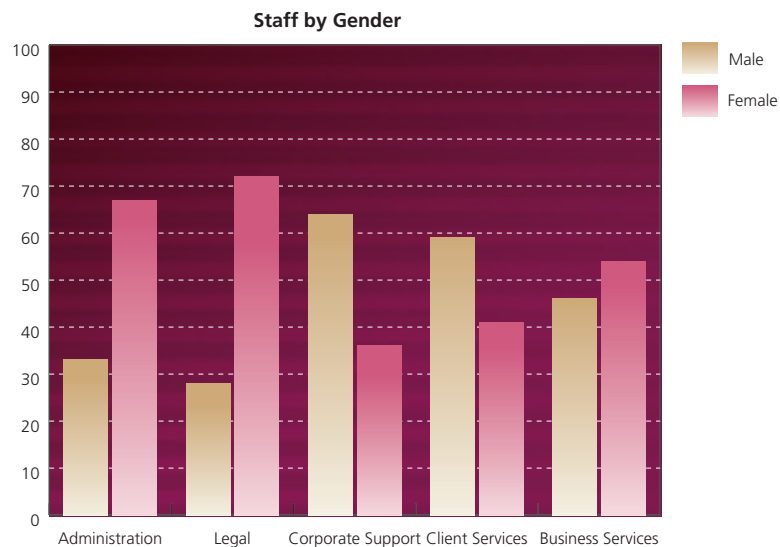
Employee turnover has increased slightly from 16 per cent to 17 per cent, but it remains within acceptable industry standards.



## Number of Full Time Equivalent staff

The number of employees at 30 June 2006 was 130.6 compared to 131.8 the previous year. Next year this figure is expected to increase by six due to the creation of an additional team in the Trust Management Branch.





- 12 officers undertook a course in Dealing with Difficult Clients.
- 5 officers undertook various levels of training in Excel, Word and Outlook.
- 2 officers attended management development courses designed to prepare them for future management roles.
- 47 officers attended Job Application and Interview Skills training.
- 6 officers attended Recruitment, Selection and Appointment training.
- 6 officers attended Train Small Groups Course.
- 2 officers attended Equal Employment Opportunity training.

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

This year 24 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 2007.

## 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 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 on a quarterly basis with additional regular briefings for staff at managerial level.
- Dissemination of the Department of the Attorney General Human Resource policy and procedures through workshops and seminars.

## 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 parts 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 2006, an annual compliance audit was conducted and it was found that the Public Trustee was compliant with all standards.

An employee assistance program provides staff with access to professional counselling for any personal or work-related problems. In 2005/06, 13 staff or their family members used this service.

## The Future

In 2007, the Corporate Support directorate will endeavour to:

- Actively participate in the development of a business framework for long-term viability of the Public Trustee.
- Implement approved recommendations from the Information Systems Review.
- Review training needs and implement a development and learning program.
- Further identify and refine strategies to enhance staff recruitment and retention.
- Assist in developing a strategic vision.
- Continue to identify and promote strategic relationships with key stakeholder groups.
- Continue to enhance corporate governance through compliance and establishment of new initiatives.
- Further develop and improve information and knowledge management capacity.

## 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 consists of five full time and three part-time lawyers, two law clerks, a legal secretary and a clerk. One or two articled clerks on rotation from the State Solicitor's Office and Director of Public Prosecutions are also part of the team.

The Legal Services section provides a comprehensive service similar to a private legal practice. Lawyers generally conduct their own litigation, appearing in the Supreme, District, Magistrates and Family Courts and the State Administrative Tribunal. 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 342 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, recovery of misappropriated assets, personal injuries claims and family law proceedings.

### CASE STUDY

Mr Thomas Moore, a war veteran, never married and had no children. In his twilight years in June 2003, he made a will appointing the Public Trustee Executor. His last will gifted a small amount of cash each to his only niece and nephew, both adults. The balance of his estate was to go to a local charity.

In December 2003, Thomas gave power of attorney to his nephew, Mr Joseph Jones.

Thomas died in January 2005, and the Public Trustee, after obtaining a grant of probate from the Supreme Court, began its executorial duties. An examination of the bank statements of the deceased revealed an unusual transaction involving a withdrawal of almost half a million dollars by Joseph from Thomas' savings account. The transaction was executed by Joseph whilst he was the donee of the enduring power of attorney.

Further enquiries by the Public Trustee Legal Officer revealed that Joseph had purported to have Thomas sign an authority in relation to the transaction, prepared by Joseph. The 'authority' was originally for \$50,000 which was later altered by Joseph to a sum substantially greater.

Counsel was engaged to advise on the realistic prospects of success in proceeding against Joseph for undue influence and unconscionable conduct concerning the transaction worth almost half a million dollars, and which benefited Joseph whilst he was the donee of an enduring power of attorney from Thomas. The bank transaction frustrated Thomas' intention. His intended beneficiary, the local charity, would not have received the substantial gift that he presumably intended had Joseph succeeded in keeping the money.

After considerable correspondence between the Public Trustee's solicitor and the solicitor for the nephew, the money was returned to Thomas' estate, with interest. The charity was extremely happy with this most pleasing result.

*Names and some details have been changed to protect our clients.*

## CORPORATE GOVERNANCE

The Public Trustee is a body corporate and is responsible for the administration of the Public Trustee, 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, and the Principal Legal Officer make up the Corporate Executive of the Public Trustee. 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 Trustee 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 Trustee.

MEMBERSHIP: The Public Trustee, Director Business Services, Director Client Services, Principal Legal Officer 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, Principal Legal Officer, a representative from the Office of the Auditor General, the Manager Internal Audit from the Department of Attorney General, Internal Audit Manager 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 investment 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 and Director Client 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, Principal Legal Officer, 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 Business Services, a representative from the Department of the Attorney General Contracts and Services Branch and/or a representative from the Department of Treasury and Finance.

### Department of the Attorney General Committees

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

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

### 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 Trustee is a Statutory Authority within the provisions of the *Financial Administration and Audit Act* and operates as a division within the Department of the Attorney General.

The operational expenses of the Public Trustee form part of the appropriation for the Department of the Attorney General.

## 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 the Public Trustee

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 Attorney General for the administration of the *Public Trustee Act 1941*.

## STATEMENT OF COMPLIANCE WITH RELEVANT LEGISLATION

In the management of the Public Trustee, 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 handwritten signature in black ink, appearing to read 'John Skinner', with a long horizontal line extending to the right.

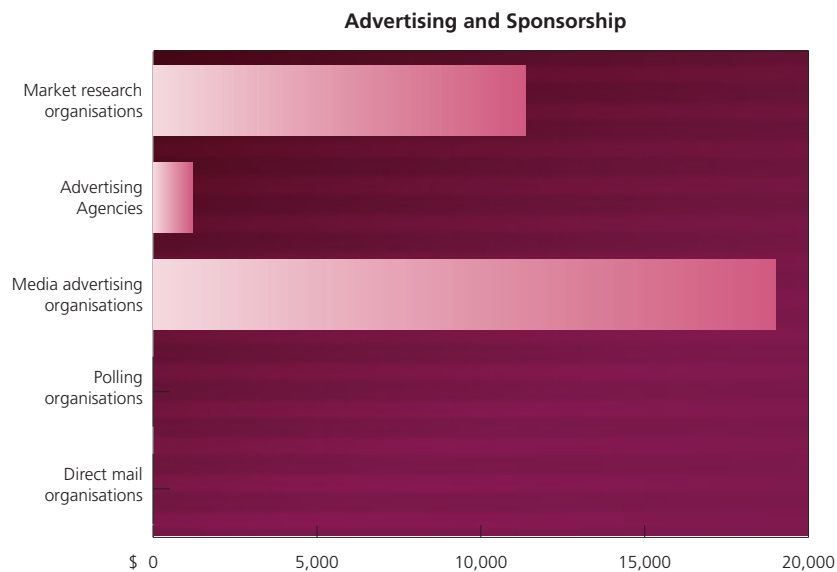
**John Skinner**  
PUBLIC TRUSTEE

28 September 2006

## OTHER DISCLOSURES

### Advertising and Sponsorship

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



### Publications

The following publications may be obtained from our office:

- Code of Conduct
- F.O.I. Information Statement
- Annual Reports
- Standards of Service Charter
- Who We Are, What We Do
- Protecting Your Trust
- Representing Your Interests
- Private Administrators Guide
- Fees schedules

## Freedom of Information

Business Support section dealt with six applications received under the *Freedom of Information Act*. Five of the applications requested of non-personal information and one requested for personal information about the applicant. Access was provided in full to three, and one was refused. The remainder of applicants were given access in another form. There was only one exemption. The average time to process an application was fifteen days from time of receipt to notice of decision.

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 the Attorney General 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 Attorney General'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 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, 357 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 covers 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 2005, 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 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.

**Table 1**

	<b>Baseline (FY 2001/02)</b>	<b>FY 2005/06</b>	<b>Variation</b>
Energy Consumption (MJ)	1,294,000	894,000	- 30.91% (decrease)
Energy Cost	\$42,686	\$63,680	
Greenhouse emissions (tonnes)	331	223	
<b>Performance Indicators</b>			
MJ/Area (m <sup>2</sup> )/annum	332	305	
MJ/FTE	9,950	6,640	

*Note: Above information was provided by the Energy Data Gathering and Reporting System.*

During the year the following energy saving initiatives were undertaken:

The Public Trustee as building owner has capitalised on the infrastructure work completed in previous years and continues to more efficiently use power by:

- Monitoring tenant needs and responding to actuals; and
- Monitoring temperatures for consistency (maintaining consistent temperature uses less power than compensating for highs and lows).

Public Trustee as tenant has:

- Followed strict procedures of energy conservation such as turning off personal computers and lights when not required; and
- Programmed for replacing standard monitors with flat screens which produce less heat and substantially reduce air conditioning costs.

## STATEMENT OF COMPLIANCE WITH PUBLIC SECTOR STANDARDS

In the administration of the Public Trustee, 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 of the Attorney General.

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 2
- Number of breaches Nil
- Number still under review Nil



**John Skinner**

BSc, Grad. Dip., FP  
Accountable Authority

28 September 2006

## CERTIFICATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

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 2006 and the financial position as at 30 June 2006.

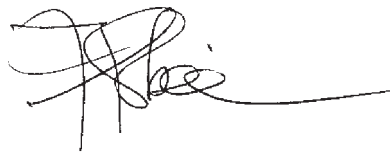
At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



**Terry Hearn**

B Bus, Assoc Dip Bus, ASA  
Chief Finance Officer

13 September 2006



**John Skinner**

B Sc, Grad. Dip FP  
Accountable Authority

13 September 2006



## INCOME STATEMENT

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>COST OF SERVICES EXPENSES</b>			
Write offs	6	35,799	38,099
Other expenses		198,360	–
Employee benefits expense	7(a), 7(b)	8,297,443	7,889,780
Computer services	7(a)	262,992	271,459
Administration expenses	7(a)	1,708,790	1,869,907
Accommodation expenses	7(a)	569,442	899,659
Corporate service expenses	7(a)	1,184,365	1,076,759
<b>Total expenses before payments to Consolidated Fund</b>		12,257,191	12,045,663
Fees paid to the Consolidated Fund	8	7,820,712	7,456,073
Surplus Common Fund Interest paid to Consolidated Fund	9	903,227	1,092,432
<b>Total cost of services</b>		20,981,130	20,594,168
<b>INCOME</b>			
Fees raised from Estates and Trusts	2(i)	6,803,266	6,501,515
Public Trustee 6% fee from Common Fund	2(i), 24(a)	1,017,446	954,558
Receipts from Common Fund Surplus Interest	2(i), 9, 24(a)	903,227	1,092,432
Interest revenue	2(i), 24(a)	520,561	496,191
Other revenue	2(i)	14,554	120,134
<b>Total Income other than income from State Government</b>		9,259,054	9,164,830
<b>Net Cost of Service before Income from State Government</b>	13(b)	(11,722,076)	(11,429,338)
<b>INCOME FROM STATE GOVERNMENT</b>			
Liabilities assumed by the Treasurer	7(b)	371,503	387,347
Resources received free of charge from the Department of the Attorney General	7(a), 19	11,651,529	11,620,217
<b>Total income from State Government</b>		12,023,032	12,007,564
<b>SURPLUS FOR THE PERIOD</b>		<b>300,956</b>	<b>578,226</b>

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

## BALANCE SHEET

As at 30 June 2006

	Note	2006 \$	2005 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash – Investment in Common Fund	13(a)	9,712,696	9,424,345
<b>Total Current Assets</b>		9,712,696	9,424,345
<b>TOTAL ASSETS</b>		<b>9,712,696</b>	<b>9,424,345</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued fees payable to Consolidated Fund	11	258,553	275,843
Tax liabilities	12	175,109	170,424
<b>Total Current Liabilities</b>		433,662	446,267
<b>TOTAL LIABILITIES</b>		<b>433,662</b>	<b>446,267</b>
<b>NET ASSETS</b>		<b>9,279,034</b>	<b>8,978,078</b>
<b>EQUITY</b>			
Indemnity reserve	10(a)(i)	3,172,421	2,792,743
General reserve	10(a)(ii)	3,230,000	3,030,000
Superannuation fund reserve	10(a)(iii)	2,450,592	2,648,932
Retained Earnings	10(b)	426,021	506,403
<b>TOTAL EQUITY</b>		<b>9,279,034</b>	<b>8,978,078</b>

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>Balance of equity at start of period</b>		8,978,078	8,399,852
<b>CONTRIBUTED EQUITY</b>			
Balance at start of period		–	–
Capital Contribution		–	–
Other contributions by owners		–	–
Distributions to owners		–	–
Balance at end of period		–	–
<b>RESERVES</b>			
<b>Indemnity Reserve</b>			
Balance at start of period		2,792,743	2,623,262
Changes in accounting policy or correction of prior period errors		–	–
Restated balance at start of period		2,792,743	2,623,262
Transfers to reserves		379,678	169,481
Balance at end of period	10(a)(i)	3,172,421	2,792,743
<b>General Reserve</b>			
Balance at start of period		3,030,000	2,530,000
Changes in accounting policy or correction of prior period errors		–	–
Restated balance at start of period		3,030,000	2,530,000
Transfers to reserves		200,000	500,000
Balance at end of period	10(a)(ii)	3,230,000	3,030,000
<b>Superannuation Reserve</b>			
Balance at start of period		2,648,932	2,648,932
Changes in accounting policy or correction of prior period errors		–	–
Restated balance at start of period		2,648,932	2,648,932
Transfers from reserves		(198,340)	–
Balance at end of period	10(a)(iii)	2,450,592	2,648,932

**STATEMENT OF CHANGES IN EQUITY (CONTINUED)***For the year ended 30 June 2006*

	<b>Note</b>	<b>2006</b>	<b>2005</b>
		<b>\$</b>	<b>\$</b>
<b>RETAINED EARNINGS</b>			
Balance at start of period		506,403	597,658
Net adjustment on transition to AIFRS		–	–
Changes in accounting policy or correction of prior period errors		–	–
Restated balance at start of period		506,403	597,658
Surplus/(deficit) for the period		300,956	578,226
Transfer (to)/from reserves		(381,338)	(669,481)
Gain/(loss) recognised directly in equity		–	–
Balance at end of period	10(b)	426,021	506,403
<b>Balance of equity at end of period</b>		<b>9,279,034</b>	<b>8,978,078</b>
<b>Total income and expense for the period</b>		<b>300,956</b>	<b>578,226</b>

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

## CASH FLOW STATEMENT

For the year ended 30 June 2006

	Note	2006 Inflows (Outflows) \$	2005 Inflows (Outflows) \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Fees raised from Estates and Trusts		6,748,372	6,477,888
Public Trustee 6% fee from Common Fund		1,017,446	954,558
Receipts from Common Fund Surplus Interest		903,227	1,092,432
Interest received from Common Fund		520,561	496,191
GST receipts on fees		816,314	807,665
Other revenue		14,554	120,134
<b>Payments</b>			
Other expenditure		(198,360)	–
GST payments on purchases		(52,155)	(167,678)
GST payments to taxation authority		(740,379)	(658,091)
<b>Net Cash provided by operating activities</b>	13(b)	9,029,580	9,123,099
<b>CASH FLOWS TO STATE GOVERNMENT</b>			
Fees paid to Consolidated Fund		(7,838,002)	(7,428,123)
Surplus Common Fund Interest	9	(903,227)	(1,092,432)
<b>Net Cash provided to State Government</b>		(8,741,229)	(8,520,555)
<b>Net increase in cash and cash equivalents</b>		<b>288,351</b>	<b>602,544</b>
Cash and cash equivalents at the beginning of period		9,424,345	8,821,801
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	13(a)	<b>9,712,696</b>	<b>9,424,345</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30 June 2006*

### Note 1. First time adoption of Australian equivalents to International Financial Reporting Standards

#### **General**

This is the Public Trustee's first published financial statements prepared under Australian equivalents to International Financial Reporting Standards (AIFRS).

Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements. Until 30 June 2005, the financial statements of the Public Trustee had been prepared under the previous Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprise a Framework for the Preparation and Presentation of Financial Statements, Australian Accounting Standards and the Urgent Issue Group (UIG) Interpretations.

In accordance with the option provided by AASB 1 paragraph 36A and exercised by Treasurer's Instruction (TI) 1101 'Application of Australian Accounting Standards and Other Pronouncements', financial instrument information prepared under AASB 132 and AASB 139 will apply from 1 July 2005 and consequently comparative information for financial instruments is presented on the previous AGAAP basis. The only difference applicable to the Public Trustee is that AASB 132 requires interest rate groupings by each individual year up to "more than 5 years", whereas AGAAP has a combined group of "more than one and less than 5 years". All other comparative information is prepared under the AIFRS basis.

#### **Early adoption of standards**

The Public Trustee cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. This TI requires the early adoption of revised AASB 119 'Employee Benefits' as issued in December 2004, AASB 2004-3 'Amendments to Australian Accounting Standards'; AASB 2005-3 'Amendments to Australian Accounting Standards [AASB 119]'; AASB 2005-4 'Amendments to Australian Accounting Standard [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]' and AASB 2005-6 'Amendments to Australian Accounting Standards [AASB 3]' to annual reporting period 1 July 2005. AASB 2005-4 amends AASB 139 'Financial Instruments: Recognition and Measurement' so that the ability to designate financial assets and financial liabilities at fair value is restricted. AASB 2005-6 excludes business combinations involving common control from the scope of AASB 3 'Business Combinations'. As a result early adoptions of these standards there is no difference between AGAAP and AIFRS.

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are provided at note 25 'Reconciliations explaining the transition to Australian equivalents to International Financial Reporting Standards (AIFRS)'.

## Note 2. Summary of significant accounting policies

### 2(a) (i) **General Statement**

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

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

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.

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

### (ii) **Basis of Preparation**

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, modified by the revaluation of property, which is measured at fair value.

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

The financial statements are presented in Australian dollars (\$), rounded to the nearest whole dollar.

The judgements that have been made in the process of applying the Public Trustee's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed on note 3. 'Judgments made by management in applying accounting policies'.

The assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed at note 4. 'Key sources of estimation uncertainty'.

### (iii) **Reporting Entity**

The reporting entity comprises of the Public Trustee.



**2(b) Investments (Common Fund)**

Investments have been brought to account as follows:

(i) Mortgages:

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

(ii) Property:

The building is recorded at fair value – refer note 24(g) (ii). The revaluation of the property is provided independently by the Valuer General's Office and is recognised in the financial statements.

(iii) Money Market Investments (Cash Equivalent):

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.

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

**2(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 24(b) and 24(h). Details of receipts and payments in the individual estates and trusts are not shown in the financial statements.

**2(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 10(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 24(ii)).

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

The Department of the Attorney General 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 the Attorney General's Financial Statements (refer Note 7 & 19).

**2(f) Foreign Currency Translation**

Transactions denominated in a foreign currency are translated at the rates in existence at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange current at reporting date. Exchange gains and losses are brought to account in determining the result for the year.

**2(g) Comparative Information**

Comparative figures have been restated on the AIFRS basis except for financial instruments, which have been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. The transition date to AIFRS for financial instruments is 1 July 2005 in accordance with the exemption allowed under AASB 1, paragraph 36A and Treasurer's Instruction 1101.

2(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). (AASB 139.46(c)).

2(i) **Revenue recognition**

Revenue is measured at fair value of consideration received or receivable. Revenue is recognised for business activities as follows:

1. Fees raised from Estates and Trusts are recognised on delivery of the service to the client.
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, using the effective interest rate method.
5. Other revenue is recognised at the time of the transactions occurrence.

2(j) **Resources received free of charge or for a nominal consideration**

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

2(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.

2(l) **Receivables**

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Public Trustee will not be able to collect the debts. The carrying amount is equivalent to fair value.

2(m) **Payables**

Payables are recognised at the amounts payable when the Public Trustee becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value.

**2(n) Impairment of Assets****(i) Non-current Assets**

Non-current Assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Public Trustee is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of the asset's fair value less cost to sell and the depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's amortisation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the recorded value reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

**(ii) Financial Assets**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the assets is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

**2(o) Disclosure of changes to accounting policy and estimates**

For all periods up to and including the year ended 30 June 2005, the Public Trustee prepared its financial statements in accordance with Australian Generally Accepted Accounting Practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Public Trustee is required to prepare in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly the Public Trustee has prepared financial statements that comply with AIFRS applicable for the period beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Public Trustee has started from an opening balance sheet as at 1 July 2004, the Public Trustee's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 'First-time adoption of AIFRS'.

Note 25 explains the adjustments made to the Public Trustee in restating its AGAAP balance sheet at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005. This note sets out the key areas where accounting policies changed on adoption of AIFRS and the quantitative impact of the changes at the date of transition and 30 June 2005.

*Future impact of Australian Accounting Standards not yet operative*

The Public Trustee cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. As referred to in Note 1, TI 1101 has only mandated the early adoption of revised AASB 119, AASB 2004-3, AASB 2005-3, AASB 2005-4 and AASB 2005-6. Consequently, the Public Trustee has not applied the following Australian Accounting Standards and UIG Interpretations that have been issued but are not yet effective. These will be applied from their application date:

- AASB 7 'Financial instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB132, AASB 101, AASB 114, AASB 117, AASB133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007. The Standard is considered to result in increased disclosures of an entity's risks, enhanced disclosure about components of a financial position and performance, and changes to the way of presenting financial statements, but otherwise there is no financial impact.
- AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Public Trustee does not under take these types of transactions resulting in no financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2006.
- UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease'. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purpose of applying AASB 117 'Leases'. At reporting date, the Public Trustee has not entered into any arrangements as specified in the Interpretation resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2006.

The following amendments are not applicable to the Public Trustee as they will have no impact:

<b>AASB Amendment</b>	<b>Affected Standards</b>
2005-1	AASB 139 (Cash flow hedge accounting of forecast intragroup transactions).
2005-5	'Amendments to Australian Accounting Standards [AASB1 & AASB 139]'.
2006-1	AASB 121 (Net investment in foreign operations).
UIG 5	'Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'.
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electrical Equipment'.
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.
UIG 8	'Scope of AASB 2'
UIG 9	'Reassessment of Embedded Derivatives'

(i) Exemptions applied

AASB 1 allows first-time adopters certain exemptions from the general requirements to apply AIFRS retrospectively. The Public Trustee has applied the following exemption:

- Comparative information for financial instruments is prepared in accordance with AGAAP and the Public Trustee has adopted AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments; Recognition and Measurement' from 1 July 2005.

- (ii) Adjustments to assets presented under AGAAP to that under AIFRS for the Public Trustee Common Fund Account

Under AASB 107 Cash Flow Statements short-term money market investments that are convertible to cash but not at the investor's option are to be recognised as cash. Consequently more items may be considered as cash in accordance with AASB 107 than under AASB 1026. AASB 107.7 defines cash equivalents as held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. AASB107.9 Cash flow excludes movements between items that constitute cash or cash equivalents because these components are part of the cash management of an entity rather than part of its operating, investing and financing activities. Cash management includes the investment of excess cash in cash equivalents. The impact of this difference is an increase in current assets of cash and cash equivalents of \$230,000,000 and a decrease in non current assets of \$230,000,000.

- (iii) Adjustments of equity as presented under AGAAP to that under AIFRS

There are no material differences between the value of equity presented under AIFRS and the value of equity as presented under AGAAP.

- (iv) Adjustments of net profit under AGAAP to that under AIFRS.

There are no material differences between the value of surplus presented under AIFRS and the value of surplus as presented under AGAAP.

- (v) Adjustments to AIFRS Statement of Cash Flows for the year ended 30 June 2005 for the Public Trustee Common Fund Accounts.

As per (ii) above the value of cash & cash equivalents increases by \$230,000,000, to reflect the broader interpretation of Cash & Cash Equivalents under AIFRS to AGAAP.

For further details on AGAAP to AIFRS adjustments refer to note 25.

### Note 3. Judgements made by management in applying accounting policy

One judgement made during the year was to apply the market growth rate in similar CBD property values to the fair value of the Common Fund Building Property. The judgement was to apply the lower range growth rate provided by the Property Manager as the Common Fund Building is a "Class B" property and is likely to have experienced the lower growth in value.

### Note 4. Key sources of estimation uncertainty

There has been one key estimate and assumption made concerning the valuation of the Common Fund Building Property. The property has been valued using the estimated growth in similar property values during the financial year, as provided by the Property Manager, to derive the fair value of the building, as no building revaluation was performed as at 30 June 2006. There are no other key sources of estimation uncertainty at the reporting date that have had a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year.

### Note 5. 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 that 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 6. Write offs

The amount of \$35,799 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*.

	2006 \$	2005 \$
<b>Write Offs</b>	<b>35,799</b>	<b>38,099</b>

### Note 7. Income from State Government

#### (a) Resources Received Free of Charge from the Department of the Attorney General

The operational costs of the Public Trustee are funded from the Public Trust Administration program of the Department of the Attorney General. The Department of the Attorney General was created as part of the recommendations from the Justice Mahoney Inquiry into the Management of Offenders in Custody and in the Community tabled in Parliament on 23 November 2005. One of the recommendations was to separate the Department of Justice into two – Department of the Attorney General and Department of Corrective Services, this was effective 1 February 2006.

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

	2006 \$	2005 \$
<b>Operating Expenses</b>		
Employee benefits expense		
Salaries	7,250,442	6,788,160
Superannuation and pension	675,498	714,273
Computer Services	262,992	271,459
Administration expenses	1,708,790	1,869,907
Accommodation expenses	569,442	899,659
Corporate Service expenses	1,184,365	1,076,759
	<b>11,651,529</b>	<b>11,620,217</b>

**(b) Liabilities assumed by the Treasurer**

The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension Scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation Scheme.

	2006 \$	2005 \$
<b>Operating Expenses</b>		
Employee benefits expense		
Superannuation and pension	371,503	387,347
	<b>371,503</b>	<b>387,347</b>

**Note 8. 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*.

	2006 \$	2005 \$
<b>Fees paid to the Consolidated Fund</b>	<b>7,820,712</b>	<b>7,456,073</b>

**Note 9. 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 8, 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.

	2006 \$	2005 \$
<b>Public Trustee Common Fund Surplus Interest</b>	<b>903,227</b>	<b>1,092,432</b>



## Note 10. Equity

### 10(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	2006 \$	2005 \$
<b>Total Reserves</b>			
Opening balance		8,471,675	7,802,194
ADD Transfer to Reserves		580,678	677,481
LESS Transfer from Reserves		(199,340)	(8,000)
<b>Closing balance</b>		<b>8,853,013</b>	<b>8,471,675</b>
<b>Represented by:</b>			
<b>Indemnity Reserve</b>			
Opening Balance		2,792,743	2,623,262
ADD Transfer to Reserves		380,678	177,481
LESS Transfer from Reserves		(1,000)	(8,000)
<b>Closing Balance</b>	10(a)(i)	<b>3,172,421</b>	<b>2,792,743</b>
<b>General Reserve</b>			
Opening Balance		3,030,000	2,530,000
ADD Transfer to Reserves		200,000	500,000
LESS Transfer from Reserves		—	—
<b>Closing Balance</b>	10(a)(ii)	<b>3,230,000</b>	<b>3,030,000</b>
<b>Superannuation Reserve</b>			
Opening Balance		2,648,932	2,648,932
ADD Transfer to Reserves		—	—
LESS Transfer from Reserves		(198,340)	—
<b>Closing Balance</b>	10(a)(iii)	<b>2,450,592</b>	<b>2,648,932</b>
<b>Total Balance of Reserves</b>		<b>8,853,013</b>	<b>8,471,675</b>

(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.

(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.

## (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.

## 10(b) Retained Earnings

	2006	2005
	\$	\$
Opening balance	506,403	597,658
Surplus	300,956	578,226
Transfer to reserves	(580,678)	(677,481)
Transfer from reserves	199,340	8,000
<b>Closing balance</b>	<b>426,021</b>	<b>506,403</b>

## Note 11. Accrued Fees payable to the Consolidated Fund

	2006	2005
	\$	\$
<b>Accrued fees payable to the Consolidated Fund</b>	<b>258,553</b>	<b>275,843</b>

## Note 12. Tax liabilities

	2006	2005
	\$	\$
<b>GST payable</b>	<b>175,109</b>	<b>170,424</b>

## Note 13. Notes to the Cash Flow Statement

13(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 Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2006 \$	2005 \$
<b>Cash – Investment in Common Fund</b>	<b>9,712,696</b>	<b>9,424,345</b>

13(b) **Reconciliation of net cost of service before income from state government to net cash flows provided by operating activities:**

	2006 \$	2005 \$
<b>Net Cost of Service before Income from State Government</b>	<b>(11,722,076)</b>	<b>(11,429,338)</b>
Non-cash items:		
Salaries	7,250,442	6,788,160
Superannuation and pension	1,047,001	1,101,620
Computer services	262,992	271,459
Administration expenses	1,708,790	1,869,907
Accommodation expenses	569,442	899,659
Corporate Service expenses	1,184,365	1,076,759
Reclassification:		
Fees paid to the Consolidated Fund	7,820,712	7,456,073
Surplus Common Fund Interest paid to the Consolidated Fund	903,227	1,092,432
Net GST receipts/(payments)		
Change in GST in payables	4,685	(3,632)
<b>Net cash provided by operating activities</b>	<b>9,029,580</b>	<b>9,123,099</b>

13(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 14. Remuneration 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, non-monetary benefits and other benefits, for the financial year, fall within the following bands are:

\$	2006	2005
10,001 – 20,000	1	–
20,001 – 30,000	–	–
30,001 – 40,000	–	–
40,001 – 50,000	–	–
50,001 – 60,000	1	–
140,001 – 150,000	–	1
<b>The total remuneration of members of the Accountable Authority is:</b>	<b>\$65,111</b>	<b>\$142,533</b>

The total remuneration includes the superannuation expense incurred by the Public Trustee in respect of members of the Accountable Authority.

J Skinner was appointed Public Trustee and Accountable Authority on 20 February 2006, J Skinner replaced AR (Nina) McLaren who retired on 31 October 2005.

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

**Remuneration of Senior Officers who are not members of the Accountable Authority**

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

\$	2006	2005
90,001 – 100,000	–	1
100,001 – 110,000	2	1
110,001 – 120,000	–	2
120,001 – 130,000	1	–
130,001 – 140,000	1	–
<b>The total remuneration of senior officers is:</b>	<b>\$462,350</b>	<b>\$432,061</b>

The total remuneration includes the superannuation expense incurred by the Public Trustee in respect of senior officers other than senior officers reported as members of the Accountable Authority.

No senior officers are members of the Pension Scheme.

## Note 15. Remuneration of auditor

Remuneration payable to the Auditor General for the financial year is as follows:

	2006 \$	2005 \$
The total fees paid (GST exclusive) or due and payable to the auditors of the Public Trustee for the financial year are:		
<b>Fees to the Auditor General</b>	<b>80,300</b>	<b>73,000</b>

## Note 16. Contingent liabilities & Commitments

### (a) Contingent Liabilities

In addition to the liabilities included in the financial statements, the Public Trustee has 5 matters where litigation against the Public Trustee may result. They involve potential claims for damages to the value of \$978,000 inclusive of court costs. All legal claims will be defended and consequently the Public Trustee believes the estimated liability will be minimal. As a result no liability has been recognised in the Financial Statements at 30 June 2006.

### (b) Commitments

The property lease is a non-cancellable lease with a five year term commencing July 2004, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require the minimum lease payments to be reviewed 1 July 2006, 1 July 2008, 1 July 2010 & 1 July 2012. An option exists to renew the lease at the end of the five year term for an additional five years.

	2006 \$	2005 \$
<b>Property Lease</b>		
Commitments for minimum lease payments are as follows:		
Within 1 year	352,200	214,850
Later than 1 year and not later than 5 years	784,888	1,137,088
Later than 5 years	—	—
	<b>1,137,088</b>	<b>1,351,938</b>

## Note 17. Impairment of assets

There were no indications of impairment to assets at 30 June 2006.

The Public Trustee held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use. There are no surplus assets held at 30 June 2006.

## Note 18. Financial instruments

### (a) Financial Risk Management Objectives and Policies

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

#### Credit Risk

The State Government guarantees all financial assets of the Public Trustee and therefore no credit risk exists in respect of those amounts. The Public Trustee trades only with recognised, creditworthy third parties. The Public Trustee has policies in place to ensure that services are provided to customers with an appropriate credit history. In addition, any receivables balances are monitored on an ongoing basis with the result that the Public Trustee's exposure to bad debts is minimal. There is no significant concentration of credit risk.

#### Liquidity risk

The Public Trustee has appropriate procedures to manage cash flows including draw downs of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments

#### Cash flow interest rate risk

The Public Trustee's exposure to market risk for changes in interest rates relate to cash which is invested in the Common Fund.

### (b) Financial Instrument disclosures

Financial instrument information for the year ended 2005 has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. Financial instruments information from 1 July 2005 has been prepared under AASB 132 'Financial Instruments: Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. See also note 2(g) 'Comparative figures'.

#### Interest Rate Risk Exposure

The Public Trustee's exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments, the following tables detail the exposure to interest rate risk as at the reporting date:

	Weighted average effective interest rate	Floating Interest Rate Maturity	Fixed Interest Rate Maturity						Non Interest Bearing	Total
			Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years		
2006	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>										
Investment in Common Fund	5.91	9,713	–	–	–	–	–	–	–	9,713
Total financial assets		9,713	–	–	–	–	–	–	–	9,713
<b>Financial Liabilities</b>										
Accrued fee	–	–	–	–	–	–	–	–	259	259
Tax liabilities	–	–	–	–	–	–	–	–	175	175
Total financial liabilities		–	–	–	–	–	–	–	434	434
<b>Net financial assets/ (liabilities)</b>		<b>9,713</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(434)</b>	<b>9,279</b>

	Weighted average effective interest rate	Floating Interest Rate Maturity	Fixed Interest Rate Maturities			Non Interest Bearing	Total
			1 year or less	1 to 5 years	Over 5 years		
2005	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>							
Cash – Investment in Common Fund	5.91	9,424	–	–	–	–	9,424
Total financial assets		9,424	–	–	–	–	9,424
<b>Financial Liabilities</b>							
Accrued fee		–	–	–	–	276	276
Tax liabilities		–	–	–	–	170	170
Total financial liabilities		–	–	–	–	446	446
<b>Net financial assets/(liabilities)</b>		<b>9,424</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(446)</b>	<b>8,978</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.

#### 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 2 to the financial statements.

### Note 19. 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 the Attorney General. Financial assistance was provided during the year – refer Note 7. Full details on the financial operations of the Public Trust Office are detailed in the Department of the Attorney General Annual Report.

### Note 20. 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 business and geographical segment and as defined in Paragraph AUS1.2 of AASB 114 'Segment Reporting' not-for-profit entities are not required to comply with this standard.

## Note 21. 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 the Public Trustee normal fees charged for trustee services and the 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 2006:

Opening Balance	Revenue	Expenditure	Closing Balance
\$	\$	\$	\$
6,026	–	(300)	5,726

## Note 22. Explanatory statement

### 22(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.

	2006 \$	2005 \$	Variance \$
<b>Income</b>			
Public Trustee Common Fund Surplus Interest	903,227	1,092,432	(189,205)
Other revenue	14,554	120,134	(105,580)
<b>Expenses</b>			
Other expenditure	198,360	–	(198,360)
Accommodation expenses	569,442	899,659	330,217
Corporate Service expense	1,184,365	1,076,759	(107,606)
Surplus Common Fund Interest paid to Consolidated Fund	903,227	1,092,432	189,205

### Public Trustee Common Fund Surplus Interest

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be Surplus Common Fund Interest. As detailed in Note 10, the Public Trustee determined to pay a reduced amount into the Consolidated Fund and retain a portion as reserves and retained profit.

### Other revenue

This figure represents collections from clients for services provided by third parties. A reduction in these expenses has resulted in a reduction to revenue.

### Other expenditure

This figure represents a payment from the superannuation reserve to the consolidated fund to finance the Gold State retirement benefits of two retiring Public Trust Office employees.

### Accommodation expenses

The Public Trust Office has in previous years been refurbishing their offices, these works were completed in 2005, resulting in a reduction in expenditure in 2006.



**Corporate Service expenses**

The variance is due to an increase in corporate services costs allocated by the Department of the Attorney General.

**Surplus Common Fund Interest paid to Consolidated Fund**

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be Surplus Common Fund Interest. As detailed in Note 10, the Public Trustee determined to pay a reduced amount into the Consolidated Fund and retain a portion as reserves and retained profit.

**22(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.

	2006 Estimates \$	2006 Actual \$	Variance \$
<b>Income</b>			
Fees raised from Estates and Trusts	5,602,800	6,803,266	1,200,466
Public Trustee Common Fund Surplus Interest	1,738,000	903,227	(834,773)
Other revenue	120,000	14,554	(105,446)
<b>Expenses</b>			
Other expenditure	–	198,360	(198,360)
Administration expenses	1,910,000	1,708,790	201,210
Fees paid to the Consolidated fund	6,541,000	7,820,712	(1,279,712)
Surplus Common fund interest paid to Consolidated Fund	1,738,000	903,227	(834,773)

**Fees raised from Estates and Trusts**

The variance is due to an increase in fees collected from both Estates and Trusts, resulting from increases in both Common Fund values and income commission generated from increased external client investment.

**Public Trustee Common Fund Surplus Interest**

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be Surplus Common Fund Interest. As detailed in Note 8, the Public Trustee determined to pay a reduced amount into the Consolidated Fund and retain a higher portion as reserves and retained profit.

**Other revenue**

This figure represents collections from clients for services provided by third parties. A reduction in these expenses has resulted in a reduction to revenue.

**Other expenditure**

This figure represents a payment from the superannuation reserve to the consolidated fund to finance the Gold State retirement benefits of two retiring Public Trust Office employees.

**Administration expenses**

The estimates quarantined an amount awaiting approval of the reclassification of 84 positions, once approved this amount was reallocated to Salaries and Wages.

**Fees paid to the Consolidated Fund**

The variance is due to an increase in fees collected from both Estates and Trusts, resulting from increases in both Common Fund values and income commission generated from increased external client investment.

**Surplus Common Fund Interest paid to Consolidated Fund**

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be Surplus Common Fund Interest. As detailed in Note 8, the Public Trustee determined to pay a reduced amount into the Consolidated Fund and retain a higher portion as reserves and retained profit.

**Note 23. 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 2006:****NET TRUST ASSETS UNDER ADMINISTRATION WERE:**

	<b>Note</b>	<b>2006 \$</b>	<b>2005 \$</b>
ESTATES AND TRUSTS			
Deceased Estates		126,489,585	103,490,224
Direct Action		2,597,285	2,132,578
Entitled Trusts		247,080,728	221,327,420
Protected Management		143,424,444	135,221,332
Testamentary Trusts		52,461,667	48,869,639
Power of Attorney		27,790,257	23,270,734
Trusts		28,193,852	17,127,281
Safe-care		6,446,432	7,109,451
<b>NET TOTAL TRUST ASSETS</b>		<b>634,484,250</b>	<b>558,548,659</b>

**REPRESENTED BY:**

## INVESTMENTS AND LOANS

Investments in Common Fund	24(h)	272,349,566	243,686,183
Bank deposits		34,966,759	30,012,831
Equities	23(i)	50,836,590	44,890,963
Unit Trusts	23(i)	94,867,956	77,536,727
Life Policies	23(ii)	1,353,252	1,615,096
Real Estate	23(iii)	172,332,719	154,971,440
Other Assets	23(iv)	16,005,894	13,713,786
Total Investment and Loan Assets		642,712,736	566,427,026
<b>TOTAL TRUST ASSETS</b>		<b>642,712,736</b>	<b>566,427,026</b>

Deduct

## CURRENT LIABILITIES

Creditors		4,548,725	5,117,196
Loans		1,222,376	1,159,565
Mortgages – Deceased estates		879,264	342,733
Total Current Liabilities		6,650,365	6,619,494
NON CURRENT LIABILITIES			
Mortgages – Trust estates		1,578,121	1,258,873
Total Non Current Liabilities		1,578,121	1,258,873
<b>TOTAL TRUST LIABILITIES</b>		<b>8,228,486</b>	<b>7,878,367</b>

**NET TRUST ASSETS****634,484,250      558,548,659****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 2006 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 24. 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.

### 24(a) PUBLIC TRUSTEE COMMON FUND ACCOUNT

#### INCOME STATEMENT

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>EXPENSES</b>			
Doubtful Debts		2,243	71,059
Write Offs		58,379	–
Investment expenses		678,617	709,023
Public Trustee's fee		1,017,446	954,558
Interest paid to Estates and Trusts	24(e)	12,988,311	11,980,279
Interest paid to the Public Trustee		520,561	496,191
<b>Total expenses before payments to Consolidated Fund</b>		15,265,557	14,211,110
Payments to the Consolidated Fund (via Public Trustee)		903,227	1,092,432
<b>Total expenses</b>		16,168,784	15,303,542
<b>INCOME</b>			
Income on Investments		17,636,040	16,618,320
Doubtful Debts recovered		83,238	10,170
Increment from revaluation of investment		2,811,462	712,405
<b>Total income</b>		20,530,740	17,340,895
<b>NET PROFIT</b>	24(j)(b)	<b>4,361,956</b>	<b>2,037,353</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>4,361,956</b>	<b>2,037,353</b>

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

## 24(b) PUBLIC TRUSTEE COMMON FUND ACCOUNT

## BALANCE SHEET

As at 30 June 2006

	Note	2006 \$	2005 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash at Bank	24(j)(a)	14,991,052	7,194,978
Cash Equivalent (Money Market)	24(j)(a)	265,000,000	230,000,000
Debtor		6,066	78,408
Accrued Mortgage Fees		–	7,491
Advances to Estates	24(f)	44,395	31,547
Accrued Interest		2,451,404	1,859,368
<b>Total Current Assets</b>		<b>282,492,917</b>	<b>239,171,792</b>
<b>Non-Current Assets</b>			
Property – Building (at Fair Value)	2(b), 24(g)(ii)	12,220,000	9,400,000
Mortgage Loans (at Cost)	2(b), 24(g)(i)	11,586,850	24,122,561
<b>Total Non-Current Assets</b>		<b>23,806,850</b>	<b>33,522,561</b>
<b>TOTAL ASSETS</b>		<b>306,299,767</b>	<b>272,694,353</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Fees & Accrued Taxation		54,756	12,123
Creditors		5,731	834
Stamp Duty Recouped		552	390
Interest Received in Advance		21,600	21,600
Public Trustee Funds	13(a)	9,712,696	9,424,345
Accrued Interest due to Estates and Trusts		3,185,653	2,941,621
<b>Total Current Liabilities</b>		<b>12,980,988</b>	<b>12,400,913</b>
<b>Non-Current Liabilities</b>			
Estates & Trusts under Administration	2(c), 24(h)	272,349,566	243,686,183
<b>TOTAL LIABILITIES</b>		<b>285,330,554</b>	<b>256,087,096</b>
<b>NET ASSETS</b>		<b>20,969,213</b>	<b>16,607,257</b>
<b>EQUITY</b>			
General reserve	24(i)(a)	19,782,380	15,482,380
Retained earnings	24(i)(b)	1,186,833	1,124,877
<b>TOTAL EQUITY</b>		<b>20,969,213</b>	<b>16,607,257</b>

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

24(c) **PUBLIC TRUSTEE COMMON FUND ACCOUNT**  
**STATEMENT OF CHANGES IN EQUITY**

*For the year ended 30 June 2006*

	<b>Note</b>	<b>2006</b> <b>\$</b>	<b>2005</b> <b>\$</b>
<b>Balance of equity at start of period</b>		16,607,257	14,569,904
<b>CONTRIBUTED EQUITY</b>			
Balance at start of period		—	—
Capital Contribution		—	—
Other contributions by owners		—	—
Distributions to owners		—	—
Balance at end of period		—	—
<b>RESERVES</b>			
<b>General reserve</b>			
Balance at start of period		15,482,380	13,482,380
Changes in accounting policy or correction of prior period errors		—	—
Restated balance at start of period		15,482,380	13,482,380
Transfers to reserves		4,300,000	2,000,000
Balance at end of period	24(i)(a)	19,782,380	15,482,380
<b>RETAINED EARNINGS</b>			
Balance at start of period		1,124,877	1,087,524
Net adjustment on transition to AIFRS		—	—
Changes in accounting policy or correction of prior period errors		—	—
Restated balance at start of period		1,124,877	1,087,524
Surplus for the period		4,361,956	2,037,353
Transfer to reserves		(4,300,000)	(2,000,000)
Gain/(loss) recognised directly in equity		—	—
Balance at end of period	24(i)(b)	1,186,833	1,124,877
<b>Balance of equity at end of period</b>		<b>20,969,213</b>	<b>16,607,257</b>
<b>Total income &amp; expenses for the period</b>		<b>4,361,956</b>	<b>2,037,353</b>

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

24(d) **PUBLIC TRUSTEE COMMON FUND ACCOUNT****CASH FLOW STATEMENT***For the year ended 30 June 2006*

	<b>Note</b>	<b>2006 Inflows (Outflows) \$</b>	<b>2005 Inflows (Outflows) \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Income on Investments		16,043,175	14,955,615
Doubtful Debts recovered		83,238	10,170
<b>Payments</b>			
Interest paid to Estates and Trusts		(12,988,311)	(11,980,279)
Interest paid to the Public Trustee		(520,561)	(496,191)
Investment expenses		(678,617)	(709,023)
<b>Net Cash provided by operating activities</b>	24(j)(b)	1,938,924	1,780,292
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturing mortgages		12,535,711	2,276,360
Payment for building improvements		(8,538)	(911,898)
<b>Net cash provided by investing activities</b>		12,527,173	1,364,462
<b>CASH FLOWS FROM ESTATES, TRUSTS &amp; PUBLIC TRUSTEE</b>			
Surplus Common Fund Interest paid to the Public Trustee		(903,227)	(1,092,432)
From Public Trustee's liability		288,351	602,544
From Estates and Trusts		28,944,853	(4,552,045)
<b>Net cash provided /(used) by estates, trusts &amp; Public Trustee</b>		28,329,977	(5,041,933)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>42,796,074</b>	<b>(1,897,179)</b>
Cash and cash equivalents at the beginning of period		237,194,978	239,092,157
<b>Cash and cash equivalents at the end of period</b>	24(j)(a)	<b>279,991,052</b>	<b>237,194,978</b>

The Cash Flow Statement 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 AASB 107 Cash Flow Statements, Paragraph 22.

**24(e) 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*.

	2006 \$	2005 \$
Interest paid to Estates and Trusts	<b>12,988,311</b>	<b>11,980,279</b>

**24(f) Advances to Estates**

	2006 \$	2005 \$
Advances to Estates	59,163	68,931
Less Provision for Doubtful Debts	(14,768)	(37,384)
<b>Total</b>	<b>44,395</b>	<b>31,547</b>

**24(g) Investments (Common Fund)**

	2006 \$	2005 \$
(i) At Cost:		
Mortgage Loans	11,586,850	24,122,561
	<b>11,586,850</b>	<b>24,122,561</b>
(ii) At fair value:		
Land and Building	12,220,000	9,400,000
	<b>12,220,000</b>	<b>9,400,000</b>
<b>Total</b>	<b>23,806,850</b>	<b>33,522,561</b>

A revaluation of land and buildings was performed in June 2005 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 a revaluation being performed on a three-year basis, with an annual assessment by management – refer note 2(b)(ii). As at June 2006 the market growth rate for similar properties was applied to the value of the land and building to derive the fair value as at 30 June 2006, the rate applied is 30% as per estimates received from the property manager.

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

	2006 \$	2005 \$
Carrying amount at beginning of year	9,400,000	7,775,697
Additions	8,538	911,898
Revaluation increment/(decrement)	2,811,462	712,405
<b>Carrying amount at end of year</b>	<b>12,220,000</b>	<b>9,400,000</b>



24(h) **Estates and Trusts under Administration**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Activity</b>		
Deceased Estates	42,267,150	32,959,985
Direct Action	2,520,887	1,864,898
Entitled Trusts	103,503,516	98,257,883
Protected Management	64,050,546	59,764,290
Testamentary Trusts	25,192,636	21,724,642
Power of Attorney	10,472,628	9,975,843
Trusts	17,895,770	12,029,191
Safe-care	6,446,433	7,109,451
<b>Total estates and trusts under administration</b>	<b>272,349,566</b>	<b>243,686,183</b>

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

24(i) **Equity**

## (a) Reserves

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>General Reserve</b>		
Opening balance	15,482,380	13,482,380
ADD Transfer to Reserves	4,300,000	2,000,000
Closing balance	<b>19,782,380</b>	<b>15,482,380</b>

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

## (b) Retained Profits

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Opening balance	1,124,877	1,087,524
Net profit	4,361,956	2,037,353
Transfer (to)/from reserves	(4,300,000)	(2,000,000)
Closing balance	<b>1,186,833</b>	<b>1,124,877</b>

24(j) **Notes to the Cash Flow Statement**

## (a) Reconciliation of Cash

For the purpose of the Cash Flow Statement, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Income Statement as follows:

	2006 \$	2005 \$
Cash	14,991,052	7,194,978
Cash Equivalent (Money Market)	265,000,000	230,000,000
<b>Cash &amp; Cash Equivalent</b>	<b>279,991,052</b>	<b>237,194,978</b>

## (b) Reconciliation of surplus to net cash provided by operating activities.

	2006 \$	2005 \$
<b>Surplus</b>	<b>4,361,956</b>	<b>2,037,353</b>
Non-cash items:		
Payments to the Consolidated Fund	903,227	1,092,432
Increment from revaluation of investment	(2,811,462)	(712,405)
Decrease /(Increase) in assets:		
Debtor	72,342	(11,439)
Accrued interest	(592,036)	(626,290)
(Decrease)/Increase in liabilities:		
Creditors	4,897	614
Interest received in advance	—	27
<b>Net cash provided by operating activities</b>	<b>1,938,924</b>	<b>1,780,292</b>

## (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 Cash Flow Statement.

24(k) **Financial Instruments**

## (i) Financial Risk Management Objectives and Policies

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

## Credit Risk

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. Receivables balances are monitored on an ongoing basis with the result that the Common Fund's exposure to bad debts is minimal. There is no significant concentration of credit risk.

## Liquidity risk

The Public Trustee has appropriate procedures to manage cash flows of the Common Fund to ensure that sufficient funds are available to meet its commitments.

## Cash flow interest rate risk

The Common Funds exposure to interest rate risk is limited to cash and cash equivalents, and mortgages. Mortgages have both a fixed and variable interest rate with short-term maturities less than 2 years.

## (ii) Financial Instrument disclosures

Financial instrument information for the year ended 2005 has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. Financial instruments information from 1 July 2005 has been prepared under AASB 132 'Financial Instruments: Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. See also note 2(g) 'Comparative figures'.

## Interest Rate Risk Exposure

The Common Funds exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments, the following tables detail the exposure to interest rate risk as at the reporting date:

	Weighted average effective interest rate	Floating Interest Rate Maturity	Fixed Interest Rate Maturities						Non interest bearing	Total
			Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years		
2006	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>										
Cash at Bank	5.51	14,991	–	–	–	–	–	–	–	14,991
Cash Equivalent (Money Market)	5.71	265,000	–	–	–	–	–	–	–	265,000
Debtor		–	–	–	–	–	–	–	6	6
Accrued Mortgage Fees		–	–	–	–	–	–	–	–	–
Advances to Estates		–	–	–	–	–	–	–	44	44
Accrued interest		–	–	–	–	–	–	–	2,451	2,451
Investments:										
Mortgages	8.01	10,120	1,117	350	–	–	–	–	–	11,587
Property		–	–	–	–	–	–	–	12,220	12,220
Total Financial Assets		290,111	1,117	350	–	–	–	–	14,721	306,299

	Weighted average effective interest rate	Floating Interest Rate Maturity	Fixed Interest Rate Maturities						Non interest bearing	Total
			Within 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years		
2006	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Liabilities</b>										
Fees & Accrued										
Taxation	–	–	–	–	–	–	–	–	55	55
Creditors	–	–	–	–	–	–	–	–	6	6
Stamp Duty	–	–	–	–	–	–	–	–	1	1
Interest in Advance	–	–	–	–	–	–	–	–	21	21
Public Trustee Funds	5.91	9,713	–	–	–	–	–	–	–	9,713
Accrued Interest		–	–	–	–	–	–	–	3,186	3,186
Estates & Trusts										
Estates	3.00	3,279	–	–	–	–	–	–	–	3,279
Estates	3.25	23,744	–	–	–	–	–	–	–	23,744
Estates	3.50	15,244	–	–	–	–	–	–	–	15,244
Trusts & Other	4.80	32,992	–	–	–	–	–	–	–	32,992
Trusts & Other	5.40	137,421	–	–	–	–	–	–	–	137,421
Trusts & Other	5.80	59,668	–	–	–	–	–	–	–	59,668
Total Financial Liabilities		282,061	–	–					3,269	285,330
<b>Net Financial Assets/(Liabilities)</b>										
		<b>8,050</b>	<b>1,117</b>	<b>350</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,452</b>	<b>20,969</b>

	Weighted average effective interest rate	Floating Interest Rate Maturity	Fixed Interest Rate Maturities				
			1 year or less	1 to 5 years	Over 5 years	Non Interest Bearing	Total
2005	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>							
Cash at Bank	5.30	7,195	—	—	—	—	7,195
Cash Equivalent (Money Market)	5.56	—	230,000	—	—	—	230,000
Debtor		—	—	—	—	78	78
Accrued Mortgage Fees		—	—	—	—	7	7
Advances to Estates		—	—	—	—	32	32
Accrued interest		—	—	—	—	1,859	1,859
Investments:							
Mortgages	7.87	—	7,497	16,626	—	—	24,123
Property		—	—	—	—	9,400	9,400
Total Financial Assets		7,195	237,497	16,626	—	11,376	272,694
<b>Financial Liabilities</b>							
Fees & Accrued Taxation		—	—	—	—	12	12
Creditors		—	—	—	—	1	1
Stamp Duty		—	—	—	—	1	1
Interest in Advance		—	—	—	—	22	22
Public Trustee Funds	5.91	9,424	—	—	—	—	9,424
Accrued Interest		—	—	—	—	2,942	2,942
Estates & Trusts							
Estates	3.00	2,907	—	—	—	—	2,907
Estates	3.25	22,084	—	—	—	—	22,084
Estates	3.50	7,827	—	—	—	—	7,827
Trusts & Other	4.80	32,164	—	—	—	—	32,164
Trusts & Other	5.40	127,366	—	—	—	—	127,366
Trusts & Other	5.80	51,337	—	—	—	—	51,337
Total Financial Liabilities		253,109	—	—	—	2,978	256,087
<b>Net Financial Assets/ (Liabilities)</b>		<b>(245,914)</b>	<b>237,497</b>	<b>16,626</b>	<b>—</b>	<b>8,398</b>	<b>16,607</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.

#### 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; 2(b), 2(h).

#### 24(l) 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.

	2006 \$	2005 \$	Variance \$
Increment from revaluation of investment	2,811,462	712,405	2,099,057
Payments to Consolidated Fund (via Public Trustee)	903,227	1,092,432	189,205

#### Increment from revaluation of investment

The variance is due to an increment on revaluation of Public Trust Building in June 2005 (refer notes 1(b) (iii) and 24 (g) (ii)). In accordance with current building valuation policy the Corporate Executive decided a revaluation was not required to be performed in June 2006 and applied the CBD growth rate of property values for similar properties at 30%.

#### Payments to Consolidated Fund (via Public Trustee)

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be surplus Common Fund Interest. As detailed in Note 9, The Public Trustee determined to pay a reduced amount into the Consolidated Fund (Section 40(4)(c) of *Public Trustee Act*), and retain a higher portion as reserves and retained profit.

Note 25. Reconciliations explaining the transition to Australian equivalents to International Financial Reporting Standards (AIFRS)

25(a) Reconciliation of Public Trustee equity at the date of transition to AIFRS: 1 July 2004 (AASB 1.39(a)(i))

**BALANCE SHEET**

As at 1 July 2004

	Note	Previous GAAP 1 July 2004 \$	Adjustments	AIFRS 1 July 2004 \$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash – Investment in Common Fund	1	8,821,801	–	8,821,801
<b>Total Current Assets</b>		8,821,801		8,821,801
<b>TOTAL ASSETS</b>		<b>8,821,801</b>		<b>8,821,801</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accrued fees payable to Consolidated Fund		247,893	–	247,893
Tax liabilities		174,056	–	174,056
<b>Total Current Liabilities</b>		421,949		421,949
<b>TOTAL LIABILITIES</b>		<b>421,949</b>		<b>421,949</b>
<b>NET ASSETS</b>		<b>8,399,852</b>		<b>8,399,852</b>
<b>EQUITY</b>				
Indemnity reserve		2,623,262	–	2,623,262
General reserve		2,530,000	–	2,530,000
Superannuation fund reserve		2,648,932	–	2,648,932
Retained Earnings		597,658	–	597,658
<b>TOTAL EQUITY</b>		<b>8,399,852</b>		<b>8,399,852</b>

**Notes**

- 1 Equivalent AGAAP line item 'Investment in Common Fund' (AIFRS 'Cash – Investment in Common Fund')

25(b) **Reconciliation of Public Trustee equity at the end of the last reporting period under the previous AGAAP: 30 June 2005 (AASB 1.39(a)(ii))**

	Note	Previous GAAP 30 June 2005 \$	Adjustments	AIFRS 30 June 2005 \$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash – Investment in Common Fund	1	9,424,345	–	9,424,345
<b>Total Current Assets</b>		<u>9,424,345</u>		<u>9,424,345</u>
<b>TOTAL ASSETS</b>		<u><b>9,424,345</b></u>		<u><b>9,424,345</b></u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accrued fees payable to Consolidated Fund		275,843	–	275,843
Tax liabilities		170,424	–	170,424
Total Current Liabilities		<u>446,267</u>		<u>446,267</u>
<b>TOTAL LIABILITIES</b>		<u><b>446,267</b></u>		<u><b>446,267</b></u>
<b>NET ASSETS</b>		<u><b>8,978,078</b></u>		<u><b>8,978,078</b></u>
<b>EQUITY</b>				
Indemnity reserve		2,792,743	–	2,792,743
General reserve		3,030,000	–	3,030,000
Superannuation fund reserve		<u>2,648,932</u>	–	<u>2,648,932</u>
Retained Earnings		<u>506,403</u>	–	<u>506,403</u>
<b>TOTAL EQUITY</b>		<u><b>8,978,078</b></u>		<u><b>8,978,078</b></u>

**Notes**

- 1 Equivalent AGAAP line item 'Investment in Common Fund' (AIFRS 'Cash – Investment in Common Fund')



25(c) **Reconciliation of Public Trustee income statement profit for the year ended 30 June 2005 (AASB 1.39(b))**

	Note	Previous GAAP 30 June 2005 \$	Adjustment	AIFRS 30 June 2005 \$
<b>EXPENSES</b>				
Write offs		38,099	—	38,099
Other expenses	1	—	—	—
Employee benefits expense	2	7,889,780	—	7,889,780
Computer services		271,459	—	271,459
Administration expenses		1,869,907	—	1,869,907
Accommodation expenses		899,659	—	899,659
Corporate service expenses		<u>1,076,759</u>	—	<u>1,076,759</u>
<b>Total expenses before payments to Consolidated Fund</b>	3	12,045,663		12,045,663
Fees paid to the Consolidated Fund		7,456,073	—	7,456,073
Surplus Common Fund Interest paid to Consolidated Fund		<u>1,092,432</u>	—	<u>1,092,432</u>
<b>Total cost of services</b>	4	<u>20,594,168</u>		<u>20,594,168</u>
<b>INCOME</b>				
	5			
Fees raised from Estates and Trusts		6,501,515	—	6,501,515
Public Trustee 6% fee from Common Fund		954,558	—	954,558
Receipts from Common Fund Surplus Interest		1,092,432	—	1,092,432
Interest revenue	6	496,191	—	496,191
Other revenue		<u>120,134</u>	—	<u>120,134</u>
<b>Total Income other than income from State Government</b>	7	<u>9,164,830</u>		<u>9,164,830</u>
<b>Net Cost of Service before Income from State Government</b>	8	<u>(11,429,338)</u>		<u>(11,429,338)</u>
<b>INCOME FROM STATE GOVERNMENT</b>				
Liabilities assumed by the Treasurer	9	—	387,347 (a)	387,347
Grants and Subsidies from Government		—	—	—
Resources received free of charge from the Department of The Attorney General		<u>12,007,564</u>	(387,347)(a)	<u>11,620,217</u>
<b>Total income from State Government</b>		<u>12,007,564</u>		<u>12,007,564</u>
<b>SURPLUS FOR THE PERIOD</b>	10	<u><b>578,226</b></u>		<u><b>578,226</b></u>

## Notes

- 1 Equivalent AGAAP line item 'other expenditure' (AIFRS 'Other expenses')
- 2 Equivalent AGAAP line items 'Salaries' and 'Superannuation and pension' combined as (AIFRS 'Employee benefits expense')
- 3 Equivalent AGAAP line item 'Total expenses from ordinary activities before payment to Consolidated Fund' (AIFRS 'Total expenses before payment to Consolidated Fund')
- 4 Equivalent AGAAP line item 'Total expenses from ordinary activities' (AIFRS 'Total cost of services')
- 5 Equivalent AGAAP line item 'Revenue' (AIFRS 'Income')
- 6 Equivalent AGAAP line item 'Interest' (AIFRS 'Interest revenue')
- 7 Equivalent AGAAP line item 'Total revenue from ordinary activities' (AIFRS 'Total Income other than income from State Government')
- 8 Equivalent AGAAP line item 'Loss from ordinary activities before grants and subsidies from Government' (AIFRS 'Net Cost of Service before income from State Government')
- 9 Equivalent AGAAP line item 'Resources received free of charge from the Department of The Attorney General' included (AIFRS 'Liabilities assumed by the Treasurer')
- 10 Equivalent AGAAP line item 'Net Profit' (AIFRS 'Surplus for the period')
  - (a) Liabilities assumed by the Treasurer – this relates to the pension expense now paid by the Treasurer, TI 1102 Guidelines outline this disclosure, TI 1106 and the model statutory authority accounts. This should have been recognised in the AGAAP statements of financial performance in the same way.

## 25(d) Reconciliation of Public Trustee cash flow statement for the year ended 30 June 2005 (AASB 1.40)

	Note	2005 GAAP \$	Adjustments	2005 AIFRS \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Fees raised from Estates and Trusts		6,477,888	—	6,477,888
Public Trustee 6% fee from Common Fund		954,558	—	954,558
Receipts from Common Fund Surplus Interest		1,092,432	—	1,092,432
Interest received from Common Fund		496,191	—	496,191
GST receipts on fees		807,665	—	807,665
Other revenue		120,134	—	120,134
<b>Payments</b>				
Other expenditure		—	—	—
GST payments on purchases		(167,678)	—	(167,678)
GST payments to taxation authority		<u>(658,091)</u>	—	<u>(658,091)</u>
<b>Net Cash provided by operating activities</b>		9,123,099		9,123,099
<b>CASH FLOWS PROVIDED TO STATE GOVERNMENT</b>				
Fees paid to Consolidated Fund		(7,428,123)	—	(7,428,123)
Surplus Common Fund Interest		<u>(1,092,432)</u>	—	<u>(1,092,432)</u>
<b>Net Cash provided to State Government</b>		<u>(8,520,555)</u>		<u>(8,520,555)</u>
<b>Net increase in cash and cash equivalents</b>	1	<b>602,544</b>	—	<b>602,544</b>
Cash and cash equivalents at the beginning of the financial year	1	<u>8,821,801</u>	—	<u>8,821,801</u>
<b>Cash and cash equivalents at the end of the financial year</b>	1	<b><u>9,424,345</u></b>		<b><u>9,424,345</u></b>

**Notes**

1 Equivalent AGAAP line item 'Cash' (AIFRS 'Cash and cash equivalents')

25(e) **Reconciliation of Public Trustee Common Fund equity at the date of transition to AIFRS: 1 July 2004**  
**(AASB 1.39(a)(i))**

	Note	GAAP 1 July 2004 \$	Adjustments \$	AIFRS 1 July 2004 \$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash at Bank		24,092,157	–	24,092,157
Cash Equivalent (Money Market)	1	–	215,000,000(a)	215,000,000
Debtor		66,969	–	66,969
Accrued Mortgage Fees		58,630	–	58,630
Advances to Estates		50,377	–	50,377
Accrued Interest		<u>1,233,078</u>	–	<u>1,233,078</u>
<b>Total Current Assets</b>		<b>25,501,211</b>		<b>240,501,211</b>
<b>Non-Current Assets</b>				
Investments		249,181,858	(249,181,858)(b)	–
Property – Building (at Fair Value)	2	–	7,775,697(c)	7,775,697
Mortgage Loans (at Cost)	3	<u>–</u>	<u>26,406,161(d)</u>	<u>26,406,161</u>
<b>Total Non-Current Assets</b>		<b>249,181,858</b>		<b>34,181,858</b>
<b>TOTAL ASSETS</b>		<b><u>274,683,069</u></b>		<b><u>274,683,069</u></b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Fees & Accrued Taxation		25,000	–	25,000
Creditors		220	–	220
Stamp Duty Recouped		405	–	405
Interest Received in Advance		21,573	–	21,573
Public Trustee Funds		8,821,801	–	8,821,801
Accrued Interest due to Estates and Trusts		<u>2,879,597</u>	–	<u>2,879,597</u>
<b>Total Current Liabilities</b>		<b>11,748,596</b>		<b>11,748,596</b>

	Note	GAAP 1 July 2004 \$	Adjustments \$	AIFRS 1 July 2004 \$
<b>Non-Current Liabilities</b>				
Estates & Trusts under Administration		248,364,569	–	248,364,569
<b>TOTAL LIABILITIES</b>		<b>260,113,165</b>		<b>260,113,165</b>
<b>NET ASSETS</b>		<b>14,569,904</b>		<b>14,569,904</b>
<b>EQUITY</b>				
General reserve		13,482,380	–	13,482,380
Retained earnings		1,087,524	–	1,087,524
<b>TOTAL EQUITY</b>		<b>14,569,904</b>		<b>14,569,904</b>

**Notes**

- 1 Equivalent AGAAP line item 'Investments' (AIFRS 'Cash equivalents')
- 2 Equivalent AGAAP line item 'Investments' (AIFRS 'Property – Building (at Fair Value)')
- 3 Equivalent AGAAP line item 'Investments' (AIFRS 'Mortgage Loans (at Cost)')
  - (a) AASB107.7 Allows Short term money market items to be recognised as cash equivalents if they are readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from date of acquisition. Money market securities need to be included in the cash flow statement and in the current assets of the balance sheet.
  - (b) AIFRS requires further breakdown of assets into like components therefore this general category if no longer required.
  - (c) AASB140 defines the Public trust building as an investment property and as such it is measured using fair value. AASB101.68 provides that where there is sufficient difference between items they may be disclosed as separate line items.
  - (d) AASB101.68 provides that where there is sufficient difference between items they may be disclosed as separate line items.

## 25(f) Reconciliation of Public Trustee Common Fund equity at the end of the last reporting period under previous GAAP: 30 June 2005 (AASB 1.39(a)(ii))

	Note	GAAP 30 June 2005 \$	Adjustments \$	AIFRS 30 June 2005 \$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash at Bank		7,194,978	–	7,194,978
Cash Equivalent (Money Market)	1	–	230,000,000(a)	230,000,000
Debtor		78,408	–	78,408
Accrued Mortgage Fees		7,491	–	7,491
Advances to Estates		31,547	–	31,547
Accrued Interest		<u>1,859,368</u>	–	<u>1,859,368</u>
<b>Total Current Assets</b>		<b>9,171,792</b>		<b>239,171,792</b>
<b>Non-Current Assets</b>				
Investments		263,522,561	(263,522,561)(b)	–
Property – Building (at Fair Value)	2	–	9,400,000(c)	9,400,000
Mortgage Loans (at Cost)	3	<u>–</u>	<u>24,122,561(d)</u>	<u>24,122,561</u>
<b>Total Non-Current Assets</b>		<b>263,522,561</b>		<b>33,522,561</b>
<b>TOTAL ASSETS</b>		<b><u>272,694,353</u></b>		<b><u>272,694,353</u></b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Fees & Accrued Taxation		12,123	–	12,123
Creditors		834	–	834
Stamp Duty Recouped		390	–	390
Interest Received in Advance		21,600	–	21,600
Public Trustee Funds		9,424,345	–	9,424,345
Accrued Interest due to Estates and Trusts		<u>2,941,621</u>	–	<u>2,941,621</u>
<b>Total Current Liabilities</b>		<b>12,400,913</b>		<b>12,400,913</b>
<b>Non-Current Liabilities</b>				
Estates & Trusts under Administration		<u>243,686,183</u>	–	<u>243,686,183</u>
<b>TOTAL LIABILITIES</b>		<b><u>256,087,096</u></b>		<b><u>256,087,096</u></b>
<b>NET ASSETS</b>		<b><u>16,607,257</u></b>		<b><u>16,607,257</u></b>

**EQUITY**

General reserve	15,482,380	–	15,482,380
Retained earnings	<u>1,124,877</u>	–	<u>1,124,877</u>
<b>TOTAL EQUITY</b>	<b><u>16,607,257</u></b>		<b><u>16,607,257</u></b>

**Notes**

- 1 Equivalent AGAAP line item 'Investments' (AIFRS 'Cash equivalents')
- 2 Equivalent AGAAP line item 'Investments' (AIFRS 'Property – Building (at Fair Value)')
- 3 Equivalent AGAAP line item 'Investments' (AIFRS 'Mortgage Loans (at Cost)')
  - (a) AASB107.7 Allows Short term money market items to be recognised as cash equivalents if they are readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from date of acquisition. Money market securities need to be included in the cash flow statement and in the current assets of the balance sheet.
  - (b) AIFRS requires further breakdown of assets into like components therefore this general category if no longer required.
  - (c) AASB140 defines the Public trust building as an investment property and as such it is measured using fair value. AASB101.68 provides that where there is sufficient difference between items they may be disclosed as separate line items.
  - (d) AASB101.68 provides that where there is sufficient difference between items they may be disclosed as separate line items.

25(g) **Reconciliation of Public Trustee Common Fund income statement profit for the year ended 30 June 2005 (AASB 1.39(b))**

	Note	GAAP 30 June 2005 \$		AIFRS 30 June 2005 \$
<b>EXPENSES</b>				
Doubtful Debts		71,059	—	71,059
Investment expenses		709,023	—	709,023
Public Trustee's fee		954,558	—	954,558
Interest paid to Estates and Trusts		11,980,279	—	11,980,279
Interest paid to the Public Trustee		496,191	—	496,191
<b>Total expenses before payments to Consolidated Fund</b>	1	14,211,110		14,211,110
Payments to the Consolidated Fund (via Public Trustee)		1,092,432	—	1,092,432
<b>Total expenses</b>	2	15,303,542		15,303,542
<b>INCOME</b>				
	3			
Income on Investments		16,618,320	—	16,618,320
Doubtful Debts recovered		10,170	—	10,170
Increment from revaluation of investment		712,405	—	712,405
<b>Total income</b>	4	17,340,895		17,340,895
<b>NET PROFIT</b>		<b>2,037,353</b>		<b>2,037,353</b>
<b>SURPLUS FOR THE PERIOD</b>	5	<b>2,037,353</b>		<b>2,037,353</b>

**Notes**

- 1 Equivalent AGAAP line item 'Total expenses from ordinary activities before payments to Consolidated Fund' (AIFRS 'Total expenses before payments to Consolidated Fund')
- 2 Equivalent AGAAP line item 'Total expenses from ordinary activities' (AIFRS 'Total expenses')
- 3 Equivalent AGAAP line item 'Revenue' (AIFRS 'Income')
- 4 Equivalent AGAAP line item 'Total revenue from ordinary activities' (AIFRS 'Total income')
- 5 Equivalent AGAAP line item 'Total changes in equity other than those resulting from transactions with owners as owners' (AIFRS 'Surplus for the period')



25(h) **Reconciliation of Public Trustee Common Fund cash flow statement for the year ended 30 June 2005 (AASB 1.40)**

	Note	GAAP 30 June 2005 \$	Adjustments	AIFRS 30 June 2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Income on Investments		14,955,615	–	14,955,615
Doubtful Debts recovered		10,170	–	10,170
<b>Payments</b>				
Interest paid to Estates and Trusts		(11,980,279)	–	(11,980,279)
Interest paid to the Public Trustee		(496,191)	–	(496,191)
Investment expenses		<u>(709,023)</u>	–	<u>(709,023)</u>
<b>Net Cash provided by operating activities</b>		1,780,292		1,780,292
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for short term investments		(15,000,000)	15,000,000(a)	–
Proceeds from maturing mortgages		2,276,360	–	2,276,360
Payment for building improvements		<u>(911,898)</u>	–	<u>(911,898)</u>
<b>Net cash provided by investing activities</b>		(13,635,538)		1,364,462
<b>CASH FLOWS FROM ESTATES, TRUSTS &amp; PUBLIC TRUSTEE</b>				
Surplus Common Fund Interest paid to the Public Trustee		(1,092,432)	–	(1,092,432)
From Public Trustee's liability		602,544	–	602,544
From Estates and Trusts		<u>(4,552,045)</u>	–	<u>(4,552,045)</u>
<b>Net cash provided /(used) by estates, trusts &amp; Public Trustee</b>		(5,041,933)		(5,041,933)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(16,897,179)		(1,897,179)
Cash and cash equivalents at the beginning of financial year	1	<u>24,092,157</u>	215,000,000(a)	<u>239,092,157</u>
<b>Cash and cash equivalents at the end of the financial year</b>	1	<u><b>7,194,978</b></u>	<b>230,000,000(a)</b>	<u><b>237,194,978</b></u>

## Notes

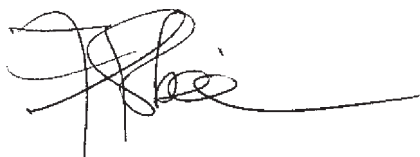
- 1 Equivalent AGAAP line item 'Cash' (AIFRS 'Cash and cash equivalents')
  - (a) AASB107.7 prescribes for the purpose of the Cash Flow Statement, cash and cash equivalent assets comprise cash on hand and short-term deposits (money market investments) with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value. Money market securities need to be included in the cash flow statement and in the current assets of the balance sheet.

## OPINION OF THE OFFICE OF THE AUDITOR GENERAL

## CERTIFICATION OF PERFORMANCE INDICATORS

FOR THE YEAR ENDED 30 JUNE 2006

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 2006.

A handwritten signature in black ink, appearing to read 'John Skinner', with a long horizontal line extending to the right.

**John Skinner**

B Sc, Grad. Dip FP  
Accountable Authority

13 September 2006

## 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 community. 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

Description:

#### 1. Trustee services

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);
- Preparing wills and powers of attorney for people who wish to appoint the Public Trustee as their executor or donee (wills); and
- Examining the accounts of administrative orders (this has been transferred to the Public Trust Office from the Guardianship and Administration Board).

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 2006 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 a current account in the 2006 financial year; and
- Clients who are capable of making meaningful comment, that is, 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 1,466 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	2004	2005	Actual 2006	Target 2006
Extent to which trust management services meet the needs of customers	88%	75%	71%	80%	76%	76%	79%	85%

**Notes:**

- 1 The survey covered several criteria of customer satisfaction, including aspects of reliability and customer service attributes.
- 2 A total of 401 respondents were surveyed yielding a sampling precision of +/- 4.9% at 95% confidence interval.
- 3 This is the highest result attained since 2003. During the 2006 year, the PT focused on meeting demand for core services of trust management and estates administered.

**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 resources to arrange assets registered in the survivor's or beneficiary's name, e.g. joint assets and/or nominal bank accounts.

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

1,629 estates were referred to the Public Trustee, this represents 14% of all estates of adults who died in 2006. They were referred either as executor of the estate or the beneficiaries of the estate seeking assistance. The Public Trustee aimed to reach a target of 15%.

	2000	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Number of estates relative to the number of adult (18 years and over) deaths in Western Australia.	23%	19%	15%	18%	16%	16%	14%	15%

Note: The public made use of alternative options resulting in a slight decline from the previous year

	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Number of adult deaths in WA	10,301	10,749	11,074	11,175	10,929	11,606	N/A
Number of deceased estates referred	1,923	1,642	1,965	1,815	1,716	1,629	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 percentage of the total number of adult deaths in Western Australia.

In 2006, the Public Trustee administered 1,418 estates that named the Public Trustee as executor. The Public Trustee's market share for this period was 12%.

	2000	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Extent to which Public Trustee maintains a market share in drawing Wills naming the Public Trustee as executor	20%	16%	13%	15%	14%	13%	12%	13%

Note: The public made use of alternative options resulting in a slight decline from the previous year

	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Number of adult deaths in WA	10,301	10,749	11,074	11,175	10,929	11,606	N/A
Number of estates in which the Public Trustee had prepared a Will.	1,666	1,432	1,621	1,535	1,460	1,418	N/A

### 1.4 Percentage 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, which are outside the control of the Public Trust Office.

The average time taken to complete an estate, if completed within twelve months, was 5.69 months, based on the date of final completion.

	2000	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Percent of estates finalised within 12 months of being reported								
• Within 12 months	69%	76%	49%	54%	62%	67%	67%	70%
• Within 9 months	53%	62%	28%	40%	52%	56%	56%	60%
• Within 6 months	29%	42%	2%	22%	35%	41%	39%	40%

## 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.

	2000	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Cost per trust managed	\$881	\$988	\$1,030	\$946	\$1,012	\$1,122	\$1,169	\$1,164

	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Number of trusts managed	4,785	4,820	4,915	4,847	4,846	4,649	4,825

Note: To enable the Public Trust Office to meet growing demand for Trustee services all Testamentary Trusts are now administered within the Estate Administration section, causing a reduction in Trust Files managed.

### 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.

	2000	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Cost per deceased estate administered	\$1,772	\$1,676	\$1,877	\$1,670	\$2,128	\$1,803	\$1,731	\$1,749

	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Number of deceased estates administered	3,227	3,023	3,183	2,635	2,941	3,095	2,900

Note: The number of deceased estates administered now includes all deceased estates, as well as estate related trusts which were previously not included.

	2000	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Cost per will prepared	\$152	\$188	\$236	\$213	\$232	\$285	\$299	\$228

Note: The number of wills prepared in 2006 declined due to the public making use of alternative options.

	2001	2002	2003	2004	2005	Actual 2006	Target 2006
Number of wills prepared	4,849	4,043	4,188	4,063	3,832	3,497	4,100

Note: The number of wills prepared in 2006 declined due to the public making use of alternative options.



## 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	Public Trustee Other Trusts	Public Trustee Investment Agencies	Bank Cash Management Accounts (\$10,000)	Bank Transaction accounts (\$5,000)	Cash Management Trust
	%	%	%	%	%	%
2001	3.50	3.50, 4.00 & 5.00	4.00 & 5.00	2.05	0.05	4.50
2002	3.25	3.75, 4.50 & 4.75	3.75, 4.50 & 4.75	1.90	0.00	3.65
2003	3.00	3.75, 4.50 & 4.75	3.75, 4.50 & 4.75	1.85	0.00	3.90
2004	3.00, 3.25 & 3.50	4.30, 5.30 & 5.70	4.30, 5.30 & 5.70	2.50	0.00	4.75
2005	3.00, 3.25 & 3.50	4.80, 5.40 & 5.80	4.80, 5.40 & 5.80	2.55	0.00	4.25
2006	3.00, 3.25 & 3.50	4.80, 5.40 & 5.80	4.80, 5.40 & 5.80	2.55**	0.00**	4.90**

(\*\*As published in the Reserve Bank Bulletin – July 2006 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 WA 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 %	2000 %	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
Treasury Earning Rate	5.38	5.35	5.93	4.64	4.93	5.11	5.44	5.59
CMT Benchmark Rate	4.74	5.08	5.86	4.48	4.67	4.99	5.41	5.64
Public Trustee Common Fund	6.61	6.07	6.55	5.46	5.49	5.63	5.91	5.91

In the twelve months to 30 June 2006, the Public Trustee Common Fund achieved a net return of 5.91% on the investment of the funds comprising the Common Fund. Average funds under management for the year to 30 June totalled \$287.1 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 2006 the average value of the Common Fund for the year was \$287.1 million, with a further \$145.7 million invested in the financial market on behalf of individual clients.

The cost of managing these funds in 2006 was \$416,701\* or 0.10% of the mean value of the funds under management.

Comparative cost for:	2005 was \$398,414* or 0.10%
	2004 was \$370,269* or 0.10%
	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 2006, on-costs were charged at 66% of direct salary).

## OPINION OF THE OFFICE OF THE AUDITOR GENERAL



### AUDITOR GENERAL

#### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

**PUBLIC TRUSTEE  
FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS  
FOR THE YEAR ENDED 30 JUNE 2006**

#### **Audit Opinion**

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Public Trustee at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) 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
- (iii) 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 30 June 2006.

#### **Scope**

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

The financial statements consist of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements.

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

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

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and performance indicators 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 and performance indicators.

D D R PEARSON  
AUDITOR GENERAL  
26 September 2006

## ESTIMATES 2007

### INCOME STATEMENT

For the year ended 30 June 2007

	ESTIMATES 2007 \$	ACTUAL 2006 \$
<b>COST OF SERVICES</b>		
<b>EXPENSES</b>		
Write offs	20,000	35,799
Other expenses	–	198,360
Salaries	8,032,000	7,250,442
Superannuation & pension	1,163,400	1,047,001
Computer services	115,900	262,992
Administration expenses	1,552,000	1,708,790
Accommodation expenses	574,700	569,442
Corporate service expenses	1,051,700	1,184,365
<b>Total expenses before payments to Consolidated Fund</b>	12,509,700	12,257,191
Fees paid to the Consolidated Fund	7,961,000	7,820,712
Surplus Common Fund Interest paid to Consolidated Fund	1,738,000	903,227
<b>Total cost of services</b>	22,208,700	20,981,130
<b>INCOME</b>		
Fees raised from Estates and Trusts	6,876,800	6,803,266
Public Trustee 6% fee from Common Fund	1,084,200	1,017,446
Receipts from Common Fund Surplus Interest	1,738,000	903,227
Interest revenue	676,900	520,561
Other revenue	18,000	14,554
<b>Total Income other than income from State Government</b>	10,393,900	9,259,054
<b>Net Cost of Service before Income from State Government</b>	(11,814,800)	(11,722,076)
<b>INCOME FROM STATE GOVERNMENT</b>		
Liabilities assumed by the Treasurer	392,000	371,503
Grants and Subsidies from Government	–	–
Resources received free of charge from the Department of the Attorney General	12,097,700	11,651,529
<b>Total income from State Government</b>	12,489,700	12,023,032
<b>SURPLUS FOR THE PERIOD</b>	<b>674,900</b>	<b>300,956</b>

## BALANCE SHEET

For the year ended 30 June 2007

	ESTIMATES 2007 \$	ACTUAL 2006 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash – Investment in Common Fund	10,303,934	9,712,696
<b>Total Current Assets</b>	10,303,934	9,712,696
<b>TOTAL ASSETS</b>	<b>10,303,934</b>	<b>9,712,696</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Tax liabilities	150,000	175,109
Accrued fees payable to the Consolidated Fund	200,000	258,553
<b>Total Current Liabilities</b>	350,000	433,662
<b>TOTAL LIABILITIES</b>	<b>350,000</b>	<b>433,662</b>
<b>NET ASSETS</b>	<b>9,953,934</b>	<b>9,279,034</b>
<b>EQUITY</b>		
Indemnity reserve	3,331,042	3,172,421
General reserve	3,730,000	3,230,000
Superannuation fund reserve	2,450,592	2,450,592
Retained profits/(accumulated losses)	442,300	426,021
<b>TOTAL EQUITY</b>	<b>9,953,934</b>	<b>9,279,034</b>

