



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT
DEPARTMENT OF FAIR TRADING

To Members of the New South Wales Parliament and the Director-General of the Department of Fair Trading

Scope

I have audited the accounts of the Department of Fair Trading for the year ended 30 June 1998. The Director-General of the Department is responsible for the financial report consisting of the accompanying statement of financial position, operating statement, statement of cash flows, program statement - expenses and revenues and summary of compliance with financial directives, together with the notes thereto, and information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and the Director-General of the Department of Fair Trading based on my audit as required by sections 34 and 45F(1) of the *Public Finance and Audit Act 1983*. My responsibility does not extend here to an assessment of the assumptions used in formulating budget figures disclosed in the financial report.

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

In addition, other legislative requirements which could have an impact on Department's financial report have been reviewed on a cyclical basis. For this year, the requirements examined comprise: compliance with Treasurer's Directions in respect of usage of fuel cards, credit cards and cash advances.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the *Public Finance and Audit Act 1983*, Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with my understanding of the Department's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Qualification


As disclosed in note 18 to the financial statements, and in accordance with the Financial Reporting Code for Budget Dependent Agencies issued by the Treasurer, the Department accounted for the net transfer of assets from the Property Services Council as an adjustment against the opening balance of accumulated funds.

This is a departure from Australian Accounting Standard AAS 29 "Financial Reporting by Government Departments". In my opinion, the adjustment of \$32.9m should have been recognised as revenue within the operating statement. Had this been done, the net cost of services for the Department would have decreased by this amount to \$18m. The reported surplus for the year would then be \$35.4m and there would be no effect on net assets.

Had the Treasurer issued an exemption from this requirement of the Code, the Department would have presented its financial report in accordance with Australian Accounting Standards and no qualification would have ensued.

Qualified Audit Opinion

In my opinion the financial report of the Department of Fair Trading complies with section 45E of the Act and, except for the effects of the matter referred to in the qualification paragraph, presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Department as at 30 June 1998 and the results of its operations and its cash flows for the year then ended.


A. C. HARRIS

SYDNEY
18 September 1998

STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F of the Public Finance and Audit Act 1983,
I state that:

- (a) the accompanying financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Financial Reporting Code for Budget Dependant Agencies, the applicable Clauses of the Public Finance and Audit (General) Regulation 1995 and the Treasurer's Directions;
- (b) the statements exhibit a true and fair view of the financial position and transactions of the Department; and
- (c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



D B O'Connor
Director-General
Department of Fair Trading

15th September 1998

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 1998

	NOTES	ACTUAL 1998 \$'000	BUDGET 1998 \$'000	ACTUAL 1997 \$'000
Expenses				
Operating expenses				
Employee related	2(a)	65,342	45,705	57,790
Other operating expenses	2(b)	31,079	32,561	31,259
Maintenance		–	2,431	–
Depreciation and amortisation	2(c)	3,512	4,522	3,349
Grants and subsidies	2(d)	3,339	4,972	5,011
Other expenses	2(e)	2,551	1,592	646
Total Expenses		105,823	91,783	98,055
Less:				
Retained Revenues				
Sale of goods and services	3(a)	11,443	10,364	8,935
Investment income	3(b)	2,575	–	415
Retained fees and fines	3(c)	13,088	–	490
Grants and contributions	3(d)	4,763	–	6,007
Other revenue	3(e)	23,003	20,197	45,851
Total retained revenues		54,872	30,561	61,698
Gain/(Loss) on sale of non-current assets	4	38	–	15
NET COST OF SERVICES	24	50,913	61,222	36,342
Government Contributions				
Recurrent appropriation (Net of transfer payments)	5	48,567	50,773	34,897
Capital appropriation	5	1,860	2,010	490
Acceptance by the Crown Transactions Entity of employee entitlements and other liabilities	6	2,968	5,690	4,881
Total Government Contributions		53,395	58,473	40,268
SURPLUS/(DEFICIT) FOR THE YEAR		2,482	(2,749)	3,926

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 1998

	NOTES	ACTUAL 1998 \$'000	BUDGET 1998 \$'000	ACTUAL 1997 \$'000
ASSETS				
Current Assets				
Cash	9	13,098	4,941	4,463
Investments	10	24,184	–	–
Receivables	11	10,450	14,617	17,230
Total Current Assets		47,732	19,558	21,693
Non Current Assets				
Plant and equipment	12	13,121	9,319	7,643
Investments	13	5,078	–	–
Receivables	14	184	–	–
Total Non Current Assets		18,383	9,319	7,643
TOTAL ASSETS		66,115	28,877	29,336
LIABILITIES				
Current Liabilities				
Accounts payable	15	1,804	10,712	8,570
Employee entitlements	16	5,893	3,971	3,843
Other	17	6,006	–	–
Total Current Liabilities		13,703	14,683	12,413
Non Current Liabilities				
Employee entitlements	16	727	677	657
Total Non Current Liabilities		727	677	657
TOTAL LIABILITIES		14,430	15,360	13,070
NET ASSETS		51,685	13,517	16,266
EQUITY				
Accumulated funds	18	51,685	13,517	16,266
TOTAL EQUITY		51,685	13,517	16,266

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1998

	NOTES	ACTUAL 1998 \$'000	BUDGET 1998 \$'000	ACTUAL 1997 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(60,632)	(40,015)	(52,231)
Grants & subsidies		(3,339)	(4,972)	(4,692)
Other		(39,020)	(32,111)	(31,811)
Total Payments		(102,991)	(77,098)	(88,734)
Receipts				
Sale of goods and services		11,437	10,794	8,301
Retained fees and fines		11,281	–	727
Interest received		1,231	–	735
Other		26,447	20,197	43,423
Total Receipts		50,396	30,991	53,186
Cash Flows from Government				
Recurrent Appropriation		48,567	50,773	34,897
Capital Appropriation		1,860	2,010	490
Cash reimbursement from Crown Transaction Entity		596	–	–
Total Cash Flow from Government		51,023	52,783	35,387
NET CASH FLOWS FROM OPERATING ACTIVITIES	24	(1,572)	6,676	(161)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment		6,389	105	–
Proceeds from sale of investments		5,200	–	–
Advance repayments received		104	–	–
Purchase of plant & equipment		(9,245)	(6,303)	(3,195)
Advances made		(40)	–	–
NET CASH FLOWS FROM INVESTING ACTIVITIES		2,408	(6,198)	(3,195)
NET INCREASE/(DECREASE) IN CASH		836	478	(3,356)
Opening cash and cash equivalents		4,463	4,463	7,374
Adjustment due to Administrative Restructure		7,799	–	445
CLOSING CASH AND CASH EQUIVALENTS	23	13,098	4,941	4,463

THE ACCOMPANYING NOTES FORM PART OF THESE STATEMENTS

SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES FOR THE YEAR ENDED 30 JUNE 1998

	Actual		Estimated	Actual		Estimated
	Appropriations		Expenditure	Appropriations		Expenditure
	Original	Revised	★★	Original	Revised	★★
	1998	1998	1998	1997	1997	1997
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent appropriations						
Fair Trading Strategy *	3,614	3,513	3,513	3,994	3,986	3,986
Marketplace Performance *	8,652	8,317	8,317	9,309	9,388	9,388
Fair Trading Standards and Registers *	8,802	8,499	8,499	–	62	62
Consumer and Trader Services *	23,504	22,336	22,336	15,312	15,345	15,345
Tribunals *	6,201	5,902	5,902	6,234	6,218	6,218
	50,773	48,567	48,567	34,849	34,999	34,999
Capital appropriations						
Fair Trading Strategy *	253	253	253	32	32	32
Marketplace Performance *	211	211	211	52	282	282
Fair Trading Standards and Registers *	233	83	83	–	–	–
Consumer and Trader Services *	1,102	1,102	1,102	148	148	148
Tribunals *	211	211	211	28	28	28
	2,010	1,860	1,860	260	490	490
Total appropriations (Includes transfer payments)	52,783	50,427	50,427	35,109	35,489	35,489

* The name and purpose of each program is summarised in Note 8.

★★ In New South Wales, agencies are not required to separately record expenditures which are financed by Consolidated Fund as distinct from expenditures financed by their own user charges. As a result, they are not able to determine accurately the exact amount of the expenditures that are related to the Consolidated Fund. However, the amount of revised appropriation should approximate the actual expenditure of Consolidated Fund monies by agencies.

- Figures contained in the 'Original' column are as per the appropriation figures contained in the 1997/1998 Budget Estimates, Budget Paper No.3 Volume 1.
- Variations between original and revised recurrent appropriations are due to a corresponding increase in income after the Statutory Interest rate applicable to Real Estate Agents Trust Accounts was increased from 25% to 60%, effective from 1 November 1997.
- As a result of a computer project carrying over into the 1998/99 financial year, the Capital appropriation was decreased.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Department of Fair Trading as a Reporting Entity comprises all the activities and entities under its control, including its self-funding commercial branch, the Register of Encumbered Vehicles (REVS). The Department performs administrative functions for the Rental Bond Board and the Fair Trading Administration Corporation. Costs associated with these functions are recouped from these entities on an operational basis in relation to activities performed.

The Fair Trading Legislation Amendment Act 1997 commenced on 1 August 1997. The effect of this legislation was to abolish a number of councils including the Property Services Council, replacing them with advisory councils within the framework of the Department of Fair Trading. The Property Services Council was replaced by the Property Services Advisory Council. As a result all assets and liabilities were transferred to the Department of Fair Trading on 1 August 1997. Funds held in the Statutory Interest Account, Compensation Fund and Administration Account were transferred to appropriate accounts maintained by the Department of Fair Trading.

The Departmental Reporting Entity also encompasses funds which, while containing assets which are restricted for specified uses by the Department are nevertheless controlled by the Department (ie the Motor Dealers Compensation Fund). All transactions and balances between the funds and entities comprising the Department have been eliminated in the process of preparing the financial statements.

(b) Basis of Accounting

The Department of Fair Trading's financial statements are a general purpose financial report which has been prepared on an accrual basis and in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements, the requirements of the Public Finance and Audit Act (the Act) and Regulations and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependant Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

Statements of Accounting Concepts are used as a guidance in the absence of applicable Accounting Standards, other mandatory professional reporting requirements and legislative requirements.

Except for certain investments and plant and equipment, which are recorded at valuation, the financial statements are prepared in accordance with historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies adopted are consistent with those of the previous year.

(c) Administered Activity

The Department of Fair Trading administers, but does not control, certain activities on behalf of the Crown Transactions Entity. It is accountable for transactions relating to those administered activities but does not have discretion, for example, to deploy the resources for the achievement of the Department's own objectives.

In these statements, transactions and balances relating to the administered activities are not recognised as the Department's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Revenues", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

(d) Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and subsidies) are recognised as revenues when the Department obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

PROGRAM STATEMENT - EXPENSES AND REVENUES

	Fair Trading Strategy ★		Marketplace Performance ★		
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	
AGENCIES EXPENSES & REVENUES					
Expenses					
Operating expenses					
Employee related	5,240	4,558	8,696	8,918	
Other operating expenses	3,565	4,864	3,204	3,162	
Depreciation	36	205	300	407	
Grants and subsidies	30	611	29	–	
Other expenses	26	5	1,313	359	
Total Expenses	8,897	10,243	13,542	12,846	
Retained Revenue					
Sale of goods and services	414	239	739	651	
Investment income	165	13	345	25	
Retained fees and fines	819	–	1,705	–	
Grants and contributions	–	445	–	881	
Other revenue	1,501	3,360	3,174	6,821	
Total Retained Revenue	2,899	4,057	5,963	8,378	
Gain/(loss) on sale of non-current assets	(3)	–	(13)	–	
NET COST OF SERVICES	6,001	6,186	7,592	4,468	
Government contributions	4,028	4,379	9,020	10,386	
SURPLUS/(DEFICIT) FOR THE YEAR	(1,973)	(1,807)	1,428	5,918	
Administered Expenses					
Transfer payments	–	–	–	–	
Other	(162)	(143)	(339)	(290)	
Total Administered Expenses	(162)	(143)	(339)	(290)	
Administered Revenues					
Transfer receipts	–	–	–	–	
Crown Transactions					
Taxes, fees and fines	1	–	3	–	
Other	430	46	895	93	
Total Administered Revenues	431	46	898	93	
Administered Revenues less Expenses	269	(97)	559	(197)	

★ Name and purpose of each program is summarised in Note 8.

PROGRAM STATEMENT - EXPENSES AND REVENUES

	Fair Trading Standards & Registers ★		Consumer & Trader Services ★		Tribunals ★		Total	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
	10,066	9,463	31,344	27,611	9,996	7,240	65,342	57,790
	4,986	5,244	14,167	14,820	5,157	3,169	31,079	31,259
	574	519	2,469	2,057	133	161	3,512	3,349
	143	255	3,137	4,145	—	—	3,339	5,011
	503	150	643	74	66	58	2,551	646
	16,272	15,631	51,760	48,707	15,352	10,628	105,823	98,055
	2,088	1,338	7,135	5,898	1,067	809	11,443	8,935
	325	32	1,430	320	310	25	2,575	415
	2,470	—	6,570	490	1,524	—	13,088	490
	84	1,126	633	3,207	4,046	348	4,763	6,007
	4,313	8,602	11,188	24,430	2,827	2,638	23,003	45,851
	9,280	11,098	26,956	34,345	9,774	3,820	54,872	61,698
	9	15	57	—	(12)	—	38	15
	6,983	4,518	24,747	14,362	5,590	6,808	50,913	36,342
	9,109	875	24,762	18,099	6,476	6,529	53,395	40,268
	2,126	(3,643)	15	3,737	886	(279)	2,482	3,926
	(16)	(99)	—	—	—	—	(16)	(99)
	(451)	(372)	(1,182)	(985)	(303)	(175)	(2,437)	(1,965)
	(467)	(471)	(1,182)	(985)	(303)	(175)	(2,453)	(2,064)
	16	99	—	—	—	—	16	99
	37,479	12,983	1,474	2,423	2	—	38,959	15,406
	1,191	120	3,121	316	800	56	6,437	631
	38,686	13,202	4,595	2,739	802	56	45,412	16,136
	38,219	12,731	3,413	1,754	499	(119)	42,959	14,072

(e) Employee Entitlements**(i) Wages and Salaries, Annual Leave, Sick Leave and On-Costs**

Liabilities for wages and salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the entitlements accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

(ii) Long Service Leave and Superannuation

The Department's liabilities for long service leave and superannuation are assumed by the Crown Transactions Entity. The Department accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Transactions Entity of Employee Entitlements and other Liabilities".

Long service leave is measured on a nominal basis. The nominal method is based on the remuneration rates at year end for all employees with five or more years of service. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(f) Insurance

The insurance activities of the Department of Fair Trading are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(g) Acquisition of assets

The cost method of accounting is used for the initial recording of all assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

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

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

(h) Plant and Equipment

Single items of plant and equipment costing \$5,000 and above individually are capitalised. Those items costing in excess of \$2,000 attached to one of the Department's Computer Networks are also capitalised.

(i) Revaluation of Physical Non-Current Assets

Where assets are revalued upward or downward as a result of a revaluation of a class of non-current physical asset, the Department restates separately the gross amount and the related accumulated depreciation of that class of asset. The recoverable amount test has not been applied as the Department is a not-for-profit entity whose service potential is not related to the ability to generate net cash flow.

(j) Depreciation of Non-Current Physical Assets

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the entity. The applicable rates of depreciation are :

Motor Vehicles – Trade Measurement	20%
Motor Vehicles – Other	8%
Fitouts, Furniture and Fittings	10%
Electronic Equipment	20%
Computer Equipment and Development	33%
Trade Measurement Equipment	4%

(k) Leased Assets

The Department has entered into a number of operating lease agreements for buildings and equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the operating statement over the lease term as this lease is representative of the pattern of benefits to be derived from the leased property.

(l) Trust Funds

The Department receives monies in a trustee capacity for various trusts as set out in Note 26. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Department's own objectives, they are not brought to account in the financial statements.

(m) Administrative Restructuring

The transfer of net assets between agencies as a result of administrative restructuring is treated as a direct adjustment to the opening balance of "Accumulated Fund". An exemption from the application of AAS29 was requested from Treasury. Treasury has denied the Department's request for an exemption.

	1998	1997
	\$'000	\$'000
2 EXPENSES		
(a) Employee related expenses comprise the following specific items:		
Salaries and wages (including Recreation Leave)	52,507	47,603
Superannuation entitlement	4,214	3,117
Long service leave	2,019	1,465
Workers' compensation insurance	386	209
Payroll Tax and Fringe Benefit Tax	4,486	3,753
Redundancies	1,730	1,643
	65,342	57,790
(b) Other operating expenses		
Auditor's remuneration	100	68
Bad and Doubtful Debts	5	304
Rental expense relating to operating leases	9,246	8,050
Insurance	125	251
Telephones/Postage	4,223	4,263
Fees	6,545	7,752
Stores	1,748	1,610
Motor Vehicle Expenses	527	671
Travel	1,283	1,147
Advertising	2,443	3,304
Fitout of Premises	489	36
Books, periodicals, newspapers & subscriptions	415	514
Gas/Electricity	267	19
Minor Equipment	2,738	1,097
Maintenance contracts	764	448
Other Expenses	161	1,725
	31,079	31,259
(c) Depreciation		
Computer equipment and development	2,713	2,414
Electronic equipment	169	527
Fitouts, Furniture and Fittings	510	323
Trade Measurement equipment	5	12
Vehicles	94	73
	3,491	3,349
Amortisation of premium on investment	21	—
	3,512	3,349

	1998	1997
	\$'000	\$'000
(d) Grants and subsidies		
Credit Counselling services	834	820
Co-Operative Development Fund	104	288
Tenancy Advice and Advocacy Program	1,739	2,498
Building Education Grants	251	317
Real Estate Education Grants	395	735
Other	16	353
	3,339	5,011
(e) Other Expenses		
Legal Assistance	203	401
Motor Dealers Compensation Fund Payments	395	65
Compensation Claims	1,075	–
Other Expenses	878	180
	2,551	646
3 REVENUES		
(a) Sale of goods and services comprise:		
Fees charged by REVS for the provision of services and registering of encumbrances over vehicles	7,067	5,277
Fees charged for the lodgement of a claim before the Consumer Claims Tribunal	121	119
Fees charged for the lodgement of a claim before the Commercial Tribunal	34	25
Fees charged for the lodgement of a claim before the Building Disputes Tribunal	75	105
Fees charged for the lodgement of a claim before the Residential Tenancy Tribunal	735	646
Fees charged for searching Business Names database	1,620	842
Fees charged for establishment and renewal of Associations	252	232
Sale of Contracts and Publications	448	254
Electrical Appliance Testing	721	642
Other	370	793
	11,443	8,935
(b) Investment Income		
– Investments	1,832	–
– Bank Accounts	743	415
	2,575	415

	1998	1997
	\$'000	\$'000
(c) Retained fees and fines		
Motor Dealers Compensation Fees	620	490
Real Estate License Fees	2,400	–
Real Estate Compensation Fund	411	–
Statutory Interest	9,657	–
	13,088	490
(d) Grants and Contributions		
Fair Trading Administration Corporation assets	633	6,000
Contribution from Rental Bond Board	4,046	–
Grant from Agriculture Co-operative Leader	9	–
Grants from Department of Industry, Science and Tourism	75	–
Assets from Homefund Commissioner (Net)	–	3
Jobskills	–	4
	4,763	6,007
<p>On 1 July 1997 the Minister authorised the transfer of plant and equipment from the Fair Trading Administrative Corporation to the Department of Fair Trading. At 30 June 1997 the written down value of these assets was equal to \$633,435.</p> <p>The cost of running the Residential Tenancy Tribunal is split 50/50 by the Rental Bond Board and the Property Services Statutory Interest Fund. This grant reflects the Rental Bond Boards contribution to the cost of administering the Residential Tenancy Tribunal.</p> <p>A grant of \$8,330 was received from the Co-operative Federation of New South Wales as a contribution towards the administrative costs of the Agricultural Leaders Forum held in October 1996.</p> <p>A grant of \$75,000 was received from the Commonwealth Department of Industry, Science and Tourism as their contribution towards the Joint Initiative Project “Redevelopment of BLIS Software”.</p>		
(e) Other Revenue		
Administrative Assistance (Refer Note 1(a))	21,981	44,950
Telecom Rebate	404	179
Fees charged by REVS to other States	325	284
Recreation Leave payments received	–	50
Other	293	388
	23,003	45,851

	1998	1997
	\$'000	\$'000
4		
(a) GAIN/(LOSS) ON SALE OF NON-CURRENT ASSETS		
Gain/(loss) on disposal of plant and equipment		
Proceeds from sale	373	–
Written down value of assets sold	335	–
Net gain/(loss) on disposal of plant and equipment	38	–
(b) ABNORMAL ITEM		
Net proceeds from sale of property	–	6,015
Valuation or Written down value of assets sold	–	(6000)
Net gain/(loss) on disposal of property	–	15
5 APPROPRIATIONS		
Total Recurrent appropriations (per Summary of Compliance)	48,567	34,999
Less: Transfer payments	–	102
Recurrent appropriations (per Operating Statement)	48,567	34,897
Total Capital appropriations (per Summary of Compliance)	1,860	490
Capital appropriations (per Operating Statement)	1,860	490
6 ACCEPTANCE BY THE CROWN TRANSACTIONS ENTITY OF EMPLOYEE ENTITLEMENTS AND OTHER LIABILITIES		
The following liabilities and/or expenses have been assumed by the Crown Transactions Entity:		
Superannuation	1,869	3,254
Long Service Leave	970	1,404
Payroll Tax on Long Service Leave	129	223
	2,968	4,881
7 YEAR 2000 COMPLIANCE		

The Department of Fair Trading is investigating if and to what extent the date change from 1999 to 2000 may affect its activities. The Department of Fair Trading has established a programme to help ensure that the impact of the transition to the year 2000 on the Department of Fair Trading and its customers is minimised by seeking to ensure that its significant/core computer hardware, software and/or systems are year 2000 compliant. The Department of Fair Trading does not expect its activities to be significantly impacted by the date change.

8 PROGRAMS/ACTIVITIES OF THE DEPARTMENT

43.1.1 Fair Trading Strategy

This program includes the Departmental Division, Fair Trading Strategy and the Community Education Branch of the Customer Services and Community Education Division.

Objectives: To develop and promote value and fairness in the New South Wales marketplace.

43.1.2 Marketplace Performance

This program includes the Departmental Division, Compliance, Legal and Safety (excluding Trade Measurement Branch) and the Building Investigation Unit from Home Building and Property Services Division.

Objectives: To detect, remedy and deter unfair trading practices.

43.1.3 Fair Trading Standards and Registers

This program includes the Departmental Division, Licensing and Registration Services (excluding REVS), the Building Licensing Unit from Home Building and Property Services Division and the Registry of Co-operatives.

Objectives: To maintain confidence in the marketplace through the provisions of registration and licensing services.

43.1.4 Consumer and Trader Services

This program includes the Departmental Divisions, Home Building and Property Services Division (excluding the Building Licensing Unit and the Building Investigation Unit), Trade Measurement Branch from Compliance, Legal and Safety Division, REVS from Licensing and Registration Services Division and the Customer Services and Community Education Division (excluding Community Education).

Objectives: To foster fairness and ethical trading in the marketplace.

43.1.5 Tribunals

This program includes the Commercial Tribunal, the Consumer Claims Tribunal, Strata Schemes Office and the Residential Tenancy Tribunal.

Objectives: To ensure impartial forums for the resolution of marketplace disputes.

9 CURRENT ASSETS - CASH

Cash comprises cash on hand, Hourglass Cash and Cash Plus facilities and bank balances within the Treasury Banking System.

	1998	1997
	\$'000	\$'000
Cash Facility	1,759	–
Cash Plus Facility	2,990	–
Cash at Bank	8,298	4,412
Cash on Hand	51	51
	13,098	4,463

10 CURRENT ASSETS – INVESTMENTS

The Department has investments in TCorp's Hour-Glass facilities. The Department's investment is represented by a number of units of a managed investment pool, with each particular pool having different investment horizons and being comprised of a mix of asset classes appropriate to that investment horizon. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines. These investments are generally able to be redeemed with seven days notice (dependent upon the facility). The value of the investments held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value. The value of the above investments represents the Department's share of the value of the underlying assets of the facility and those assets are stated at net fair value.

	1998	1997
	\$'000	\$'000
The Department's investments are:		
TCorp HourGlass		
Fixed Interest Facility	22,184	–
Other Investments		
Term Deposits	2,000	–
	24,184	–

11 CURRENT ASSETS - RECEIVABLES

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 day terms.

	1998	1997
	\$'000	\$'000
<i>Receivables currently comprise:</i>		
Motor Dealers Compensation Fund fees	1,014	786
Trade Measurement Fees	30	129
Unallocated Income – Remitting Account	170	3
Salaries recoupables	2	2
Interest for Operating Account	132	147
Interest for REVS bank account	85	67
Interest – other	542	–
REVS fees	728	654
Sale of St Leonards	–	6,015
Administrative Assistance due	5,182	5,011
Inter-agency Transfers – Fair Trading Admin Corp	7	2,612
Inter-agency Transfers – Property Services	–	379
Inter-agency Transfers – Rental Bond Board	24	21
Real Estate license fees due from Treasury	1,300	–
Amounts owed due to Prosecutions	331	–
Other	545	447
	10,092	16,273
<i>Less: Provision for doubtful debts</i>		
– Motor Dealers Compensation Fund	704	613
	9,388	15,660
Prepayments	1,050	1,570
Loans – Abrasiflex Workers' Co-operative	12	–
	10,450	17,230
<i>Receivables amount due written off during the year were:</i>		
Motor Dealers Compensation Fund	–	298
REVS	4	5
Other	1	1
	5	304

12 NON CURRENT ASSETS – PLANT AND EQUIPMENT

	Computer Equipment & Development	Electronic Equipment	Fitouts, Furniture & Fittings	Trade Measurement Equipment (at cost)	Trade Measurement Equipment (at value)	Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At cost or valuation							
Balance 1 July, 1997	16,529	2,454	5,423	2,199	64	375	27,044
Additions	3,736	543	3,987	–	–	–	8,266
Transfers In	4,655	654	717	–	38	457	6,521
Transfers Out	–	(717)	(514)	–	–	–	(1,231)
Write Offs or Disposals	(8,139)	(1,318)	(1,557)	–	–	(350)	(11,364)
Balance 30 June 1998	16,781	1,616	8,056	2,199	102	482	29,236
Accumulated Depreciation							
Balance 1 July, 1997	13,220	2,022	1,913	1,985	–	261	19,401
Transfers In	3,338	376	555	–	–	–	4,269
Depreciation for year	2,713	169	510	5	–	94	3,491
Transfers Out	–	(545)	–	–	–	–	(545)
Write back on disposal	(8,139)	(1,229)	(1,118)	–	–	(15)	(10,501)
Balance 30 June, 1998	11,132	793	1,860	1,990	–	340	16,115
Written down value							
As at 1 July, 1997	3,309	432	3,510	214	64	114	7,643
As at 30 June, 1998	5,649	823	6,196	209	102	142	13,121

It is estimated that the majority of assets contained in the Asset Register continue to give economic benefit to the Department. All assets were reviewed during the latter stages of 1997~1998 and action taken to write-off those assets that no longer have an economic value. During May 1997 Heritage assets consisting of a collection of Antique and Modern Weight and Measures were valued on the basis of a fair market value by actuarial agents James R. Lawson Pty Ltd. These assets were previously valued as a group at a nominal value of \$1.

Fully depreciated plant and equipment as at 30 June 1998 amounted to \$10,457,871.35.

	1998	1997
	\$'000	\$'000
13 NON-CURRENT ASSETS - INVESTMENTS		
Mortgaged Backed Investment	5,078	-
	5,078	-
14 NON-CURRENT ASSETS - RECEIVABLES		
Port Hacking and Sutherland Co-operative Housing Society	158	-
Abrasiflex Workers' Co-operative - Loan	26	-
	184	-
15 CURRENT LIABILITIES - ACCOUNTS PAYABLE		
The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. There were no claims for late payment interest during the reporting periods.		
Trade Creditors	1,655	8,469
Other Accruals	149	101
	1,804	8,570
16 CURRENT/NON CURRENT LIABILITIES - EMPLOYEE ENTITLEMENTS		
Current:		
Recreation leave	3,946	3,479
Accrued salaries and wages	1,934	353
	5,880	3,832
SES Liabilities	13	11
	5,893	3,843
Non Current:		
Payroll Tax on Long Services Leave	727	657
	727	657
Aggregate employee entitlements	6,620	4,500

	1998	1997
	\$'000	\$'000
17 CURRENT LIABILITIES - OTHER		
Prepaid REVS income from other States	126	-
Real Estate Licenses – prepaid	1,530	-
Provision for outstanding claims	4,350	-
	6,006	-

An Actuarial Review of the Property Services Compensation Fund as at 30 June 1998 was carried out by Trowbridge Consulting. The purpose of this review was to ascertain the possible liability of the Compensation Fund.

The outstanding claim provisions recommended by the Actuary in the interim report dated 24 August 1998 total \$4.0 million. This figure, the same as in 1997, includes a prudential margin of \$0.8 million. This margin represents 20% of the Actuary's net central estimates for outstanding claims and has been recommended by the Actuary to allow for the uncertainty in the claims and estimation processes and possible changes in future to the risk profile. The final actuarial report is due in September 1998.

The Actuary has recommended that the outstanding claims provision for this fund be reviewed every two or three years.

18 CHANGES IN EQUITY

Balance at the beginning of the financial year	16,266	13,213
Adjustment to opening balances due to the recognition of pre-existing asset of Trade Measurement Equipment	38	64
Increase/(Decrease) in net assets due to administrative restructuring (Note 19)	32,899	(937)
Surplus for the year	2,482	3,926
	51,685	16,266
Balance at the end of the Financial Year	51,685	16,266

19 INCREASE/(DECREASE) IN NET ASSETS FROM ADMINISTRATIVE RESTRUCTURE

Building Services Corporation	-	(351)
Property Services Council	32,899	(300)
Residential Tenancy Tribunal	-	(7)
Strata Adjudication	-	(3)
Tenancy Services	-	(276)
Total increase/(decrease) in net assets from administrative restructure	32,899	(937)

	1998	1997
	\$'000	\$'000
Details of Assets and Liabilities transferred :		
Assets – Cash	7,799	1,559
Assets – Receivables	895	3,260
Assets – Investments	33,161	–
Plant and Equipment	812	–
Liabilities – Accounts Payables	(3,771)	(1,651)
Liabilities – Employee Entitlements	–	(3,776)
Liabilities – Other	(5,997)	(329)
Net Assets/(Liabilities) transferred	32,899	(937)

20 COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments

Aggregate capital expenditure contracted for at balance date but not provided for:

Not later than one year	235	177
Later than 1 year and not later than 2 years	113	–
Later than 2 years and not later than 5 years	–	–
Later than 5 years	–	–
	348	177

(b) Other Expenditure Commitments

Aggregate other expenditure contracted for at balance date but not provided for:

Not later than one year	436	353
Later than 1 year and not later than 2 years	3	–
Later than 2 years and not later than 5 years	–	–
Later than 5 years	–	–
	439	353

(c) Operating Lease Commitments

Commitments in relation to non-cancellable operating leases payable as follows:

Not later than 1 year	9,001	6,284
Later than 1 year and not later than 2 years	5,572	5,987
Later than 2 years and not later than 5 years	9,230	12,162
Later than 5 years	6	3,550
	23,809	27,983

These capital, other expenditure and operating lease commitments are not recognised in the financial statements as liabilities.

21 CONTINGENT LIABILITY

The Department is currently involved in a number of legal cases where, if lost, costs may be awarded against the Department. It is estimated that these costs may total \$1,852,500.

22 BUDGET REVIEW

	Actual 1998 \$'000	Budget 1998 \$'000	Variance Budget to Actual		Comment
			\$'000	%	
Operating Statement					
Net Cost of Services	50,913	61,222	(10,309)	(16.8)%	(a)
Financial Position					
Total Current Assets	47,732	19,558	28,174	144.1%	
Total Non-Current Assets	18,383	9,319	9,064	97.3%	
Total Assets	66,115	28,877	37,238	129.0%	(b)
Total Current Liabilities	13,703	14,683	(980)	(6.7)%	
Total Non-Current Liabilities	727	677	50	7.4%	
Total Liabilities	14,430	15,360	(930)	(6.1)%	(b)
<i>Net Assets</i>	<i>51,685</i>	<i>13,517</i>	<i>38,168</i>	<i>282.4%</i>	
Cashflows					
Cash Outflow from Operating Activities	(1,572)	6,676	(8,248)		(c)
Cash Outflow from Investing Activities	2,408	(6,198)	8,606		
<i>Net Increase (Decrease) in Cash</i>	<i>836</i>	<i>478</i>	<i>358</i>		

(a) Net Cost of Services

The reduction in the net cost of services can be attributed primarily to the transfer of functions from the former Property Services Council. Income from Investments, Real Estate License Fee and interest on Real Estate Agents Trust Accounts are being recognised for the first time and therefore responsible for the decrease.

(b) Assets and Liabilities

The increase in Total Current and Non Current Assets is due to an increase in cash and investments as part of the integration of the Property Services Council into the Department of Fair Trading. The reduction in Total Liabilities is primarily due to the decrease in accounts on hand.

(c) Cashflows

The change in Operating Activity cash is mainly due to increased activity in Salaries and Other Operating Expenditure which can be attributed to the integration process. This additional expenditure was partially recovered through the Administrative Assistance fee.

The change in Investment Activity cash between budget and actual figures for the 1997/1998 financial year was primarily due to the receipt of funds for the sale of the St Leonards property and withdrawal of investments. This was partly offset by a reduction in government contributions.

23 CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash includes cash on hand, HourGlass Cash and Cash Plus and in bank. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

	1998	1997
	\$'000	\$'000
Cash	13,098	4,463
Closing Cash and Cash Equivalents	13,098	4,463

24 RECONCILIATION OF NET COST OF SERVICES TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Net cash used on operating activities	1,572	161
Cash Flows from Government	51,023	35,387
Receipt from sale of property	(6,015)	—
Valuation gains on TCorp investments	(1,321)	—
Fair Trading Administration Corp Plant & Equipment	(633)	—
Interest Capitalised on Loans	(12)	—
WDV of assets written off	423	—
Net loss/(gain) on sale of plant and equipment	(38)	(15)
Acceptance by the State of Departmental liabilities	2,372	4,881
Depreciation and amortisation	3,512	3,349
Provision for doubtful debts	91	328
Increase/(decrease) in prepayments and other assets	(6,596)	(12,599)
(Increase)/decrease in Accounts Payable	5,788	5,856
(Increase)/decrease in Employee Entitlements and Other	(8,126)	1,936
Net (Assets)/Liabilities arising from Administrative Restructure	8,873	(2,942)
Net cost of services	50,913	36,342

25 NON CASH FINANCING AND INVESTING ACTIVITIES

Plant and equipment transferred from Fair Trading Administration Corporation	633	—
Assets transferred from Property Services Council:		
Plant and Equipment	812	—
Investments	33,161	—
Increase in net assets from administrative restructuring	34,606	—

26 TRUST FUNDS

The Department holds moneys in a Miscellaneous Trust Fund held at Treasury which is used for payments to Funeral Fund claimants, McFadden Compensation claimants and Phone Australia Ltd claimants. These monies are excluded from the financial statements as the Department cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust accounts:

	1998 \$'000	1997 \$'000
Funeral Fund		
Cash balance at the beginning of the financial year	117	117
Add: Receipts	–	–
Less: Expenditure	2	–
Cash balance at the end of the reporting period	115	117
McFadden Compensation		
Cash balance at the beginning of the financial year	74	69
Add: Receipts	2	5
Less: Expenditure	–	–
Cash balance at the end of the reporting period	76	74
Phone Australia Ltd		
Cash balance at the beginning of the financial year	17	–
Add: Receipts	–	31
Less: Expenditure	4	14
Cash balance at the end of the reporting period	13	17

27 ADMINISTERED ASSETS AND LIABILITIES

Administered Assets			
Receivables	Note 29	589	191
Other		82	99
Total Administered Assets		671	290
Administered Liabilities			
Other		82	99
Total Administered Liabilities		82	99

Treasury letter dated 29 April 1997, advised of their decision to provide an interest-free advance to the Administrator of the AWU and Guardian Co-operative Housing Societies. The payment of \$102,000 was to be made by the Department of Fair Trading and the repayments made to the Department of Fair Trading and then onforwarded to Treasury. Repayments of \$16,471 were received by the Department of Fair Trading during 1997/1998 and onforwarded to Treasury. Balance of loan of \$82,129 is shown as Other Administered Assets.

	1998	1997
	\$'000	\$'000
28 ADMINISTERED REVENUE - DEBTS WRITTEN OFF		
Business Name Registration	23	22
Trade Measurement	2	8
Other	-	-
	25	30

29 ADMINISTERED REVENUE - SCHEDULE OF UNCOLLECTED AMOUNTS

License Fees	443	-
Business Registrations	33	63
Trade Measurement	50	70
Miscellaneous	63	58
	589	191

Aged Analysis of Administered Revenue

Current	520	127
Between 30 days and 59 days old	11	19
Between 60 days and 89 days old	6	3
Over 90 days old	52	42
	589	191

END OF AUDITED FINANCIAL STATEMENTS