

Public Trustee Report to Parliament

For the year ended 30 June 2011

Statement of Compliance

Mr Christian Porter BA(Hons) BEc LLB(UWA) MSc(Dist) LSE MLA
Attorney General

In accordance with section 63 of the [Financial Management Act 2006](#), I hereby submit for your information and presentation to Parliament, the Annual Report of the Public Trustee for the financial year ended 30 June 2011.

The Annual Report has been prepared in accordance with the provisions of the [Financial Management Act 2006](#).

Brian Roche BBus MMgt

PUBLIC TRUSTEE

Accountable Authority

22 September 2011

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OVERVIEW

Public Trustee's Executive Summary

I am pleased to provide this report on the progress and achievements of the Public Trustee for the 2010/11 financial year. This report highlights the results of the many activities undertaken by the staff of the Public Trustee over the past 12 months.

Our Business

As I advised in last year's report, the review of the operations and structure of the Wills team, and the implementation of an automated Wills writing system were a priority for completion over the past 12 months. This has now been successfully completed. The Wills system, although in place, will require further bedding down in the coming 12 months. Similarly, a realignment of the skills and resources that the Public Trustee applies to our Wills business will be completed in the coming year. These changes combined should improve the significant wait times we have in delivering our Wills service.

As noted in last year's report we commenced the move of staff to our new office accommodation. The first phase involving half of all staff was successfully completed in March. The remaining staff will move in two phases during 2011/12, with the final move being completed by March 2012. Also during this past year we have made good progress in negotiations and arrangements for the sale of our building at 565 Hay Street Perth. It is expected that the required approval of the Supreme Court will be received in the early part of the coming financial year and the sale will be completed by March 2012.

We have continued with our campaign to improve the community's understanding of our role and how we go about achieving our role. We undertook an information campaign through community newspapers and a series of talk back segments with 6PR Radio during the latter part of 2010. We also continued to work with community stakeholders to ensure there was better understanding of our roles in helping people in the Western Australian Community.

The Public Trustee's role has been made particularly difficult in recent years with global financial uncertainty. The tough economic times that we are all facing now is of great concern to us as a financial institution; especially as it is our responsibility to look after our clients' finances where, in almost all cases, it is our aim to invest and manage their money to make it last for the rest of their lives. In tough economic conditions like these our job is made more difficult and we devote considerable time to monitoring and adjusting our strategies, where necessary, in managing our clients' finances.

Our People

The cultural change program that I commented on in previous Annual Reports has continued this year. However, we were not able to conduct a follow up survey with all staff to test any changes in attitudes to services, as we had planned. Work was commenced on reassessing the executive team to ensure that continued improvements could be made. It is expected that the program will continue in the coming year.

We obtained approval during the Government's budget process to add an additional senior lawyer to our Wills team. This position will help in the management of the other staffing changes that will be made to the Wills team in the coming year.

Towards the end of the financial year we conducted a major review of our five-year strategic plan. All of the executives and senior managers were involved in this review, and all staff had an opportunity to provide input and to review the results. This plan sets out clear business objectives for the Office to pursue in the period 2011/12.

The Future

In the coming year we will ensure that our new automated Wills system is bedded down fully and operating efficiently. We will also manage a realignment of the skills and resources in our Wills team to ensure we are getting optimal results from our new system and that we are able to meet client demands and expectations of our Wills service. We will also complete the move of all of the remainder of our staff to our new building and I expect that we will also complete the sale of our building.

The timing for us to achieve self funding has been brought forward; and a major challenge for the coming year will be an extensive review of our fee arrangements to meet the self funding requirement.

Finally, this will be my last Annual Report and by the time that you are reading this I will have retired and be pursuing more leisurely activities. I have enjoyed this role immensely and feel honoured and privileged that I have had this opportunity to serve the Western Australian community in this position. I feel that I am leaving the Office in a sound position and I send my successor best wishes for the coming years and hope they enjoy the role as much as I have. Thus, this is my last opportunity to publicly thank all of my staff for their hard work and commitment they have again displayed over the past year. I would also like to thank the Attorney General and his staff for their support, and a special 'thank you' to the Director General of the Department of the Attorney General for her guidance and support over previous years.



John Skinner
Public Trustee 19 August 2011

Operational Structure

The Public Trustee provides professional and independent trustee and asset management services to all Western Australians. It offers a range of free community service and fee-based services that include:

- preparing and giving advice on making sound Wills;
- preparing Enduring Powers of Attorney (which are legal documents where one person gives the legal authority to make financial and some legal decisions on their behalf to another person);
- administering deceased estates of those who nominate the Public Trustee as Executor or where Executors or beneficiaries approach the Public Trustee to administer the estate;
- administering the estates of particular Aboriginal people who die intestate;
- managing the financial and legal affairs of people who are incapacitated or infirm or have intellectual or mental disabilities (when appointed by the State Administrative Tribunal);
- acting as Trustee (when appointed by the courts or assessors) to manage personal injuries or criminal injuries compensation awards;
- acting as Trustee for people under the age of 18 (minors);
- providing a compliance and support service to over 1500 Private Administrators who are usually family members or close friends appointed by the State Administrative Tribunal to manage the financial affairs of another person who lacks the ability to manage their own affairs; and
- provides a funds management and investment service through the operation of the Common Account – an at-call investment facility backed by the Government of Western Australia – and the management of the Public Trustee Investment Funds.

Enabling Legislation

The Public Trustee was established by the [Public Trustee Act 1941](#) and is a Statutory Authority within the provisions of the [Financial Management Act 2006](#). It receives administrative support from the Department of the Attorney General.

Responsible Minister

Mr Christian Porter BA(Hons) BEc LLB(UWA) MSc(Dist) LSE MLA Attorney General

Organisational Structure

Vision, Role, Values

The Public Trustee's vision is to be a trusted organisation recognised for professionalism, integrity, and respect whose clients feel valued and protected.

Its role is to enhance the lives of Western Australians by providing high quality and accessible trustee and asset management services.

The Public Trustee's values include:

1. Excellent Service

Our clients have varied service needs. We strive to achieve and maintain credible and professional services to diverse client groups through effective communication and by making services relevant, responsive, accessible, accurate and fair.

2. Integrity & Accountability

We are open, honest, impartial and ethical in our communications and decisions. We take responsibility for our behaviours, which are governed by the legal system, agreed standards, and codes.

3. Equity and Fairness

We respect diversity and know that we sometimes have to treat our staff, the community and client groups differently to reach fair outcomes. We treat people with respect, courtesy and sensitivity and recognise their interests, rights, safety and welfare.

4. Collaboration and Learning

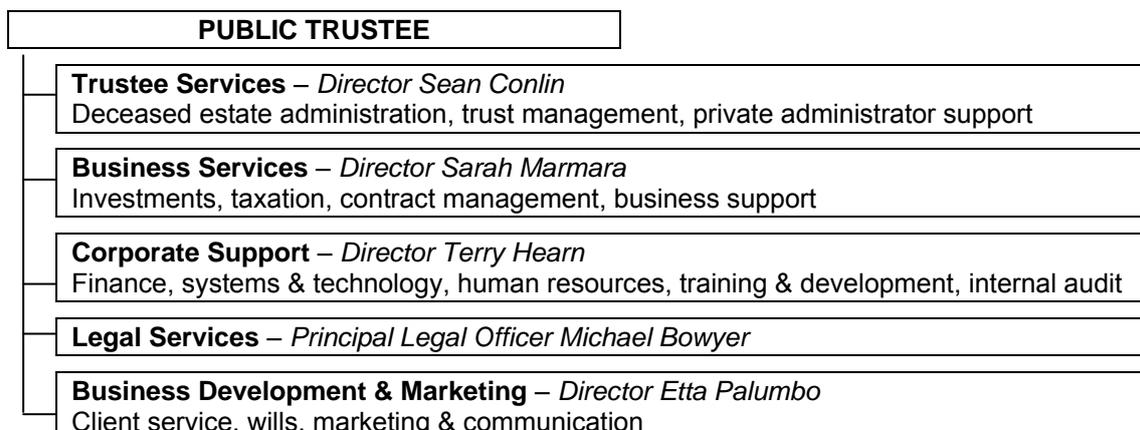
Our people take pride in their work and the value they contribute to the Department. We recognise the knowledge and skills of our people and support their continuous learning and development.

5. Professional Autonomy

We respect the differing professional attributes that are developed and nurtured in our business areas and the rights of our people to provide objective, frank and fearless advice to their clients and the community.

Organisational Chart

The sectional heads are members of the Corporate Executive Committee.



Corporate Executive Profiles

Public Trustee until 19 August 2011, John Skinner BSc, Grad Dip FP

Mr Skinner has extensive experience in financial services and management in both the State and Commonwealth public sectors.

Director Trustee Services, Sean Conlin BBus, Grad Dip Acct, CA

Mr Conlin has 12 years public sector management experience, and 17 years financial services accounting and management experience in the private sector.

Director Business Services, Sarah Marmara BBus (Acct), CPA

Ms Marmara has eight years public sector management experience (including Chief Financial Officer), and ten years management, financial services and accounting experience in the private sector.

Director Corporate Support, Terry Hearn BBus, Assoc Dip Bus

Mr Hearn has 32 years financial and management accounting experience in both the public and private sectors, including 15 years public sector management.

Principal Legal Officer, Michael Bowyer LLB

Mr Bowyer has 19 years legal advisory experience in the public sector.

Director Business Development & Marketing, Etta Palumbo BPsych

Ms Palumbo has 12 years professional services marketing experience and a further 13 years research, strategic planning and communications experience for public and private sector clients.

Administered Legislation

The Attorney General and the Public Trustee administer the [*Public Trustee Act 1941*](#) and the [*Public Trustee Regulations 1942*](#) and the Public Trustee complies with more than 100 State or Federal Acts in conducting its business.

Key legislation

[*Aboriginal Affairs Planning Authority Act 1972*](#)

[*Administration Act 1903*](#)

[*Auditor General Act 2006*](#)

[*Criminal Property Confiscation Act 2000*](#)

[*Disability Services Act 1993*](#)

[*Equal Opportunity Act 1984*](#)

[*Financial Management Act 2006*](#)

[*Freedom of Information Act 1992*](#)

[*Guardianship and Administration Act 1990*](#)

[*Inheritance \(Family and Dependants Provision\) Act 1972*](#)

[*Industrial Relations Act 1979*](#)

[*Minimum Conditions of Employment Act 1993*](#)

[*Non-contentious Probate Rules 1967*](#)

[*Occupational Safety and Health Act 1984*](#)

[*Public Sector Management Act 1994*](#)

[*Rules of the Supreme Court 1971*](#)

[*Salaries and Allowances Act 1975*](#)

[*State Administrative Tribunal Act 2004*](#)

[*State Records Act 2000*](#)

[*State Supply Commission Act 1991*](#)

[*Trustees Act 1962*](#) and [*Wills Act 1970*](#)

Performance Management Framework

The Public Trustee, whilst a statutory authority in its own right, is not a separate agency and does not have its own Outcomes Based Management Framework but is part of and follows the overall Department of the Attorney General's Framework.

Outcome Based Management Framework

Government goals

The work of the Public Trustee reflects four goals of the State Government:

- *Financial and Economic Responsibility*: responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.
- *Outcomes Based Service Delivery*: a greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.
- *Stronger Focus on the Regions*: a greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.
- *Social and Environmental Responsibility*: ensuring economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State.

Department goal

The right to justice and safety for all people in Western Australia is preserved and enhanced.

Department purpose

To provide high quality and accessible justice, legal, registry, guardianship and trustee services that meet the needs of the community and Government.

Department future

We are valued as leaders in developing and delivering justice services, policy and reforms that are significant and sustainable.

Public Trustee Corporate Objectives

1. Customer Service Delivery

- Quality and timely provision of services that exceed client expectations;
- Quality relationships, communication and empathy with clients;
- Delivery of a package of flexible services to meet individual client needs;
- Services are accessible to all Western Australians; and
- Recognition for excellence in customer service.

2. Developing Our People

- Staff who are fully trained, motivated and experts in their field;
- Mentoring and support for staff;
- Effective succession planning to prepare staff for higher positions;
- Leadership identification and development;
- Innovations in job structures and working arrangements;
- A working environment that fosters staff satisfaction; and
- A culture of creativity, openness, flexibility and excellence.

3. Developing Our Business

- Continuous improvement of our best practice contemporary business model;
- Development of new services;
- Establishment and fostering of partnership arrangements;
- Increased profile and market share;
- Generation of income and reserves to become self funding; and
- Meeting our Community Service Obligation to protect and support the vulnerable and disadvantaged in our society.

4. Investment Performance

- Provision of a range of investment opportunities to meet individual client needs;
- Achievement of a rate of return above benchmark;
- A reputation as a leader in investment management within our market niche;
- A continued high level of trust, integrity and reliability in the marketplace;
- Development of new income streams; and
- Increase in value of funds under management through an expanded client base.

5. Governance and Corporate Support

- A sound ethical framework, leadership and management with clear accountabilities;
- An effective corporate support relationship with the Department of the Attorney General;
- Management of risk and prevention of fraud;
- Compliance with regulatory requirements;
- An Annual Agreement that provides for the maintenance and use of a reserve fund; and
- An HR strategy, IT environment and legal services that effectively support the business.

Changes to Outcome Based Management Framework

There were no changes to the Public Trustee's Outcome Based Management structure for this period.

Shared Responsibilities with Other Agencies

The Public Trustee did not share any responsibilities with other agencies. It does however work collaboratively with a wide range of federal and state government agencies to ensure accessible, effective and timely delivery of trustee and legal services to its clients, namely elderly, vulnerable or intellectually impaired Western Australians. These agencies include Office of the Public Advocate, Department for Child Protection, Centrelink, State Administrative Tribunal, State Solicitor's Office, Registry of Births, Deaths and Marriages, Department for Communities, Landgate, GESB, Legal Aid, WA Police, Office of Senior Interests and Volunteering, Health, Disability Services Commission and the various Courts.

AGENCY PERFORMANCE - Report on Operations

Outcomes, Services and Performance Information

Actual Results versus Budget Targets

Financial Targets

| | Target \$,000s | Actual \$,000s | Variation |
|---|----------------|----------------|-----------|
| Total cost of services (expense limit) | 20,204 | 19,353 | 851 |
| Net cost of services | 4,098 | 3,295 | (803) |
| Approved full-time equivalent (FTE) staff | 155 | 151.6 | 3.4 |

Explanation of significant variations against financial targets

A detailed explanation of the significant variances between actual and target is presented at note 22(b) of the Notes to the Financial Statements on page 60.

Summary of Performance Indicators

Performance information relating to the services provided appears on page 80.

| | Target | Actual | Variation |
|--|---------|--------------------|-----------|
| Effectiveness | | | |
| 1.1 Extent to which trustee services meet the needs of clients | 80% | 84% | 4% |
| 1.2 Percentage of Western Australian deceased estates administered ¹ | 8.5% | 6.9% | -1.6% |
| 1.3 Extent to which the Public Trustee maintains a market share in drawing Wills naming the Public Trustee as executor | 12% | 12% | 0% |
| 1.4 Percentage of estates finalised within 12 months of being reported | 67% | 59% | -8% |
| 1.5 Percentage of clients who have services provided under a CSO ² | 35% | 43.3% | 8.3% |
| Efficiency | | | |
| 1.6 Cost per trust managed | \$1,931 | \$1,788 | -7.4% |
| 1.7.1 Cost per deceased estate administered | \$2,391 | \$2,458 | 2.8% |
| 1.7.2 Cost per Will prepared | \$426 | \$505 ³ | 18.6% |

¹ New performance indicator introduced 2010/11

² New performance indicator introduced 2010/11

³ The higher than target result is due to a reduction of 14% in Wills drawn which is primarily a result of the increasing complexity of preparing a Will including issues with blended families, superannuation, taxation, trusts and generally more complicated family and financial affairs; and higher costs associated with the development of the core computer system and court proceedings.

Directorate Reports

Trustee Services

The focus for the Directorate during the past year has been to consolidate and build upon the whole range of changes introduced into the Public Trustee during the previous two years. These changes included major amendments to the legislation under which we operate, the introduction of new investment funds for our clients and the complete revamp of our fee structure.

Some of the achievements that have occurred during this year include:

- reviewing and fine tuning the new fee structure introduced in the previous financial year;
- reviewing the financial position of many of our clients to determine whether or not it was appropriate to invest their money in the new Public Trustee Investment Funds;
- receiving ex-gratia payments totalling \$771,000 on behalf of clients for whom we had made successful applications for under the Redress WA Scheme;
- reviewing our client database to identify which of our clients are eligible for the various government initiatives (such as the Country Age Pension Fuel Card) introduced during the year;
- changing to a new provider of insurance services for our clients' assets;
- transferring the Will service to the Business Development and Marketing Directorate to strategically align its outputs with business development; and
- relocating half of the Trustee Services Directorate to a new building.

Estate Management

Responsible for administering the estates of people who die with or without a Will, the section's continued emphasis has been on improving the standard of service to meet client expectations.

The Public Trustee continued to assist beneficiaries in estates where there are only limited or nominal assets (including beneficiaries administering the estate themselves) and encourage them to take a more active role. To that end, the Public Trustee increased the threshold that is used when deciding whether or not to allow beneficiaries to informally administer the estate themselves. The threshold is under \$20,000 unless the beneficiaries are charities, minors or in dispute, or there are irregularities in the death certificate or Will or there may be an contested claim. The Public Trustee has adopted this strategy to maximise the return to these beneficiaries and experienced an increase in the number of these informal administrations to 137.

The number of applications to the probate division of the Supreme Court made by the Public Trustee increased to 618 which equates to a 9.8% market share. Whilst the market share is the same as last year, the actual numbers have increased.

| | 2008/09 | 2009/10 | 2010/11 |
|----------------------|---------|---------|---------|
| Probate applications | 694 | 585 | 618 |

Trust Management

Trust managers act as trustee, manager, donee, substitute trustee, or administrator for people who are unable or unwilling to manage their own financial affairs.

The Public Trustee created and filled seven new positions in the Trust Management area. This has reduced some of the demand-driven pressures and provided a higher level of service to clients. However, demand for services has continued to increase and will need to be monitored closely.

| | 2008/09 | 2009/10 | 2010/11 |
|---------------------|---------|---------|---------|
| New trusts reported | 684 | 647 | 728 |
| Trusts total | 4,519 | 4,566 | 4,613 |
| New SAT orders | 440 | 400 | 477 |
| Total SAT clients | 2,002 | 2,141 | 2,334 |
| SAT orders reviewed | 505 | 546 | 655 |
| New court trusts | 166 | 178 | 179 |

The total number of new clients (including appointments by the State Administrative Tribunal) reported for administration was 728, which is 12.5 per cent more than the previous year.

The total number of trusts on hand increased to 4,613 compared to 4,566 in 2009/10.

State Administrative Tribunal appointments of the Public Trustee as administrator increased during the year. The Tribunal referred 477 new cases to the Public Trustee, an increase of 19.3%.

At year-end there were 2,291 State Administrative Tribunal clients being administered by the Public Trustee.

The continuing high level of State Administrative Tribunal appointments of the Public Trustee can be attributed to the increase in the number of people with decision-making disabilities due in the most part to an 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 179 compared to 178 in 2009/10. Court trusts originate mainly from the District Court and the Assessor of Criminal Injuries Compensation. The size of these trusts varies from thousands of dollars to millions of dollars. Administering these trusts includes setting up investment portfolios, collecting income, determining budgets for the beneficiaries and attending to their accommodation and transport needs.

The State Administrative Tribunal also reviewed 655 administration orders for which the Public Trustee was the appointed administrator.

Private Administrator Support (PAS)

Responsible for examining annual accounts prepared and submitted by private administrators, the team also assists administrators to understand their role and responsibilities including providing technical advice regarding the preparation of the annual accounts.

The Public Trustee also worked closely with the Office of the Public Advocate to present four training seminars for newly appointed private administrators.

The PAS Team concluded 1,004 account examinations where total assets exceeded \$547 million. The Public Trustee did not issue any certificates of loss during the year.

| | 2008/09 | 2009/10 | 2010/11 |
|----------------------|----------|-----------|---------|
| Accounts examined | 1,431 | 1,364 | 1,004 |
| Certificates of Loss | \$43,609 | \$203,000 | \$0 |

To enable the PAS team to cope with the increasing demand for its services, the Public Trustee made a successful budget submission requesting additional resources, and two additional employees were employed.

Community Service Obligations

The Public Trustee provides trustee services to all Western Australians and its fees are outlined in the *Public Trustee Act 1941* and Annual Agreement. There are a number of services known as Community Service Obligations (CSO) that the Public Trustee provides free of charge or for a fee that does not cover the cost of providing that service.

Services that were categorised as a CSO in 2010/11 included:

- a reduced cost Will making service for people who named the Public Trustee as Executor of their estate;
- the WA Will Bank service;
- a home visiting service to those in the community who, due to age or infirmity, were unable to attend the office for a Will appointment;
- acting as Administrator pursuant to an order made by the State Administrative Tribunal, and the fees recovered for performing this role did not cover the cost of providing the service;
- examining the accounts of private administrators pursuant to provisions of the *Guardianship and Administration Act 1990* where assets were less than \$50,000;
- acting as Trustee for compensation awards where the fees set were below cost recovery; and
- acting as next friend in legal proceedings for clients who were under a legal disability and did not have anyone available to act on their behalf.

During 2010/11 the Public Trustee provided trustee services to the community at a net operational cost to government of \$3.9 million.

The \$3.9 million net cost is after \$6.7 million in fees was refunded to CSO clients who could not afford to pay for the cost of the service provided to them.

The Public Trustee is also a committee member of the Alliance for the Prevention of Elder Abuse Western Australia (APEA WA), which is the peak body responsible for formulating policies and developing strategies for the prevention and identification of abuse of the elderly. Members include representatives from both government and private sector community organisations including Advocare, Office of Senior Interests and Volunteering, Health, Office of the Public Advocate, Legal Aid, Police and Disability Services Commission.

Legal Services

This directorate provides the internal legal resources for the Public Trustee to perform its duties as trustee, administrator, attorney and executor. These cover a broad range of areas including probate, property, commercial, debt recovery, personal injuries and family law. It has seven full-time equivalent lawyers, three legal clerks and two legal secretaries.

Legal officers generally conduct their own litigation, appearing in the Supreme, District and Magistrates Courts and the State Administrative Tribunal. When appropriate, legal work is outsourced to private practitioners.

At 30 June 2011 the Legal Services team had 505 legal matters on hand (not including Wills and estate distributions). It received 259 new cases and finalised 211 matters during the financial year.

| | 2008/09 | 2009/10 | 2010/11 |
|-----------------|---------|---------|---------|
| New cases | 220 | 234 | 259 |
| Finalised cases | 179 | 265 | 211 |
| Cases on hand | 469 | 438 | 505 |

About half of the legal matters result in court actions, predominantly in the Supreme Court. Most of those concern issues arising from the administration of the estates of represented persons, deceased estates and trusts. They include proving Wills, seeking directions in regard to entitlements to deceased estates, recovery of misappropriated assets, personal injuries claims and family law. Some of these matters involve the most vulnerable members of the community for whom there is no-one else willing or able to act.

Legal Services played a key role to:

- implement the changes to the *Public Trustee Act 1941* by advising on the Public Trustee's Scale of Fees and new policies and procedures;
- further applications on behalf of Public Trustee clients to Redress WA – the State Government-scheme designed to make ex gratia payments to adults who were abused in State care when they were children;
- develop stakeholder relationships and educate the community by presenting talks at continuing professional development seminars;
- provide continuing professional development for its own lawyers, to comply with new legislative requirements; and
- develop the legal billing system implemented in 2009/10 to generate accounts in various cases.

Business Development & Marketing

The Directorate continued activities that were aimed at further heightening public awareness and understanding of the Public Trustee, while aiding the achievement of self funding by increasing the number of fee-paying clients.

Client Service Centre

Usually the first point of contact for all clients, Client Service staff:

- provide information on all Public Trustee services to the public via telephone, reception and written/web/email enquiries;
- check death record daily and reconcile against the Public Trustee's Wills index;
- initiate first contact with the families and next of kin of deceased clients;
- provide information on, and assistance with, informal and joint estate administrations (estates valued less than \$20K);
- allocate estates valued greater than \$290K to estate managers;
- process WA Will Bank applications;
- arrange Will appointments and signings;
- process Will payments; and
- register seminar attendances.

The Client Service Centre team continued to build on the achievement of previous years and carried on with reviewing and improving business processes and knowledge building. Technological upgrades made included customisation of the Client Relationship Management software, and implementation of a simple interactive voice response system. These enhancements have enabled the Centre to deal with a 33% increase in telephone calls (from 54,000 in 2009/10 to 61,909 in 2010/11) without any increase in the number of full-time equivalent employees (FTEs).

The Client Service Centre also experienced:

- 60% increase in visits to the office from the public; and
- WA Will bank safe custody deposits averaging 65 private Will deposits per month. This free service enables the Public Trustee to introduce its broader services to Western Australians who have had no dealings with us previously. The feedback on the service has been excellent.

Wills

The Public Trustee offers professional Will drafting and safe custody services to all Western Australians. Since July 2009, the Public Trustee has prepared Wills for clients who name the Public Trustee as Executor of their Will as well as for those who nominate someone other than the Public Trustee as their Executor.

A review of the operations and structure of the Wills team occurred during 2010/11 to determine how to effectively meet the overwhelming and sustained demand for Will drafting services. The review led to the realignment of the team from the Trustee Services Directorate to the Business Development and Marketing Directorate. New business processes and team structures were introduced and an automated Will writing system was developed and implemented. Further bedding down of the automated Will writing system will take place in the next 12 months. These initiatives will contribute towards significantly reducing appointment waiting times and deliver a same-day Will to most clients.

3,284 Wills were prepared or amended during the year and the 'Wills on Wheels' service provided a visiting Will preparation service to 340 people who were unable to attend the office due to age or infirmity.

| | 2008/09 | 2009/10 | 2010/11 |
|-------------|---------|---------|---------|
| Wills | 3,650 | 3,481 | 3,284 |
| Will visits | 345 | 286 | 340 |

The WA Will Bank is a free community service for all Western Australians to enable them to store their Wills at no cost in the Public Trustee's purpose-built fire-resistant vault. It has 106,937 Wills held in safe custody, most of which are Public Trustee-prepared Wills.

The Public Trustee also provides an Enduring Power of Attorney service to ensure a person's assets are protected during any period of incapacity.

Marketing and Communications

Efforts to improve awareness and access continued throughout the year. The Marketing and Communications function has achieved successful results for each of the following:

- Wills and Deceased Estates public education seminars have been strongly supported by the general public with over 1,400 attendees at 17 seminars conducted since July 2010. There is high demand for community based talks from public libraries and community organisations, which the Public Trustee attempts to accommodate;
- targeted marketing has resulted in strong, and unexpected demand for Will drafting services in both the metropolitan and regional areas with the re-introduction of regional Wills visits, despite now charging for Will drafting services. While this is not reflected in the statistics for the number of Wills drafted (as capacity to draft Wills remained the same and therefore limits a corresponding increase), success in increased profile is reflected by the ongoing wait period for an appointment, and success in cultural change and continuous improvement is reflected in the work undertaken to review the service to meet the increased demand.
- publishing and distributing the third printed edition of the Trustee Talk client newsletter, which informs clients of Will, estate and trust topics of general interest, investment funds and relevant legislative and fee changes.
- publishing and distributing the Trust Matters stakeholder bulletins in email form, informing stakeholders of issues and developments in the trustee area and at the Public Trustee;
- introduction of a 'Trustee Talk' Community Newspaper column where the Public Trustee makes comment on a relevant topic each month;
- introduction of the Public Trustee talkback session with Howard Sattler on 6PR, where the Public Trustee addresses misconceptions and takes calls, on air, from members of the general public;
- regular release of information to the media to raise awareness of issues or misconceptions relating to Wills, Deceased Estate Administration, Enduring Power of Attorney, Trust Management, Elder Abuse and financial abuse; and to promote new services such as WA Will Bank, Private Executor Will drafting and Executor Assist;
- a small 'Where's your Will?' press advertising campaign promoting the WA Will Bank service for the free safe custody of any Will;
- WA Will Week, which included five talks and several follow-up Will drafting visits to Joondalup, Rockingham, Midland and Armadale;

Agency performance

- regional promotion of the Public Trustee and Wills service, including fully booked regional visits to Broome and Kununurra (funded by the *Royalties for Regions* program) where public and stakeholder workshops were organised;
- introduction of the Plaintiff Lawyers Seminar Series as part of a Court Trusts business development stakeholder relations initiative;
- cultural research to explore the needs of other cultural and religious groups;
- introduction of a regular program of stakeholder visits, where 16 visits were made to key stakeholder organisations, and several stakeholders were invited to visit the Public Trustee; and
- refinement of information on the Public Trustee website www.publictrustee.wa.gov.au

Customer Feedback

The Public Trustee registered 84 different feedback matters, an increase of 18% from 2009/10. 51 were complaints, 29 were letters of appreciation or compliments, and four were suggestions.

| | 2008/09 | 2009/10 | 2010/11 |
|------------|---------|---------|---------|
| Complaint | 31 | 38 | 51 |
| Compliment | 15 | 23 | 29 |
| Other | 3 | 1 | 0 |
| Suggestion | 7 | 9 | 4 |
| total | 56 | 71 | 84 |

Five of the complaints related to access to services or staff, 18 related to the delivery of services and communication, four related to fees and charges, and 24 related to processes, decisions making and specific outcomes.

Letters of appreciation related to the way that individual employees handled matters, delivery of services and communication.

95% of the customer feedback was responded to within the performance standard of ten working days and there were no complaints outstanding as at 30 June 2011.

Business Services

Investments

The Public Trustee is responsible for managing the assets of their clients, not only the day-to-day issues of housing and living expenses, but ensuring that funds surplus to these daily essential requirements are invested to meet their immediate and long term needs. Changes to the legislation governing the Public Trustee have allowed major developments in the way these funds are managed.

| Gross Assets Under Administration | | | |
|--|----------------------|------------------------|------------------------|
| | 2008/09 | 2009/10 | 2010/11 |
| Common Account | \$333,684,778 | \$1,162,449,593 | \$1,242,261,745 |
| PTIFs | - | \$133,945,001 | \$143,125,827 |
| Bank deposits | \$57,801,321 | \$61,672,369 | \$68,167,198 |
| Equities | \$40,411,188 | \$23,175,660 | \$26,813,963 |
| Unit Trusts | \$68,233,483 | \$6,073,413 | \$6,706,013 |
| Life Policies | \$1,458,079 | \$1,403,237 | \$1,632,483 |
| Real Estate | \$291,277,937 | \$318,218,461 | \$369,322,923 |
| Other Assets | \$30,301,666 | \$29,628,855 | \$29,116,757 |
| Total | \$823,168,452 | \$1,736,566,589 | \$1,887,146,909 |

Public Trustee Investment Funds (PTIFs)

During 2010/11 the Public Trustee continued to use the PTIFs for the investment of client funds to enhance long term capital and income growth for many clients.

The Public Trustee manages the PTIFs through a 'fund of fund manager' arrangement that was appointed through a tender process with the assistance of asset consultants from PricewaterhouseCoopers. The successful respondent Mercer Australia Pty Ltd operates within the strict parameters of the approved prudential guidelines.

The PTIFs are subject to an annual audit by an independent external asset consultant which focuses on compliance to prudential guidelines and benchmarking to market performance. The audit is awarded through a government approved tender process. PricewaterhouseCoopers are the current auditors.

The four PTIFs are:

PTIF Cash: Investments include cash and short term income bearing securities and is a low risk investment fund and expects a very low fluctuation in value.

PTIF Conservative: Investments are 30% growth assets and 70% income assets and include fixed interest securities, Australian and overseas shares and property, infrastructure and alternative assets. This fund expects a low level of fluctuation in market value with mostly an income flow and some capital growth.

PTIF Growth: Investments are a mix of 70% growth and 30% income producing assets and will include Australian and overseas shares and property, infrastructure and alternative assets. This fund expects a moderate level of fluctuation in market value with long term capital growth at a rate higher than the Conservative PTIF.

Agency performance

PTIF Growth Plus: Investments are in growth assets to offset inflation and will include Australian and overseas shares and property, infrastructure and alternative assets. The market value is expected to fluctuate more for this PTIF than others but it is also expected to achieve higher returns from capital growth in the long term.

| | Cash/interest bearing securities | Income Assets | Growth Assets |
|-------------------|----------------------------------|---------------|---------------|
| PTIF Cash | 100% | - | - |
| PTIF Conservative | - | 70% | 30% |
| PTIF Growth | - | 30% | 70% |
| PTIF Growth Plus | - | - | 100% |

Regular reviews of clients' investments are undertaken and portfolios adjusted for any changes in circumstances and needs of the clients going forward.

All new clients with funds that can be invested outside the Common Account will be invested in the most appropriate PTIF for their individual needs.

| Fund Type | Total Value at 30 June 2010 | Total Value at 30 June 2011 |
|--------------|-----------------------------|-----------------------------|
| Cash | Nil | Nil |
| Conservative | 17,333,842 | 19,309,187 |
| Growth | 114,683,165 | 2,274,882 |
| Growth Plus | 1,927,994 | 121,541,759 |
| | \$133,945,001 | 143,125,827 |

NOTE: The Common Account continues to outperform the Cash PTIF, so in the best interests of the clients this fund has been left inactive.

External Investment Committee

The Public Trustee Investment Committee held four quarterly meetings during the year. These Committee meetings reviewed the quarterly reports together with representatives of the fund manager Mercer. The Committee also reviews global economic conditions and their impact on the Australian investment landscape.

Common Account

The Public Trustee currently manages in excess of \$1,242 million in cash and short term deposits with the Western Australian Treasury Corporation and banks rated A2 to A1+, as well as two CBD buildings valued at \$69 million. The cash deposits also include an amount of \$942.8 million held in trust pending the outcome of a Court appeal in the long running Bell Resources case.

The Common Account operates like a cash management account with funds available at call. Clients have received interest distributions higher than average market returns for 2010/11.

The Public Trustee Common Account's two investment properties comprise of land and office buildings. At 30 June 2011 Public Trustee is still the principal occupier of 565 Hay St, and during 2011/12 will be finalising its relocation to 553 Hay St and the subsequent sale of 565 Hay St to the Perth Diocesan Trust.

The Public Trustee's commercial mortgage portfolio was wound up during 2010/11.

Property Function

The Investments section manages the sale and purchase of properties on behalf of trust and deceased estate clients, including appointing and liaising with real estate agents, checking contract documentation, and ensuring the transaction is properly completed. Relevant Trustee Services staff liaised with the beneficiaries and families during this process. During 2010/11 the Investments section sold 133 properties for a total value of \$51.12million. This is a decline in numbers sold in the previous year and reflects in some part on the softer property market.

| | 2008/09 | 2009/10 | 2010/11 |
|-----------------|------------|------------|------------|
| Properties sold | 190 | 186 | 133 |
| Value \$ | 67,881,938 | 67,975,972 | 51,119,750 |

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 clients and Trustee Services 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 Landgate.

Taxation Services

The Tax Manager and Senior Taxation Consultant oversee the preparation, review and electronic lodgement of all tax returns for both trust and estate administration clients, including individual, partnership, business, company and trust returns.

Both are registered tax agents and provide training for trust and estate managers and advice on complex tax matters to provide the most effective outcomes for trusts under administration.

Taxation Services reviewed 1,668 files and lodged 1,416 tax returns in 2010/11.

| | 2008/09 | 2009/10 | 2010/11 |
|--------------------|---------|---------|---------|
| Tax Returns Lodged | 1,569 | 1,418 | 1416 |

Contracts Management

The Contracts Manager oversees the letting and management of contracts for the provision of services and supplies to the Public Trustee. Contracts are managed in accordance with the Government of Western Australia's standards 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 now oversees service contracts with a value over \$150,000 while providing support and guidance to the Contracts Manager. Contracts awarded during 2010/11 were for:

- provision of a Wills writing software application;
- insurance services;
- real estate valuation;
- search inventory removal; and
- provision of address validation software and change of address notification services.

The Public Trustee is a member of the Government Electronic Market (GEM) and all public tenders over \$20,000 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.

Freedom of Information Requests

No applications were received for this reporting period. Although the FOI Coordinator dealt with a number of information requests these were dealt with outside the FOI process.

Office Relocation Project

The Public Trustee purchased 553 Hay Street Perth on behalf of clients to replace the building at 565 Hay Street Perth which will be included in a major redevelopment project planned for the area. The building at 553 Hay Street provides a suitable alternative as an investment for clients and as a base for the Public Trustee through its central location and proximity to public transport hubs, enabling easy access and minimal change for clients.

The relocation of staff is being achieved in three phases as existing leases expire and current tenants vacate the space planned to be occupied by the Public Trustee. The project is mid way through, with two floors of 553 Hay St now being occupied by Public Trustee staff. The Public Trustee will be the major tenant of the building on completion of the second phase move.

The first phase of the move occurred in March 2011, with the second phase planned for September 2011 and the third phase scheduled for March 2012.

Corporate Support

Overview

The Corporate Support directorate has once again worked hard to consolidate and implement strategies that support PT objectives, with good outcomes achieved.

In January 2011 a new web-based Online Induction Training Program was launched to assist new employees. It provides key information about the Public Trustee, including other important issues such as Code of Conduct and Occupational Health & Safety. Initial feedback on its operation is most positive.

There has been further consolidation and support for the Peer Support and Staff Wellness Programs. Both have had a very positive effect on both the physical, psychological health and well-being of staff.

The Public Trustee continued its development of staff through the provision of a significant training and development program. In excess of 280 days have been delivered in training effort across the organisation.

The Public Trustee was again recognised as a Better Practice Agency by the Office of the Auditor General for quality and timely financial statements and good financial practice for the fourth year.

Changes in fees and charges in the corporate computer system Management and Trustee Environment (MATE) were successfully implemented following their approval.

The Wills Section was successfully realigned from Trustee Services to the Business Development & Marketing directorate.

A schedule of regular MATE production releases was achieved along with significant effort to address MATE-related enhancement requests.

Phase 2 of Client Relationship Management System (CRM) enhancements (including increased telephone line capacity) was successfully implemented.

Finance

The Finance section provides the financial management and reporting functions within the Public Trustee. It assists the Corporate Executive in delivering financial outcomes consistent with financial targets through the provision of regular analysis and advice on the Public Trustee's finances, ensuring the Corporate Executive is fully informed of the current financial position when making decisions. It also manages the Public Trustee Bank Account and is responsible for both operational and Common Account payments.

Information prepared includes monthly Operational Reports and Expenditure Forecasts, quarterly Key Performance Indicator analysis, Budget analysis, and Budget Statement preparation. It also prepares models and analysis of the fee revenue throughout the year to ensure the sustainability of Trustee Services to the Western Australian community.

The section was responsible for managing a consolidated operational expenditure budget of \$17 million and a revenue budget of \$14.44 million (compared with \$17 million and \$13.13 million respectively for 2009/10). The expenditure budget is made available through a net appropriation determination via the Department of the Attorney General.

Finance liaises with the Department of the Attorney General during the year to ensure the budgeting requirements of the Public Trustee are addressed, enabling the Public Trustee to meet financial and service level targets.

| | 2008/09 | 2009/10 | 2010/11 |
|--------------------|----------|----------|----------|
| Operational budget | \$14.73M | \$17M | \$17M |
| Revenue budget | \$11.78 | \$13.13M | \$14.44M |

The section manages the Public Trustee Common Account Bank Account, which averaged a daily balance of \$15.35 million. This involved the co-ordination of a significant volume of financial transactions relating to clients' trust money, with receipts in excess of \$1,631 million and disbursements in excess of \$1,633 million (compared with \$1,765 million for both receipts and disbursements in 2009/10).

| | 2008/09 | 2009/10 | 2010/11 |
|--------------------------------------|---------|----------|----------|
| Common Account average daily balance | \$22.7M | \$18.65M | \$15.35M |

Training & Development

- The Public Trustee continued to commit its support to the personal and professional development of all employees, specifically with the development of business service skills and knowledge. The focus has been to reinforce the technical skills, customer service skills encompassing diversity to serve clients.
- The Employee Planning & Performance Assessment System (EPPAS) continues to identify training and development opportunities for employees to increase their level of skills and provide a more structured learning environment through direct two-way feedback on employee performance.
- As part of the Public Trustee's commitment to the development of staff, the following education opportunities were provided in addition to Microsoft Office Skills:
 - **Online Public Trustee Induction Module:** in-house online learning program for new employees. The interactive online program provides flexibility in learning for new staff. It is an introduction to the services and culture of the Public Trustee and is combined with face to face training on systems used within the Public Trustee.
 - **Trust Manager Induction Program:** customised in-house learning program for new employees in Trust Management. The three-month program incorporates structured facilitated learning with on-the-job training.
 - **Estate Manager Induction Program:** customised in-house learning program for new employees in Estate Management. The six-week program incorporates structured facilitated learning with on-the-job training.
 - **Certificate IV in Financial Services (Personal Trust Administration):** on-line learning with Trustee Corporation of Australia in conjunction with the University of Western Sydney. 21 staff members completed various units in the program.
 - **Management and Leadership programs with Leadership Management Australia:** a proactive approach to the identification and development of current and next generation of managers and leaders. The three phase program educates potential managers in personal productivity skills, refines manager skills and strengthens the strategic management skills. This program was introduced to "emerging leaders" two years ago for senior staff members who have been identified as displaying outstanding leadership qualities. One staff member has now graduated from the program.
 - **Aboriginal Cultural Awareness:** training workshop. 12 staff members attended Kooya Consultancy in-house workshop which was customised to suit the requirements of the Public Trustee when dealing with Aboriginal clients.

Agency performance

- **Recruitment and Staff Selection training:** workshops through ATI-Mirage. Senior staff required to sit on interview panels for their areas attended workshops which covered the essential skills required for panel members to perform a proficient recruitment interview.
- **Landgate training:** 63 staff attended a Landgate in-house session which covered dealing with Landgate or issues relating to titles /ownership affecting clients.
- **Substantive Equality sessions:** Five staff attended a half-day session on whether the needs and circumstances of Indigenous and ethnic minority groups are appropriately considered in all service delivery, and if policies, practices and procedures are capable of highlighting possible inequalities.
- **Understanding Your Clients:** specific training for the administration areas through the Network Case Management Services. 54 staff attended the two-part session on clients' clinical conditions and how these may impact their ability to manage their own financial affairs, legal affairs, relationships and life needs.

| Subject | Staff | Hours |
|-----------------------------------|-------|-------|
| Trust Induction | 12 | 1,618 |
| CERT IV in Financial Services | 16 | – |
| Leadership Management Australasia | 1 | 12 |
| Aboriginal Cultural awareness | 12 | 90 |
| Recruitment and Staff Training | 3 | 22.5 |
| Landgate | 63 | 81.9 |
| Substantive Equality | 5 | 7.30 |
| Understanding your Clients | 54 | 323.3 |
| Total | 166 | 2,155 |

Systems & Technology

The section maintained day-to-day operational support of Public Trustee systems whilst simultaneously dealing with a number of key strategic projects.

Of these key projects, the Building Move was the focus in the first half of the 2010/11 year. The Stage 1 move in March 2011 was achieved with no business impact as all systems, printers and telephone services were fully operational for staff upon commencing work in the new office. Planning for the Stage 2 move in September 2011, and the final Stage 3 move in March 2012, continue.

The second half of the year saw the focus shift to the annual initiative required to support the revised Annual Agreement and Scale of Fees. This project was time critical, as the system and data changes, and related testing efforts, were completed and implemented by 30 June, to ensure the Public Trustee was operating in accordance with the approved fee structure.

Following the award of the contract for the Automated Will Drafting application, a number of planning and design workshops were held with the supplier DPL Professional Solutions, from which they modified and configured their Chameleon computer system to meet the Will authoring needs of the Public Trustee. Changes to the core Public Trustee business system Management Accounting Trust Environment (MATE), to facilitate the use of Chameleon in the preparation of Wills for clients, were implemented in June.

A number of initiatives supported the Business Development and Marketing Directorate. These included enhancements to the Client Relationship Management (CRM) system, increasing the number of incoming telephone lines, and developing an Interactive Voice Response function to improve the effectiveness of managing a growing volume of inbound calls.

A contract for the provision of Address Validation Software and Change of Address Services was awarded in June 2011, and will be implemented in the first half of 2011/12. This software will also allow the Public Trustee to meet the Public Sector Commission Address Management policy requirements.

As a result of these operational support and project initiatives, eight production releases of MATE were implemented during the 2010/11 year.

Human Resources

2010/11 saw a closer link in the positioning of HR to operational and business objectives to align its workforce strategies and capabilities to meet future requirements.

Eight new permanent positions were created in 2010/11 increasing the approved Full Time Equivalent (FTE) limit to 160 to assist with strategy changes, process improvements and additional workload.

The *People Ready* strategy and use of appointment pools continued to attract a large number of applicants. Employee engagement, training and flexible workplace management initiatives has seen a slowing down in the staff turnover rate (12%), and continues to strengthen staff retention.

A career development strategy is being implemented to provide a more robust relationship between the Employee Planning and Performance System (EPPAS) and the staff career planning process. In future, all employees will have a training pathway mapped out on commencement at the Public Trustee which will provide staff with training and development relevant to their role, broad knowledge of the requirements for working in the public sector, access to higher education and succession management programs.

Greater levels of consultation, co-operation and lateral thinking saw staff and management engage in new retention strategies for staff to meet their work-life balance. Access to part-time employment, leave without pay and study assistance are being applied in a fair, equitable and consistent approach across the Public Trustee.

In October 2009 a Peer Support Program was developed to compliment the existing Employee Assistance Program and to encourage staff to talk to a trained support officer following a personal or workplace incident or when their coping strategies are not working. This program continues to be successful in the workplace and reflects a change in the Public Trustee workplace culture.

The Employee Exit Survey implemented during 2007/08 continued to gather critical information on the reasons why staff are leaving the Public Trustee, as well as gaining feedback on office communication, leadership, equal employment opportunity/diversity, work environment, recognition and flexibility.

The qualitative, statistical and satisfaction information gained from staff exit surveys is assisting in shaping future HR and organisational planning strategies.

Internal Audit

The 2010/11 Internal Audit Plan focused on four main areas:

- Trust Management
- Contract Management
- Data Analytics, and
- Financial Processes

Each review was performed by RSM Bird Cameron who were appointed as Internal Auditors following a formal tender offer. The appointment is for three years with possible option for extension.

They identified opportunities for further improvement and highlighted many areas of strengths. Where appropriate, corrective action was undertaken to further address and strengthen internal controls.

The data analytics review was the first in-depth investigation of transaction data and provided challenges in both capture and analysis. However, the advantages of performing such a review of large volumes of data far outweighs the problems encountered, and it is planned to incorporate this into future reviews of the financial processes.

The Risk Management and Audit Committee oversee the management of the Internal Audit function and 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 is maintained. The committee is a blend of both internal senior management and representatives from external agencies, such as the Office of the Auditor General, RiskCover and the Department of the Attorney General.

SIGNIFICANT ISSUES AND TRENDS

The key impacts that will shape the Public Trustee's (PT) business over the next five years will be:

- An ageing population - more clients will require the PT's services and will likely remain clients for a longer period of time. Therefore, demand for trustee and executor services in WA is expected to significantly grow, with a steady increase in the number of new trusts being managed by the PT. Similarly, the PT faces an ageing workforce with the need for knowledge capture and succession planning.
- Government spending policies (both State and Federal) including efficiency dividends, decentralisation of services, increased outsourcing and the drive to achieve self funding require that the PT service more clients with less funding.
- Increasingly complicated compliance requirements, especially in the superannuation, company law, financial planning and regulatory fields.
- Growing trend for 'do-it-yourself' so that our services must be consistently more valuable to be seen as attractive.
- Rapidly changing technology and user resistance.
- Financial performance, especially when global and other factors outside of our control affect our investment performance and the income of our clients.
- Social and economic trends have also resulted in population shifts with retirees choosing to change location and lifestyle, and growth in regional and remote centres, with impacts for how we deliver our services.

Current and emerging issues, challenges and trends

Political

Both Federal and State Governments have imposed efficiency dividends during the past two years as a way of saving money, which could affect staffing levels and service delivery with the prospect of reduced social services and social welfare. However, recent announcements such as the \$1bn Social Services Package by the State Government⁴, lends support to the social services sector and implies future reliance on this sector for the outsourcing of community services.

There is an increasing emphasis on State-Federal relations and public sector reform in the Western Australia sector heralds standardisation of government practices and job roles.

There is also a drive to develop and grow regional areas within WA through investments in infrastructure and delivery of services. Population growth would be expected in these regional areas. This presents both opportunities and challenges for the PT to expand and deliver its services to growing regional WA.

Economic

Lower interest rates, higher inflation and volatile share market prices affect the investment performance that the Public Trustee can secure on funds invested on behalf of clients. The plunging wealth of share markets in the past 18 months has decreased the return on investments of some of our clients with long-term needs. This, together with higher costs of living and wage increases for service providers such as carers, impacts on many of our clients for whom we act as trustee and adds to the complexity of our work.

Housing affordability has fallen sharply from 2006 and house prices to income ratios remain high by historical comparison.

⁴ WA State Government. 2011. State Budget 2011-12: Supporting our Community; Building the State - \$1billion Social Services Package to support those in need. 19 May 2011.

The structure of Western Australia's economy has changed rapidly over the past 18 months and the social impact is significant. The lingering effects of the global economic recession, together with localised Western Australian economic trends, provides the potential for increased marital and mental breakdowns, and drug and alcohol-related issues amongst those affected by redundancy and unemployment/overemployment. Difficult financial times bring about increased vulnerability and homelessness, and a growing demand for the Public Trustee to deliver the government's community services to those who cannot afford to pay.

Other impacts include a noticeable increase in insurance charges of all types (including illness and accident).

The upside of the recession is that there is no longer difficulty in attracting and retaining able, committed and professional staff. In this regard, the serious erosion of superannuation funds is also likely to encourage experienced and senior staff to remain in the workforce.

Social

Between 2006-2026, WA's population is projected to increase by 30% and the population is projected to increase by 66.9% of people aged 65 years and over. In 2007/08, 149,365 people emigrated to Australia and WA received 15.2% of these arrivals (22,703).

Up to 19% of the current Public Sector workforce is likely to exit employment within the next five-ten years. Attitudes to full-time work have changed - over the past 30 years, the proportion of Western Australians in part-time work has risen from 17% to 27% of those employed.

External trends indicating demographic changes such as the ageing of the population, prevalence of mental illness, growth in multicultural communities and blended families and breakdown of family ties will continue to increase the demand for and complexity of trust management and estate administration services.

The demand for trust management services in Western Australia is expected to significantly grow (conservative estimate at 9% per annum) because the population is ageing at a greater rate than the overall national population growth; there is an increasing prevalence of dementia and longer life expectancies; and an overall rise in the number and complexity of cases involving people with decision-making disabilities.

High client expectations will continue as a result of a well-educated community, while busier lifestyles and increased awareness of complexities in estate management could provide a marketing opportunity to generate increased demand for our services.

Our regional pilots have indicated a large unmet demand for our services, particularly in the south west of Western Australia.

Technological

80.7% of WA households had a computer in 2009, compared to 50% households in 1999. WA also has the second highest Internet connectivity in the country with 75.1% of dwellings having an Internet connection⁵.

Medical technology, among other factors, has improved life expectancy in WA to 79.5 years (men) and 84.1 years (women) in 2009 compared with 76.4 years (men) and 82.1 years (women) in 1999⁶.

The uptake of new technologies, such as smart phones and tablet computers, continues to add to expectations of immediacy in client relationships.

As a result of innovation and rapid product development, the rate at which technology becomes obsolete is increasing.

⁵ 4102.0 Australian Social Trends, Data Cube – Other areas of social concern, June 2011.

⁶ 3302.0 Deaths, Australia 2009, No 2010.

Environmental

The WA population recorded the fastest growth of 2.1% for the year ending 31 December 2010 despite the national growth rate slowing down during the same period⁷. The state's population is projected to increase to more than double by 2056 to 4.3 million people, with Perth likely to experience the highest percentage of growth among all of Australia's capital cities to about 3.4 million people in 2056⁸.

Like the rest of Australia, WA's population is ageing. It has already experienced the largest increase in the number of persons aged 65 years and older in Australia⁹, while the number of people aged 85 years and over increased by 32.7% between 2004 and 2009¹⁰.

This demographic change, together with trends such as prevalence of mental illness, growth in multicultural communities and blended families, and breakdown of family ties, will continue to increase the demand for, and complexity of, trust management and estate administration services. Other factors such as the increasing prevalence of dementia and longer life expectancies and an overall rise in the number and complexity of cases involving people with decision-making disabilities will also contribute to the demand for trustee and executor services in WA (conservative estimate of 9%).

About 74% of the State's population live within the metropolitan area. The South West was the fastest growing area and Pilbara the second fastest, outside the Perth metropolitan area¹¹. Our regional pilots have indicated a large unmet demand for our services such as Will drafting, particularly in the south west of WA.

High client expectations will continue as a result of a well-educated community, while busier lifestyles and increased awareness of complexities in estate management could provide a marketing opportunity to generate increased demand for our services.

Legal

The risk of contingent liabilities for work performed by the PT in the past continues to influence current policy and procedures and limits innovation in the way the PT performs.

The compliance aspects have also become more complicated, including the ability to obtain information from superannuation funds and the need for legal officers to witness staff signatures. There are further challenges in the increasing level of complexity of work from the State Administrative Tribunal.

Health and safety issues could also increase if staff workloads become unmanageable due to staffing freezes. There is also the risk of loss of information and knowledge if people leave.

Competitive

The trustee and financial marketplace is increasingly competitive and complex, with growing costs of compliance and technology leading to amalgamations of investment houses. Private trustee companies typically target the most profitable business, preferring not to deal with the complex or difficult cases that make a loss.

In addition, there is a proliferation of Will drawing services provided by banks and financial institutions that have State-wide networks and the capacity to bundle a wide range of financial services. A growing number of people are preparing their own Wills using easily accessible do-it-yourself Will kits.

Various legal firms are increasing their advertising to counteract the PT's efforts to break into regional centres.

⁷ 3101.0 – Australian Demographic Statistics, Dec 2010, June 2011.

⁸ 3222.0 – Population Projections, Australia, 2006 to 2101, Sep 2008.

⁹ 3201.0 – Population by Age and Sex, Australian States and Territories, June 2010.

¹⁰ 3235.0 – Population by Age and Sex, Regions of Australia, 2009, Aug 2010.

¹¹ 3218.0 – Regional Population Growth, Australia, 2009-10, March 2011

Developing our overall market share will be dependent on factors, which include the PT's ability to:

- seize the opportunity to be flexible in meeting changing population needs;
- offer a competitive fee structure and a complete package of services (including the innovative use of technology); and
- raise community awareness of our capacity, dependability and expertise.

LOOKING AHEAD - MAJOR INITIATIVES IN 2011/12

In 2011/12 the Public Trustee will:

- review fee structure and business strategies to achieve self funding by 2011/12
- finalise relocation of the Public Trustee office to 553 Hay Street;
- complete the sale of the 565 Hay building;
- realign the resources and skills required for Wills business;
- seek additional resources for to cope with an increasing work load;
- introduce a Community Trust (PT Community Foundation) as a bequest option; and
- examine the feasibility of implementing Statement Automation for client accounts and remote and regional service.

DISCLOSURES AND LEGAL COMPLIANCE

Auditor's Opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

PUBLIC TRUSTEE

Report on the Financial Statements

I have audited the accounts and financial statements of the Public Trustee.

The financial statements comprise the Statement of Financial Position as at 30 June 2011, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Public Trustee's Responsibility for the Financial Statements

The Public Trustee is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Public Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Public Trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Public Trustee, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Public Trustee at 30 June 2011 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Public Trustee

Report on Controls

I have audited the controls exercised by the Public Trustee. The Public Trustee is responsible for ensuring that adequate control is maintained over the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Public Trustee based on my audit conducted in accordance with Australian Auditing Standards.

Opinion

In my opinion, the controls exercised by the Public Trustee are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Public Trustee. The Public Trustee is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions.

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing Standards.

Opinion

In my opinion, the key performance indicators of the Public Trustee are relevant and appropriate to assist users to assess the Public Trustee's performance and fairly represent indicated performance for the year ended 30 June 2011.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and the Australian Auditing Standards, and other relevant ethical requirements.



COLIN MURPHY
AUDITOR GENERAL
15 September 2011

Financial Statements

Certification of Financial Statements for the year ended 30 June 2011

The accompanying financial statements of the Public Trustee have been prepared in compliance with the provisions of the [Financial Management Act 2006](#) from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2010 and the financial position as at 30 June 2010.

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

Paul Sheridan

BCom, Post Grad Dip Tax, CPA

Chief Finance Officer

13 September 2011

Brian Roche

BBus, MMgt

Accountable Authority

13 September 2011

Statement of Comprehensive Income
For the year ended 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|---|----------------|---------------------|--------------------|
| COST OF SERVICES EXPENSES | | | |
| Write offs | 6 | 328,747 | 307,149 |
| Employee benefits expense | 7(a) | 12,121,460 | 11,877,206 |
| Computer services | 7(a) | 550,428 | 336,465 |
| Administration expenses | 7(a) | 3,228,978 | 3,146,806 |
| Accommodation expenses | 7(a) | 1,029,586 | 1,005,599 |
| Corporate service expenses | 7(a) | 2,421,378 | 1,693,481 |
| Total expenses before payments to Consolidated Account | | <u>19,680,577</u> | <u>18,366,706</u> |
| Fees paid to Consolidated Account | 8 | 12,567,000 | 11,410,538 |
| Surplus Common Account Interest paid to Consolidated Account | 9(a) | 1,185,000 | 1,220,000 |
| Other revenue and reserves paid to Consolidated Account | 9(b) | 4,195,516 | 1,435,542 |
| Total cost of services | | <u>37,628,093</u> | <u>32,432,786</u> |
| INCOME | | | |
| Fees raised from Estates and Trusts | 2(i) | 9,342,639 | 9,917,413 |
| Public Trustee 6% fee from Common Account | 2(i), 24(a) | 4,471,605 | 2,756,162 |
| Management Fee from Strategic Common Accounts | 2(i) | 629,955 | 472,102 |
| Receipts from Common Account Surplus Interest | 2(i), 9, 24(a) | 6,308,687 | 4,533,608 |
| Receipts from Common Account Reserves | 2(i), 24(a) | - | 5,000,000 |
| Interest revenue | 2(i), 24(a) | 1,666,067 | 1,263,835 |
| Other revenue | 2(i) | 19,675 | 19,163 |
| Total Income other than income from State Government | | <u>22,438,628</u> | <u>23,962,283</u> |
| Net Cost of Service before Income from State Government | 13(b) | <u>(15,189,465)</u> | <u>(8,470,503)</u> |
| INCOME FROM STATE GOVERNMENT | | | |
| Royalties for Regions Fund | 7(a) | 27,150 | 20,130 |
| Recoups and other revenue from the Department of the Attorney General | 7(a) | 9,890 | 10,470 |
| Corporate revenue allocation from the Department of the Attorney General | 7(a) | 557,464 | 324,337 |
| Resources received free of charge from the Department of the Attorney General | 7(a), 19 | 18,757,326 | 17,704,620 |
| Total income from State Government | | <u>19,351,830</u> | <u>18,059,557</u> |
| SURPLUS/(DEFICIT) FOR THE PERIOD | | <u>4,162,365</u> | <u>9,589,054</u> |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>4,162,365</u> | <u>9,589,054</u> |

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

Statement of Financial Position
As at 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|--|-----------|--------------------------|--------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash - Investment in Common Account | 13(a) | 31,555,167 | 27,512,687 |
| Debtors | | 41,190 | 28,503 |
| Total Current Assets | | <u>31,596,357</u> | <u>27,541,190</u> |
| TOTAL ASSETS | | <u>31,596,357</u> | <u>27,541,190</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accrued Fees Payable to Consolidated Account | 11 | 633,798 | 476,036 |
| Tax liabilities | 12 | 343,889 | 347,583 |
| Creditors | | 17,430 | 278,696 |
| Total Current Liabilities | | <u>995,117</u> | <u>1,102,315</u> |
| TOTAL LIABILITIES | | <u>995,117</u> | <u>1,102,315</u> |
| NET ASSETS | | <u>30,601,240</u> | <u>26,438,875</u> |
| EQUITY | | | |
| Indemnity reserve | 10(a)(i) | 9,296,648 | 8,562,423 |
| Business development reserve | 10(a)(ii) | 17,665,057 | 16,072,990 |
| Retained earnings | 10(b) | 3,639,535 | 1,803,462 |
| TOTAL EQUITY | | <u>30,601,240</u> | <u>26,438,875</u> |

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

Statement of Changes in Equity For the year ended 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|---|-----------|-------------------|-------------------|
| Balance of equity at start of period | | 26,438,875 | 16,849,821 |
| RESERVES | | | |
| Indemnity Reserve | | | |
| Balance at start of period | | 8,562,423 | 4,001,222 |
| Transfers to reserves | | 1,328,491 | 4,646,530 |
| Transfers from reserves | | (594,266) | (85,329) |
| Balance at end of period | 10(a)(i) | 9,296,648 | 8,562,423 |
| Business Development Reserve | | | |
| Balance at start of period | | 16,072,990 | 12,089,110 |
| Transfers to reserves | | 8,185,886 | 11,744,783 |
| Transfers from reserves | | (6,593,819) | (7,760,903) |
| Balance at end of period | 10(a)(ii) | 17,665,057 | 16,072,990 |
| RETAINED EARNINGS | | | |
| Balance at start of period | | 1,803,462 | 759,489 |
| Total comprehensive income for the period | | 4,162,365 | 9,589,054 |
| Transfers to Public Trustee reserves | | (2,326,292) | (8,545,081) |
| Balance at end of period | 10(b) | 3,639,535 | 1,803,462 |
| Balance of equity at end of period | | 30,601,240 | 26,438,875 |

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

Statement of Cash Flows
For the year ended 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|--|-------|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Fees raised from Estates and Trusts | | 8,789,764 | 9,813,816 |
| Public Trustee 6% fee from Common Account | | 4,471,605 | 2,756,162 |
| Management fee from Strategic Common Accounts | | 629,955 | 472,102 |
| Receipts from Common Account Surplus Interest | | 6,308,687 | 4,533,608 |
| Receipts from Common Account Reserves | | - | 5,000,000 |
| Interest revenue | | 1,666,067 | 1,263,835 |
| GST receipts on fees | | 1,862,216 | 1,988,084 |
| Other revenue | | 19,675 | 19,163 |
| Payments | | | |
| GST payments on purchases | | (737,528) | (319,512) |
| GST payments to taxation authority | | (1,134,828) | (1,620,916) |
| Net Cash provided by operating activities | 13(b) | <u>21,875,613</u> | <u>23,906,342</u> |
| CASH FLOWS TO STATE GOVERNMENT | | | |
| Fees paid to Consolidated Account | | (12,409,238) | (10,934,502) |
| Surplus Common Account Interest paid to Consolidated Account | 9 | (1,185,000) | (1,220,000) |
| Other revenue and reserves paid to Consolidated Account | | (4,238,895) | (1,392,163) |
| Net Cash provided to State Government | | <u>(17,833,133)</u> | <u>(13,546,665)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 4,042,480 | 10,359,677 |
| Cash and cash equivalents at the beginning of period | | 27,512,687 | 17,153,010 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | 13(a) | <u>31,555,167</u> | <u>27,512,687</u> |

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

Disclosures & legal compliance

Notes to the Financial Statements

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Disclosures & legal compliance

Notes to the Financial Statements

Notes to the Financial Statements

For the year ended 30 June 2011

1. Australian Accounting Standards

General

The Public Trustee's financial statements for the year ended 30 June 2011 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

The Public Trustee has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Public Trustee cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. No Australian Accounting Standards that have been issued or amended but not operative have been early adopted by the Public Trustee for the annual reporting period ended 30 June 2011.

2. Summary of significant accounting policies

2 (a) (i) General statement

The financial statements constitute general purpose financial statements that have been prepared in accordance with 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 Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts, and other authoritative pronouncements of the Australian Accounting Standards Board.

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

2 (a) (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 has been measured at fair value.

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

The financial statements are presented in Australian dollars (\$), and all values are rounded to the nearest whole dollar, unless otherwise stated.

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 at note 3 'Judgments made by management in applying accounting policies'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period 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'.

2 (a) (iii) Reporting entity

The Public Trustee is the reporting entity.

Disclosures & legal compliance

Notes to the Financial Statements

2 (b) Investments (Common Account)

Investments have been brought to account as follows:

2 (b) (i) Mortgages

Mortgages are recorded at lending cost and remain fixed for the term of the loan – refer note 24(f)(i).

2 (b) (ii) Properties

The Public Trustee Common Account owns two investment properties, both comprising of land and office buildings. At 30 June 2011 Public Trustee is the principal occupier of the property at 565 Hay St and during 2011-12 will be continuing the relocation to the second property at 553 Hay St. The Public Trustee is holding the property at 553 Hay St for long-term rental yields. The properties are recorded at fair value - refer note 24(f)(ii). Market based evidence is available and the fair value of the land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. Independent valuations of land and buildings are usually provided annually by the Western Australian Land Information Authority (Valuation services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period. In the 2010-11 financial year valuations were provided by Jones Lang LaSalle and Knight Frank in relation to sale negotiations for the property at 565 Hay St, as such these were used for re-valuation purposes.

2 (b) (iii) Cash and Cash Equivalent

Government and other money market securities are recorded at cost, on a constant yield basis over the period to maturity.

For the purpose of the Statement of Cash Flows, 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 accounts

Section 39A of the *Public Trustee Act 1941* establishes the Common Account, which is a continuation to the Common Account referred to in section 40(1) of this Act immediately before the day on which section 25 of the *Public Trustee and Trustee Companies Legislation Amendment Act 2008* came into operation.

Section 39B of the *Public Trustee Act 1941* establishes the Strategic Common Accounts. The Public Trustee created four Strategic Common Accounts, these are also known as Public Trustee Investment Funds (PTIF). The Strategic Common Accounts are named Cash strategic investment account, Conservative strategic investment account, Growth strategic investment account; and Growth Plus strategic investment account (also known as Public Trustee Investment Fund – Cash, Public Trustee Investment Fund – Conservative, Public Trustee Investment Fund – Growth and Public Trustee Investment Fund – Growth Plus). The Strategic Common Accounts were established on 1 July 2009.

Details of the Common Account are shown at note 24; details of the Strategic Common Accounts are shown at note 25.

Details of receipts and payments in the individual estates and trusts are not shown in the financial statements.

2 (d) Reserves

On 1 July 2008 amendments to the *Public Trustee Act 1941* and *Public Trustee Regulations 1942* took effect. Pursuant to section 6B of the Act and regulation 6 of the regulations, the current agreement 2010-11 prescribes the circumstances in which money may be transferred to or from a reserve fund and the uses of a reserve fund. The current agreement is a written agreement between the Minister and the Public Trustee for a 12 month period.

Notes to the Financial Statements

Sections 8 to 12 of the Current Agreement 2010-11 prescribes the use of the Public Trustee Reserves and Common Account Reserves.

The Public Trustee Indemnity Reserve has been established to meet any liability that the Public Trustee may incur, in a corporate capacity, at law to compensate a person for loss or damage that the person has or might have suffered. The reserve level is reviewed annually, is based on independent actuarial advice and represents a percentage of the total client assets and liabilities managed.

The Business Development Reserve has been established to meet future capital requirements (refer note 10(a)(ii)).

These reserves are in contrast to the Common Account Investment Reserve, which is used primarily for the operations of the Common Account, such as to stabilise interest paid to estates, meet losses on investments and maintain Common Account assets (refer note 24(h)(i)).

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 re-translated at the rate of exchange current at the end of the reporting period.

2 (g) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

2 (h) Net fair value

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

The net fair value of the financial instruments, which are monetary financial assets and liabilities not traded in an organised financial market, is measured on a cost basis. These assets are the investments in the Common Account and accrued fees payable to the Consolidated Account. This approximates net market value. (AASB 139.46(c)).

2 (i) Revenue recognition

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

- 2 (i) (i)** Fees raised from Estates and Trusts are recognised when the services are rendered to the clients, and are debited to the clients account at the end of each month. There are no receivables in relation to fees at month end.
- 2 (i) (ii)** Public Trustee 6% fee from the Common Account is recognised at the end of each month, with a final adjustment at year-end.
- 2 (i) (iii)** Management Fees from Strategic Common Accounts are recognised monthly as they accrue.
- 2 (i) (iv)** Receipts from Common Account surplus interest are recognised as the interest accrues.
- 2 (i) (v)** Receipts from Common Account Reserves are recognised when accrued.
- 2 (i) (vi)** Interest revenue is recognised as it accrues, using the effective interest rate method.
- 2 (i) (vii)** Other revenue is recognised at the time of the transaction's occurrence.

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

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

Notes to the Financial Statements

Where assets or services are received from another State Government agency, these are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

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 (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. 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 as they are generally settled within 30 days.

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 at fair value, as they are generally settled within 30 days.

2 (m) (i) Operating Leases

The Public Trustee holds operating leases for the offices in the Public Trustee building. Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

2 (n) Impairment of assets

2 (n) (i) Non-current assets

Non-current Assets are tested for any indication of impairment at the end of each reporting period. 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 depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. 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.

2 (n) (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.

Notes to the Financial Statements

**2 (o) Disclosure of changes to accounting policy and estimates
Initial application of an Australian Accounting Standard**

The Public Trustee has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2010 that impacted on the Public Trustee:

| Standard | Title |
|-------------|--|
| AASB 2009-5 | <p>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below:</p> <ul style="list-style-type: none"> • AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations • AASB 8 – Disclosure of information about segment assets • AASB 101 – Current/non-current classification of convertible instruments • AASB 107 – Classification of expenditures that does not give rise to an asset • AASB 117 – Classification of leases of land • AASB 118 – Determining whether an entity is acting as a principle or an agent • AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation • AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract |

AASB 5 was applied in relation to the imminent sale of the property at 565 Hay St. The impact is seen at note 24(f).

Notes to the Financial Statements

Future impact of Australian Accounting Standards not yet operative

The Public Trustee cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Public Trustee has not applied early the following Australian Accounting Standards that have been issued that may impact the Public Trustee. Where applicable, the Public Trustee plans to apply these Australian Accounting Standards from their application date.

| Standard | Title | Operative for reporting periods beginning on/after |
|----------|---|--|
| AASB 9 | <p data-bbox="421 663 676 692"><i>Financial Instruments</i></p> <p data-bbox="421 701 1043 882">AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p data-bbox="421 891 1043 1039">These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <ul style="list-style-type: none"> <li data-bbox="421 1055 1043 1263">(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. <li data-bbox="421 1279 1043 1547">(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. <p data-bbox="421 1570 1043 1778">Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> | 1 January 2013 |

Disclosures & legal compliance

Notes to the Financial Statements

| Standard | Title | Operative for reporting periods beginning on/after |
|--------------|--|--|
| AASB 2009-11 | <p><i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12].</i></p> <p>The amendment to AASB 7 requires modification to the disclosure of categories of financial assets. The Public Trustee does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes will change.</p> | 1 Jan 2013 |
| AASB 1053 | <p><i>Application of Tiers of Australian Accounting Standards</i></p> <p>This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.</p> <p>The Standard does not have any financial impact on the Authority. However it may affect disclosures in the financial statements of the Authority if the reduced disclosure requirements apply. DTF has not yet determined the application or the potential impact of the new Standard for agencies.</p> | 1 July 2013 |
| AASB 2010-2 | <p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i></p> <p>This Standard makes amendments to many Australian Accounting Standards, including interpretations, to introduce reduced disclosure requirements into these pronouncements for application by certain types of entities. The Standard is not expected to have any financial impact on the Authority. However this Standard may reduce some note disclosures in the financial statements of the Authority. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.</p> | 1 July 2013 |

Disclosures & legal compliance

Notes to the Financial Statements

| Standard | Title | Operative for reporting periods beginning on/after |
|-------------|--|--|
| AASB 2010-5 | <p><i>Amendments to Australian Accounting Standards</i> [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]</p> <p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p> | 1 January 2011 |
| AASB 2010-7 | <p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]</p> <p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> | 1 January 2013 |

3. Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Public Trustee evaluated these judgements regularly.

Judgements were used to determine the fair value of the Investment properties of the Common Account. The fair value was determined by independent valuations conducted by Jones Lang LaSalle and Knight Frank.

Notes to the Financial Statements

4. Key sources of estimation uncertainty

There have been no key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year.

5. Events occurring after the balance date

There are no events occurring after balance date that will materially impact the interpretation of the financial statements.

6. Write offs

The amount of \$328,747 represents losses incurred during the administration of estates and trusts, which have been written off in accordance with Section 48 of the *Financial Management Act 2006*.

| | 2011 | 2010 |
|-------------------|----------------|----------------|
| | \$ | \$ |
| Write Offs | 328,747 | 307,149 |

7. Income from State Government**7 (I) Resources received free of charge from the Department of the Attorney General**

The operational costs of the Public Trustee are funded by the Department of the Attorney General pursuant to a net appropriation determination by the Treasurer. The Public Trustee received funding in the current period for Royalties for Region recurrent expenses.

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

| | 2011 | 2010 |
|---|--------------------------|--------------------------|
| | \$ | \$ |
| Operating Expenses | | |
| Employee benefits expense | | |
| Salaries | 11,097,868 | 10,893,077 |
| Superannuation and pension | 1,023,592 | 984,129 |
| | <u>12,121,460</u> | <u>11,877,206</u> |
| Computer services | 550,428 | 336,465 |
| Administration expenses | 3,228,978 | 3,146,806 |
| Accommodation expenses | 1,029,586 | 1,005,599 |
| Corporate service expenses | 2,421,378 | 1,693,481 |
| Total operating expenses | <u>19,351,830</u> | <u>18,059,557</u> |
| Operating Income | | |
| Royalties for Regions Fund ¹² | 27,150 | 20,130 |
| Recoups and other revenue from the Department of the Attorney General | 9,890 | 10,470 |
| Corporate revenue allocation from the Department of the Attorney General | 557,464 | 324,337 |
| Resources received free of charge from the Department of the Attorney General | 18,757,326 | 17,704,620 |
| Total operating income | <u>19,351,830</u> | <u>18,059,557</u> |

¹² This is a sub-fund within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas.

Notes to the Financial Statements

8. Fees paid to Consolidated Account

Pursuant to section 6B(2)(b) of the *Public Trustee Act 1941* and regulation 6(b) of the *Public Trustee Regulations 1942*, from 1 July 2008 the Current Agreement sets out the proportion of the fees received by the Public Trustee to be credited to the Consolidated Account. The Current Agreement 2010-11 determines that the Public Trustee is to transfer at least \$12,567,000 in fees to the Consolidated Account if the fees collected are in excess of \$12,567,000. If the fees collected are below this figure then all fees collected shall be paid to the Consolidated Account, via the Department of the Attorney General's net appropriation determination.

| | 2011 | 2010 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Fees paid to Consolidated Account | <u>12,567,000</u> | <u>11,410,538</u> |

9. Interest and Other Revenue Paid to the Consolidated Account**9 (a) Surplus Common Account Interest paid to Consolidated Account**

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 Account Interest. Section 39A (8) of the *Public Trustee Act 1941* allows the Public Trustee to credit this Surplus Common Account Interest to a reserve fund. The Current Agreement 2010-11 Section 10.2 determines that the Public Trustee shall credit to the Business Development Reserve, at least \$870,000 of the balance of interest received. Section 10.3 of the Current Agreement prescribes this amount shall be paid from the Business Development Reserve to the Consolidated Account, via the Department of the Attorney General's net appropriation determination.

| | 2011 | 2010 |
|---|------------------|------------------|
| | \$ | \$ |
| Surplus Common Account Interest paid to Consolidated Account | <u>1,185,000</u> | <u>1,220,000</u> |

9(b) Other Revenue and Reserves Paid to Consolidated Account

These payments relate to outgoings incurred by the Department of Attorney General, on behalf of the Public Trustee, to indemnify certain clients for losses judged to be the responsibility of the Public Trustee, and for the Public Trustee's capital works programs. The payments were funded via transfers from the Public Trustee's Indemnity and Business Development Reserves as follows:

| | 2011 | 2010 |
|--|------------------|------------------|
| | \$ | \$ |
| Transfers from the Indemnity Reserve | 115,187 | - |
| Transfers from the Business Development Reserve | <u>4,080,329</u> | <u>1,435,542</u> |
| Other Revenue and Reserves Paid to Consolidated Account | <u>4,195,516</u> | <u>1,435,542</u> |

Disclosures & legal compliance

Notes to the Financial Statements

10. Equity

Equity represents the residual interest in the net assets of the Public Trustee.

10 (a) Reserves

Pursuant to section 6B of the *Public Trustee Act 1941* and Regulation 6 of the *Public Trustee Regulation 1942*, the Current Agreement 2010-11 prescribes the circumstances in which money may be transferred to or from a reserve fund and the uses of a reserve fund. The current agreement is a written agreement between the Minister and the Public Trustee for a 12 month period.

Details of the Reserves are as follows:

| | Note | 2011 \$ | 2010 \$ |
|---|-----------|--------------------------|--------------------------|
| Total Reserves | | | |
| Balance at start of year | | 24,635,413 | 16,090,332 |
| ADD Transfer to Reserves | | 9,514,377 | 16,391,313 |
| LESS Transfer from Reserves | | (7,188,085) | (7,846,232) |
| Balance at end of year | | <u>26,961,705</u> | <u>24,635,413</u> |
| Represented by: | | | |
| Indemnity Reserve | | | |
| Balance at start of year | | 8,562,423 | 4,001,222 |
| ADD Transfer to Reserves | | 1,328,491 | 4,646,530 |
| LESS Transfer from Reserves | | (594,266) | (85,329) |
| Balance at end of year | 10(a)(i) | <u>9,296,648</u> | <u>8,562,423</u> |
| Business Development Reserve | | | |
| Balance at start of year | | 16,072,990 | 12,089,110 |
| ADD Transfer to Reserves | | 8,185,886 | 11,744,783 |
| LESS Transfer from Reserves | | (6,593,819) | (7,760,903) |
| Balance at end of year | 10(a)(ii) | <u>17,665,057</u> | <u>16,072,990</u> |
| Total Balance of Reserves at end of Year | | <u>26,961,705</u> | <u>24,635,413</u> |

10 (a) (i) Indemnity Reserve

If the Public Trustee, in its corporate capacity, is or might be liable at law to compensate a person for loss or damage that the person has or might have suffered, then the Public Trustee may, apply moneys from the Indemnity Reserve, to pay to investigate, defend, settle and/or compromise the matter; or to pay for any loss or damage that the person has or might have suffered, including, but not limited to, costs and disbursements, as specified in section 9.3 of the Current Agreement 2010-11. The reserve level is reviewed annually, is based on independent actuarial advice and represents a percentage of the total client assets and liabilities managed.

10 (a) (ii) Business Development Reserve

The uses of the Business Development Reserve are specified in section 10.4 of the Current Agreement 2010-11 and include, payment of capital costs, meeting shortfalls in revenue paid to the consolidated account, costs associated with the coming into operation of the *Public Trustee and Trustee Companies Legislation Amendment Act 2008*.

Notes to the Financial Statements

10 (b) Retained Earnings

| | 2011 | 2010 |
|-------------------------------|------------------|------------------|
| | \$ | \$ |
| Balance at start of year | 1,803,462 | 759,489 |
| Surplus/(Deficit) | 4,162,365 | 9,589,054 |
| Transfer to reserves | (9,514,377) | (16,391,313) |
| Transfer from reserves | 7,188,085 | 7,846,232 |
| Balance at end of year | 3,639,535 | 1,803,462 |

11. Accrued Fees Payable to Consolidated Account

| | 2011 | 2010 |
|---|----------------|----------------|
| | \$ | \$ |
| Accrued Fees payable to Consolidated Account | 633,798 | 476,036 |

12. Tax liabilities

| | 2011 | 2010 |
|--------------------|----------------|----------------|
| | \$ | \$ |
| GST payable | 343,889 | 347,583 |

13. Notes to the Statement of Cash Flows**13(a) Reconciliation of cash**

All Public Trustee funds held within the Public Trustee Common Account are available at call. Cash at the end of the financial year, as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | 2011 | 2010 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Cash - Investment in Common Account | 31,555,167 | 27,512,687 |

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

| | 2011 | 2010 |
|--|---------------------|--------------------|
| | \$ | \$ |
| Net Cost of Service before Income from State Government | (15,189,465) | (8,470,503) |
| Non-cash items: | | |
| Employee benefits expense | 12,121,460 | 11,877,206 |
| Computer services | 550,428 | 336,465 |
| Administration expenses | 3,228,978 | 3,146,806 |
| Accommodation expenses | 1,029,586 | 1,005,599 |
| Corporate service expenses | 2,421,378 | 1,693,481 |
| Payments: | | |
| Fees paid to Consolidated Account | 12,567,000 | 11,410,538 |
| Surplus Common Account Interest paid to Consolidated Account | 1,185,000 | 1,220,000 |
| Other revenue and reserves paid to Consolidated Account | 4,195,516 | 1,435,542 |
| Change in Assets and Liabilities | | |
| Increase/(decrease) in debtors | 12,687 | (28,503) |
| Increase/(decrease) in tax liabilities | (3,694) | 44,394 |
| Increase/(decrease) in creditors | (243,261) | 235,317 |
| Net cash provided by operating activities | 21,875,613 | 23,906,342 |

Notes to the Financial Statements

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.

14. Remuneration of members of the accountable authority and senior officers**14(a) 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 is:

| \$ | 2011 | 2010 |
|---|------------------|------------------|
| 160,001 - 190,000 | 1 | 1 |
| Total remuneration of members of the accountable authority is: | \$188,655 | \$167,373 |

The total remuneration includes the superannuation expense incurred by the Public Trustee in respect of members of the accountable authority. No members of the accountable authority are members of the Pension Scheme.

14(b) 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 is:

| \$ | 2011 | 2010 |
|--|------------------|------------------|
| 80,001 - 110,000 | 2 | - |
| 110,001 - 120,000 | - | - |
| 120,001 - 130,000 | - | - |
| 130,001 - 140,000 | - | 3 |
| 140,001 - 150,000 | 1 | - |
| 150,001 - 160,000 | - | 1 |
| 160,001 - 170,000 | 1 | - |
| 170,001 - 180,000 | 1 | 1 |
| 180,001 - 200,000 | 1 | - |
| Total remuneration of senior officers is: | \$855,565 | \$735,998 |

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.

15. Remuneration of auditor

Remuneration payable to the Auditor General in respect to the audit for the current financial year is as follows:

| | 2011 | 2010 |
|---|---------------|---------------|
| | \$ | \$ |
| Auditing the accounts, financial statements and performance indicators | 61,300 | 59,000 |

16. Contingent liabilities & Commitments**16(a) Contingent liabilities**

In addition to the liabilities included in the financial statements, there are the following contingent liabilities:

Disclosures & legal compliance

Notes to the Financial Statements

Litigation in progress

The Public Trustee has 13 matters where litigation against the Public Trustee may result. They involve potential claims for damages to the value of \$4.3 million inclusive of court costs. These claims however, have not been finalised and it is likely that there will not be any liability at all. As a result no liability has been recognised in the Financial Statements at 30 June 2011.

Contaminated sites

Under the *Contaminated Sites Act 2003*, the Public Trustee is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as *contaminated – remediation required* or *possibly contaminated – investigation required*, the Public Trustee may have a liability in respect of investigation or remediation expenses.

During the year the Public Trustee reported no suspected contaminated sites to DEC.

16(b) Commitments

In July 2009 the Public Trustee entered into a new five-year lease of 565 Hay Street, with a rent review on 1 July 2010 and 1 July 2012. The new rate from 1 July 2010 is \$153.21 p.m². The lease allows for early termination by the giving of not less than three months notice.

In March 2011 the Public Trustee entered into a 10-year lease on two floors of the new building at 553 Hay Street purchased by the Common Fund for the Public Trustee in the 2009/10 year. The lease of these two floors represents completion of Stage 1 of the move by the Public Trustee from the building at 565 Hay Street to 553 Hay Street. Stages 2 and 3 are expected to be completed by the end of the 2011/12 financial year. No commitments have been entered into in relation to these stages.

| Property Lease Commitments | 2011 | 2010 |
|--|-------------------|----------------|
| | \$ | \$ |
| Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows: | | |
| Within 1 year | 1,293,915 | 449,671 |
| Later than 1 year and not later than 5 years | 3,629,600 | 449,671 |
| Later than 5 years | 5,415,882 | - |
| | 10,339,397 | 899,342 |
| Representing : | | |
| Cancellable operating leases | 472,055 | 899,342 |
| Non-cancellable operating leases | 9,867,342 | - |
| Future finance charges on finance leases | - | - |
| | 10,339,397 | 899,342 |

17. Impairment of assets

There were no indications of impairment to assets at 30 June 2011.

The Public Trustee held no goodwill or intangible assets with an indefinite useful life during the reporting period and at the end of the reporting period there were no intangible assets not yet available for use.

There are no surplus assets held at 30 June 2011.

Notes to the Financial Statements

18. Financial instruments

18(a) Financial risk management objectives and policies

Financial instruments held by the Public Trustee are cash and cash equivalents, receivables and payables. The Public Trustee has limited exposure to financial risks.

The Public Trustee invests exclusively in the Common Account, the investments of the Common Account are in compliance with *s39A Public Trustee Act 1941*.

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 Common Account in terms of *s42 Public Trustee Act 1941* 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. There has been no change from the previous period in respect of exposure to credit risk.

The only investments are cash term deposits with banks the lowest credit rating being A2 and two Buildings.

Term deposits are not considered a credit risk.

Liquidity risk

Liquidity risk arises when the Public Trustee is unable to meet its financial obligations as they fall due.

The Public Trustee is exposed to liquidity risk through its trading in the normal course of business.

The Public Trustee has appropriate procedures to manage cash flows including the drawing down of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet commitments. There has been no change from the previous period in respect of exposure to liquidity risk.

The commercial loan portfolio at 30 June 2011 has been run down according to policy, and no longer exists. The building at 565 Hay Street has been an asset of the Common Account since 1970, a second building was purchased in August 2008 located at 553 Hay Street. The majority of the Common Account portfolio is in liquid form with an average daily balance of \$15 million held in 24 hour at call account with Western Australian Treasury Corporation (WATC) and an average daily balance of \$1.184 billion in term deposits with banks. The liquidity is monitored by the Financial Analyst, the Manager Finance and the Director Business Services.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Public Trustee's income or the value of its holdings of financial instruments. The Public Trustee does not trade in foreign currency and is not materially exposed to other price risks.

The Public Trustee's exposure to market risk through changes in interest rates is limited to cash which is invested in the Common Account. Common Account investments are authorised by *s42 Public Trustee Act 1941*; exposure to interest rate risk is limited to short term deposits, cash and mortgage investments. There has been no change from the previous period in respect of exposure to market risk.

The Public Trustee has guidelines for limiting the exposure to any one level of bank rating, A1+ is 10% to 30% of total term deposits, A1 is 30% to 70%, A2 is 20% to 40%. This ensures that the risk is spread and deposits are not placed on seeking the highest rate available on

Notes to the Financial Statements

the day of maturity alone but taking into account the risk involved. The return is measured against a number of indicators including the UBS 30 day bank bill rate and the interest paid by WATC.

18(b) Categories of financial instruments

The carrying amount of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

| | 2011 | 2010 |
|--|------------|------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash - Investment in Common Account | 31,555,167 | 27,512,687 |
| Debtors | 41,190 | 28,503 |
| Financial Liabilities | | |
| Accrued fees payable to Consolidated Account | 633,798 | 476,036 |
| Tax Liabilities | 343,889 | 347,583 |
| Creditor | 17,430 | 278,696 |

18(c) Financial instrument disclosures

Credit risk, liquidity risk and interest rate risk exposures

The State Government guarantees all financial assets of the Public Trustee Common Account and therefore no credit risk exists in respect of those amounts. The Public Trustee has no material exposure to liquidity risk.

The Public Trustee's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table is based on information provided to senior management of the Public Trustee.

The Public Trustee does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

The Public Trustee does not hold any financial assets that have had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

Interest rate exposures and ageing analysis of financial assets

| | Weighted average effective interest rate % | Carrying amount \$'000 | Fixed Interest rate \$'000 | Variable Interest Rate \$'000 | Non- interest bearing \$'000 | Past due but not impaired \$'000 | Impaired financial assets \$'000 |
|-------------------------------------|---|------------------------------|-------------------------------------|--|---------------------------------------|---|---|
| 2011 | | | | | | | |
| Financial Assets | | | | | | | |
| Cash - Investment in Common Account | 6.47 | 31,555 | - | 31,555 | - | - | - |
| Debtors | | 41 | - | - | 41 | - | - |
| 2010 | | | | | | | |
| Financial Assets | | | | | | | |
| Cash - Investment in Common Account | 5.90 | 27,513 | - | 27,513 | - | - | - |
| Debtors | | 28 | - | - | 28 | - | - |

Notes to the Financial Statements

The following table details the contractual maturity analysis for financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts at the end of the reporting period. The table includes interest and principal cash flows.

Interest rate exposure and maturity analysis of financial liabilities

| | Weighted average effective interest rate % | Carrying amount \$'000 | Fixed Interest rate \$'000 | Variable Interest Rate \$'000 | Non- interest bearing \$'000 | Adjustment for discounting \$'000 | Total Nominal amount \$'000 | Maturity Date – Up to 3 months \$'000 |
|------------------------------|---|------------------------------|-------------------------------------|--|---------------------------------------|--|--------------------------------------|---|
| 2011 | | | | | | | | |
| Financial Liabilities | | | | | | | | |
| Accrued Fees | | 634 | - | - | 634 | - | - | - |
| Tax Liability | - | 344 | - | - | 344 | - | - | - |
| Creditors | | 17 | - | - | 17 | - | - | - |
| 2010 | | | | | | | | |
| Financial Liabilities | | | | | | | | |
| Accrued Fees | | 476 | - | - | 476 | - | - | - |
| Tax Liability | - | 348 | - | - | 348 | - | - | - |
| Creditors | | 279 | - | - | 279 | - | - | - |

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Public Trustee's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% (100 basis points) change in interest rates. A 1% movement is considered to be reasonably possible taking into account past performance, economic forecasts and management's knowledge and experience of financial markets. It is assumed that the change in interest rate is held constant throughout the reporting period.

| | Carrying amount \$'000 | -100 Basis Points (-1%) | | +100 Basis Points (+1%) | |
|-------------------------------------|------------------------------|-------------------------|------------------|-------------------------|------------------|
| | | Surplus \$'000 | Equity \$'000 | Surplus \$'000 | Equity \$'000 |
| 2011 | | | | | |
| Financial Assets | | | | | |
| Cash - Investment in Common Account | 31,555 | (316) | (316) | 316 | 316 |
| 2010 | | | | | |
| Financial Assets | | | | | |
| Cash - Investment in Common Account | 27,513 | (275) | (275) | 275 | 275 |

The sensitivity is higher in 2011 than 2010 because of an increase in the value of cash.

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Notes to the Financial Statements

19. Related bodies

The Public Trustee is a Statutory Authority. However, its operational expenses are appropriated by Parliament through 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 Trustee are detailed in the Department of the Attorney General's Annual Report.

20. Financial reporting by segments

Disclosure of outcome results in terms of segment is not required as the Public Trustee is a not for profit agency.

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 visits to the islands during the financial year.

Statement of Receipts and Expenditure for the period ended 30 June 2011:

| | 2011 | 2010 |
|------------------------|--------------|--------------|
| | \$ | \$ |
| Opening balance | 4,419 | 4,706 |
| Receipts | - | - |
| Expenditure | (596) | (287) |
| Closing balance | 3,823 | 4,419 |

22. Explanatory statement**22(a) Significant variations between current and prior year actual**

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.

| | 2011 | 2010 | Variance | Variance |
|---|-------------|-------------|-----------------|-----------------|
| | \$ | \$ | \$ | % |
| Expenses | | | | |
| Computer Services | 550,428 | 336,465 | (213,963) | (63.6) |
| Corporate Expense Allocation | 2,421,378 | 1,693,481 | (727,897) | (43.0) |
| Fees paid to Consolidated Account | 12,567,000 | 11,410,538 | (1,156,462) | (10.1) |
| Other revenue and reserves paid to Consolidated Account | 4,195,516 | 1,435,542 | (2,759,974) | (192.3) |
| Income | | | | |
| Public Trustee's 6% fee from Common Account | 4,471,605 | 2,756,162 | 1,715,443 | 62.2 |
| Management fee from Strategic Common Account | 629,955 | 472,102 | 157,853 | 33.4 |
| Receipts from Common Account Surplus Interest | 6,308,687 | 4,533,608 | 1,775,079 | 39.2 |
| Receipts from Common Account Reserves Interest | - | 5,000,000 | 5,000,000 | (100) |
| Department of the Attorney General Corporate revenue | 1,666,067 | 1,263,835 | 402,232 | 31.8 |
| | 557,464 | 324,337 | 233,127 | 71.9 |

Notes to the Financial Statements

Computer Services

The upgrades to the MATE system, plus increases in the cost of services from the external support organisation, plus additional expenditure related to the stage 1 move from the old building to the new building, have been the main causes of the increase.

Corporate Expense Allocation

The main increase in corporate expenses relates to increased rental costs, increased computing service and computing license costs. In addition, the transfer of the Office of Native Title to the Department of Premier and Cabinet and several small satellites to Shared Services, resulted in the Department of the Attorney General's corporate costs being spread over a smaller base.

Fees paid to Consolidated Account

The Public Trustee received increases in approved expenditure for 2011; this expenditure was funded by increased revenue payments to the Consolidated Account via the Department of the Attorney General.

Other Revenue and Reserves paid to Consolidated Account

The Public Trustee's capital works programs to upgrade the computer system, implement the changes resulting from the legislation changes, automate the will writing system and the relocation to the new Public Trustee building were all funded through the Business Development Reserve. The mechanism for re-imbursing the Department of the Attorney General for the expenditure on these projects from the Business Development Reserve, was to make quarterly payments to the Consolidated Account, after transferring the amounts via journal from the reserves.

Public Trustee 6% Fee from Common Account

The Public Trustee was awarded an \$872million court trust in December 2009. The award was fully invested in the Common Account, along with subsequent interest maturities, and the Public Trustee continued to draw a 6% fee on the income earned in the 2010-11 financial year.

Management Fee from Strategic Common Account

In July 2009 the Public Trustee introduced the Strategic Common Accounts (Public Trustee Investment Funds), these investments provide a managed fund investment option to the Public Trustee Clients and the Public Trustee draws a management fee. They continued to grow steadily over the financial year.

Receipts from Common Account Surplus Interest

Similar to the Public Trustee 6% Fee, interest received by the Common Account is higher than previous year due to the court awarded trust. As such the surplus interest transferred to the Public Trustee is higher.

Interest

The increase in interest earned by the Public Trustee is a result of the increase in Equity held by the Public Trustee in the Common Account.

Receipts from Common Account Reserves

There were no transfers from Common Account reserves per the Current Agreement.

Department of the Attorney General Corporate revenue

The Public Trustee was allocated additional corporate revenue from the Department of the Attorney General, mainly as result of increased Public Trustee Common Fund revenue. This largely related to above revenue for recoups for recurrent and capital works including the Public Trustee's office relocation, Automated Wills project and the MATE system upgrade.

Disclosures & legal compliance

Notes to the Financial Statements

22(b) Significant variations between estimated and actual results for the financial year

Section 40 of the *Financial Management Act 2006* requires the Accountable Authority of a statutory authority to prepare annual estimates of the financial operations of the statutory authority. 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.

| | 2011 Estimate | 2011 Actual | Variation | Variation |
|--|------------------|----------------|-------------|-----------|
| | \$ | \$ | \$ | % |
| Expenses | | | | |
| Write-offs | 20,000 | 328,747 | (308,747) | (1,543.7) |
| Computer services | 351,833 | 550,428 | (198,595) | (56.4) |
| Administration expenses | 2,044,088 | 3,228,978 | (1,184,890) | (58.0) |
| Accommodation expenses | 3,511,340 | 1,029,586 | 2,481,754 | 70.7 |
| Corporate Expense Allocation | 1,856,551 | 2,421,378 | (564,827) | (30.4) |
| Surplus Common Account Interest paid to Consolidated Account | 870,000 | 1,185,000 | (315,000) | (36.2) |
| Other revenue and reserves paid to Consolidated Account | 8,847,000 | 4,195,516 | 4,651,484 | 52.6 |
| Income | | | | |
| Fees raised from Estates & Trusts | 11,313,478 | 9,342,639 | (1,970,839) | (17.4) |
| Public Trustee's 6% fee from Common Account | 3,913,007 | 4,471,605 | 558,598 | 14.3 |
| Management fee from Strategic Common Account | 750,000 | 629,955 | (120,045) | (16.0) |
| Receipts from Common Account Surplus Interest | 2,500,000 | 6,308,687 | 3,808,687 | 152.3 |
| Interest revenue | 605,000 | 1,666,067 | 1,061,067 | 175.4 |
| Department of the Attorney General Corporate revenue | 699,263 | 557,464 | (141,799) | (20.3) |

Writeoffs

The majority of the 2011 write-offs are attributed to two large settlements of \$190,000 and \$111,494 that had previously been recognised as contingent liabilities, as well as several small settlements from the Indemnity Reserve totalling \$7,585.

Computer Services

The upgrade to the MATE computer system has resulted in an increase in depreciation, which was not included in the original budget allocation for the Public Trustee.

Administration

The increase in administration expenses is a result of unbudgeted expenditure for a client in court proceedings and recurrent expenditure on the capital works programs that had been budgeted as capital expenditure.

Accommodation

The Public Trustee received a funding increase during the year for the additional costs being incurred during the relocation to new premises and increases in rental costs from cost escalations.

Notes to the Financial Statements

Corporate Expenses Allocation

The increase in corporate services costs allocated by the Department of the Attorney General, mainly relates to higher than budgeted costs in computing licences and building rentals.

Other Revenue and Reserves Paid to Consolidated Account

The Public Trustee is self funding the capital programs and increases in accommodation costs with reserves. The positive variance is mainly due to the delays in the relocation of the Public Trustee from the old to the new building.

Fees Raised from Estates & Trusts

The total of fees raised from estates and trusts have been consistently below target throughout the year, predominantly due to lower than expected deceased estate fees. This trend has emerged as a combined effect of the gradual closing out of client files that were commenced under the old fee regime, and a slower than expected increase in volumes of new files that were anticipated following the introduction of the more affordable new fee regime.

Public Trustee's 6% Fee from Common Account

The Public Trustee was awarded an \$872million court trust in December 2009. The award was fully invested in the Common Account, along with subsequent interest maturities, and the Public Trustee continued to draw a 6% fee on the income earned in the 2010/11 financial year. This was not factored into the forward estimates due to the timing of when the estimates were done.

Management Fee from Strategic Common Account

In July 2009 the Public Trustee introduced a new investment strategy for the clients of the Common Account - the Strategic Common Accounts (Public Trustee Investment Funds). The Public Trustee collects an annual management fee of .5% of the value of the funds invested in these accounts. Although the initial transitioning of clients into the new investments was quicker than originally forecast, this slowed somewhat in the 2010/11 year. The Public Trustee also had to contribute a top up to the custodian fee as a result of the total value of the PTIFs not reaching the \$150 million threshold total funds value.

Receipts from Common Account Surplus Interest

Following the payment of interest to trusts, estates and to the Public Trustee any surplus earnings are deemed to be Surplus Common Account Interest. The Public Trustee currently has Common Account investments in 2 buildings, 565 and 553 Hay Street, resulting in a greater than forecast return, plus the continued court awarded administration of the Bell Group funds. This was not factored into the forward estimates due to the timing of when the estimates were done.

Interest Revenue

The Public Trustee had forecast to reduce the value of the Public Trustee Reserves during the year to fund the capital works programs. The relocation capital works program expenditure has been only partially completed, with Stages 2 & 3 set to be finalised by the end of the 2011/12 financial year. As such, the funds remained in reserves earning income.

Department of the Attorney General Corporate revenue

The decrease in corporate services revenue allocated by the Department of the Attorney General is mainly due to lower than expected recoups and miscellaneous revenue.

Notes to the Financial Statements

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(15)(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 2011:**NET TRUST ASSETS UNDER ADMINISTRATION WERE:**

| ESTATES AND TRUSTS | Note | 2011 | 2010 |
|--|-----------------|-----------------------------|-----------------------------|
| | | \$ | \$ |
| Deceased Estates | | 229,669,345 | 168,351,045 |
| Direct Action | | 3,049,068 | 1,488,736 |
| Entitled Trusts | | 286,347,783 | 271,976,147 |
| Protected Management | | 270,811,169 | 250,079,818 |
| Testamentary Trusts | | 65,201,115 | 63,801,103 |
| Power of Attorney | | 34,475,111 | 35,204,049 |
| Trusts | | 969,003,360 | 918,815,785 |
| Safe-care | | 780,477 | 2,767,973 |
| NET TRUST ASSETS | | <u>1,859,337,428</u> | <u>1,712,484,656</u> |
| Investments in Common Account | 24(g) | 1,242,261,745 | 1,162,449,593 |
| Investments in Strategic Common Accounts | 23(a), 25(a) | 143,125,827 | 133,945,001 |
| Bank deposits | | 68,167,198 | 61,672,369 |
| Equities | 23(a) | 26,813,963 | 23,175,660 |
| Unit Trusts | 23(a) | 6,706,013 | 6,073,413 |
| Life Policies | 23(b) | 1,632,483 | 1,403,237 |
| Real Estate | 23(c) | 369,322,923 | 318,218,461 |
| Other Assets | 23(d) | 29,116,757 | 29,628,855 |
| Total Investment and Loan Assets | | <u>1,887,146,909</u> | <u>1,736,566,589</u> |
| TOTAL TRUST ASSETS | | <u>1,887,146,909</u> | <u>1,736,566,589</u> |
| CURRENT LIABILITIES | | | |
| Creditors | | 16,230,922 | 14,876,064 |
| Loans | | 1,216,212 | 301,422 |
| Mortgages – Deceased estates | | 2,554,814 | 1,498,782 |
| Total Current Liabilities | | <u>20,001,948</u> | <u>16,676,268</u> |
| NON CURRENT LIABILITIES | | | |
| Mortgages – Trust estates | | 7,807,533 | 7,405,665 |
| Total Non Current Liabilities | | <u>7,807,533</u> | <u>7,405,665</u> |
| TOTAL TRUST LIABILITIES | | <u>27,809,481</u> | <u>24,081,933</u> |
| NET TRUST ASSETS | | <u>1,859,337,428</u> | <u>1,712,484,656</u> |

Disclosures & legal compliance

Notes to the Financial Statements

Basis of valuation(s):

23(a) Equities, unit trusts and Strategic Common Accounts

For deceased estates the valuation is at the date of death. In other matters, the valuation for equities, unit trusts and Strategic Common Accounts is at 30 June 2011 and sourced from market publications.

23(b) Life policies

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

23(c) 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.

23(d) 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.

Notes to the Financial Statements

24. Public Trustee Common Account

The following are the financial statements of the Public Trustee Common Account.

| 24(a) PUBLIC TRUSTEE COMMON ACCOUNT STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2011 | Note | 2011 \$ | 2010 \$ |
|--|-------------|---------------------------|---------------------------|
| EXPENSES | | | |
| Doubtful Debts | | - | 11,910 |
| Investment expenses | | 2,703,437 | 2,733,272 |
| Interest paid to Estates and Trusts | 24(e) | 62,080,406 | 37,382,405 |
| Decrement from revaluation of investment | | 3,871,291 | 4,247,742 |
| Total expenses before payments to Public Trustee | | <u>68,655,134</u> | <u>44,375,329</u> |
| 6% income fee paid to the Public Trustee | | 4,471,605 | 2,756,162 |
| Interest paid to the Public Trustee | | 1,666,067 | 1,263,835 |
| Surplus Common Account Interest paid to the Public Trustee | | 6,308,687 | 4,533,608 |
| Common Account reserves paid to the Public Trustee | | - | 5,000,000 |
| Total expenses | | <u>81,101,493</u> | <u>57,928,934</u> |
| INCOME | | | |
| Income on Investments | | 77,221,689 | 48,669,282 |
| Doubtful Debts recovered | | 11,910 | 2,944 |
| Total income | | <u>77,233,599</u> | <u>48,672,226</u> |
| NET (LOSS)/PROFIT | 24(i)(ii) | <u>(3,867,894)</u> | <u>(9,256,708)</u> |
| (DEFICIT)/SURPLUS FOR THE YEAR | | <u>(3,867,894)</u> | <u>(9,256,708)</u> |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>(3,867,894)</u> | <u>(9,256,708)</u> |

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

Notes to the Financial Statements

**24(b) PUBLIC TRUSTEE COMMON ACCOUNT
STATEMENT OF FINANCIAL POSITION
As at 30 June 2011**

| | Note | 2011 \$ | 2010 \$ |
|--|--------------------|----------------------------|----------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash at Bank | 24(i)(i) | 9,623,393 | 11,138,125 |
| Cash Equivalents | 24(i)(i) | 1,227,820,25 | 1,144,043,30 |
| Mortgage Loans | 2(b), 24(f)(i) | - | 1,000,000 |
| Debtors | | 14,566 | 56,521 |
| Accrued Income | | 4,855,351 | 4,551,414 |
| Property – Buildings held for sale | 2(b), 24(f)(ii) | 23,750,000 | - |
| Total Current Assets | | <u>1,266,063,56</u> | <u>1,160,789,36</u> |
| Non-Current Assets | | | |
| Property – Buildings | 2(b), 24(f)(ii) | 41,500,000 | 65,000,000 |
| Total Non-Current Assets | | <u>41,500,000</u> | <u>65,000,000</u> |
| TOTAL ASSETS | | <u>1,307,563,56</u> | <u>1,225,789,36</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Fees & Accrued Taxation | | 408,920 | 23,219 |
| Creditors | | 204,241 | 19,501 |
| Stamp Duty Recouped | | 40 | 40 |
| Public Trustee Funds | 13(a) | 31,555,167 | 27,512,687 |
| Accrued Interest due to Estates and Trusts | | 15,297,965 | 14,080,946 |
| Total Current Liabilities | | <u>47,466,333</u> | <u>41,636,393</u> |
| Non-Current Liabilities | | | |
| Estates & Trusts under Administration | 2(c), 24(g) | 1,242,261,74 | 1,162,449,59 |
| TOTAL LIABILITIES | | <u>1,289,728,07</u> | <u>1,204,085,98</u> |
| NET ASSETS | | <u>17,835,489</u> | <u>21,703,383</u> |
| EQUITY | | | |
| Common Account Investment reserve | 24(h)(i) | 14,782,380 | 14,782,380 |
| Retained earnings | 24(h)(ii) | 3,053,109 | 6,921,003 |
| TOTAL EQUITY | | <u>17,835,489</u> | <u>21,703,383</u> |

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

Notes to the Financial Statements

**24(c) PUBLIC TRUSTEE COMMON ACCOUNT
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011**

| | Note | 2011 \$ | 2010 \$ |
|---|-----------|--------------------------|--------------------------|
| Balance of equity at start of year | | 21,703,383 | 30,960,091 |
| RESERVES | | | |
| Common Account Investment reserve | | | |
| Balance at start of year | | 14,782,380 | 19,782,380 |
| Transfers from reserves | | - | 5,000,000 |
| Transfers to reserves | | - | - |
| Balance at end of year | 24(h)(i) | <u>14,782,380</u> | <u>14,782,380</u> |
| RETAINED EARNINGS | | | |
| Balance at start of year | | 6,921,003 | 11,177,711 |
| Total comprehensive income for the period | | (3,867,894) | (9,256,708) |
| Changes in reserves | | - | 5,000,000 |
| Balance at end of year | 24(h)(ii) | <u>3,053,109</u> | <u>6,921,003</u> |
| Balance of equity at end of year | | <u>17,835,489</u> | <u>21,703,383</u> |

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

Notes to the Financial Statements

**24(d) PUBLIC TRUSTEE COMMON ACCOUNT
STATEMENT OF CASH FLOWS
For the year ended 30 June 2011**

| | Note | 2011 \$ | 2010 \$ |
|--|-----------|-----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Income on investments | | 77,144,451 | 46,020,478 |
| Doubtful debts recovered | | 11,910 | 2,944 |
| Payments | | | |
| 6% income fee paid to Public Trustee | | (4,471,605) | (2,756,162) |
| Interest paid to Estates and Trusts | | (60,863,387) | (26,984,116) |
| Interest paid to Public Trustee | | (1,666,067) | (1,263,835) |
| Investment expenses | | (2,703,437) | (2,733,272) |
| Net cash provided by operating activities | 24(i)(ii) | <u>7,451,865</u> | <u>12,286,037</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from maturing mortgages | | 1,000,000 | 1,275,000 |
| Payment for building purchase and improvements | | (4,121,291) | (247,742) |
| Net cash provided by investing activities | | <u>(3,121,291)</u> | <u>1,027,258</u> |
| CASH FLOWS FROM ESTATES, TRUSTS & PUBLIC TRUSTEE | | | |
| Surplus Common Account Interest paid to Public Trustee | | (6,308,687) | (4,533,608) |
| Common Account Reserves paid to Public Trustee | | - | (5,000,000) |
| Movement in Public Trustee's liability | | 4,042,480 | 10,359,677 |
| Movement in Estates and Trusts | | 80,197,849 | 828,696,264 |
| Net cash provided by estates, trusts & Public Trustee | | <u>77,931,642</u> | <u>829,522,333</u> |
| Net (decrease)/increase in cash and cash equivalents | | 82,262,216 | 842,835,628 |
| Cash and cash equivalents at the beginning of period | | 1,155,181,434 | 312,345,806 |
| Cash and cash equivalents at the end of period | 24(i)(i) | <u>1,237,443,650</u> | <u>1,155,181,43</u> |

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

Notes to the Financial Statements

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 39A(7) of the *Public Trustee Act 1941*.

| | 2011 | 2010 |
|-------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Interest paid to Estates and Trusts | <u>62,080,406</u> | <u>37,382,405</u> |

24(f) Investments (Common Account)

| | 2011 | 2010 |
|--|-------------------|-------------------|
| | \$ | \$ |
| (i) At Cost: | | |
| Mortgage Loans – Current Assets | - | 1,000,000 |
| Mortgage Loans – Non-Current Assets | - | - |
| | <u>-</u> | <u>1,000,000</u> |
| (ii) At fair value: | | |
| Land and Building – Current Assets | 23,750,000 | - |
| Land and Building – Non-Current Assets | 41,500,000 | 65,000,000 |
| | <u>65,250,000</u> | <u>65,000,000</u> |

The Public Trustee Common Account owns two investment properties, both comprising of land and office buildings. At 30 June 2011 Public Trustee is still the principal occupier of the property at 565 Hay St, and during 2011/12 will be finalising its relocation to the second property at 553 Hay St and the subsequent sale of the property at 565 Hay St.

As at 30 June 2011, negotiations were still being finalised between the Public Trustee and the Perth Diocese Trust for the sale of the property at 565 Hay St.

The Public Trustee is holding the property at 553 Hay St for long-term rental yields. The properties are recorded at fair value. Market based evidence is available and the fair value of the land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions.

Independent valuations of land and buildings are usually provided annually by the Western Australian Land Information Authority (Valuation services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period. During the 2010-11 financial year valuations of the land and buildings were performed by Jones Lang LaSalle and Knight Frank; the valuations were performed on the basis of current market values of the freehold interest in the land and buildings, encumbered by the existing leases.

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

Property at 565 Hay Street

| | 2011 | 2010 |
|--------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Carrying amount at beginning of year | 25,000,000 | 28,000,000 |
| Additions and capital improvements | 55,220 | 4,500 |
| Revaluation (decrement)/increment | (1,305,220) | (3,004,500) |
| Carrying amount at end of year | <u>23,750,000</u> | <u>25,000,000</u> |

Disclosures & legal compliance

Notes to the Financial Statements

Property at 553 Hay Street

| | 2011 | 2010 |
|--------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Carrying amount at beginning of year | 40,000,000 | 41,000,000 |
| Additions and capital improvements | 4,066,071 | 243,242 |
| Revaluation decrement | (2,566,071) | (1,243,242) |
| Carrying amount at end of year | <u>41,500,000</u> | <u>40,000,000</u> |

24(g) Estates and Trusts under Administration – Common Account

The fair value of estate and trust assets at the end of the reporting period, held in the Public Trustee Common Account.

| | 2011 | 2010 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Activity | | |
| Deceased Estates | 59,590,021 | 40,940,105 |
| Direct Action | 2,150,247 | 1,376,056 |
| Entitled Trusts | 94,576,735 | 91,483,740 |
| Protected Management | 96,663,767 | 86,519,229 |
| Testamentary Trusts | 30,581,098 | 30,447,665 |
| Power of Attorney | 9,731,922 | 10,854,701 |
| Trusts | 948,967,955 | 900,828,097 |
| Total estates and trusts under administration | <u>1,242,261,745</u> | <u>1,162,449,593</u> |

24(h) Equity

24(h)(i) Reserves

Pursuant to section 6B of the *Public Trustee Act 1941* and Regulation 6 of the *Public Trustee Regulation 1942* of the regulations, the Current Agreement 2009/10 prescribes the circumstances in which money may be transferred to or from a reserve fund. The Current Agreement 2010/11 prescribes that funds held in the Common Account Investment Reserve may be applied to stabilise the Common Account interest paid to estates, meet losses on Common Account Investments, maintain Common Account Assets, and may be transferred to the Business Development Reserve.

| | 2011 | 2010 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Common Account Investment Reserve | | |
| Opening balance | 14,782,380 | 19,782,380 |
| LESS Transfer from Reserves | - | (5,000,000) |
| ADD Transfer to Reserves | - | - |
| Closing balance | <u>14,782,380</u> | <u>14,782,380</u> |

Disclosures & legal compliance

Notes to the Financial Statements

24(h)(ii) Retained earnings

| | 2011 | 2010 |
|-------------------------|------------------|------------------|
| | \$ | \$ |
| Opening balance | 6,921,003 | 11,177,711 |
| Surplus/(Deficit) | (3,867,894) | (9,256,708) |
| Transfers from reserves | - | 5,000,000 |
| Transfer to reserves | - | - |
| Closing balance | <u>3,053,109</u> | <u>6,921,003</u> |

24(i) Notes to the Statement of Cash Flows

24(i)(i) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of 105 days 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 Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | 2011 | 2010 |
|------------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Cash | 9,623,393 | 11,138,125 |
| Cash Equivalents | 1,227,820,257 | 1,144,043,309 |
| Cash & Cash Equivalents | <u>1,237,443,650</u> | <u>1,155,181,434</u> |

24(i)(ii) Reconciliation of (deficit) to net cash provided by operating activities.

| | 2011 | 2010 |
|--|-------------------------|--------------------------|
| | \$ | \$ |
| Surplus/(Deficit) | (3,867,894) | (9,256,708) |
| <i>Non-cash items:</i> | | |
| Payments to Public Trustee | 6,308,687 | 9,533,608 |
| (Increment)/Decrement from revaluation of investment | 3,871,291 | 4,247,742 |
| <i>Decrease/(Increase) in assets:</i> | | |
| Debtor | 41,955 | 271,656 |
| Accrued income | (303,937) | (2,896,733) |
| <i>(Decrease)/Increase in liabilities:</i> | | |
| Creditors | 184,744 | (11,817) |
| Accrued interest | 1,217,019 | 10,398,019 |
| Net cash provided by operating activities | <u>7,451,865</u> | <u>12,286,037</u> |

24(i)(iii) 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.

Notes to the Financial Statements

24(j) Financial instruments**24(j)(i) Financial risk management objectives and policies**

Financial instruments held by the Common Account are cash and cash equivalents, loans, receivables and payables. The Common Account has limited exposure to financial risks. The investments of the Common Account are in compliance with s39A *Public Trustee Act 1941*.

The Common Account's overall risk management program focuses on managing the risks identified below.

Credit risk

The State Government guarantees all financial assets of the Common Account and therefore no credit risk exists in respect of those amounts. In addition, the buildings are covered by insurance and also professional indemnity insurance cover for staff involved with management of Common Account investments. Receivables balances are monitored on an ongoing basis with the result that the Common Account's exposure to bad debts is minimal. There are no significant concentrations of credit risk. There has been no change from the previous period in respect of exposure to credit risk.

Liquidity risk

The Public Trustee has appropriate procedures to manage cash flows of the Common Account by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments. There has been no change from the previous period in respect of exposure to credit risk.

Market risk

The Common Account does not trade in foreign currency and is not materially exposed to other price risks.

The Common Account's investments are authorised by section 39A(3), 39D and 40A of the *Public Trustee Act 1941* and exposure to interest rate risk is limited to cash and cash equivalents and mortgages. At the end of the reporting period there are no mortgages. There has been no change from the previous period in respect of exposure to credit risk.

24(j)(ii) Categories of financial instruments

The carrying amount of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

| | 2011 | 2010 |
|--|---------------|--------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash at bank | 9,623,393 | 11,138,125 |
| Cash Equivalents | 1,227,820,257 | 1,144,043,30 |
| Debtors | 14,566 | 56,521 |
| Accrued income | 4,855,351 | 4,551,414 |
| Mortgage loans | - | 1,000,000 |
| Financial Liabilities | | |
| Payables | 613,201 | 42,760 |
| Public Trustee Funds | 31,555,167 | 27,512,687 |
| Accrued Interest due to Estates and Trusts | 15,297,965 | 14,080,946 |
| Estates & Trusts under Administration | 1,242,261,745 | 1,162,449,59 |

Notes to the Financial Statements

24(j)(iii) Financial instrument disclosures
Credit risk, liquidity risk and interest rate risk exposures

The State Government guarantees all financial assets of the Common Account and therefore no credit risk exists in respect of those amounts. The Common Account has no material exposure to liquidity risk.

The Common Account's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table is based on information provided to senior management of the Public Trustee.

The Common Account does not hold any financial assets that have had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

Interest rate exposures and ageing analysis of financial assets

| | Weighted average effective interest rate % | Carrying amount \$'000 | Interest Rate Exposure | | | Past due but not impaired \$'000 | Impaired financial assets \$'000 |
|-----------------------------------|---|------------------------------|-------------------------------------|--|---------------------------------------|---|---|
| | | | Fixed Interest Rate \$'000 | Variable Interest Rate \$'000 | Non- Interest Bearing \$'000 | | |
| 2011 | | | | | | | |
| Financial Assets | | | | | | | |
| Cash at Bank | 5.00 | 9,623 | - | 9,623 | - | - | - |
| Cash Equivalent | 5.90 | 285,000 | - | 285,000 | - | - | - |
| Cash Equivalent | 5.67 | 942,820 | - | 942,820 | - | - | - |
| Receivables | | 15 | - | - | 15 | - | - |
| Accrued Interest receivable | | 4,855 | - | - | 4,855 | - | - |
| Investment mortgages | 3.97 | - | - | - | - | - | - |
| Total Financial Assets | | 1,242,314 | - | 1,237,444 | 4,870 | - | - |
| 2010 | | | | | | | |
| Financial Assets | | | | | | | |
| Cash at Bank | 3.82 | 11,138 | - | 11,138 | - | - | - |
| Cash Equivalent | 5.08 | 250,000 | - | 250,000 | - | - | - |
| Cash Equivalent | 5.25 | 894,043 | - | 894,043 | - | - | - |
| Receivables | | 57 | - | - | 57 | - | - |
| Accrued Interest receivable | | 4,551 | - | - | 4,551 | - | - |
| Investment mortgages | 6.23 | 1,000 | - | 1,000 | - | - | - |
| Total Financial Assets | | 1,160,789 | - | 1,156,181 | 4,608 | - | - |

The following table details the contractual maturity analysis for financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts at the end of the reporting period. The table includes interest and principal cash flows.

Disclosures & legal compliance

Notes to the Financial Statements

Interest rate exposure and maturity analysis of financial liabilities

| | Interest Rate Exposure | | | | | Past due but not impaired \$'000 | Impaired financial assets \$'000 |
|--|---|------------------------------|-------------------------------------|--|---------------------------------------|---|---|
| | Weighted average effective interest rate % | Carrying amount \$'000 | Fixed Interest Rate \$'000 | Variable Interest Rate \$'000 | Non- Interest Bearing \$'000 | | |
| 2011 | | | | | | | |
| Financial Liabilities | | | | | | | |
| Payables | | 613 | - | - | 613 | - | - |
| Public Trustee | 6.47 | 31,555 | - | 31,555 | - | - | - |
| Accrued Interest Estates & Trusts | | 15,298 | - | - | 15,298 | - | - |
| Estates & Trusts: | | | | | | | |
| Estates | 3.00 | 59,422 | - | 59,422 | - | - | - |
| Trusts & Other | 3.50 | 42,690 | - | 42,690 | - | - | - |
| Trusts & Other | 5.00 | 145,569 | - | 145,569 | - | - | - |
| Total Financial Liabilities | | 1,289,728 | - | 1,273,817 | 15,811 | - | - |
| 2010 | | | | | | | |
| Financial Liabilities | | | | | | | |
| Payables | | 43 | - | - | 43 | - | - |
| Public Trustee | 5.90 | 27,513 | - | 27,513 | - | - | - |
| Accrued Interest Estates & Trusts | | 14,081 | - | - | 14,081 | - | - |
| Estates & Trusts: | | | | | | | |
| Estates | 3.00 | 40,940 | - | 40,940 | - | - | - |
| Trusts & Other | 3.50 | 41,129 | -885,098 | 41,129 | - | - | - |
| Trusts & Other | 5.00 | 140,532 | - | 140,532 | - | - | - |
| Total Financial Liabilities | | 1,204,086 | - | 1,189,962 | 14,124 | - | - |

Notes to the Financial Statements

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Common Account's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% (100 basis points) change in interest rates. A 1% movement is considered to be reasonably possible taking into account past performance, economic forecasts and management's knowledge and experience of financial markets. It is assumed that the change in interest rates is held constant throughout the reporting period.

| | Carrying amount \$'000 | -100 Basis Points (-1%) | | +100 Basis Points (+1%) | |
|-----------------------|------------------------------|-------------------------|------------------|-------------------------|------------------|
| | | Surplus \$'000 | Equity \$'000 | Surplus \$'000 | Equity \$'000 |
| 2011 | | | | | |
| Financial Assets | 1,237,443 | (12,374) | (12,374) | 12,374 | 12,374 |
| Financial Liabilities | 1,273,817 | 12,738 | 12,738 | (12,738) | (12,738) |
| 2010 | | | | | |
| Financial Assets | 1,156,181 | (11,562) | (11,562) | 11,562 | 11,562 |
| Financial Liabilities | 1,189,961 | 11,900 | 11,900 | (11,900) | (11,900) |

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

24(k) Explanatory statement**Significant variances between current and prior year actual**

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.

| | 2011 \$ | 2010 \$ | Variance \$ | Variance % |
|--|------------|------------|----------------|---------------|
| Expenses | | | | |
| Interest paid to Estates and Trusts | 62,080,406 | 37,382,405 | (24,698,001) | (66.1) |
| Public Trustee 6% Fee | 4,471,605 | 2,756,162 | (1,715,443) | (62.2) |
| Interest paid to Public Trustee | 1,666,067 | 1,263,835 | (402,232) | (31.8) |
| Surplus Common Account Interest paid to the Public Trustee | 6,308,687 | 4,533,608 | (1,775,079) | (39.2) |
| Reserves and other revenue paid to the Public Trustee | - | 5,000,000 | 5,000,000 | 100.0 |
| Income | | | | |
| Income on Investments | 77,221,689 | 48,669,282 | 28,552,407 | 58.6 |

Interest paid to Estates and Trusts

The Public Trustee was awarded an \$872million court trust in December 2009. The award was fully invested in the Common Account, along with subsequent interest maturities. The Common Fund has paid interest to the client for these funds for the entire year.

Public Trustee 6% Fee

Notes to the Financial Statements

The Public Trustee was awarded an \$872million court trust in December 2009 significantly increasing the value of the Common Account, the award was fully invested in the Common Account and the Public Trustee drew a 6% fee on the income earned for the entire 2010-11 year.

Interest paid to the Public Trustee

Further delays in capital works funded by the reserves meant that the reserves remained at a higher level than expected, thus deriving higher interest.

Surplus Common Account Interest paid to the Public Trustee

The Public Trustee was awarded an \$872million court trust in December 2009 significantly increasing the value of the Common Account, the award was fully invested in the Common Account and Surplus Common Account Interest was paid to the PT for the entire 2010-11 year.

Reserves and other revenue paid to the Public Trustee

Per the Annual Agreement for 2010-11, no reserves were paid to the Public Trustee.

Income on Investments

The Public Trustee was appointed Trustee of an \$872million court trust in December 2009, this significantly increased the Common Account value, with income being earned on this value for the entire 2010-11 financial year.

25. Public Trustee Strategic Common Accounts

The following are the financial statements of the Public Trustee Strategic Common Accounts. Established pursuant to section 39B of the *Public Trustee Act 1941*. Because the Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists.

25(a) Estates and Trusts under administration**Strategic Common Accounts**

The fair value of estate and trust assets at the end of the reporting period held in the Public Trustee Strategic Common Accounts.

| | 2011 | 2010 |
|--|---------------------------|---------------------------|
| | \$ | \$ |
| Activity | | |
| Deceased Estates | - | - |
| Direct Action | - | - |
| Entitled Trusts | 125,027,567 | 116,560,860 |
| Protected Management | 12,664,449 | 10,286,290 |
| Testamentary Trusts | - | - |
| Power of Attorney | 2,976,291 | 2,781,600 |
| Trusts | 1,677,044 | 1,548,278 |
| Safe-care | <u>780,477</u> | <u>2,767,973</u> |
| Total estates and trusts under administration | <u>143,125,828</u> | <u>133,945,001</u> |

Notes to the Financial Statements

**25(b) PUBLIC TRUSTEE STRATEGIC COMMON ACCOUNTS
STATEMENTS OF CHANGES IN NET ASSETS
For the year ended 30 June 2011**

| 2011 | Cash | Conservative | Growth | Growth Plus | Total |
|---|---------------|---------------------|---------------|--------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Net Assets at the beginning of the reporting period | - | 17,057 | 112,945 | 1,913 | 131,915 |
| Applications | - | 1,350 | 6,095 | 1,000 | 8,445 |
| Redemptions | - | (233) | (7,079) | (750) | (8,062) |
| | - | 18,174 | 111,961 | 2,163 | 132,298 |
| Expenses | | | | | |
| Trustee's fees | - | 94 | 613 | 9 | 716 |
| Custody fees | - | 31 | 185 | 5 | 221 |
| Total expenses | - | 125 | 798 | 14 | 937 |
| Investment Income | | | | | |
| Interest income | - | - | 2 | - | 2 |
| Trust distributions | - | 1,190 | 8,329 | 143 | 9,662 |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | - | 77 | 2,687 | 2 | 2,766 |
| Other income | - | 70 | 403 | 7 | 480 |
| Total net investment income/(loss) | - | 1,337 | 11,421 | 152 | 12,910 |
| Profit/(loss) before finance costs attributable to unit holders | - | 1,212 | 10,623 | 138 | 11,973 |
| Financing costs attributable to unit holders | | | | | |
| Distributions to unit holders | - | (1,157) | (8,556) | (160) | (9,873) |
| Increase/(decrease) in net assets attributable to unit holders | - | 55 | 2,067 | (22) | 2,100 |
| Net Assets at the end of the reporting period | - | 18,229 | 114,028 | 2,141 | 134,398 |

Notes to the Financial Statements

| 2010 | Cash | Conservative | Growth | Growth Plus | Total |
|---|--------|---------------|----------------|--------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Net Assets at the beginning of the reporting period | - | - | - | - | - |
| Applications | - | 17,153 | 120,139 | 2,000 | 139,292 |
| Redemptions | - | (68) | (3,543) | - | (3,611) |
| | - | 17,085 | 116,596 | 2,000 | 135,681 |
| Expenses | | | | | |
| Trustee's fees | - | 62 | 445 | 8 | 515 |
| Custody fees | - | 21 | 142 | 4 | 167 |
| Total expenses | - | 83 | 587 | 12 | 682 |
| Investment Income | | | | | |
| Interest income | - | - | 1 | - | 1 |
| Trust distributions | - | 458 | 2,639 | 33 | 3,130 |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | - | (20) | (3,576) | (86) | (3,682) |
| Other income | - | 42 | 263 | 5 | 310 |
| Total net investment income/(loss) | - | 480 | (673) | (48) | (241) |
| Profit/(loss) before finance costs attributable to unit holders | - | 397 | (1,260) | (60) | (923) |
| Financing costs attributable to unit holders | | | | | |
| Distributions to unit holders | - | (425) | (2,391) | (27) | (2,843) |
| Increase/(decrease) in net assets attributable to unit holders | - | (28) | (3,651) | (87) | (3,766) |
| Net Assets at the end of the reporting period | - | 17,057 | 112,945 | 1,913 | 131,915 |

Notes to the Financial Statements

25(c) PUBLIC TRUSTEE STRATEGIC COMMON ACCOUNTS
STATEMENTS OF NET ASSETS
As at 30 June 2011

| 2011 | Cash \$'000 | Conservative \$'000 | Growth \$'000 | Growth Plus \$'000 | Total \$'000 |
|--|----------------|------------------------|------------------|--------------------------|-----------------|
| Assets | | | | | |
| Cash and Cash equivalents | - | 6 | 35 | 1 | 42 |
| Receivables | - | 1,100 | 7,531 | 136 | 8,767 |
| Financial assets held at fair value through profit or loss | - | 18,227 | 114,091 | 2,139 | 134,457 |
| Total assets | - | 19,333 | 121,657 | 2,276 | 143,266 |
| Liabilities | | | | | |
| Distributions payable | - | 1,082 | 7,531 | 133 | 8,746 |
| Payables | - | 22 | 98 | 2 | 122 |
| Total liabilities (excluding net assets attributable to unit holders) | - | 1,104 | 7,629 | 135 | 8,868 |
| Net assets attributable to unit holders - liability | - | 18,229 | 114,028 | 2,141 | 134,398 |
| 2010 | | | | | |
| | Cash \$'000 | Conservative \$'000 | Growth \$'000 | Growth Plus \$'000 | Total \$'000 |
| Assets | | | | | |
| Cash and Cash equivalents | - | 6 | 34 | 3 | 43 |
| Receivables | - | 293 | 1,879 | 18 | 2,190 |
| Financial assets held at fair value through profit or loss | - | 17,049 | 112,849 | 1,907 | 131,805 |
| Total assets | - | 17,348 | 114,762 | 1,928 | 134,038 |
| Liabilities | | | | | |
| Distributions payable | - | 281 | 1,773 | 14 | 2,068 |
| Payables | - | 10 | 44 | 1 | 55 |
| Total liabilities (excluding net assets attributable to unit holders) | - | 291 | 1,817 | 15 | 2,123 |
| Net assets attributable to unit holders - liability | - | 17,057 | 112,945 | 1,913 | 131,915 |

Performance Indicators

Certification of Performance Indicators

For the year ended 30 June 2011

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 2011.

Brian Roche BBus MMgt

Accountable Authority

13 September 2011

Detailed Information in Support of Performance Indicators

DEPARTMENT OF THE ATTORNEY GENERAL DESIRED OUTCOME:

The right to justice and safety for all people in Western Australia is preserved and enhanced.

SERVICE: Trustee Services

BUSINESS AREA OUTPUT: The Public Trustee provides a funds management and investment service through the operations of the Common Account, 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 and conducts examinations of the accounts of administration orders as ordered by the State Administrative Tribunal.

PUBLIC TRUSTEE ROLE: Enhance the lives of Western Australians by providing high quality and accessible trustee and asset management services.

Equitable access to trustee services for all Western Australians is a crucial element in preserving and enhancing their right to justice and safety. Providing trustee services is the responsibility of the Public Trustee. The Public Trustee is a Statutory Authority within the provisions of the *Financial Management Act 2006*. 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 1941*.

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; and
- Examining the accounts of administration orders.

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

Effectiveness Indicators

1.1 Extent to which trustee services meet the needs of clients

This indicator measures client satisfaction with the quality of trustee services provided. In 2011 Patterson Market Research were engaged to conduct a telephone survey, clients to be surveyed were identified through the Public Trustee’s Client Database. The sample frame was defined as clients who:

- were aged over 18 and able to make meaningful comments;
- had an active account during the 2010-2011 financial year; and
- had telephone and mail contact details available.

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Actual 2011 | Target 2011 |
|--|------|------|------|------|------|------|----------------|----------------|
| Extent to which trust management services meet the needs of customers | 76% | 82% | 72% | 79% | 74% | 88% | 84% | 80% |

1.2 The percentage of Western Australian deceased estates administered by the Public Trustee

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

The Public Trustee may administer estates regardless of whether appointed executor or not. Some estates may not require formal administration but still require work to be undertaken in order that assets may be registered in the survivor's or beneficiary's name, e.g. joint assets and/or nominal bank accounts.

The Public Trustee aimed to reach a target of 8.5%.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Actual 2011 | Target 2011 |
|--|------|------|------|------|--------|--------|----------------|----------------|
| Number of new estates administered relative to the number of adult (18 years and over) deaths in Western Australia. | NA | NA | NA | NA | 8.5% | 7.5% | 6.9% | 8.5% |
| Number of adult deaths in WA | NA | NA | NA | NA | 12,552 | 12,572 | 12,397 | NA |
| Number of new deceased estates administered | NA | NA | NA | NA | 1,071 | 941 | 853 | NA |

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

This indicator measures the Public Trustee performance in the market in order to monitor its success in providing a will preparation service for all Western Australians.

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 2011, the Public Trustee administered 1,470 estates that named the Public Trustee as executor. The Public Trustee's market share for this period was 12%.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Actual 2011 | Target 2011 |
|---|--------|--------|--------|--------|--------|--------|----------------|----------------|
| Extent to which Public Trustee maintains a market share in drawing Wills naming the Public Trustee as executor | 13% | 12% | 12% | 11% | 11% | 11% | 12% | 12% |
| Number of adult deaths in WA | 10,929 | 11,606 | 11,718 | 12,343 | 12,552 | 12,572 | 12,397 | NA |
| Number of estates in which the Public Trustee had prepared a Will. | 1,460 | 1,418 | 1,411 | 1,404 | 1,366 | 1,334 | 1,470 | NA |

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. This indicator measures the time taken to administer estates reported within the previous 12 months and finalised within that period – this indicator was agreed to by the Trustee Corporations Association of Australia as a base indicator of efficiency.

It would be impractical to include all estates closed during the 12 month period as some of the estates may have been under administration for as long as 50 years, as in case of a life interest. 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 Trustee.

The average time taken to complete an estate, if completed within twelve months, was 6.6 months, based on the date of final completion.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Actual 2011 | Target 2011 |
|--|------|------|------|------|------|------|----------------|----------------|
| Percent of estates finalised within 12 months of being reported | | | | | | | | |
| Within 12 months | 67% | 67% | 67% | 64% | 63% | 60% | 59% | 67% |
| Within 9 months | 56% | 56% | 55% | 50% | 48% | 45% | 44% | 55% |
| Within 6 months | 41% | 39% | 37% | 31% | 30% | 29% | 27% | 36% |

1.5 The percentage of clients who have services provided by the Public Trustee under a Community Service Obligation

This indicator measures the proportion of clients who are genuinely unable to pay for the Trust Management services provided by the Public Trustee.

The fees raised are rebated back to the clients who meet the minimum requirements under the Community Service Obligation (CSO).

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Actual 2011 | Target 2011 |
|---|------|------|------|------|------|-------|----------------|----------------|
| The percentage of clients who have services provided by the Public Trustee under a CSO | N/A | N/A | N/A | N/A | N/A | 47.4% | 43.3% | 35% |
| Number of CSO files managed | N/A | N/A | N/A | N/A | N/A | 2,462 | 2,284 | 1,820 |

Efficiency Indicators

1.6 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.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Actual 2011 | Target 2011 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cost per trust managed | \$1,122 | \$1,169 | \$1,332 | \$1,402 | \$1,515 | \$1,707 | \$1,788 | \$1,931 |
| Number of trusts managed | 4,846 | 4,649 | 4,721 | 4,790 | 5,093 | 5,190 | 5,279 | 5,200 |

1.7 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.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Actual 2011 | Target 2011 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cost per deceased estate administered | \$1,803 | \$1,731 | \$1,764 | \$1,814 | \$2,090 | \$2,168 | \$2,458 | \$2,391 |
| Number of deceased estates administered | 2,941 | 3,095 | 3,150 | 3,256 | 3,281 | 3,198 | 2,985 | 3,200 |

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Actual 2011 | Target 2011 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------------|----------------|
| Cost per will prepared | \$285 | \$299 | \$275 | \$301 | \$356 | \$426 | \$505¹³ | \$426 |
| Number of Wills prepared | 3,832 | 3,497 | 3,669 | 3,840 | 3,650 | 3,481 | 3,337 | 3,900 |

¹³ The main reasons for the variance to target are a lower than anticipated number of Wills drawn due to increased complexity in the preparation of Wills, and higher costs associated with the development of the core computer system and court proceedings.

Common Account Indicators

Effectiveness Indicators

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

1.8(a) Common Account Earning Rate

The returns paid by the Public Trustee's Common Account 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** % |
|---------------|---------------------------------------|------------------------------------|--|---|--|------------------------------|
| 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 |
| 2007 | 3.00, 3.25 & 3.50 | 6.15, 6.75 & 7.15 | 6.15, 6.75 & 7.15 | 5.10 | 0.00 | 5.45 |
| 2008 | 3.00, 3.25 & 3.50 | 6.85, 7.35 & 7.85 | 6.85, 7.35 & 7.85 | 6.05 | 0.00 | 6.35 |
| 2009 | 3.00 | 3.50, 5.00 & 5.50 | 3.50, 5.00 & 5.50 | 1.90 | 0.00 | 2.80 |
| 2010 | 3.00 | 3.50, 5.00, 5.50 & 5.29 | 3.50, 5.00 & 5.50 | 3.45 | 0.00 | 0.00 |
| 2011 | 3.00 | 3.50, 5.00, 5.50 & 5.27 | 3.50, 5.00 & 5.50 | 4.75 | 0.00 | 0.00 |

(*Rates effective as at 30 June)

(**As published on the Reserve Bank of Australia Website)

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

1.8(b) Public Trustee's Common Account 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 Account 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:

| | 2005 % | 2006 % | 2007 % | 2008 % | 2009 % | 2010 % | 2011 % |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| Treasury Earning Rate | 5.44 | 5.59 | 6.13 | 7.03 | 5.59 | 4.18 | 5.14 |
| CMT Benchmark Rate | 5.41 | 5.64 | 6.22 | 6.86 | 4.85 | 3.76 | 4.66 |
| Public Trustee Common Account | 5.91 | 5.91 | 6.53 | 7.26 | 6.43 | 5.90 | 6.47 |

Disclosures & legal compliance

In the twelve months to 30 June 2011, the Public Trustee Common Account (excluding the funds of a significant court award) achieved a net return of 6.47% on the investment of the funds comprising the Common Account. Average funds under management for the year to 30 June totalled \$351 million with an additional average of \$913 million held in trusts for a specific court award.

Efficiency Indicators

1.8(c) Common Account Investment Cost per Dollar Invested

The Public Trustee is responsible for the management and investment of the funds that comprise the Common Account, as well as funds invested in the financial market. At 30 June 2011 the total average value of the Common Account for the year was \$1,265 billion, with a further \$143 million invested in the financial market in the Strategic Common Accounts and \$34 million in managed funds on behalf of individual clients.

The cost of managing these funds in 2011 was \$362,721¹⁴ or 0.03% of the mean value of the total funds under management. Comparatives to previous financial years are as follows:

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Cost of managing funds* | \$398,414 | \$416,701 | \$556,493 | \$405,409 | \$428,601 | \$454,832 | \$362,721 |
| Percentage of funds under management | 0.10% | 0.10% | 0.11% | 0.08% | 0.09% | 0.04% | 0.03% |

¹⁴ (* 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. On-costs are charged at 66% of direct salary).

Ministerial Directives

No Ministerial directives were received during the financial year.

Other Financial Disclosures

Pricing Policies of Services Provided

Under Treasurer's Instruction 903 section 13(i), the Public Trustee is required to advise of the policies underlying the pricing of its goods and services. The pricing policy adopted by the Public Trustee in setting fees and charges is contained in legislation under the [Public Trustee Act 1941](#) and the Annual Agreement.

Fees and charges are reviewed annually in December and proposed changes for the coming financial year are contained in the [Annual Agreement](#) between the Public Trustee and the Attorney General to be signed in June of each year.

The Public Trustee can waive fees (either in whole or part) that were incurred under the scales of fees that have operated since 1 July 2008. Any fees incurred under earlier scales require the consent of the Attorney General to be waived.

Capital Projects

| | Estimated Year of Completion | Expenditure To Date (\$'000) | Estimated Cost To Complete (\$'000) | Estimated Total Cost (\$'000) |
|----------------------------|------------------------------|------------------------------|-------------------------------------|-------------------------------|
| MATE upgrade | 2011 | 3,047 | 0 | 2,790 |
| Legislation implementation | 2011 | 915 | 0 | 915 |
| Automated Wills Project | 2011 | 765 | 88 | 853 |
| Building relocation | 2012 | 2,537 | 3,823 | 6,360 |

Employment and Industrial Relations

Staff Profile

The current full-time equivalent (FTE) level in the Public Trustee is 151.6, compared with 150.26 in 2009/10 and represents an increase of 0.89%. The Public Trustee has two reported Aboriginal/Torres Strait Islander employees employed as at 30 June 2011 comprising of a Trainee and a Fixed Term Contract employee.

| | 2008/09 | 2009/10 | 2010/11 |
|------------------------------------|---------|---------|---------|
| Full-time permanent | 123 | 124 | 136 |
| Full-time contract | 9 | 19 | 8 |
| Part-time measured on an FTE basis | 7.6 | 6.26 | 5.6 |
| On secondment | 1 | 1 | 2 |
| Staff FTE | 140.6 | 150.26 | 151.6 |

Disclosures & legal compliance

Staff Profile by Gender

| | 2008/09 | 2009/10 | 2010/11 |
|--------------|-------------|-------------|-------------|
| | Male/Female | Male/Female | Male/Female |
| Professional | 2/8.6 | 1.8/9.8 | 6.6/9.8 |
| Clerical | 68/62 | 70/68.66 | 68/67.2 |
| Total | 70/70.6 | 71.8/78.46 | 74.6/77 |

Workforce Profile

| | 2008/09 | 2009/10 | 2010/11 |
|--------------------------|---------|---------|---------|
| Business Development | 6 | 8 | 15.4 |
| Business Services | 17.8 | 17 | 17.8 |
| Executive/Administration | 5 | 4 | 5.6 |
| Corporate Support | 13 | 12 | 11 |
| Legal | 11 | 12.2 | 11.8 |
| Trustee Services | 87.8 | 97.06 | 90.0 |
| Total | 140.6 | 150.26 | 151.6 |

Employee Assistance

An employee assistance program provides access to professional counselling for any personal or work related problems and is available to Public Trustee employees and their immediate families.

PPC Worldwide has continued to provide a high quality, responsive counselling service that saw nine employees access the service, compared to seven during 2009/10.

Wellness program

After a successful pilot introduced in July 2009, the Wellness Program was adopted as an ongoing staff initiative. The committee-run program coordinated the following activities:

- Weekly exercise classes
- Weekly 15 minute health consults that include Mini Healthy Heart Checks (HHCs), blood pressure readings and personalised dietary and exercise programs
- Lunchtime Corporate Sports
- Talks on various health topics
- Fortnightly fruit deliveries
- Monthly massages
- Participation in community and charity events such BRW Corporate Triathlon, HBF Run for a Reason and Bike to Work.

These activities have continued to be well supported by staff and provided a boost in the general health, wellbeing and morale of staff.

Unions

Public Trustee employees are covered by the Community and Public Sector Union/Civil Service Association. A Joint Consultative Committee of management and union representatives meets every eight weeks.

Industrial action

No industrial action was taken by Public Trustee employees.

Staff Development

The Public Trustee has a commitment to the development of its employees. Our strategies are to build a highly skilled, professional and fair workforce with the ability to adapt to changing business technology and the environment.

Employees received training in excess of 2,155 hours (287.3 days) of in-house (75%) and externally-provided (25%) training.

| Training | 2009 | 2010 | 2011 |
|----------|-------|-------|-------|
| External | 1,583 | 1,173 | 537 |
| Internal | 4,222 | 5,872 | 1,618 |
| Total | 5,805 | 7,045 | 2,155 |

Workers Compensation

Two compensation claims of a minor nature were recorded. This compares with no compensation claims of a minor nature and three of a severe nature (more than 60 days absence from work) recorded during 2009/10.

Governance Disclosures

Contracts with Senior Officers

At the date of reporting, other than normal contracts of employment of service, no Senior Officers, or firms of which Senior Officers are members, or entities in which Senior Officers have substantial interests had any interests in existing or proposed contracts with the Public Trustee and Senior Officers.

Summary of current annual agreement

The Public Trustee's Scale of Fees pursuant to section 38A(1) of the Act was gazetted on 29 June 2010 in the Western Australian Government Gazette #115.

In compliance with s. 6B of the *Public Trustee Act 1941*, the following is a summary of the 2010/11 agreement between the Attorney General and the Public Trustee covering the period 1 July 2010 to 30 June 2011.

Consolidated Account

If the total fees collected by the Public Trustee:

- do not exceed \$12,567,000, then all of those fees shall be paid to the Consolidated Account;
- exceed \$12,567,000, then a minimum of \$12,567,000 shall be paid to the Consolidated Account.

Fees paid to the Consolidated Account will be retained by the Department of the Attorney General via a net appropriation determination, to finance the Public Trustee's expenditure.

Reserve Funds

No new reserve funds will be established pursuant to Section 44A of the Act.

Indemnity Reserve

The Public Trustee may credit to the Indemnity Reserve from its account entitled "Retained Earnings", any or all of the retained earnings, and apply moneys in the Indemnity Reserve to settle, compromise and pay the claims, demands and costs of clients or other persons who have suffered loss or damage for which the Public Trustee, in its corporate capacity, may be liable at law.

Business Development Reserve

The Public Trustee may credit to the Business Development Reserve from its account entitled "Retained Earnings", any or all of the retained earnings for the period; credit at least \$870,000 of the balance of interest received; and expects to collect and retain surplus fees of \$3,409,485 in the Business Development Reserve.

The Public Trustee may apply moneys in the Business Development Reserve for any or all of the following purposes to:

- pay the costs of implementing new business services;
- meet shortfalls in estimated retained revenue;
- self-fund any shortfall in budgeted recurrent expenditure;
- pay costs of reviewing the Wills function and establish and maintain an automated Wills drawing application;
- pay the costs of refurbishing, refitting and relocating to 553 Hay Street, Perth; and
- pay other costs of implementing the *Public Trustee and Trustee Companies Legislation Amendment Act 2008*.

Common Account Investment Reserve

The Public Trustee may credit to the Common Account Investment Reserve any or all of its Common Account Retained Earnings and apply moneys in the Common Account Investment Reserve to:

- stabilise Common Account interest paid to estates;
- meet losses on Common Account investments; and
- maintain Common Account assets.

Transfers Between Reserves

The Public Trustee may transfer money from the:

- Indemnity Reserve to the Business Development Reserve if this is in accordance with actuarial advice;
- Business Development Reserve to the Indemnity Reserve if this is in accordance with actuarial advice; and
- Common Account Investment Reserve to the Business Development Reserve (in addition to the \$3,409,485 referred to previously).

Strategic Common Accounts

The Public Trustee shall establish and/or operate the following strategic common accounts pursuant to Section 39B of the Act:

- Cash strategic investment account (known as Public Trustee Investment Fund Cash);
- Conservative strategic investment account (known as Public Trustee Investment Fund Conservative);
- Growth strategic investment account (known as Public Trustee Investment Fund Growth); and
- Growth Plus strategic investment account (known as Public Trustee Investment Fund Growth Plus).

Other Legal Requirements

Estimates 2012 - Statement of Comprehensive Income
For the year ended 30 June 2012

| | ESTIMATES 2012 \$ | ACTUAL 2011 \$ |
|---|-------------------------|----------------------|
| COST OF SERVICES EXPENSES | | |
| Write offs | 20,000 | 328,747 |
| Employee benefits expense | 13,343,469 | 12,121,460 |
| Computer services | 351,235 | 550,428 |
| Administration expenses | 1,887,781 | 3,228,978 |
| Accommodation expenses | 3,583,340 | 1,029,586 |
| Corporate service expenses | 2,137,386 | 2,421,378 |
| Total expenses before payments to Consolidated Account | 21,323,211 | 19,680,577 |
| Fees paid to Consolidated Account | 13,764,000 | 12,567,000 |
| Surplus Common Account Interest paid to Consolidated Account | 3,490,000 | 1,185,000 |
| Other Revenue and Reserves paid to Consolidated Account | 5,832,900 | 4,195,516 |
| Total cost of services | 44,410,111 | 37,628,093 |
| INCOME | | |
| Fees raised from Estates and Trusts | 9,016,018 | 9,342,639 |
| Public Trustee 6% fee from Common Account | 2,815,653 | 4,471,605 |
| Management Fee from Strategic Common Account | 588,282 | 629,955 |
| Receipts from Common Account Surplus Interest | 3,500,000 | 6,308,687 |
| Interest revenue | 605,000 | 1,666,067 |
| Other Revenue | 18,000 | 19,675 |
| Total Income other than income from State Government | 16,542,953 | 22,438,628 |
| Net Cost of Service before Income from State Government | (27,867,158) | (15,189,465) |
| INCOME FROM STATE GOVERNMENT | | |
| Royalties for Regions Fund | - | 27,150 |
| Recoups and other revenue from the Department of the Attorney General | 155,000 | 9,890 |
| Corporate revenue allocation from the Department of the Attorney General | 292,090 | 557,464 |
| Resources received free of charge from the Department of the Attorney General | 20,856,121 | 18,757,326 |
| Total income from State Government | 21,303,211 | 19,351,830 |
| SURPLUS/(DEFICIT) FOR THE PERIOD | (6,563,947) | 4,162,365 |
| OTHER COMPREHENSIVE INCOME | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | (6,563,947) | 4,162,365 |

Disclosures & legal compliance

Estimates 2012 - Statement of Financial Position

As at 30 June 2012

| | ESTIMATES 2012 | ACTUAL 2011 |
|--|---------------------------|--------------------------|
| | \$ | \$ |
| ASSETS | | |
| Current Assets | | |
| Cash – Investment in Common Account | 17,560,213 | 31,555,167 |
| Debtors | - | 41,190 |
| Total Current Assets | <u>17,560,213</u> | <u>31,596,357</u> |
| TOTAL ASSETS | <u>17,560,213</u> | <u>31,596,357</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accrued Fees Payable to Consolidated Account | - | 633,798 |
| Tax liabilities | 200,000 | 343,889 |
| Creditors | - | 17,430 |
| Total Current Liabilities | <u>200,000</u> | <u>995,117</u> |
| TOTAL LIABILITIES | <u>200,000</u> | <u>995,117</u> |
| NET ASSETS | <u>17,360,213</u> | <u>30,601,240</u> |
| EQUITY | | |
| Indemnity reserve | 7,980,235 | 9,296,648 |
| Business Development reserve | 5,225,919 | 17,665,057 |
| Retained Earnings | 4,154,059 | 3,639,535 |
| TOTAL EQUITY | <u>17,360,213</u> | <u>30,601,240</u> |

Advertising

In compliance with s175ZE of the [Electoral Act 1907](#), the Public Trustee reports the following expenditure in advertising, market research, polling, direct mail, and media advertising:

- Total expenditure was \$158,766
- Expenditure was incurred in the following areas:

| | | | |
|-------------------------------|-----------|---------------------------------|----------|
| Advertising agencies | \$12,810 | NCS Communications | \$6,200 |
| | | Orange Design | \$6,610 |
| Market research organisations | 0 | | |
| Polling organisations | 0 | | |
| Direct mail organisations | 0 | | |
| Media advertising | \$145,956 | Have A Go News | \$552 |
| | | Adcorp Australia | \$35,290 |
| | | West Australian Newspaper | \$7,946 |
| | | Community Newspaper | \$29,639 |
| | | Sensis - Yellow Pages | \$3,705 |
| | | White Pages | \$12,134 |
| | | Government Gazette (Fees) | \$2,716 |
| | | 6PR & 6IX | \$50,590 |
| | | Margaret Thomson – Muddy Waters | \$300 |
| | | DPS Publishing P/L | \$2,744 |
| | | Australian Senior Publications | \$340 |

Disability Access and Inclusion Plan Outcomes

In compliance with s29 of the [Disability Services Act 1993](#) the Public Trustee recognises its responsibilities under the Department of Attorney General's Disability Access and Inclusion Plan 20010/13 by ensuring that clients with physical, intellectual, sensory or cognitive disabilities, their families and carers are provided with professional and appropriate services.

The following outcomes were implemented or continued during 2010/11:

Outcome 1:

People with disabilities have the same opportunities as other people to access the services of, and any events organised by the Public Trustee.

The Public Trustee operates a Wills on Wheels service which enables severely disabled or infirm clients to have a Will prepared in their own home, nursing home or hospital. A total of 340 clients living within a 50km radius of the central business district were visited by Wills Officers. Trust Managers meet their clients at home or other appropriate locations and all events organised by the Public Trustee were accessible to people with disabilities.

Outcome 2:

People with disabilities have the same opportunities as other people to access the buildings and facilities of the Public Trustee.

Both the current Public Trustee building at 565 Hay St and design briefs for the Public Trustee's new accommodation at 553 Hay St comply with access requirements and satisfy legislative and policy responsibilities.

All external events organised by the Public Trustee used audioloop in their presentations.

Outcome 3:

People with disabilities receive information in a format that will enable them to access the information as readily as other people are able to access it.

The Public Trustee continues to use Auslan interpreters. All brochures and publications include large fonts and alternative versions including audio tape, CD, large print and Braille are available. The Public Trustee's website includes large print viewing.

Outcome 4:

People with disabilities receive the same level and quality of service from the staff as other people receive.

Most of the Public Trustee's Trust Management clients are disabled in some way, whether aged, infirm, or suffering from mental illness or degenerative cognitive skills. Training is provided by a Rehabilitation and Case Management professional to all staff to better equip them to understand clients who are disabled and their needs.

Outcome 5:

People with disabilities have the same opportunities as other people to make complaints.

The Public Trustee uses the Department of the Attorney General's Customer Feedback Management System, which accepts input through a variety of communications means.

Outcome 6:

People with disabilities have the same opportunities as other people to participate in any public consultation.

The Public Trustee has a regular program of stakeholder visits, where 22 visits were made to key stakeholder organisations including disability support organisations.

Compliance with *Public Sector Management Act 1994 Section 31(1)*

1. In the administration of the Public Trustee, I have complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and our Code of Conduct.
2. I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the statement made in 1 is correct.
3. The applications made for breach of standards review and the corresponding outcomes for the reporting period are:
Number lodged: nil
Number of breaches found: nil
Number still under review: nil

Brian Roche BBus MMgt

PUBLIC TRUSTEE

Accountable Authority

13 September 2011

Recruitment, Selection & Appointment Standard

Twenty four permanent and fixed-term vacancies of more than six months were advertised from across all business areas, including five appointment pools, which were covered by the Recruitment, Selection and Appointment Standard, and attracted a total of 475 applicants.

The Public Trustee's approach of conducting information sessions about the nature of the work for trust and estate managers, as well as holding feedback sessions and providing candidates with individual results, has continued with applicants now gaining a better understanding of the work of the Public Trustee, its client base, the nature of the work undertaken at entry level and promotional positions to ensure a higher level of job satisfaction and employee retention.

| | 2008/09 | 2009/10 | 2010/11 |
|----------------------|---------|---------|---------|
| Advertised vacancies | 19 | 17 | 24 |
| Appointment Pools | 3/ 452 | 4/253 | 5/109 |

Summary of Breach of Standards Claims

There were no Breach of Standards Claim lodged against the Public Trustee.

Compliance with Public Sector Code of Ethics

The Western Australian Public Sector code of ethics is readily accessible to all Public Trustee employees through various mediums including, but not limited to, the intranet, notice boards and references in relevant policies and procedures. Five senior staff attended the Department of the Attorney General's Accountable and Ethical Decision Making in the WA Public Sector training workshop. No reports of non-compliance with the Code of Ethics were received.

Compliance with Public Sector Code of Conduct

The Department of the Attorney General's code of conduct can be accessed by all Public Trustee employees through its intranet, which provides a range of information, resources and examples of acceptable behaviour standards in the workplace. Additionally, all staff are provided with an overview of the Code of Conduct at induction as well as a copy of the Public Trustee Conflict Management Resources Kit to address bullying in the workplace.

Two Public Trustee employees attended a half-day Equal Opportunity Commission's Workplace Culture Harassment and Bullying course.

Recordkeeping Plans

Under s19 of the [State Records Act 2000](#), the Public Trustee's Recordkeeping Plan (RKP) was approved in May 2007 by the State Records Commission.

The Public Trustee Recordkeeping Plan relates to the retention and disposal schedule applicable to Public Trustee records and covers client files (seven years), Part A sub files (20 years) and Wills (99 years).

The Public Trustee, whilst a statutory authority in its own right, is a business unit of the Department of the Attorney General (DotAG) and uses their recordkeeping system for administrative records.

The Public Trustee has complied with the State Records Commission's compliance requirements:

- A destruction program is in process and completion is anticipated in the 2011/12 Financial year

The Public Trustee's induction program includes employee roles and responsibilities for complying with the recordkeeping plan, and operational policy and procedures are included in the web-based Knowledgebase.

Government Policy Requirements

Substantive Equality

The Public Trustee, whilst a statutory authority in its own right, is a business unit within the Department of the Attorney General and does not have its own Policy Framework for Substantive Equality but is part of and follows the overall Department's Policy Framework for Substantive Equality.

In 2010/11 six staff attended a workshop on Substantive Equality conducted by the Equal Opportunity Commission. This course provided managers with a greater level of understanding of how our policies, processes and marketing strategies can impact on indigenous and ethnic minority groups.

Occupational Health and Safety, and Injury Management

The Public Trustee is committed to occupational safety and health and injury management and has an Occupational Safety and Health Committee comprised of trained staff from all floors which meets quarterly (or more often if required) to ensure compliance, and help formulate policies, procedures and training.

Committee representatives conduct monthly safety audits and report on and resolve issues where safety and health of employees may be at risk.

Some of the committee's activities included:

- the inspection of the new 553 Hays Street premises;
- a process of consultation between Management and the OSH Committee on the review of the new building plans; and
- continuation of the employer-funded Influenza Vaccination Program.

The Public Trustee complies with the injury management requirements of the [Workers Compensation and Injury Management Act 1981](#).

| | 2008/09 | 2009/10 | 2010/11 |
|--|---------|-------------------|---------|
| Number of fatalities | 0 | 0 | 0 |
| Lost time injury/disease (LTI/D) incidence rate | 1 | 0.38 | 0 |
| Lost time injury severity rate | 1 | 57% ¹⁵ | 0 |
| Percentage of injured workers returned to work within 28 weeks | 100% | 78% ¹⁶ | 100% |
| Percentage of managers trained in OHS and injury management | < 50% | <50% | <50% |

¹⁵ The variance in lost time injury severity rate is due to a significant reduction in overall claims resulting from the implementation of an early intervention program addressing injured workers needs prior to the determination of their claims.

¹⁶ The variance in percentage of injured workers returned to work within 28 weeks is due to medical complications in a small number of workers compensation claims.