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Independent review report to the board members of the Australian Maritime Safety Authority on the National Plan to Combat Pollution of the Sea by Oil and other Noxious and Hazardous Substances

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the attached financial report of the National Plan to Combat Pollution of the Sea by Oil and Other Noxious and Hazardous Substances ("the National Plan") , is not presented fairly in accordance with the accounting policies described in Note 1 to the financial statements.

This statement must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the year ended 30 June 2003 is the responsibility of the management of the Australian Maritime Safety Authority ("the Authority").

The auditor's role and work

We conducted an independent review of the financial report in order for the Authority to distribute the financial report to members of the National Plan Advisory Committee. Our role was to conduct the review in accordance with Australian Auditing Standards applicable to review engagements. Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly a view in accordance with the accounting policies described in Note 1 to the financial statements. The review procedures performed were limited primarily to:

- inquiries of the Authority's personnel of certain internal controls, transactions and individual items
- analytical procedures applied to financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Independence

As auditor, we are required to be independent of the Authority and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia and the Auditing and Assurance Standards Board.

In addition to our review work, we were engaged to undertake other services for the Authority. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

Hugh Somerville
Partner

Canberra
30 September 2003

FINANCIAL STATEMENTS

AUSTRALIAN MARITIME SAFETY AUTHORITY
NATIONAL PLAN
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2003

	Notes	2003 $	2002 $
Revenue			
Protection of the sea levy		**3,887,572**	3,762,531
Equipment hire		**145,773**	113,554
Incident recovery	3	**62,898**	89,458
Interest		**107,960**	65,737
Profit on sale of assets		**-**	7,630
Other revenue		**8,568**	48,387
Total Revenue	4	**4,212,771**	4,087,297
Expenses			
Staff costs	5	**712,534**	744,933
Travel and transport		**211,693**	198,227
Materials and services	6	**1,053,169**	701,447
Communications expenses		**44,060**	24,134
Occupancy costs	7	**128,370**	103,536
Administrative expenses		**108,853**	97,060
Overheads	8	**714,056**	722,697
Depreciation and amortisation		**1,418,001**	2,397,648
Incident costs	3	**134,420**	48,598
Loss on sale of assets		**3,988**	-
Write down of assets		**-**	107,252
Total Expenses		**4,529,144**	5,145,532
Operating surplus/(deficit)		**(316,373)**	(1,058,235)
Accumulated surpluses at start of financial year		**327,037**	1,206,815
Asset transfers		**(26,713)**	(30,751)
Aggregate of amounts transferred from reserves	19	**6,415**	209,208
Accumulated surpluses/(deficit) at end of financial year	19	**(9,634)**	327,037

The above statement of Financial Performance should be read in conjunction with the notes to the financial statements set out in the following pages.

AUSTRALIAN MARITIME SAFETY AUTHORITY
NATIONAL PLAN
STATEMENT OF FINANCIAL POSITION
as at 30 June 2003

	Notes	2003 $	2002 $
Current Assets			
Cash	9	**2,303,137**	1,775,190
Receivables	10	**193,054**	183,531
Inventories	11	**-**	-
Other	12	**9,664**	10,477
Total Current Assets		**2,505,855**	1,969,198
Non Current Assets			
Property, plant and equipment	13	**5,966,310**	5,528,863
Intangibles	14	**128,926**	158,048
Total Non Current Assets		**6,095,236**	5,686,911
Total Assets		**8,601,091**	7,656,109
Current Liabilities			
Creditors	15	**517,591**	229,510
Provisions	16	**78,300**	91,483
Total Current Liabilities		**595,891**	320,993
Non Current Liabilities			
Provisions	16	**202,238**	197,418
Total Non Current Liabilities		**202,238**	197,418
Total Liabilities		**798,129**	518,411
Net Assets		**7,802,962**	7,137,698
Equity			
Accumulated surpluses/(deficit)	19	**(9,634)**	327,037
Reserves	19	**7,812,596**	6,810,661
Total Equity		**7,802,962**	7,137,698

The above statement of Financial Position should be read in conjunction with the notes to the financial statements set out in the following pages.

AUSTRALIAN MARITIME SAFETY AUTHORITY
NATIONAL PLAN
STATEMENT OF CASH FLOWS
for the year ended 30 June 2003

	Note	2003 $	2002 $
OPERATING ACTIVITIES			
Cash received			
Levies, fees and charges received		**4,048,863**	4,007,692
Interest received		**107,960**	65,737
Incident costs re-imbursed		**62,898**	89,458
GST recovered from taxation authority		**210,710**	188,000
Total cash received		**4,430,431**	4,350,887
Cash used			
Cash paid to employees and suppliers		**(2,968,939)**	(2,819,141)
Total cash used		**(2,968,939)**	(2,819,141)
Net cash from operating activities	17	**1,461,492**	1,531,746
INVESTING ACTIVITIES			
Cash received			
Proceeds from disposal of equipment		**-**	56,207
Total cash received		**-**	56,207
Cash used			
Payments for property, plant and equipment		**(933,545)**	(281,243)
Total cash used		**(933,545)**	(281,243)
Net cash used by investing activities		**(933,545)**	(225,036)
Net increase (decrease) in cash held		**527,947**	1,306,710
Cash at the beginning of the reporting period		**1,775,190**	468,480
Cash at the end of the reporting period		**2,303,137**	1,775,190

The above statement of Cash Flows should be read in conjunction with the notes to the financial statements set out in the following pages.

AUSTRALIAN MARITIME SAFETY AUTHORITY
NATIONAL PLAN
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

Note 1 Statement of Significant Accounting Policies

1.1 Basis of Accounting

The financial report is a special purpose financial report which has been prepared on a full accrual accounting basis, in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. Except for certain assets which, as noted, are at valuation, the financial statements are prepared in accordance with the historical cost convention.

The financial statements have been extracted from the books and records of the Australian Maritime Safety Authority, and they represent the Authority's income and expenditure, and assets and liabilities in managing the National Plan. They do not include the income, expenses, assets or liabilities of third parties involved in National Plan activities.

1.2 Revenue

All material revenues described in this note are revenues relating to the core operating activities of the National Plan.

The major appropriation revenue for the National Plan relates to maritime infrastructure charges and includes levies received by the Commonwealth under the *Protection of the Sea (Shipping Levy) Act 1981* and through the recovery of pollution incident costs from offending parties.

Revenues are recognised to the extent they have been received by the National Plan or are entitled to be received by the National Plan at year end.

1.3 Property, plant and equipment

Property plant and equipment are stated at carrying amounts not exceeding their recoverable values. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present values.

Depreciation

Depreciation is provided on a straight line basis on all Property, Plant and Equipment at rates calculated to allocate the cost or valuation of those assets over their estimated useful lives.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

The estimated useful lives applying to each class of depreciable assets are as follows:

	2003	**2002**
Furniture and fittings	4 – 10 years	4 – 10 years
Plant and equipment	3 – 30 years	3 – 30 years
Office and computer equipment	3 – 16 years	3 – 16 years
Vessels and amphibians	10 - 20 years	10 - 20 years
Vehicles	6 - 12 years	6 - 12 years

Acquisition of Assets

All acquisitions of assets are accounted for at cost. Cost is determined as the fair value of the assets at date of acquisition plus costs incidental to the acquisition.

Valuations

Infrastructure, plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were done on a deprival basis; revaluations since that date are at fair value. Australian Accounting Standard AASB 1041 Revaluation of Non-Current Assets requires this change in accounting policy.

The financial effect for 2002-03 of this change in policy relates to those assets to be recognised at fair value at 30 June 2003. The financial effect of the change is given by the difference between the carrying amount at 30 June 2002 of these assets and their fair values as at 1 July 2002. The financial effect by class is as follows:

Asset Class	Adjustment	Contra Account
Plant and equipment	$947,722	Asset Revaluation Reserve
Office and computer equipment	$(585)	Asset Revaluation Reserve
Furniture and fittings	$7,526	Asset Revaluation Reserve
Vehicles	$53,687	Asset Revaluation Reserve

Total financial effect was to a net credit to the asset revaluation reserve of $1,008,350.

Accounting Standard AAS 6 *Accounting Policies* requires, where practicable, presentation of the information that would have been disclosed in the 2001-02 Statements had the new accounting policy always been applied. It is impracticable to present this information.

Vessels and amphibian assets were revalued in the 2000-2001 financial year. Plant and equipment, office and computer equipment, furniture and fittings and vehicles were revalued in the 2002-2003 financial year.

Assets in each class acquired after the commencement of a progressive revaluation cycle are not captured by the progressive revaluation then in progress.

Conduct

All valuations are conducted by an independent qualified valuer.

Disposal of revalued assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred back to accumulated results.

Intangibles

The carrying amount of each non-current intangible asset is reviewed to determine whether it is in excess of the asset's recoverable amount. If an excess exists as at the reporting date, the asset is written down to its recoverable amount immediately. In assessing recoverable amounts, the relevant cash flows, including the expected cash inflows from future appropriations by the Parliament, have been discounted to their present value.

No write-down to recoverable amount has been made in 2002-2003.

Intangible assets are amortised on a straight-line basis over their anticipated useful lives, which are between 3 and 15 years.

Inventories

Inventories are managed stores which are expected to be used within twelve months, less a provision for slow moving stock. These items are not held for resale and are valued at weighted average cost.

Liability for Employee Entitlements

The liability for employee entitlements encompasses provisions for annual leave and long service leave which is accrued from an employee's date of commencement. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken by employees is less than the annual entitlement for sick leave.

The provision for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2003 and is recognised at its nominal value.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2003. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Receivables

All receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Credit terms are usually 30 days. (2002: 30 days).

Bad debts are written off during the year in which they are identified. A provision is raised for doubtful debts based on a review of outstanding accounts at year end.

Trade Creditors

Creditors and accruals represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

1.9 *Reclassification of comparatives*

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

Note 2 Contingencies

In the normal course of operations, the Authority is responsible for the provision of funds necessary to meet the clean up costs arising from ship sourced marine pollution, and in all circumstances the Authority is responsible in accordance with the National Plan Administrative Arrangements for making appropriate efforts to recover the costs of any such incidents. In the event that funds are insufficient to meet these costs, funding could be provided on an as needs basis from the Commonwealth.

Note 3 Incident Costs and Recoveries

The decrease in incident recoveries reflects the decrease in the number of significant pollution incidents compared with the previous financial year. The majority of incident costs have been recovered from the parties at fault.

Incident costs do not include the salaries, wages and associated on costs incurred. However, as these costs are considered incident costs, they are included in incident recoveries.

		2003 $	2002 $
Note 4	**Revenue**		
	Rendering of services	4,104,811	4,021,560
	Interest	107,960	65,737
		4,212,771	4,087,297

Note 5 Staff costs

Staff costs also include the proportion AMSA's staff costs attributable to National Plan activities and staff costs associated with pollution incidents. Staff costs attributable to pollution incidents are recovered through incident recoveries.

In addition to salaries and wages, staff costs includes all associated staff on costs, including superannuation, staff development and fringe benefits tax.

Note 6 Materials and services

In the financial year ended 30 June 2003, materials and services expense included an an increase in the provision made for slowing moving dispersant stock of $ - (2002: $93,635) (refer note 11).

Note 7 Occupancy costs

Occupancy costs include storage costs of equipment and accommodation costs of National Plan staff.

Note 8 Overheads

Overheads are the estimated share of the Authority's corporate and head office costs attributable to National Plan activities. This includes the proportion of actual expenditures for the Board, Executive, Internal Audit and the Corporate Business Unit.

		2003 $	2002 $
Note 9	**Cash**		
	Cash	2,303,137	1,775,190
		2,303,137	1,775,190
Note 10	**Receivables**		
	Trade debtors	81,818	83,517
	less Provision for doubtful debts	-	-
		81,818	83,517
	Other debtors	23,808	80,444
	GST receivable	87,428	19,570
		193,054	183,531
Note 11	**Inventory**		
	Oil dispersant stocks	898,902	898,902
	Provision slow moving stock	(898,902)	(898,902)
		-	-
Note 12	**Other**		
	Prepayments	9,664	10,477
		9,664	10,477
Note 13	**Property, plant and equipment**		
	Plant and equipment:		
	- independent valuation 2000	2,534,891	5,184,567
	Accumulated depreciation	(1,545,543)	(1,746,508)
		989,348	3,438,059
	- independent valuation 2003	7,411,230	-
	Accumulated depreciation	(4,010,068)	-

		2003 $	2002 $
Note 13	**Property, plant and equipment (continued)**		
	Vehicles:		
	- independent valuation 2003	**396,800**	-
	Accumulated depreciation	**(332,015)**	-
		64,785	-
	- cost	**-**	37,685
	Accumulated depreciation	**-**	(7,254)
		-	30,431
	Total vehicles	**64,785**	30,431
	Vessels and amphibians:		
	- independent valuation 2001	**1,459,488**	1,459,488
	Accumulated depreciation	**(437,987)**	(250,278)
		1,021,501	1,209,210
	- cost	**-**	-
	Accumulated depreciation	**-**	-
		-	-
	Total vessels and amphibians	**1,021,501**	1,209,210
	Capital works in progress	**-**	1,436
	Total property, plant and equipment	**5,966,310**	5,528,863
Note 14	**Intangibles**		
	Computer software	**343,615**	305,900
	Accumulated amortisation	**(214,689)**	(147,852)
		128,926	158,048
Note 15	**Creditors**		
	Trade creditors	**287,197**	165,807
	Salaries and wages	**64,076**	42,629
	Other creditors	**166,318**	21,074
		517,591	229,510
Note 16	**Provisions**		
	Current		
	Long service leave	**26,243**	33,397
	Annual leave	**52,057**	58,086
		78,300	91,483
	Non Current		
	Long service leave	**169,443**	176,011
	Annual leave	**32,795**	21,407
		202,238	197,418

	2003 $	2002 $
Note 17 Reconciliation of operating surplus/(deficit) to net cashflows from operating activities		
Operating surplus/(deficit)	**(316,373)**	(1,058,235)
Depreciation	**1,418,001**	2,397,648
Asset write downs	**-**	107,252
Loss on disposal of non-current assets	**3,988**	-
Profit on disposal of non-current assets	**-**	(7,630)
GST Recovered on payments for non-current assets	**84,868**	25,567
Changes in assets and liabilities:		
(Increase)decrease in trade debtors	**(9,523)**	58,246
(Increase)decrease in inventories	**-**	-
(Increase)decrease in prepayments	**813**	(4,721)
(Decrease)increase in trade creditors and other creditors	**266,634**	(27,467)
(Decrease)increase in employee liabilities	**13,084**	41,086
Net cash flows from operating activities	**1,461,492**	1,531,746
Balance per cash flow statement	**1,461,492**	1,531,746

Note 18 Commitments

BY TYPE

	2003 $	2002 $
CAPITAL COMMITMENTS		
Infrastructure, plant and equipment	**206,708**	241,503
Total capital commitments	**206,708**	241,503
OTHER COMMITMENTS		
Operating leases	**201,712**	252,950
Other commitments	**1,940**	12,941
Total other commitments	**203,652**	265,891
COMMITMENTS RECEIVABLE	(37,305)	(46,127)
Net commitments	**373,055**	461,267

BY MATURITY

	2003 $	2002 $
All net commitments		
One year or less	**360,980**	455,321
From one to two years	**12,075**	5,946
Net commitments	**373,055**	461,267
Operating lease commitments		
One year or less	**57,882**	70,561
From one to two years	**125,493**	159,394
Net operating lease commitments	**183,375**	229,955

Note 19 Equity

Item	Accumulated surpluses $'000	Asset revaluation reserve $'000	Total reserves $'000	TOTAL EQUITY $'000
Balance 1 July 2001	327,037	6,810,661	6,810,661	7,137,698
Surplus/(deficit)	(316,373)	-	-	(316,373)
Asset transfers	(26,713)	-	-	(26,713)
Net revaluation increment/(decrement)	-	1,008,350	1,008,350	1,008,350
Transfers to/(from) reserves	6,415	(6,415)	(6,415)	-
Balance 30 June 2003	**(9,634)**	**7,812,596**	**7,812,596**	**7,802,962**

Accumulated surpluses

The accumulated surpluses represent the equity of the National Plan used to fund the working capital costs of the National Plan and to purchase property plant and equipment assets to deliver a response capability. As such, the accumulated surpluses can only be realised as cash upon cessation of the National Plan.

Asset revaluation reserve

The National Plan property plant and equipment assets were revalued in accordance with Australian Accounting Standard AASB 1041 Revaluation of Non-Current Assets which requires the value of non current assets to be reassessed on a progressive basis.

Revaluations undertaken up to 30 June 2002 were done on a deprival basis; revaluations since that date are at fair value. AASB 1041 requires this change in accounting policy.

The asset revaluation reserve represents the net increase in asset values between book values and the revalued amounts upon revaluation and as such cannot be realised as cash until the sale of the assets.