INTRODUCTION TO
THE FINANCIAL ADMINISTRATION BOOKCASE

Welcome to the Financial Administration Bookcase (FAB), a compendium of financial management legislation and related instructions maintained by the Financial Policy Branch at the Department of Treasury. This edition contains all amendments up to and including Update No. 85 issued on 14 January 2020. For more information on what is new in this Update, please go to ‘New in this Release’. The FAB comprises:

NEW IN THIS RELEASE – UPDATE NO.85

FINANCIAL MANAGEMENT ACT 2006
FINANCIAL MANAGEMENT REGULATIONS 2007
TREASURER’S INSTRUCTIONS
SPECIAL TREASURER’S INSTRUCTIONS
MODEL ANNUAL REPORTS
ACCOUNTING POLICY GUIDELINES
TREASURY CIRCULARS
GOVERNMENT FINANCIAL RESPONSIBILITY ACT 2000
GOVERNMENT FINANCIAL RESPONSIBILITY REGULATIONS 2006
STATE TRADING CONCERNS ACT 1916
STATE TRADING CONCERNS (AUTHORISATION) REGULATIONS 1998
FINANCIAL MANAGEMENT (NET APPROPRIATIONS) DETERMINATION 2015

CONTACTS

This is not an official version of the written laws of Western Australia
NEW IN THIS RELEASE
Update No. 85

The amendments contained in this Update are summarised below.

Amendments to the Treasurer’s instructions are highlighted by a vertical bar on the left side of the page alongside the amended text.

FINANCIAL MANAGEMENT ACT 2006
The Act has been updated to mirror the current version as at 18 September 2019 as published by the State Law Publisher.

Schedule 1 has been amended by the addition of Infrastructure WA under the Infrastructure Western Australia Act 2019 section 75.

STATE TRADING CONCERNS (AUTHOURISATION) REGULATIONS 1998
The Regulations have been updated to mirror the current version as at 18 October 2019 as published by the State Law Publisher.

The Notes to the Regulations have been updated to include the Alteration of Statutory Designations Order 2017.

TREASURER’S INSTRUCTIONS

TI 304 Authorisation of Payments
This instruction has been amended to strengthen the segregation of duties with respect of all aspects of the payment authorisation process.

TI 520 Transfer of Employees
Amendments have been made to the Background and Guidelines for relevance, currency and readability.

TI 807 Write-offs
The Guidelines in relation to public property write-offs have been amended to reflect the application of the new Australian Accounting Standard AASB 16 Leases.

TI 916 Leases
This new instruction provides key policy positions in relation to the accounting for lease transactions under AASB 16 Leases.

The TI includes broad policy positions for both lessees and lessors, whilst more granular technical accounting detail is provided in the Accounting Policy Guideline APG 6 Leasing.

TI 954 Revaluation of Non-Current Physical Assets
This instruction has been amended to include the application of the new AASB 15 Revenue from Contracts with Customers, and to accommodate the application of AASB 16 Leases.
TI 955 Contributions by Owners Made to Wholly Owned Public Sector Entities

Amendments have been made to the Background and Guidelines for the application of the new AASB 1058 Income of Not-for-Profit Entities.

TI 1101 Application of Australian Accounting Standards and Other Pronouncements

This instruction has been amended to include the application of AASB 16 Leases modified by the new TI 916 Leases. Guidelines on the Capitalisation Policy have been amended to address the recognition of right-of-use assets under AASB 16 Leases.

TI 1102 Statements of Comprehensive Income

This instruction has been amended to include the application of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities, as well as amendments to presentation and disclosure requirements.

TI 1103 Statements of Financial Position

This instruction has been amended to incorporate policy positions in relation to AASB 16 Leases. The TI now includes guidance on reporting of right-of-use assets and lease liabilities which arise as a result of AASB 16 Leases.

The TI also presents updated guidance in relation to the treatment of employee benefits, whereby given the interplay between AASB 16 Leases and AASB 119 Employee Benefits there has been a change in the reporting for these items.

TI 1201 Internal Audit

This instruction has been amended to strengthen the independence and effectiveness of the internal audit function.

MODEL ANNUAL REPORT

A new Tier 2 (Reduced Disclosure Requirements) Model Annual Report has been compiled for the annual reporting period 31 December 2019. This Model is intended to provide preparers with a guide to understand the financial reporting obligations of a Tier 2 agency and to assist in reducing the costs of preparing an annual report.

In particular, the Model provides the illustrative disclosures in relation to the application of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 16 Leases.

ACCOUNTING POLICY GUIDELINES

APG 6 Leasing

This Accounting Policy Guideline has been developed to assist agencies to better understand the key requirements of AASB 16 Leases.
TREASURY CIRCULARS

AASB 1059 Service Concession Arrangements: Grantors

A second Treasury Circular was issued in November 2019 to assist agencies in the preparation and implementation of the new AASB 1059.
Financial Management Act 2006
Western Australia

Financial Management Act 2006

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Defined terms
Financial Management Act 2006

An Act to provide for the management, administration and reporting of the public finances of the State, and for related purposes.
Part 1 — Preliminary

1. Short title

This is the Financial Management Act 2006¹.

2. Commencement

This Act comes into operation on a day fixed by proclamation¹.

3. Terms used

In this Act, unless the contrary intention appears —

accountable authority, of an agency, means the person or body determined under section 54, 55 or 56, as the case requires;

accounts, in paragraph (b)(i) of the definition of officer and in sections 56(1)(b), 63(2)(b), 64(1)(b) and 71, has the meaning given to that term in the Auditor General Act 2006 section 4(1);

agency means a department, a sub-department or a statutory authority;

agency special purpose account means an account referred to in section 16(1);

Appropriation Act means an Act appropriating the Consolidated Account for a financial year for the recurrent services and other purposes for the year, or for the capital purposes for the year, as expressed in the Act;

bank means —

(a) an ADI (authorised deposit-taking institution) as defined in the Commonwealth Banking Act 1959 section 5; or

(b) a bank constituted by a law of a State or the Commonwealth; or

(c) in relation to a bank not in Australia — a bank approved by the Treasurer;

Consolidated Account means the account of that name established by the Constitution Act 1889 section 64 and referred to in section 8;
**department** means a department of the Public Service other than —

(a) a department that is a statutory authority; or
(b) a department that, under the *Public Sector Management Act 1994* section 3(3), is taken to be a part of an organisation as defined in section 3(1) of that Act;

**estimates** means the annual estimates of receipts and payments in respect of the Consolidated Account;

**Joint Standing Committee on Audit** means the joint standing committee established by the Houses of Parliament under the *Auditor General Act 2006* section 43;

**Minister** means —

(a) in relation to an agency that is a department or a sub-department — the Minister to whom the administration of the department or sub-department is committed by the Governor; or

(b) in relation to an agency that is a statutory authority constituted by or under an Act — the Minister to whom the administration of the Act by or under which the statutory authority is constituted is committed by the Governor; or

(c) in relation to an agency that is a statutory authority not constituted by or under an Act — the Minister to whom the administration of the statutory authority is for the time being committed by the Governor;

**officer** means a person —

(a) who is employed or engaged for the purposes of an agency, whether as a public service officer under the *Public Sector Management Act 1994*, under a contract for services or otherwise; and

(b) who is charged with or performs any duty consisting of or relating to —

(i) keeping the accounts of the agency; or
(ii) collecting, receiving, keeping in custody, banking or accounting for public money or other money or statutory authority money; or

(iii) disbursing public money or other money or statutory authority money; or

(iv) purchasing, receiving, issuing, selling, keeping in custody, controlling, managing or disposing of, or accounting for, public property or other property;

**other money** means money collected, received or held by the State or a statutory authority for or on behalf of a person other than the State or a statutory authority;

**other property** means property that is held by the State or a statutory authority for or on behalf of a person other than the State or a statutory authority;

**Public Bank Account** means the account of that name constituted under section 11 and includes any other account stated by this Act or another written law to form part of the Public Bank Account;

**Public Bank Account Interest Earned Account** means the account of that name referred to in section 10(d);

**Public Ledger** means the accounts referred to in section 7;

**public money** means money collected, received or held by any person for or on behalf of the State;

**public property** means all property, other than public money and statutory authority money, held for or on behalf of the State or a statutory authority;

**resource agreement** means a resource agreement under Part 3 Division 5;

**special purpose account** means an agency special purpose account or an account referred to in section 10;

**statutory authority** means a person or body listed in Schedule 1;
4. **Relationship of this Act with other laws**

(1) Except as stated in subsection (2) or another provision of this Act, this Act prevails to the extent of any inconsistency with another written law (whether enacted before or after the commencement of this Act).

(2) Subsection (1) does not apply if another Act expressly states that, or to the effect that, a provision of that Act has effect despite the provisions, or a specified provision, of this Act.

5. **Act modified for administration of certain bodies (Sch. 2)**

(1) Despite the definition of *department* in section 3, the administration of each of the following —

(a) the Legislative Assembly;
(b) the Legislative Council;
(c) the Parliamentary Services Department;
(d) the Parliamentary Commissioner for Administrative Investigations;
(e) the Information Commissioner,

is taken to constitute a department for the purposes of this Act, and the regulations may provide that the administration of any
other body or office established under a written law is taken to constitute one or more departments for the purposes of this Act.

(2) This Act has effect in relation to an administration that is referred to in subsection (1) subject to the modifications that are set out in Schedule 2.

(3) This Act has effect in relation to the department of the Public Service known as the Office of the Auditor General subject to the modifications that are set out in Schedule 3.

6. **Sch. 1 may be amended by regulations**

Schedule 1 may be amended by the regulations.
Part 2 — Accounts

Division 1 — Public Ledger

7. **Public Ledger**

The Treasurer is to cause to be established and maintained, under the separate heads directed by the Treasurer, a Public Ledger consisting of the following accounts —

(a) the Consolidated Account;

(b) the Treasurer’s Advance Account;

(c) the Treasurer’s special purpose accounts.

8. **Consolidated Account**

(1) The Consolidated Fund established under the *Constitution Act 1889* and in existence immediately before the commencement of this section constitutes the Consolidated Account for the purposes of this Act.

(2) There is to be credited to the Consolidated Account all public money or statutory authority money required by or under this Act or another written law to be credited to the Consolidated Account.

(3) There may be credited to the Consolidated Account any grants, advances, contributions, repayments or other amounts as —

   (a) determined by the Treasurer; or

   (b) prescribed by the regulations for the purposes of this subsection.

9. **Treasurer’s Advance Account**

The Treasurer’s Advance Account referred to in section 7(b) may be operated by the Treasurer for the purposes referred to in, and in accordance with, section 28 and any Treasurer’s Advance Authorisation Act for the relevant financial year.
10. **Treasurer’s special purpose accounts**

The Treasurer’s special purpose accounts referred to in section 7(c) are to consist of —

(a) any account established by the Treasurer as a Treasurer’s special purpose account for the purposes determined by the Treasurer; and

(b) suspense accounts established for the purposes of section 26; and

(c) any account established to hold money transferred under section 39(5); and

(d) the Public Bank Account Interest Earned Account established for the purpose of holding money credited to that account under section 38(9) pending its allocation and payment as required or permitted under this Act or another written law; and

(e) any account established under a written law and determined by the Treasurer to be a Treasurer’s special purpose account; and

(f) any account established to hold other money and determined by the Treasurer to be a Treasurer’s special purpose account.

**Division 2 — Public Bank Account and other bank accounts**

11. **Public Bank Account**

   (1) The account called the Public Bank Account that —

      (a) was opened and maintained by the Treasurer under the *Financial Administration and Audit Act 1985* in the name of the Government of Western Australia; and

      (b) was in existence immediately before the commencement of this section,

   constitutes the Public Bank Account for the purposes of this Act.
(2) The Public Bank Account is to be operated on the terms and conditions agreed between the Treasurer and the bank or banks with which it is maintained and under the subdivisions determined by the Treasurer —

(a) for the receipt, custody, payment and transmission of money; and

(b) for advances to be made and for charges in respect of advances; and

(c) for interest to be payable by the bank or banks on balances and to the bank or banks on advances; and

(d) for the conduct generally of the banking business of the State.

12. Public Bank Account, application of money in

The Treasurer may apply any money standing to the credit of the Public Bank Account to make any payment that may lawfully be charged to —

(a) an account forming part of the Public Ledger; or

(b) an agency special purpose account.

13. Bank accounts for agencies, restrictions on

(1) If an agency is not authorised to open and maintain a bank account under another written law, the Treasurer may authorise the agency to open and maintain a bank account for the purposes, and subject to the terms and conditions, approved by the Treasurer.

(2) Except as otherwise directed by the Treasurer, a bank account opened and maintained under subsection (1) forms part of the Public Bank Account.

14. Bank accounts not to be overdrawn except with Treasurer’s approval

Except with, and in accordance with, the prior approval of the Treasurer, the accountable authority of an agency is not to cause
or permit a bank account maintained under this Division to be overdrawn.

15. Bank accounts for public money etc., restrictions on

(1) A bank account for the receipt, custody, payment or transmission of public money, statutory authority money or other money is not to be opened or maintained otherwise than in accordance with this Division or another written law.

(2) In subsection (1) —

other money means other money to which section 36(2) applies.

Division 3 — Agency special purpose accounts

16. Agency special purpose accounts

(1) The agency special purpose accounts of an agency consist of —

(a) any account established for the purposes of the operations of the agency; and

(b) any account established for the agency under a written law and stated in the written law to be, or determined by the Treasurer to be, an agency special purpose account; and

(c) any account established to hold other money and determined by the Treasurer to be an agency special purpose account; and

(d) any account established by the agency for the purposes approved by the Treasurer and determined by the Treasurer to be an agency special purpose account.

(2) The accountable authority of an agency is to maintain records that enable the accountable authority to account separately for each agency special purpose account of the agency.
Division 4 — Administration of special purpose accounts

17. Special purpose statements and trust statements for accounts, preparation of etc.

(1) The accountable authority of an agency is to prepare —
   (a) a special purpose statement for a special purpose account operated by the agency that is referred to in section 10(a) or 16(1)(d); and
   (b) a trust statement for a special purpose account operated by the agency that is referred to in section 10(f) or 16(1)(c).

(2) A special purpose statement or a trust statement is to contain the information prescribed by the Treasurer’s instructions for the special purpose account concerned.

(3) The accountable authority is to send the special purpose statement or trust statement to the Treasurer.

(4) When the Treasurer approves the special purpose statement or trust statement, the accountable authority is to send a copy of it to the Auditor General.

18. Payments to and from accounts

(1) There is to be credited to a special purpose account —
   (a) any money required or authorised by this Act or another written law to be credited to the account; and
   (b) any money appropriated by an Act for the purposes for which the account is established, or paid or advanced for those purposes under section 24 or 28 or a Treasurer’s Advance Authorisation Act; and
   (c) any money that may be retained by the agency that operates the account because of a determination under section 23; and
   (d) any money, not mentioned in another paragraph of this subsection, lawfully received for the purposes for which the account is established.
(2) There is to be charged to a special purpose account —
   (a) any expenditure required or authorised by this Act or another written law to be charged to the account; and
   (b) any other expenditure lawfully incurred for the purposes for which the account is established.

19. Accounts not to be overdrawn except with Treasurer’s approval

   (1) Except with, and in accordance with, the prior approval of the Treasurer, the accountable authority of an agency is not to cause or permit a special purpose account operated by the agency to be overdrawn.

   (2) If the Treasurer approves a special purpose account to be overdrawn, the overdraft —
      (a) is taken to be an advance to be charged in the relevant financial year to the Treasurer’s Advance Account; and
      (b) is subject to the terms and conditions determined by the Treasurer.

20. Unrequired money in accounts, transfer of from

   (1) If satisfied that there is money standing to the credit of a special purpose account that is not reasonably required for the purposes of that account, the Treasurer may direct that all or part of that money be credited to the Consolidated Account.

   (2) Subsection (1) does not apply if another written law expressly provides otherwise.

21. Closing accounts and consequences of

   (1) The Treasurer may, after consulting with the Minister, direct that a special purpose account operated by an agency, other than a special purpose account established by an Act, be closed.
(2) Subject to subsection (3), when a special purpose account is closed and all the liabilities of the account have been paid, the money standing to the credit of the account is to be credited —

(a) to any account or fund, or in any other manner, specified in the special purpose statement or trust statement relating to that account; or

(b) to the Consolidated Account if —

(i) there is no special purpose statement or trust statement relating to that account; or

(ii) no account, fund or manner is specified in the special purpose statement or trust statement relating to that account.

(3) If a special purpose account has been established in relation to the provision of a particular service or performance of a particular function (the relevant service) and —

(a) the account is closed; or

(b) the responsibility for the provision of the relevant service is transferred,

the Treasurer may direct that any money standing to the credit of the account, being money determined by the Treasurer to relate to the provision of the relevant service, be transferred to another special purpose account established in relation to the provision of the relevant service, or in relation to the provision or performance of services or functions that include the relevant service.

22. Other written laws not affected by this Division

Nothing in this Division affects the operation of another written law that requires or authorises an agency to conduct its operations through one or more accounts established under that written law.
Part 3 — Funds management

Division 1 — Supply and appropriation

23. Money received by agency, agency may retain in certain cases

(1) In this section —

determination means a determination under subsection (2);
prescribed receipts, in relation to an agency, means any money lawfully received by the agency other than money received —

(a) by way of taxes or fines under a written law; or

(b) by way of royalty in respect of forest produce or in respect of minerals, petroleum, water or other natural resources of the State; or

(c) from the Commonwealth in the form of a general purpose grant; or

(d) from any other source prescribed by the regulations for the purposes of this definition.

(2) The Treasurer may make a determination providing for prescribed receipts that are not greater than the monetary limit specified in the determination to be retained by the agency that receives them.

(3) A determination —

(a) applies to the financial year or financial years referred to in the determination; and

(b) may be made before or after the start of a financial year to which the determination applies; and

(c) may be revoked by the Treasurer at any time.

(4) If a determination is made before the estimates for a financial year to which the determination applies have been tabled in the Legislative Assembly, the appropriation item that includes the service or function to which the determination relates is to be
expressed in the estimates for the year to be subject to a
deduction in respect of retained receipts.

(5) If a determination is made after the estimates for a financial year
to which the determination applies have been tabled in the
Legislative Assembly, the Treasurer is to cause a copy of the
determination to be laid before each House of Parliament, or
dealt with under section 83, within 60 days after making the
determination.

(6) If, after a determination is made, the responsibility for the
service or function to which the determination relates is
transferred to another agency, the determination continues to
have effect as if it had been made in relation to prescribed
receipts received by that agency.

(7) An amount equal to the receipts retained for a financial year
under a determination is taken to have been appropriated for the
year for the service or function to which the determination
relates, and may be applied accordingly.

[Section 23 amended: No. 24 of 2016 s. 315.]

24. Payments before supply granted, Treasurer’s powers to
make etc.

(1) If, before the end of a financial year (the previous year), no
supply is granted to meet the requirements of the next financial
year (the current year), the Treasurer may make and charge to
the Consolidated Account any payments and advances to meet
those requirements at the start of the current year that do not
exceed in total an amount equal to 20% of the total amount
appropriated for the previous year by the Appropriation Acts.

(2) The authority conferred on the Treasurer by subsection (1)
authorises payments and advances to be made only for the
purposes —

(a) for which expenditure was authorised for the previous
year by the Appropriation Acts; or
(b) for which expenditure was authorised under section 27(1) to meet the requirements of the previous year.

(3) The authority conferred on the Treasurer by subsection (1) ceases to have effect —

(a) at the end of the first 2 months of the current year; or
(b) on the commencement of an Act granting supply for the current year,

whichever occurs first.

(4) On the commencement of the Appropriation Acts appropriating the Consolidated Account for the current year, the payments and advances made by the Treasurer under subsection (1) to meet the requirements of the current year are taken to be expenditure appropriated by those Acts for the current year in respect of the purposes for which the payments and advances were made.

25. Appropriations, saving and transfer of in certain cases

(1) In this section —

*general purpose* means a purpose —

(a) that is described in the estimates in general terms; and
(b) that is of a kind likely to require expenditure from 2 or more appropriation items to meet that purpose in a financial year.

(2) If, after the commencement of an Appropriation Act, the responsibility for a service or function for which an appropriation is made by the Act is transferred —

(a) the appropriation does not lapse; and
(b) any unexpended amount of the appropriation may be issued and applied, in accordance with a determination made by the Treasurer, for the purposes of that service or function.
(3) Subsection (2) has effect despite the provisions of any Appropriation Act.

(4) Subject to subsection (5), if an amount is appropriated by an Appropriation Act for a financial year by way of a central appropriation for a general purpose, the Treasurer may direct the transfer of a portion of that amount to another appropriation item.

(5) The transfer may be made only to meet all or part of the actual or estimated expenditure that accords with both the general purpose and the purpose of the item to which the transfer is made.

(6) If a portion of an amount is transferred under subsection (4) from a central appropriation to another appropriation item, expenditure against that portion —

(a) is taken to be expenditure under that item; and

(b) is to be recorded and reported under this Act accordingly.

26. Appropriations, transfer of to suspense account in certain cases

(1) In this section —

operating account means an agency special purpose account established for the purposes of the operations of the agency;

relevant commitment means a commitment —

(a) that is relevant to the financial year referred to in subsection (2); and

(b) that relates to salaries, wages, superannuation, leave or depreciation.

(2) The Treasurer may direct that an appropriation by an Appropriation Act for a financial year may be transferred to a suspense account to the extent necessary to meet a relevant commitment, and such a transfer is taken to be a payment correctly chargeable against that appropriation for that financial year.
(3) Money standing to the credit of a suspense account under subsection (2) may only be —
(a) transferred when it needs to be applied for any relevant commitment; or
(b) credited to the relevant operating account at the time or times directed by the Treasurer.

27. **Expenditure for extraordinary etc. matters without appropriation**

(1) The Governor may, on the recommendation of the Treasurer, authorise expenditure in a financial year that is not provided for by an appropriation by an Appropriation Act for that year.

(2) The Treasurer may authorise expenditure in a financial year that exceeds the amount appropriated by an Appropriation Act for that year for expenditure of that kind.

(3) Expenditure may be authorised under subsection (1) or (2) only to make payments in respect of extraordinary or unforeseen matters.

(4) Payments made under subsection (1) or (2) in a financial year in respect of extraordinary or unforeseen matters are —
(a) to be charged in that year to the Consolidated Account; and
(b) to be provided for in an Appropriation Act in the next or a later financial year.

28. **Advances, Treasurer may authorise etc.**

(1) The Treasurer may authorise advances to be made —
(a) on the terms and conditions determined by the Treasurer —
   (i) for the temporary financing of works and services of the State (other than works and services referred to in paragraph (b)); or
   (ii) to a public authority; or
(iii) to the credit of a special purpose account; or
(iv) for the purchase of stores;
or

(b) on the terms and conditions determined by the Treasurer for the temporary financing of works and services undertaken —
(i) in conjunction with, or on behalf of, the Commonwealth, another State, a Territory, a local government or other person; or
(ii) by the Commonwealth, another State, a Territory, a local government or other person on behalf of the State.

(2) In subsection (1)(a) —

public authority means —

(a) a Minister of the State; or
(b) an agency, authority or instrumentality of the State; or
(c) a local government; or
(d) a body, whether corporate or unincorporate, that is established or continued for a public purpose by or under a written law.

(3) Advances made under subsection (1)(a) in a financial year are —

(a) to be charged in that year to the Treasurer’s Advance Account; and
(b) to be recovered from the persons to whom or which, or on whose behalf, the advances were made.

(4) Advances made under subsection (1)(b) in a financial year are —

(a) to be charged in that year to the Treasurer’s Advance Account; and
(b) to be recovered from the Commonwealth, other State, Territory, local government or other person to, or on whose behalf, the advances were made.

(5) An amount of an advance made under subsection (1)(a) or (b) that is recovered is to be credited to the Treasurer’s Advance Account.

(6) An advance made under this section —

(a) is to be recovered before the end of the financial year for which the advance is authorised under subsection (1); or

(b) is to be subject to a further authorisation under that subsection.

29. Expenditure under s. 27 and 28 limited

(1) Subject to subsections (2) and (3), the total expenditure that may be authorised under sections 27(1) and (2) and 28(1) in a financial year cannot exceed an amount equal to 3% of the total amount appropriated for the previous financial year by the Appropriation Acts.

(2) For the purpose of determining the total amount referred to in subsection (1) in respect of a financial year, any advance made under section 28(1)(a) or (b) that has been recovered in that financial year, whether in respect of that financial year or a previous financial year, is to be disregarded.

(3) Expenditure that exceeds the limit specified in subsection (1) may be authorised by a Treasurer’s Advance Authorisation Act to make payments in respect of extraordinary or unforeseen matters or to make advances for the purposes referred to in section 28(1).

30. Unexpended appropriations lapse

If the total amount of an appropriation by an Appropriation Act for a financial year in respect of particular services or purposes of an agency is not charged to the Consolidated Account for
those services or purposes by the end of that year, any unexpended amount of the appropriation lapses.

31. **Public Bank Account Interest Earned Account, application of money in**

   (1) Money standing to the credit of the Public Bank Account Interest Earned Account at any time may be credited to the Consolidated Account if the Treasurer so determines.

   (2) Money standing to the credit of the Public Bank Account Interest Earned Account at the end of a financial year is to be credited at that time to the Consolidated Account.

   (3) A reference in this section to money standing to the credit of the Public Bank Account Interest Earned Account does not include a reference to money held in that account pending payment as provided for in a determination under section 38(5) or as required under another written law.

**Division 2 — Payments and transfers**

32. **Certain payments and transfers to be authorised**

   (1) Unless otherwise expressly provided by the Treasurer’s instructions, a regulated payment or regulated transfer may be made only if the payment or transfer is authorised in the manner prescribed by the Treasurer’s instructions.

   (2) In subsection (1) —

     *regulated payment* means —
     (a) a payment that is to be charged to an account forming part of the Public Ledger; or
     (b) a payment made by an agency, whether to another agency or otherwise;

     *regulated transfer* means —
     (a) a transfer between accounts forming part of the Public Ledger; or
(b) a transfer between agency special purpose accounts operated by the same agency.

33. Consolidated Account, payments from to be under Governor’s warrant etc.
A payment that is to be charged to the Consolidated Account may be made —
(a) only in accordance with a warrant under the hand of the Governor; and
(b) only if —
   (i) the payment may be made under an appropriation made by an Act; or
   (ii) the payment is authorised to be charged to the Consolidated Account by or under an Act.

34. Public etc. money received, how to be dealt with
A person who collects or receives public money or statutory authority money is to deposit the money to the credit of a bank account in accordance with the Treasurer’s instructions.

35. Public Bank Account, how payments into to be credited
(1) Unless otherwise expressly provided in another written law, money paid into the Public Bank Account is to be credited to, as appropriate, the Consolidated Account, the Treasurer’s Advance Account, the Treasurer’s special purpose accounts or an agency special purpose account.

(2) If it is not possible to determine the appropriate account that is to be credited with money paid into the Public Bank Account, the money is to be credited to the Consolidated Account.

36. Other money, how to be dealt with
(1) In this section —

   relevant accountable authority means the accountable authority of the agency for the purposes of which the relevant person is employed or engaged;
relevant person means a person employed or engaged for the purposes of an agency.

(2) This section applies to other money —

(a) that, under a written law, is directed to be paid into the Treasury or to the Treasurer for or on account of, or for the use and benefit of, any person; or

(b) that comes into the possession or under the control of a relevant person, in that person’s capacity as a relevant person, for or on account of, or for the use and benefit of, any person.

(3) Other money that comes into the possession or under the control of a relevant person is to be —

(a) paid into the Public Bank Account; or

(b) paid into a bank account maintained under section 13 that does not form part of the Public Bank Account, and credited to a special purpose account.

(4) When other money is credited to a special purpose account under subsection (3), the relevant accountable authority is to prepare a trust statement, containing the information prescribed by the Treasurer’s instructions, for the account.

(5) The relevant accountable authority is to send the trust statement to the Treasurer.

(6) When the Treasurer approves the trust statement, the relevant accountable authority is to send a copy of it to the Auditor General.

(7) Another written law that applies to other money prevails to the extent of any inconsistency with this section.
Division 3 — Investments

37. Public Bank Account, investment of

(1) The Treasurer may invest any money standing to the credit of the Public Bank Account in a manner prescribed by the regulations.

(2) Regulations made for the purposes of subsection (1) are not to provide that money may be invested otherwise than in a manner that trust funds may be invested under the *Trustees Act 1962* Part III.

(3) A withdrawal of money for the purposes of investment under subsection (1) does not have to be charged to any of the accounts forming part of the Public Ledger.

(4) Subject to section 38(8), subsection (1) is in addition to, and does not limit, a written law concerning the investment of particular money.

38. Investment under s. 37, application of proceeds of

(1) In this section —

*investment* means investment by the Treasurer under section 37.

(2) Money received from investment in repayment of principal is to be paid into the Public Bank Account.

(3) Subject to this section, money received from investment is to be paid into the Public Bank Account and credited to the Consolidated Account.

(4) Money received from investment that is money to which the *Road Safety Council Act 2002* section 12(2)(d) applies is to be credited in accordance with that provision.

(5) The Treasurer may make and give effect to a determination that provides for money received from investment —

(a) to be credited to one or more special purpose accounts specified in the determination; or
(b) to be paid to one or more statutory authorities or other persons specified in the determination, at the rate determined by the Treasurer and specified in the determination.

(6) The rate determined by the Treasurer under subsection (5) is not to exceed the rate of return on the investment of money in the Public Bank Account.

(7) Subsection (5) does not apply in relation to the investment of public money held in a special purpose account unless another written law provides, either expressly or by implication, that income derived from that public money is to be credited to the special purpose account.

(8) Another written law has no effect to the extent that it authorises or requires a person (other than the Treasurer) or a statutory authority to invest particular money, if there is a determination in effect under subsection (5), made by agreement between the Treasurer and the person or statutory authority, relating to a special purpose account in which that money is held.

(9) Money received from investment may be credited to the Public Bank Account Interest Earned Account pending being dealt with under subsection (3), (4) or (5).

(10) Subject to subsection (4), this section has effect despite any written law concerning the distribution of income derived from the investment of particular money.

39. Investment by agencies

(1) Subsection (2) applies if —

(a) a department or sub-department holds other money; or

(b) a statutory authority holds statutory authority money or other money,

whether in the Public Bank Account or in a bank account maintained under section 13 that does not form part of the Public Bank Account.
(2) If this subsection applies, the Treasurer may authorise the department, sub-department or statutory authority to invest money referred to in subsection (1) —
   (a) in the same manner as money in the Public Bank Account may be invested under section 37; and
   (b) in accordance with any written directions issued by the Treasurer, which may include directions about how income from investment under this section is to be dealt with.

(3) Subsection (2) has effect —
   (a) subject to another written law concerning the investment of particular money; and
   (b) for money in an agency special purpose account — subject to the terms of any trust statement relating to the account.

(4) Subsection (2) does not limit the power of —
   (a) a department or sub-department to hold public money or other money; or
   (b) a statutory authority to hold statutory authority money or other money,

in an interest bearing bank account maintained under section 13 but, for public money referred to in paragraph (a), the interest is to be paid into the Public Bank Account and credited to the Consolidated Account.

(5) If —
   (a) a department or sub-department holds other money; or
   (b) a statutory authority holds statutory authority money or other money,

in a bank account that does not form part of the Public Bank Account, the department, sub-department or statutory authority may transfer that money to the Public Bank Account for investment under section 37.
(6) Subsection (5) has effect —
   (a) subject to another written law concerning the investment of particular money; but
   (b) despite another written law requiring money to be held in a particular bank account.

Division 4 — Annual estimates of statutory authorities

40. Annual estimates, preparation of etc.
(1) Unless otherwise directed in writing by the Treasurer, the accountable authority of a statutory authority is to prepare annual estimates of the financial operations of the statutory authority (the annual estimates) in the manner prescribed by the Treasurer’s instructions.

(2) The accountable authority is to submit the annual estimates to the Minister for approval at the time determined by the Treasurer and in the manner prescribed by the Treasurer’s instructions.

(3) The Minister may —
   (a) approve the annual estimates; or
   (b) reject them and require the accountable authority to prepare and submit for approval amended annual estimates within the period that the Minister directs.

(4) Subsection (3) also applies to amended annual estimates submitted under that subsection.

Division 5 — Resource agreements

41. Draft resource agreements, when required etc.
(1) If directed in writing by the Treasurer to do so in respect of a financial year of the agency, the accountable authority of an agency is to submit a draft resource agreement for the agency to the Treasurer for his or her agreement.
(2) The accountable authority of an agency is to submit the draft resource agreement —
   (a) not later than 3 months before the start of the next financial year of the agency; or
   (b) as otherwise directed in writing by the Treasurer.

42. **Period to which resource agreements relate**
   (1) A resource agreement for an agency is to cover a financial year of the agency.
   (2) The first resource agreement for an agency is to be in respect of the next full financial year of the agency after the commencement of this Division.

43. **Content of resource agreements**
   A resource agreement for an agency is to specify —
   (a) the total amount of resources that are expected to be made available to the agency for the financial year; and
   (b) the services proposed to be provided by the agency during the financial year; and
   (c) any other matters required by the Treasurer to be specified in the agreement.

44. **When resource agreements to be agreed if possible**
   The accountable authority of an agency and the Treasurer are to try to reach agreement on a resource agreement for the agency before the start of the financial year to which the agreement relates.

45. **Draft resource agreements, Treasurer’s powers as to**
   (1) The Treasurer may return a draft resource agreement to the accountable authority of an agency and request the accountable authority —
       (a) to consider or further consider any matter and deal with the matter in the draft resource agreement; and
(2) If the accountable authority and the Treasurer have not reached agreement on a draft resource agreement by one month before the start of the financial year, the Treasurer may, in writing, direct the accountable authority —

(a) to take specified steps in relation to the draft resource agreement; or

(b) to make specified modifications to the draft resource agreement.

(3) The accountable authority is to comply with a direction under subsection (2) as soon as is practicable and, in any event, not later than the start of the financial year or any later date approved by the Treasurer.

46. Draft resource agreements, agreeing on

(1) When the accountable authority of an agency and the Treasurer reach agreement on a draft resource agreement, it becomes the resource agreement for the agency for the relevant financial year.

(2) The accountable authority of an agency is to obtain the Minister’s approval before reaching agreement with the Treasurer on a draft resource agreement for the agency.

Division 6 — Write-offs and recoveries

47. Terms used

In this Division —

*loss* means —

(a) in relation to official money — a loss of or deficiency in money; or
(b) in relation to official property — the value of, or the cost of repairing or replacing, as the case requires, property that is lost, destroyed or damaged;

**official money** means —

(a) in relation to a statutory authority — statutory authority money and other money; or

(b) otherwise, public money and other money;

**official property** means public property and other property;

**relevant authority** means —

(a) in relation to a loss incurred by a statutory authority — the statutory authority; or

(b) in relation to a loss otherwise incurred — the State.

48. **Write-offs**

(1) In this section —

**relevant amounts** means —

(a) amounts in respect of public property held for or on behalf of the State and revenue and other debts due to the State; or

(b) amounts in respect of public property held for or on behalf of a statutory authority and revenue and other debts due to the statutory authority.

(2) Subject to the monetary limit and any conditions prescribed by the regulations for the purposes of this subsection, the relevant accountable authority may write off relevant amounts.

(3) Subject to the monetary limit and any conditions prescribed by the regulations for the purposes of this subsection, the Minister may write off relevant amounts.

(4) Subject to any conditions prescribed by the regulations for the purposes of this subsection, the Minister may, with the prior approval of the Governor, write off relevant amounts that are
greater than the monetary limit prescribed for the purposes of subsection (3).

(5) Another written law that applies to a statutory authority prevails to the extent of any inconsistency with this section.

49. Loss of official money or property, liability of officers for

(1) For the purposes of this section —
   (a) a person is taken to have control of official money if —
      (i) the money is held by the person by way of an advance; or
      (ii) the money has been collected or received by the person but has not been paid to another person, or credited to a bank account, as required under a written law;
   and
   (b) a person is taken to have control of official property if —
      (i) the property has been delivered to the person and has not been further delivered to another person entitled to receive it; and
      (ii) the person gave a written undertaking when the property was delivered to take strict care of it while he or she had control of it.

(2) Subject to subsection (3), if —
   (a) a loss of official money or official property occurs; and
   (b) at the time of the loss an officer has control of the money or property,

the officer is liable to pay to the relevant authority an amount equal to the loss.

(3) The officer is not liable in respect of the loss if the officer shows that he or she took reasonable steps in all the circumstances to prevent the loss.
(4) Subject to subsection (5), if —
   (a) a loss of official money or official property occurs; and
   (b) an officer caused or contributed to the loss by misconduct or a deliberate or serious disregard of reasonable standards of care,

   the officer is liable to pay to the relevant authority an amount equal to the loss.

(5) If the officer’s misconduct or disregard of reasonable standards of care was not the sole cause of the loss, the officer is liable to pay only so much of the loss as is just and equitable with regard to his or her share of the responsibility for the loss.

(6) A person who becomes liable under this section in the person’s capacity as an officer does not cease to be liable only because the person ceases to be an officer.

50. **Recovering amounts from officers liable under s. 49**

(1) The amount that an officer is liable to pay under section 49 is recoverable as a debt due to the relevant authority in a court of competent jurisdiction.

(2) A relevant authority is not entitled to recover amounts from the same person under both section 49(2) and (4) for the same loss.

(3) In proceedings to recover an amount that an officer is liable to pay under section 49, the amount for which the officer is liable according to a determination under section 51 is prima facie evidence of the amount that he or she is liable to pay.

(4) Section 49 does not affect a right of a relevant authority to recover an amount from an officer otherwise than under that section, but the relevant authority is not entitled to recover amounts under both section 49 and otherwise than under that section for the same loss.
51. Official losses, investigating

(1) In this section —

authorised person means a person authorised by a responsible person under subsection (2);

official loss means a loss of official money or official property;

responsible person means the Under Treasurer or the relevant accountable authority.

(2) If a responsible person considers that an official loss may have occurred in circumstances that make an officer liable under section 49 to pay an amount to the relevant authority, the responsible person may direct an investigation to be held by a person authorised in writing by the responsible person.

(3) For the purposes of the investigation, the authorised person has all the powers conferred on a special inquirer by the Public Sector Management Act 1994 sections 24I and 24J and Schedule 3, and those provisions apply to and in relation to —

(a) the authorised person as if he or she were a special inquirer under that Act; and

(b) the investigation as if it were a special inquiry under that Act.

(4) Within the period specified by the responsible person, the authorised person is to —

(a) complete the investigation; and

(b) prepare a report setting out the relevant facts and findings; and

(c) send the report to the responsible person.

(5) Without limiting subsection (4) and subject to any requirements prescribed by the regulations relating to the rules of natural justice (including any duty of procedural fairness), the report may include a recommendation that the officer be held liable under section 49 to pay a specified amount to the relevant authority.
(6) After considering the report and anything else prescribed by the regulations, and having regard to all the circumstances of the case, the responsible person is to determine —

(a) that the official loss occurred in circumstances that make the officer liable under section 49 and the amount the officer is liable to pay to the relevant authority; or

(b) that no further action is to be taken in relation to the matter.

(7) The responsible person is to give written notice of the determination to the officer.

(8) In determining the amount that an officer is liable to pay under subsection (6)(a), the responsible person —

(a) may have regard to mitigating facts or circumstances relevant to the official loss or to the officer; and

(b) may determine that the officer is liable to pay only so much as is just and equitable of the amount that, apart from this subsection, the officer would be liable to pay.

[Section 51 amended: No. 39 of 2010 s. 76.]
Part 4 — Accountable authorities

52. Each agency to have accountable authority

An agency is to have an accountable authority who is responsible to the Minister for the financial management of the services under the control of the agency.

53. Functions of accountable authorities

(1) Without limiting section 52, an accountable authority of an agency has the functions of —

(a) ensuring that the agency operates in a manner that is efficient and economic and achieves the agency’s objectives; and

(b) ensuring that the agency complies with this Act, the Treasurer’s instructions and any other written law that applies to the agency; and

(c) having the custody, control and management of, and accounting for, all the public property or other property under the control of the agency; and

(d) unless otherwise directed in writing by the Treasurer, developing and maintaining an effective internal audit function for the agency.

(2) The accountable authority of an agency also has any other function given to the accountable authority under this Act or another written law.

54. Department, who is accountable authority of etc.

(1) Subject to subsection (2), the chief executive officer of a department is the accountable authority of the department.
(2) While a declaration of a sub-department under section 56(2) has effect in respect of an entity that forms a part of a department, the chief executive officer of the department —

(a) is not responsible to the Minister for the financial management of the services under the control of the entity; and

(b) is not the accountable authority in relation to those services.

55. Statutory authority, who is accountable authority of etc.

(1) Subject to subsection (2), the person or body (however described) having the general direction and control of, and the overall responsibility for, the operations of a statutory authority is the accountable authority of the statutory authority.

(2) If the Treasurer considers that there is, or may be, some doubt as to the application of subsection (1) to a particular statutory authority, the Treasurer may, by notice published in the Gazette, appoint a person or body to be the accountable authority of the statutory authority.

(3) On the publication of a notice under subsection (2), the person or body appointed is to assume and perform all the functions conferred on an accountable authority under this Act.

56. Sub-departments, entities that are and accountable authorities of

(1) For the purposes of this section, the prescribed conditions, in relation to an entity, are the conditions that —

(a) the entity forms a part of a department; and

(b) the entity maintains separate accounts; and

(c) the entity is the subject of —

(i) a separate division within the estimates; or

(ii) a separate head of expenditure created by a determination under section 25(2)(b); or
(iii) expenditure authorised under section 27(1); and

(d) the holder of an office in the department, who is not the chief executive officer of the department, has functions in relation to the entity under —

(i) a written law; or

(ii) a delegation made under the Public Sector Management Act 1994 section 33 by that chief executive officer.

(2) The Treasurer may declare that, for the purposes of this Act —

(a) an entity that satisfies the prescribed conditions is a sub-department; and

(b) the holder of an office referred to in subsection (1)(d) is the accountable authority of the sub-department.

(3) If, after a declaration is made under subsection (2) in relation to a sub-department and its accountable authority, the entity that comprises the sub-department ceases to satisfy any of the prescribed conditions, the declaration is revoked by operation of this subsection.

(4) If the holder of an office has been declared to be an accountable authority on the basis of a delegation referred to in subsection (1)(d)(ii), the chief executive officer who made the delegation is to notify the Treasurer immediately if the delegation is amended or revoked.

(5) The Treasurer may at any time revoke a declaration under subsection (2).

(6) Part 5 Division 3 applies in relation to the revocation of a declaration under subsection (2) as if a reference in that Division to the abolition of an agency were a reference to that revocation.
57. **Chief finance officers, designation and functions of**  

(1) The accountable authority of an agency —  
   (a) is to ensure that, for the agency, an office, post or position is designated chief finance officer; and  
   (b) is to advise the Treasurer and the Auditor General of the office, post or position so designated.  

(2) The chief finance officer of an agency is responsible to the accountable authority for —  
   (a) the preparation of financial information to facilitate the discharge of statutory reporting obligations of the agency; and  
   (b) the provision of advice on the effectiveness of accounting and financial management information systems and financial controls in meeting the requirements of the agency; and  
   (c) the provision of advice concerning the financial implications of, and financial risks to, the agency’s current and projected services; and  
   (d) the development of strategic options for the future financial management and capability of the agency; and  
   (e) the development of financial management skills within the agency.  

58. **Financial management system, duties of accountable authorities as to**  

The accountable authority of an agency is to ensure that the agency has, or has access to, a financial management system that complies with the requirements prescribed by the Treasurer’s instructions.
Part 5 — Reports

Division 1 — Treasurer’s reports


The Treasurer’s duties with respect to financial reports and statements are set out in the Government Financial Responsibility Act 2000.

Division 2 — Annual reports by agencies

60. Terms used

(1) In this section and section 61 —

affiliated body, of an agency, means —

(a) a body —

(i) that is formed or incorporated by an instrument under a written law or by administrative action; and

(ii) that is financially dependent on the agency; and

(iii) that is not subject to the operational control of the agency as a consequence of the independent exercise of control over its operations under authority provided for in the instrument that formed or created the body or by subsequent amendment of that instrument; and

(iv) that is not a subsidiary body or a related body of an agency nor itself an agency;

or

(b) a body that is determined by the Treasurer, by written notice given to the agency, to be an affiliated body of the agency;
operational control, of an agency in relation to a body, means that the agency has the capacity to exercise direction over the operation of the body;

related body, of an agency, means —

(a) a body —

(i) that is formed or incorporated under a written law or by administrative action taken independently of the agency; and

(ii) that is financially dependent on the agency; and

(iii) that is subject to the operational control of the agency; and

(iv) that is not a subsidiary body of an agency nor itself an agency;

or

(b) a body that is determined by the Treasurer, by written notice given to the agency, to be a related body of the agency;

subsidiary body, of an agency, means —

(a) a body —

(i) that is a company as defined in the Commonwealth Corporations Act 2001 section 9 or formed or incorporated under equivalent laws of a place other than a State or Territory; and

(ii) in respect of which the agency has the capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the body so as to enable the body to operate with the agency in pursuing the agency’s objectives; and

(iii) that is not itself an agency;

or
(b) a body that is declared under an Act to be a subsidiary of the agency and is not itself an agency; or

(c) a body that is determined by the Treasurer, by written notice given to the agency, to be a subsidiary of the agency.

(2) Despite the definitions of affiliated body and related body in subsection (1), the regulations may prescribe that, for the purposes of this Part, a specified body is taken not to be an affiliated body or a related body of a specified agency.

(3) In subsection (2) —

specified means specified in the regulations.

61. Annual reports, contents of etc.

(1) After the end of each financial year the accountable authority of an agency is to prepare an annual report that contains —

(a) financial statements for the financial year; and

(b) key performance indicators; and

(c) a report on the operations of the agency during the financial year; and

(d) any information prescribed by the Treasurer’s instructions; and

(e) if applicable, the reports referred to in subsections (2) and (3); and

(f) any other information required by a written direction given by the Minister.

(2) The accountable authority of an agency is to include in the annual report for a financial year covered by a resource agreement a report on the extent to which the agency achieved any objectives described in the resource agreement.

(3) An agency that —

(a) is a department or statutory authority; and
(b) has an affiliated body or a related body,
is to include in the annual report for a financial year a report on
the affiliated body or related body that contains in respect of the
financial year the information prescribed by the Treasurer’s
instructions.

(4) Unless an Act provides otherwise, the financial year of an
agency ends on 30 June.

(5) An agency that has a subsidiary body is to exercise its control
over that subsidiary body so as to ensure that the accountable
authority of the agency is provided with all the information
relating to the subsidiary body that the accountable authority
needs to comply with this section, section 62 and the
Treasurer’s instructions.

62. Financial statements for s. 61(1)(a), standards for etc.

(1) Unless the Treasurer approves otherwise, the financial
statements referred to in section 61(1)(a) are to be prepared in
accordance with the accounting standards and other
requirements issued by the Australian Accounting Standards
Board.

(2) Without limiting subsection (1), the financial statements
referred to in section 61(1)(a) —

(a) are to include —

(i) any financial statements and information
prescribed by the Treasurer’s instructions; and

(ii) any other financial information required by a
written direction given by the Minister;

and

(b) are to be certified in the manner prescribed by the
Treasurer’s instructions.
(3) In subsection (1) —

Australian Accounting Standards Board means the body of that name continued in existence under the Commonwealth Australian Securities and Investments Commission Act 2001.

63. Financial reports etc. to be submitted to Auditor General and Minister

(1) The accountable authority of an agency is to submit to the Auditor General —

(a) the financial statements and key performance indicators referred to in section 61(1)(a) and (b); and

(b) any other information referred to in section 61(1)(d) that is required by the Treasurer’s instructions to be submitted to the Auditor General under this subsection.

(2) The accountable authority of an agency is to submit to the Minister —

(a) the annual report prepared by the accountable authority under section 61(1); and

(b) unless the audit of the agency’s accounts in respect of the relevant financial year has been dispensed with under the Auditor General Act 2006 section 14(2) — a copy of the opinion of the Auditor General prepared and signed under section 15 of that Act.

64. Minister to table agency’s annual report etc.

(1) The Minister is to cause to be laid before each House of Parliament, or dealt with under section 83, within the prescribed period after the end of a financial year of an agency —

(a) a copy of the annual report for the financial year prepared by the accountable authority of the agency under section 61; and

(b) unless the audit of the agency’s accounts in respect of the financial year has been dispensed with under the Auditor General Act 2006 section 14(2) — a copy of the
opinion of the Auditor General prepared and signed under section 15 of that Act.

(2) In subsection (1) —

defined term

**prescribed period** means —

(a) 90 days; or

(b) any shorter period that is prescribed by the regulations for the purposes of this definition.

65. **Minister to inform Parliament if annual report and Auditor General’s opinion cannot be tabled on time**

(1) If the Minister is not able to cause a copy of an annual report and if applicable, the opinion of the Auditor General referred to in section 64(1) to be laid before each House of Parliament, or dealt with under section 83, within the prescribed period after the end of a financial year of an agency, the Minister is to inform both Houses of Parliament, on or before the expiry of that period, of —

(a) the Minister’s inability to do so; and

(b) the reasons for that inability; and

(c) the anticipated date on which those documents will be tabled.

(2) If the Minister is not able to comply with subsection (1) in respect of a House of Parliament because that House is not then sitting, the Minister is to inform that House as required by that subsection as soon as is practicable after the expiry of the prescribed period.

(3) In this section —

**prescribed period** means the prescribed period referred to in section 64.
Division 3 — Reporting on abolition of agencies

66. Terms used

In this Division —

abolition, of an agency that is a department or sub-department, means —

(a) the abolition of the agency; or
(b) the amalgamation of the agency with one or more other departments or sub-departments; or
(c) the division of the agency into 2 or more departments or sub-departments;

final report means a report prepared and submitted under section 68(3)(b);

reporting officer means a person appointed by the Treasurer under section 68(1).

67. Purpose of this Division

The purpose of this Division is to secure proper accountability on the abolition of an agency.

68. Abolition of agency, reporting after

(1) Before, on or after the abolition of an agency, the Treasurer is to appoint a person to perform the duties set out in this section.

(2) If the abolition takes effect at the end of a financial year of the agency, the reporting officer is to comply with the provisions of sections 61 and 63 in respect of the agency —

(a) for that financial year; and
(b) to the extent that those provisions have not been complied with for any earlier financial year of the agency.
(3) If the abolition takes effect at a time other than the end of a financial year of the agency, the reporting officer is to —

(a) comply with the provisions of sections 61 and 63 in respect of the agency to the extent that those provisions have not been complied with for any financial year of the agency that ended before the abolition; and

(b) prepare and submit to the Minister a report in respect of the agency for the period starting from the end of the last financial year of the agency to have ended before the abolition and ending with the abolition.

(4) The Treasurer may give the reporting officer written directions as to the preparation and submission of the final report.

(5) On appointment under subsection (1), the reporting officer has a duty to prepare and submit any report required under this section and to comply with any directions given by the Treasurer under subsection (4).

69. Final report, contents of

(1) The reporting officer is to include in the final report —

(a) financial statements of the kind referred to in section 61(1)(a); and

(b) information of the kind referred to in section 61(1)(f).

(2) The reporting officer is also to include in the final report, to the extent that it is practicable for the reporting officer to do so —

(a) information of the kind referred to in section 61(1)(b) and (d); and

(b) a report of the kind referred to in section 61(1)(c); and

(c) if applicable, reports of the kind referred to in section 61(1)(e).
70. **Directions by Treasurer for this Division**

(1) Directions given by the Treasurer for the purposes of this Division may include directions —

(a) that specify information to be included in the final report; and

(b) so far as is necessary to enable the purposes of this Division to be achieved effectively and without delay — that modify the application of Division 2 and any related regulations to the final report; and

(c) that relate to any supplementary and incidental matters that the Treasurer thinks desirable to ensure proper accountability in respect of the abolished agency; and

(d) if the abolition of the agency takes effect otherwise than on 30 June in any year — that specify the date by which the final report is to be prepared and submitted to the Minister; and

(e) if there is no Minister responsible or there is doubt as to whether there is a Minister responsible — that specify (after necessary consultations) the Minister who is to be the Minister for the purposes of the application of sections 61, 64 and 83 to the final report.

(2) The Treasurer may amend or cancel a direction given for the purposes of this Division.

71. **Reporting officers entitled to access to accounts etc.**

(1) For the purposes of this Division, the reporting officer is entitled to be provided with reasonable assistance and facilities and to have full and free access at all reasonable times to all accounts and any other information, documents and records, in the possession of any person, that the reporting officer considers necessary for those purposes.

(2) The reporting officer may make copies of, or take extracts from, any of those accounts, documents or records or make a record of any of that information.
(3) A person who has possession of any accounts, information, documents or records of the kind referred to in subsection (1) must at any reasonable time, on the request of the reporting officer, produce any of those accounts, documents or records, or any of that information, specified in the request. Penalty: a fine of $10 000.

72. Reporting officers to submit financial statements etc. to Auditor General

(1) Subject to any directions given by the Treasurer for the purposes of this Division, the reporting officer is to submit for the opinion of the Auditor General —
   (a) the financial statements referred to in section 69(1)(a); and
   (b) the information (if applicable) referred to in section 69(2)(a).

(2) Subject to any necessary modifications, this Act applies to those financial statements and that information (if applicable) in the same way that it applies to —
   (a) financial statements referred to in section 61(1)(a); and
   (b) information referred to in section 61(1)(b) and (d).

(3) Sections 64, 65 and 83 apply to the final report in the same way that they apply to an annual report referred to in section 61, but the prescribed period referred to in section 64(1) is taken to be 14 days after the final report is submitted to the Minister.
Part 6 — Miscellaneous

Division 1 — Delegations and authorisations

73. Term used: Treasury Corporation official
In this Division —

Treasury Corporation official means a person employed or engaged for the purposes of the Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986.

74. Delegation by Treasurer
(1) The Treasurer may delegate to a Minister any power or duty of the Treasurer under another provision of this Act.
(2) The Treasurer may delegate to an officer of the Treasury any power or duty of the Treasurer under another provision of this Act.
(3) The Treasurer may delegate to a Treasury Corporation official the power of the Treasurer under section 37.

75. Delegation by Ministers
A Minister may delegate to an officer of the Treasury any power or duty delegated to the Minister under section 74(1).

76. Delegation and authorisation by Under Treasurer
(1) The Under Treasurer may delegate to a Treasury Corporation official any power of the Treasurer under section 37 delegated to the Under Treasurer under section 74(2).
(2) The Under Treasurer may authorise an officer of the Treasury to exercise or perform any power or duty —
   (a) delegated to the Under Treasurer under section 74(2); or
77. **Delegations and authorisations, general provisions about**

(1) A delegation under this Division or an authorisation under section 76(2) is to be in writing signed by the person making the delegation or giving the authorisation.

(2) A person exercising or performing a power or duty —
   (a) that has been delegated to the person under this Division; or
   (b) that the person is authorised to exercise or perform under section 76(2),

is taken to do so in accordance with the terms of the delegation or authorisation unless the contrary is shown.

(3) A person (the *delegate*) exercising or performing a power or duty —
   (a) that has been delegated to the delegate under this Division; or
   (b) that the delegate is authorised to exercise or perform under section 76(2),

is to do so in accordance with any directions given to the delegate by the person —
   (c) who delegated the power or duty to the delegate; or
   (d) who authorised the delegate to exercise or perform the power or duty.

(4) The *Interpretation Act 1984* sections 58 and 59 apply to an authorisation under section 76(2) in the same way as they apply to a delegation.

(5) Unless the contrary is proved, it is to be presumed that a document purporting to have been signed by a delegate of the Treasurer, a Minister or the Under Treasurer, or by a person

(b) conferred on the Under Treasurer by the Treasurer’s instructions.
Treasurer’s instructions, issue of etc.

(1) The Treasurer may issue, amend or revoke instructions concerning the principles, practices and procedures to be complied with in the financial management of the State.

(2) The Treasurer’s instructions are not to be inconsistent with this Act.

(3) A person who is an accountable authority or an officer is to comply with the Treasurer’s instructions.

(4) The Treasurer is to cause notice to be published in the *Gazette* of the issue, amendment or revocation of Treasurer’s instructions, but a notice under this subsection does not need to include the text of the instructions or amendments.

(5) The validity of the Treasurer’s instructions is not affected by any failure to comply with subsection (4).

Treasurer’s power to require information

(1) The Treasurer may require the accountable authority or an officer of an agency to provide the Treasurer with any information relating to the financial management of the agency that the Treasurer thinks necessary for the purposes of this Act.
(2) A person given a direction under subsection (1) is to provide the information to the Treasurer in the manner and form directed by the Treasurer.

80. **Act of grace payments**

(1) If the Treasurer is satisfied that it is appropriate to do so because of special circumstances, the Treasurer may authorise an amount to be paid to a person even though the payment would not otherwise be authorised by law or required to meet a legal liability.

(2) The Treasurer cannot authorise the payment under this section of an amount that exceeds the amount prescribed by the regulations for the purposes of this subsection unless that payment is approved by the Governor.

(3) A payment under this section may be made subject to conditions and, if any such condition is breached, the amount paid may be recovered as a debt due to the State in a court of competent jurisdiction.

(4) A request or recommendation to make a payment under this section may be made to the Treasurer in accordance with the Treasurer’s instructions.

81. **Actions etc. inhibiting etc. Minister’s parliamentary functions prohibited**

The Minister and the accountable authority of an agency are to ensure that —

(a) no action is taken or omitted to be taken; and

(b) no contractual or other arrangement is entered into,

by or on behalf of the Minister or agency that would prevent or inhibit the provision by the Minister to Parliament of information concerning any conduct or operation of the agency.
82. Ministerial decisions not to give Parliament certain information about agency to be reported to Parliament etc.

(1) If the Minister decides that it is reasonable and appropriate not to provide to Parliament certain information concerning any conduct or operation of an agency, then within 14 days after making the decision the Minister is to cause written notice of the decision —

(a) to be laid before each House of Parliament or dealt with under section 83; and

(b) to be given to the Auditor General.

(2) A notice under subsection (1)(a) is to include the Minister’s reasons for making the decision that is the subject of the notice.

Division 4 — General

83. Laying documents before Parliament, supplementary provision about

(1) If —

(a) at the start of a period referred to in section 23(5), 64(1) or 82(1) in respect of a document a House of Parliament is not sitting; and

(b) the Minister is of the opinion that that House will not sit during that period,

the Minister is to transmit a copy of the document to the Clerk of that House and, in the case of the transmission of a copy of an annual report and opinion referred to in section 64(1), the Minister is to make the report and opinion available to the public.

(2) A copy of a document transmitted to the Clerk of a House is to be regarded as having been laid before that House.

(3) The laying of a copy of a document that is regarded as having occurred under subsection (2) is to be recorded in the Minutes,
or Votes and Proceedings, of the House on the first sitting day of the House after the Clerk received the copy.

84. Regulations

The Governor may make regulations prescribing all matters that are required or permitted by this Act to be prescribed, or are necessary or convenient to be prescribed for giving effect to the purposes of this Act.

85. Review of Act

(1) The Minister is to carry out a review of the operation and effectiveness of this Act as soon as is practicable after —
   (a) the fifth anniversary of its commencement; and
   (b) the expiry of each 5 yearly interval after that anniversary.

(2) In the course of a review under subsection (1) the Minister is to consider and have regard to —
   (a) whether there is a need for this Act to continue; and
   (b) any other matters that appear to the Minister to be relevant to the operation and effectiveness of this Act.

(3) The Minister is to prepare a report based on a review under subsection (1) and, as soon as is practicable after the report is prepared, is to cause a copy of it —
   (a) to be laid before each House of Parliament; and
   (b) to be given to the Joint Standing Committee on Audit.

(4) The Joint Standing Committee on Audit —
   (a) is to carry out a review of the report; and
   (b) in the course of that review, may consider and have regard to any matters that appear to the Joint Standing Committee on Audit to be relevant to the report or the operation and effectiveness of this Act.
(5) The Joint Standing Committee on Audit is to prepare a report based on the review and, as soon as is practicable after the report is prepared, is to cause it to be laid before the Legislative Council and the Legislative Assembly.
Schedule 1 — Statutory authorities

Agricultural Produce Commission
Animal Resources Authority
Botanic Gardens and Parks Authority
Building and Construction Industry Training Board
Chemistry Centre (WA)
Colleges established under the *Vocational Education and Training Act 1996* section 35
Combat Sports Commission
Commissioner of Main Roads
Construction Industry Long Service Leave Payments Board
Corruption and Crime Commission
Country Housing Authority
Curtin University
Disability Services Commission
Economic Regulation Authority
Edith Cowan University
Fire and Emergency Services Superannuation Board
Forest Products Commission
Gaming and Wagering Commission of Western Australia
Gascoyne Development Commission
Gold Corporation
Goldfields-Esperance Development Commission
Government Employees Superannuation Board
Great Southern Development Commission
Health and Disability Services Complaints Office
Health service providers established by order under the *Health Services Act 2016* section 32(1)
Heritage Council of Western Australia
Housing Authority

Infrastructure WA
Insurance Commission of Western Australia
Keep Australia Beautiful Council (W.A.)
Kimberley Development Commission
Landcare Trust
Law Reform Commission of Western Australia
Legal Aid Commission of Western Australia
Legal Contribution Trust
Legal Costs Committee
Local Health Authorities Analytical Committee
Lotteries Commission
Metropolitan Cemeteries Board
Metropolitan Redevelopment Authority
Mid West Development Commission
Minerals Research Institute of Western Australia
Murdoch University
Parliamentary Inspector of the Corruption and Crime Commission
Peel Development Commission
Perth Theatre Trust
Pilbara Development Commission
Potato Marketing Corporation of Western Australia
Professional Standards Council
Public Transport Authority of Western Australia
Public Trustee
Racing and Wagering Western Australia
Racing Penalties Appeal Tribunal of Western Australia
Rottnest Island Authority
Rural Business Development Corporation
School Curriculum and Standards Authority
Small Business Development Corporation
South West Development Commission
State Supply Commission
Swan Bells Foundation Incorporated
The Aboriginal Affairs Planning Authority
The Anzac Day Trust
The Board of the Art Gallery of Western Australia
The Burswood Park Board
The Coal Miners’ Welfare Board of Western Australia
The Library Board of Western Australia
The National Trust of Australia (W.A.)
The Queen Elizabeth II Medical Centre Trust
The University of Western Australia
The Western Australian Museum
Trustees of the Public Education Endowment

Western Australian Building Management Authority
Western Australian Coastal Shipping Commission
Western Australian Energy Disputes Arbitrator
Western Australian Greyhound Racing Association
Western Australian Health Promotion Foundation
Western Australian Institute of Sport
Western Australian Land Information Authority
Western Australian Meat Industry Authority
Western Australian Planning Commission
Western Australian Sports Centre Trust
Western Australian Tourism Commission
Western Australian Treasury Corporation
Wheatbelt Development Commission
WorkCover Western Australia Authority

Zoological Parks Authority

[Schedule 1 amended: No. 77 of 2006 Sch. 1 cl. 63; No. 10 of 2007 s. 43; No. 24 of 2007 s. 36; No. 38 of 2007 s. 195; No. 28 of 2008 s. 13; No. 16 of 2009 s. 69; No. 33 of 2010 s. 56; No. 45 of 2011 s. 138; No. 54 of 2011 s. 5; No. 37 of 2011 s. 56; No. 22 of 2012 s. 125; No. 25 of 2012 s. 212; No. 23 of 2013 s. 77; No. 3 of 2015 s. 16; No. 6 of 2015 s. 55; No. 40 of 2015 s. 55; No. 11 of 2016 s. 289; No. 32 of 2016 s. 181; No. 41 of 2016 s. 22; No. 13 of 2019 s. 75(2); amended in Gazette 13 Jul 2007 p. 3454; 4 Jan 2008 p. 29; 8 Feb 2008 p. 323; 20 Aug 2010 p. 4072; 7 Dec 2012 p. 5998; 9 Jul 2013 p. 3048; 11 Nov 2014 p. 4262; 12 May 2015 p. 1641; 8 Sep 2017 p. 4698.]
Schedule 2 — Modifications to the Act as to certain administrations

The provisions of the Act specified in column 1 are modified and have effect for the purposes of section 5(2) as if they were in the form set out opposite in column 2.

<table>
<thead>
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<td>21. (1) The Treasurer may direct that a special purpose account operated by an agency, other than a special purpose account established by an Act, be closed.</td>
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<td>52. The accountable authority of an agency is responsible for the financial management of the services under the control of the agency.</td>
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<td>54</td>
<td>54. (1) The accountable authority of the agency taken to be constituted under section 5(1) by the administration of —</td>
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(a) the Legislative Council is the Clerk of the Legislative Council; or  
(b) the Legislative Assembly is the Clerk of the Legislative Assembly; or  
(c) the Parliamentary Services Department is the Executive Manager (however designated) of the Parliamentary Services Department; or |
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<td>(d)</td>
<td>the Parliamentary Commissioner for Administrative Investigations is the chief executive officer of the department of the Public Service principally assisting in the administration of the <em>Parliamentary Commissioner Act 1971</em>; or</td>
</tr>
<tr>
<td>(e)</td>
<td>the Information Commissioner is the chief executive officer of the department of the Public Service principally assisting in the administration of the <em>Freedom of Information Act 1992</em>, and the accountable authority of an agency taken to be constituted under section 5(1) by the administration of a body or office that is the subject of regulations referred to in that provision is the person appointed, in writing, by the Treasurer to be the accountable authority of that agency.</td>
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61  61. (1) After the end of each financial year the accountable authority of an agency is to prepare an annual report that contains —

(a) financial statements for the financial year; and

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### Financial Management Act 2006
#### Schedule 2  Modifications to the Act as to certain administrations

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| 65       | 65. (1) If the accountable authority of an agency is not able to transmit copies of the annual report and, if applicable, the opinion of the Auditor General referred to in section 64(1) to both Houses of Parliament within the prescribed period after the end of the financial year, the accountable authority is to inform both Houses of Parliament, on or before the expiry of that period, of —
|          | (a) the accountable authority’s inability to do so; and |
|          | (b) the reasons for that inability; and |
|          | (c) the anticipated date on which those documents will be transmitted. |
| 65       | 65. (2) If the accountable authority of an agency is not able to comply with subsection (1) in respect of a House of Parliament because that House is not then sitting, the accountable authority is to inform that House as required by that subsection as soon as is practicable after the expiry of the prescribed period. |

For the purposes of section 5(2), Part 3 Division 5 does not have effect.
Schedule 3 — Modifications to the Act as to the Office of the Auditor General

The provisions of the Act specified in column 1 are modified and have effect for the purposes of section 5(3) as if they were in the form set out opposite in column 2.

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<tr>
<td>65</td>
<td>65. (1) If the Auditor General is not able to transmit copies of the annual report and the opinion of the independent auditor referred to in section 63(2) to both Houses of Parliament within 90 days after the end of the financial year, the Auditor General is to inform both Houses of Parliament, on or before the expiry of that period, of —</td>
</tr>
<tr>
<td></td>
<td>(a) the Auditor General’s inability to do so; and</td>
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</table>
65. (2) If the Auditor General is not able to comply with subsection (1) in respect of a House of Parliament because that House is not then sitting, the Auditor General is to inform that House as required by that subsection as soon as is practicable after the expiry of the period referred to in that subsection.

For the purposes of section 5(3), Part 3 Division 5 and section 64 do not have effect.
Notes

1 This is a compilation of the Financial Management Act 2006 and includes the amendments made by the other written laws referred to in the following table. The table also contains information about any reprint.

### Compilation table

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<td>Curriculum Council Amendment Act 2011 Pt. 3 Div. 2</td>
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<td>Metropolitan Redevelopment Authority Act 2011 s. 138</td>
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<td>29 Aug 2012</td>
<td>1 Nov 2012 (see s. 2(b) and Gazette 31 Oct 2012 p. 5255)</td>
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## Financial Management Act 2006

### Short title

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- Financial Management (Statutory Authorities) Regulations 2014 published in Gazette 11 Nov 2014 p. 4262
  - r. 1 and 2: 11 Nov 2014 (see r. 2(a)); Regulations other than r. 1 and 2: 12 Nov 2014 (see r. 2(b))
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- Perth Market (Disposal) Act 2015 s. 55
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- Health Services Act 2016 s. 289
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- Biodiversity Conservation Act 2016 s. 315
  - 24 of 2016
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  - 1 Jan 2019 (see s. 2(b) and Gazette 14 Sep 2018 p. 3305)
- Universities Legislation Amendment Act 2016 Pt. 7 Div. 3
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- School Boarding Facilities Legislation Amendment and Repeal Act 2016 s. 22
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- Financial Management (Statutory Authorities) Regulations 2017 published in Gazette 8 Sep 2017 p. 4698
  - r. 1 and 2: 8 Sep 2017 (see r. 2(a)); Regulations other than r. 1 and 2: 9 Sep 2017 (see r. 2(b))

**Reprint 4: The Financial Management Act 2006 as at 6 Oct 2017** (includes amendments listed above except those in the Biodiversity Conservation Act 2016 s. 315)
On the date as at which this compilation was prepared, provisions referred to in the following table had not come into operation and were therefore not included in this compilation. For the text of the provisions see the endnotes referred to in the table.

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<td>To be proclaimed (see s. 2(1)(b)(xiii))</td>
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1. Repealed by the Financial Legislation Amendment and Repeal Act 2006 s. 3.

2. The amendment in the State Superannuation Amendment Act 2007 s. 79 is not included because it was repealed by the State Superannuation Amendment Act 2011 s. 4 before the amendment purported to come into operation.

3. On the date as at which this compilation was prepared, the Marketing of Potatoes Amendment and Repeal Act 2016 s. 15 had not come into operation. It reads as follows:

   **15. Financial Management Act 2006 amended**

   (1) This section amends the Financial Management Act 2006.

   (2) In Schedule 1 delete the item relating to the Potato Marketing Corporation of Western Australia.

4. On the date as at which this compilation was prepared the TAB (Disposal) Act 2019 s. 149 had not come into operation. It reads as follows:

   **149. Financial Management Act 2006 amended**

   (1) This section amends the Financial Management Act 2006.
(2) In Schedule 1 in the item “Racing and Wagering Western Australia” delete “and Wagering”.
Defined terms

(This is a list of terms defined and the provisions where they are defined. The list is not part of the law.)

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Defined terms
Western Australia

Financial Management Act 2006

Financial Management Regulations 2007

1. Citation

These regulations are the Financial Management Regulations 2007.

2. Commencement

These regulations come into operation on the day on which the Act comes into operation.


3A. Administration of certain offices taken to constitute department (s. 5(1))

(1) The administration of the office of Governor under the Constitution Act 1889 (that administration being the Governor’s Establishment referred to in the Governor’s Establishment Act 1992) is taken to constitute a department for the purposes of the Act.

(2) The administration of the office of Commissioner for Children and Young People under the Commissioner for Children and Young People Act 2006 is taken to constitute a department for the purposes of the Act.

[Regulation 3A inserted: Gazette 10 Dec 2010 p. 6276.]
3. **Amounts that may be credited to the Consolidated Account (s. 8(3)(b))**

There may be credited to the Consolidated Account under section 8(3)(b) of the Act —

(a) grants or advances of a capital nature provided by the government of the Commonwealth; and

(b) contributions of a capital nature made by any person or from any fund or account; and

(c) loan repayments.

4. **Certain money received by agencies excluded from “prescribed receipts” (s. 23(1))**

The following sources of money received by an agency are prescribed for the purposes of paragraph (d) of the definition of “prescribed receipts” in section 23(1) of the Act —

(a) tax equivalent sums paid under the *State Enterprises (Commonwealth Tax Equivalents) Act 1996* section 5;

(b) fees paid under the *Western Australian Treasury Corporation Act 1986* section 13(3);

(c) payments in the nature of dividends, returns of surplus or payments in lieu of local government rates made to the State by —

   (i) a department established under the *Public Sector Management Act 1994* section 35; or

   (ii) a body, whether corporate or unincorporate, or the holder of an office, post or position, being a body, office, post or position that is established or continued for a public purpose by or under a written law;

(d) payments under arrangements made under paragraph (i) of the proviso to the second paragraph of the definition of “department” in section 6(1) of the *Superannuation and Family Benefits Act 1938* (as continued in force by
the State Superannuation (Transitional and Consequential Provisions) Act 2000 section 26);

(e) debt charges recovered on loans by the State to agencies, authorities or instrumentalities of the State;

(f) repayments made on loans of the type described in paragraph (e).

5. **Investment by Treasurer of money in Public Bank Account**

(s. 37)

(1) In this regulation —

*ADI* stands for *authorised deposit taking institution*, as defined in the Commonwealth *Banking Act 1959* section 5;

*debt securities* includes inscribed stock, bonds, promissory notes and commercial paper;

*Fitch Ratings* means the organisation that carries on the business of assigning credit ratings under that trading name;

*Moody’s Investors Service* means the organisation that carries on the business of assigning credit ratings under that trading name;

*Standard & Poor’s* means the organisation that carries on the business of assigning credit ratings under that trading name.

(2) For the purposes of section 37(1) of the Act, money standing to the credit of the Public Bank Account may be invested, in Australian dollars, in an investment to which this regulation applies that is made in accordance with the criteria specified in investment and credit policies approved by the Treasurer.

(3) Subject to subregulation (4), this regulation applies to an investment —

(a) on deposit with an ADI; or

(b) in negotiable or transferable certificates of deposit issued by an ADI; or

(c) in bills of exchange that are drawn, accepted or endorsed by an ADI.
(4) This regulation applies to an investment in relation to an ADI only if the ADI has assigned to it a long-term unsecured debt credit rating that is not lower than —

(a) a “BBB-” rating by Standard & Poor’s or Fitch Ratings; or

(b) a “Baa3” rating by Moody’s Investors Service.

(5) Subject to subregulation (6), this regulation applies to an investment in debt securities —

(a) in respect of which the repayment of the amount secured, and payment of interest on that amount, are guaranteed by the government of the Commonwealth or of a State or Territory; or

(b) issued in Australia by —

(i) a corporation listed on a recognised stock exchange, or by a wholly owned subsidiary of such a corporation whose financial obligations are guaranteed by the corporation; or

(ii) a supranational institution whose members are countries (whether or not including Australia); or

(iii) an institution, operated by the government of a country other than Australia, whose financial obligations are guaranteed by that government.

(6) This regulation does not apply to an investment in debt securities issued by a corporation, subsidiary or institution referred to in subregulation (5)(b) unless the corporation, subsidiary or institution has assigned to it a long-term unsecured debt credit rating that is not lower than —

(a) an “A” rating by Standard & Poor’s or Fitch Ratings; or

(b) an “A2” rating by Moody’s Investors Service.

(7) This regulation applies to an investment whether or not it is to be held until maturity.
6. **Inspection by Under Treasurer of accounting records etc.**

The Under Treasurer, or an officer of the Treasury authorised by the Under Treasurer, may inspect the accounting records and accounting and financial management information systems of an agency.

7. **General monetary limits for write-offs (s. 48)**

   (1) For the purposes of section 48(2) of the Act, the monetary limit is $100,000 unless regulation 8A applies.

   (2) For the purposes of section 48(3) of the Act, the monetary limit is $250,000 unless regulation 8A applies.

   [Regulation 7 inserted: Gazette 2 Jul 2010 p. 3197.]

8A. **Monetary limits for write-offs involving debts under Motor Vehicle (Third Party Insurance) Act 1943 (s. 48)**

   (1) This regulation applies if relevant amounts to be written off under section 48 of the Act are debts due to the Insurance Commission of Western Australia under the Motor Vehicle (Third Party Insurance) Act 1943.

   (2) For the purposes of section 48(2) of the Act, the monetary limit is $1.5 million.

   (3) For the purposes of section 48(3) of the Act, the monetary limit is $3 million.

   [Regulation 8A inserted: Gazette 2 Jul 2010 p. 3197-8.]

8. **Maximum amount for act of grace payments by Treasurer without Governor’s approval (s. 80)**

   For the purposes of section 80(2) of the Act, the amount is $250,000.
Notes

1 This is a compilation of the Financial Management Regulations 2007 and includes the amendments made by the other written laws referred to in the following table.

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<td>2 Jul 2010 p. 3197-8</td>
<td>r. 1 and 2: 2 Jul 2010 (see r. 2(a)); Regulations other than r. 1 and 2: 3 Jul 2010 (see r. 2(b))</td>
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FOREWORD

INTRODUCTION

Section 78 of the Financial Management Act (the Act) provides that the Treasurer may issue instructions with respect to matters of financial administration. The ‘Treasurer's instructions’ have the force of law and therefore must be observed by all agencies to which they apply. It should be noted that Treasurer's instruction 104 ‘Exemptions’ empowers the Treasurer to grant exemptions from the requirements of Treasurer's instructions where he/she considers it warranted.

The Treasurer's instructions prescribe requirements at a minimum level on such matters as accounting for revenue, expenditure and property, the standards of reporting and such other matters necessary to achieve the objects and purposes of the Act. They contain sufficient flexibility to be applied to agencies of all sizes and scope, from centrally funded departments to those statutory authorities that operate in a commercial environment.

To enhance organisational flexibility without prejudicing the level of accountability, the requirements of the Treasurer's instructions are expressed in terms of control objectives rather than prescribing the techniques or procedures to be employed.

PRESENTATION

To facilitate understanding of, and compliance with, the requirements of the Treasurer's instructions they are supported, where appropriate, with ‘Background’ and ‘Guidelines’ that are presented as follows:

(i) Background

The Background is an explanatory section, preceding the actual Treasurer's instruction, which seeks to provide the user with an understanding of the issue being addressed. It serves to explain and clarify the underlying principles and objectives of the Treasurer's instruction and provides any relevant information that will enable the user to interpret the requirements in the correct context. Such information may include key relationships with the Act, other Treasurer's instructions, other written law or other relevant influences.

(ii) Guidelines

The Guidelines that follow the Treasurer's instruction are an indication of the means by which the requirements can be satisfied. They provide suggested procedures, techniques and/or considerations to assist agencies in implementing procedures and practices that will achieve compliance with the requirements of the Treasurer's instruction. Where the Guidelines provide suggested procedures, agencies are free to adopt them or to employ alternatives more in keeping with the nature of the organisation, but which will still provide the same level of control and accountability.
IMPLEMENTATION

Treasurer's instruction 701 requires accountable authorities to cause to be prepared and issued financial management manuals for the use of officers of each agency. The financial management manual is the key document within an organisation that serves to promote sound practices, procedures and policies in matters of financial management and assists in ensuring that they are adopted and followed. It therefore serves as the vehicle by which procedures, practices and policies introduced to achieve compliance with the requirements of the Treasurer's instructions are communicated and formalised throughout the agency.

In implementing procedures and practices to achieve compliance with the requirements of the Treasurer's instructions, accountable authorities should also be mindful of their responsibilities under section 53 of the Act. These include responsibility for efficiency and economy of operations and the development and maintenance of an effective internal audit function. Similarly, section 57 of the Act charges the chief finance officer with responsibility for the keeping of such accounting and information systems as will allow confirmation that all agency revenues and expenditures have been brought to account and for the day to day supervision of the accounting functions and the proper operation of the accounting systems of the agency.

In achieving compliance, procedures and practices must contribute to and be supported by an effective system of internal control that should have regard to the agency's risk management strategies. Internal controls promote efficiency by reducing the incidence of fraud, inefficiency and waste and help ensure the reliability of financial statements and compliance with written law and Government and organisational policies.

There are five essential components of effective internal control:

Control Environment - The control environment sets the tone of an organisation, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people, management's philosophy and operating style, the way management assigns authority and responsibility and organises and develops its people and the attention and direction provided by the accountable authority.

Risk Assessment - Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

Control Activities - Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to the achievement of the entity's objectives. Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.
Information and Communication - Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information that make it possible to run and control the organisation. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across and up the organisation. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators, Ministers, Parliament and the public.

Monitoring - Internal control systems need to be monitored - a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to the accountable authority.

(Adapted from the five essential elements of internal control, Report of the Committee of Sponsoring Organisations of the Treadway Commission, September, 1992)

Although every effort is made to provide flexibility in the application of Treasurer's instructions, circumstances may arise where compliance with particular requirements may not be in the best interests of effective control at reasonable cost, in which case agencies are advised to refer details to Treasury and seek exemption under Treasurer's instruction 104.
### Defined Terms

This is a list of commonly used terms in the Treasurer's instructions and their source of definition.

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- Chapter 2: Net Appropriation Determinations
- Chapter 3: Agency Information in Support of the Estimates as contained in the Budget Statements

Treasury .......... Department of Treasury
PART 1 - PRELIMINARY

101 COMMENCEMENT

BACKGROUND

The Treasurer’s instructions issued under section 58 of the *Financial Administration and Audit Act 1985* came into operation on 1 July 1986 and are continued under the transitional provisions of the *Financial Legislation Amendment and Repeal Act 2006* so as to have effect from 1 February 2007 as if they were issued under section 78 of the Act.

TREASURER’S INSTRUCTION

These instructions shall come into operation on 1 July 1986 and shall apply subject to the provisions of the Act.
102 INTERPRETATION

TREASURER’S INSTRUCTION

(1) The interpretations given in section 3 of the Act shall apply to the Treasurer’s instructions.

(2) In the Treasurer’s instructions, unless the contrary intention appears:

‘appointment’ means the designation of a person, either by name or by position, to perform a function or, to be or do any other thing;

‘employee’ within Part V of the Treasurer’s instructions means any person hired or engaged by an authority so empowered to employ on a contract of service or under an industrial award or agreement for remuneration intended to be a salary or wage established under the contract of service or an industrial award or agreement;

‘the Act’ means the Financial Management Act 2006 as amended from time to time;

‘money’ means public money, other money and statutory authority money as defined in section 3 of the Act;

‘notes’ means the Notes to the Financial Statements which accompany the financial statements prepared in accordance with standards published by the Australian Accounting Standards Board;

‘payment’ within Part III of the Treasurer’s instructions does not include money:

(i) paid to officers as reimbursement from a petty cash advance;

(ii) provided to officers by way of a sub-advance out of a Treasurer’s advance established for that purpose; or

(iii) provided to officers by way of an advance from statutory authority money;

TREASURER’S INSTRUCTION

(1) The Treasurer's instructions are issued in accordance with section 78 of the Act.

(2) Every accountable authority and officer shall comply with the Treasurer's instructions and any written direction issued by the Treasurer applicable to an agency.

(3) The accountable authority shall ensure that every officer has ready access to the Act, the Regulations made under the Act, the Treasurer's instructions and all approved exemptions to the Treasurer's instructions applicable to the agency.

(4) In every material case where the Act, the Regulations, the Treasurer's instructions, written directions by the Treasurer, or the financial management manual do not specify requirements, the matter shall be referred to the accountable authority for amendment to the financial management manual or application shall be made to the Treasurer for direction.

(5) The Treasurer may by written direction issued generally, or in a particular case, supplement the requirements of the Treasurer's instructions.
104 EXEMPTIONS

TREASURER’S INSTRUCTION

(1) The Treasurer may by written direction exempt persons or things, or a class of persons or things in a specified case or class of case, from the provisions of the Treasurer’s instructions, whether unconditionally or on specified conditions or conditions additionally imposed and either wholly or to such an extent as is specified or otherwise determined.

(2) Where an accountable authority seeks an exemption from one or more Treasurer's instructions, the application for exemption shall state the reasons why the exemption is necessary and include specification of proposed alternative action or procedures. The application, together with supporting documentation, is to be addressed to the Under Treasurer.

(3) An accountable authority shall not implement alternative actions or procedures until approved by the Treasurer.

(4) Each accountable authority shall maintain a register of exemptions granted by the Treasurer, and shall make the register available for inspection by the Auditor General.

(5) Where alternative procedures were approved by the Treasurer before 1 July 1986, and are inconsistent with Treasurer's instructions, provided such procedures are not inconsistent with the requirements of the Act, such approvals shall remain valid.
105  DUTIES OF OFFICERS

TREASURER'S INSTRUCTION

In addition to those duties provided for in the Act, Regulations and other Treasurer's instructions all officers whose duties are connected with any of the matters covered by the Treasurer's instructions shall acquaint themselves and comply with the Treasurer's instructions.
107 AUTHORISATIONS

BACKGROUND

This instruction does not permit an accountable authority to delegate his or her duties to other officers, but only to authorise those other officers to perform actions pursuant to those duties. According to section 58 of the Western Australian Interpretation Act, delegates may perform functions on the basis of their own opinion, belief or state of mind, and under section 59(3) of that Act it is considered to be done by those delegates.

By contrast, an authorising officer retains responsibility for what is done by someone whom they have authorised to do it.

TREASURER’S INSTRUCTION

(1) Where the Treasurer’s instructions require the accountable authority to ‘appoint’, ‘designate’, ‘approve’ or ‘authorise’, the accountable authority may not authorise another officer to make the required appointment, designation, approval or authorisation.

(2) Notwithstanding paragraph (1), where the Treasurer’s instructions require the accountable authority to cause anything to be done (including cause to be ‘appointed’, ‘designated’, ‘approved’ or ‘authorised’) then the accountable authority may authorise an officer to perform the required action.

(3) Where the Treasurer’s instructions require the accountable authority to do any act or thing other than those acts or things referred to in paragraph (1), the accountable authority may authorise an officer to do that act or thing.

(4) Any authorisation made pursuant to paragraphs (2) and (3) shall be in writing.

(5) This Treasurer’s instruction is subject to any express statement in another Treasurer’s instruction that a specific act or thing referred to in that Treasurer’s instruction may or may not be authorised by the accountable authority to be done by another officer.
GUIDELINES

This instruction only refers to the authorisation of duties which are specified in the Treasurer’s instructions. It cannot be used to permit an accountable authority to authorise actions which are enabled by other legislation.

For example, the power to write off amounts is granted by section 48 of the Financial Management Act 2006, and the limits to the amounts which can be written off by various individuals are established by the Financial Management Regulations. Consequently, this Treasurer’s instruction cannot be used to enable an officer who may write off amounts to authorise another to make such a decision. (However, it would still be possible for an accountable authority to authorise an officer to routinely recommend and provisionally approve write offs for small amounts, so long as these approvals were formally confirmed by the accountable authority soon after or at regular intervals. The write offs would then be effective only after the formal confirmation.)

Note that where a Treasurer’s instruction uses such language as ‘shall cause to be appointed’, this instruction enables an accountable authority to authorise an officer to make an appointment (or designation, or approval or authorisation). This instruction only prevents such authorisation of the accountable authority’s duties where Treasurer’s instructions use such language as ‘shall appoint’.
OPERATIVE DATES

BACKGROUND

A Treasurer's instruction that deals with annual reports or financial statements may have an operative date part way through a reporting period. A report on a period should be based on the most recent version of a Treasurer's instruction, even if its operative date occurred during that period.

Unless a later operative date is provided within a Treasurer's instruction, the operative date is the date the Treasurer's instruction is published in the *Government Gazette*. Further information on operative dates may be found in the *Interpretation Act 1984*.

TREASURER'S INSTRUCTION

A Treasurer's instruction dealing with an annual report or financial statements applies to the reporting period during which the operative date of that Treasurer's instruction falls, unless it is otherwise stated in the Treasurer's instruction.
PART II - RECEIPT OF MONEY

INTRODUCTION

The Act charges accountable authorities with responsibility for ‘the proper collection of all money due to or collected for the State or a statutory authority’. Within the public sector, authority to raise revenue or collect money is provided within either enabling legislation or, where money received is payable to the Consolidated Account, the Constitution Act and the Financial Management Act. Where money is received or held on behalf of a person other than the State or a statutory authority, there is a statute and common law obligation to treat such money in the same fiduciary manner as a trustee.

In either case where money is collected, received or held by the State or a statutory authority, the accountable authority has a duty to ensure the proper collection, protection and bringing to account of all money and, where appropriate, the investment of ‘other money’ in authorised investments.

Procedural matters have been deleted from this Part and requirements included in Treasurer’s instruction 701 for these matters to be covered in the financial management manual. Particular matters to be considered in relation to receipt of money are:

(i) collection in an orderly manner by appropriate persons;
(ii) acknowledgment by the preparation of a receipt to provide evidence of amounts received or collected, and to afford protection to the payer, the collector and the agency;
(iii) money received is brought to account and recorded in an appropriate accounting system which allows confirmation of all money received; and
(iv) prompt banking to minimise the prospect of defalcation or robbery, and to maximise investment returns on the funds.

These requirements establish a minimum level of control over money received, both to protect the officers engaged in such duties and to ensure that the financial position of the agency can be accurately established. This is imperative to ensure proper stewardship over money received, sound funds flow management and for annual reporting purposes.
202 COLLECTION AGENTS

BACKGROUND

The use of non-State government organisations as collection agents can provide greater convenience to the general public and can be of particular benefit to the agency and the general public where the collecting organisation has a large branch network.

Accordingly, subject to any particular requirements contained in a statutory authority’s enabling legislation, this instruction provides for the appointment of non-State government organisations or persons as collection agents for the collection of money on behalf of an agency.

In utilising the services of collection agents, the agency would normally incur collection agents’ fees or costs. It is also recognised that efficiencies may be derived by the collection agents offsetting their fees against the collections. The extent to which such an arrangement can be put in place will depend upon the particular legislative requirements applying to the money being collected and the provisions of this instruction.

The purpose of this instruction is to:

(i) provide for the appointment of non-State government organisations or persons as collection agents for the collection of money on behalf of an agency;

(ii) provide the authority for departments to enter into arrangements that permit collection agents to deduct collection fees or costs from money which the department has authority to retain under a net appropriation determination, prior to banking or remitting that money to the department; and

(iii) detail the legal obligations in respect of money collected and payable to the Consolidated Account or to a statutory account administered by the respective agency.

TREASURER’S INSTRUCTION

(1) Subject to any other written law, the accountable authority may cause the appointment of a non-State government organisation or person as a collection agent.

(2) Subject to any other written law and paragraph (3), an agency may enter into a written arrangement for a collection agent to deduct relevant fees and costs prior to banking or remitting money collected.

(3) Where money collected on behalf of an agency is to be credited to the Consolidated Account:

(i) the agency must first obtain the Under Treasurer's approval before entering into arrangements contemplated in paragraph (2); and
(ii) the agency must ensure the full amount collected is deposited to the Public Bank Account and any shortfall attributable to the collection agents’ fees and costs is to be paid from an appropriate expenditure item or account.

(4) Where money collected on behalf of a department is retained under a net appropriation determination pursuant to section 23, the department shall account for the collection agents’ fees and costs deducted by the collection agent.

(5) Money collected by a collection agent may be deposited in an ‘ordinary bank account’ in accordance with a written agreement between the accountable authority and the collection agent.

GUIDELINES

Prior to the appointment of non-State government collection agents, consideration should be given to the following:

(i) whether State government organisations are available which may provide similar collection services;

(ii) the costs associated with such arrangements, not only for commissions and fees that may have to be paid but also for the necessary control procedures that must be established;

(iii) the perceived advantages associated with the appointment of non-State government collection agents and whether these outweigh the costs mentioned above; and

(iv) where a non-State government organisation collection agent is to be appointed, the accountable authority should take all reasonable measures to minimise the State’s financial exposure. For example, if a collection agent is to hold collections in an ordinary bank account prior to remitting them to the relevant agency, where practicable, the collections should be deposited to a special purpose account separate from the collection agent's own finances.

Netting off fees or costs

(i) The authority for departments to net off collection agents' fees or costs in the case of money net appropriated under section 23 arises from a Treasurer's determination.

(ii) In the case of money credited to the Consolidated Account, section 64 of the Constitution Act requires the full amount of any revenues to be credited to the Consolidated Account. This requirement has been interpreted to contemplate netting off of collection agents' fees and costs provided the full amount of the revenue due and paid is credited to the Consolidated Account.

To ensure the smooth operation of this revised instruction, agencies will need to seek the Under Treasurer's approval prior to entering into a netting off arrangement.
(iii) Statutory authorities and, in some instances, departments may be authorised to enter into contractual arrangements with collection agents under their respective enabling statutes.

Whether or not the agency can enter into an arrangement for netting off collection agents' fees or costs will be dependent on the specific legislation governing the operation of the statutory account. An agency contemplating such an arrangement should seek legal counsel if uncertain as to its legal authority to do so.
204  CASHING OF CHEQUES, CHANGE

BACKGROUND

The instruction limits the circumstances in which cheques made payable to an individual may be cashed, or in which change may be given on cheques and credit/debit card transactions, from money held by an agency.

With respect to cheques, the circumstances are limited to those where the likelihood of a cheque being dishonoured is remote.

The instruction does not permit change to be given on credit/debit card transactions as this would amount to providing cash advances to cardholders.

TREASURER’S INSTRUCTION

Officers shall not:

(i)  cash any cheque for any person out of public money, statutory authority money or other money under their control, except where a cheque is drawn payable to an officer as recoupment of an advance held on behalf of an agency;

(ii) give change on a cheque except where such cheque is drawn on a banking account of the Commonwealth or a State Government, is presented in payment of an account in the name of the payee and positive identification of the payee is established; and

(iii) give change on credit/debit card transactions.
206    BANKING OF MONEY

BACKGROUND

All money must be banked into a bank account that either forms part of the Public Bank Account, is established outside the Public Bank Account under section 13, or is specified by other legislation.

Banking should be conducted on a daily basis wherever this is practicable because this will ensure security of collections and maximisation of earnings on investment.

Daily banking does not mean that all collections must be banked on the day that they are received but rather, as a minimum, one banking should be conducted each day. Money received after the daily banking has been conducted may be carried over to the next day's banking.

Although the instruction requires that generally one banking be conducted each day, this does not preclude more than one banking on any given day. For example, on a particular day it may be considered appropriate to bank more than once to ensure the security of an unusually high collection of cash that would otherwise remain on the premises overnight.

However at times, particularly in remote areas, it may not be practicable nor cost beneficial to bank daily. Accordingly, the accountable authority may exercise discretion and vary the frequency of banking where it is not practicable to bank daily, provided that the money:

(i)  does not remain unbanked for a period exceeding ten working days [paragraph (5)]; or

(ii)  does not remain unbanked for a period exceeding twenty working days and the amount does not exceed $500 where the distance and travelling costs make it uneconomical, or where service delivery is adversely affected. [paragraph (6)]; and

(iii)  has the appropriate level of security in relation to the amounts collected [paragraphs (5) and (6)].

TREASURER'S INSTRUCTION

(1)  The chief finance officer shall ensure that any public money, statutory authority money or other money, other than cash advances, received by an officer is deposited to the credit of the Public Bank Account, a bank account maintained in accordance with section 13 of the Act that does not form part of the Public Bank Account or a bank account established in accordance with any other written law, on a daily basis or other basis in accordance with paragraph (5) or (6).

(2)  Where public money, statutory authority money or other money is received by a person who is not an officer as defined in section 3 of the Act, that money shall be banked in the same manner as required in paragraph (1)
unless there is an agreement with the relevant accountable authority that such money may be banked in a bank account other than one specified in paragraph (1), pending being banked in a bank account that is specified in paragraph (1).

(3) Where money received is deposited to the Government of Western Australia Bank Account - Main Account:

(i) the chief finance officer shall ensure that the agency provides Treasury daily, or at such times as banking is undertaken in accordance with paragraph (5) of this instruction, with Remittances to Treasury (Form 4) showing the full amount of money received. Where appropriate, the relevant bank receipts or Forms 17 shall be attached; and

(ii) adequate procedures and records are established to ensure that all money received is brought to account in the manner provided in the Treasurer’s instructions, including reconciliations of money received, amounts banked and amounts recorded on the Remittances to Treasury (Form 4).

(4) Subject to paragraphs (5) and (6) of this instruction, all money received by collectors shall be banked on a daily basis.

(5) The accountable authority may approve banking on a basis less frequently than daily only under circumstances where daily banking is not practicable and adequate security of the funds exists, provided that such collections shall not remain unbanked for a period exceeding ten working days.

(6) Notwithstanding paragraph (5) of this instruction, the accountable authority may approve the period which collections remain unbanked to be extended to a period not exceeding twenty working days, provided that the total collections do not exceed $500 and adequate security of the funds exists, and where either or both of the following special circumstances exist:

(i) The distance to banking facilities from the office is such that the travelling cost involved would make the banking of lesser amounts uneconomical; and

(ii) The banking of collections involves an interruption or a temporary suspension of services to the public than would otherwise be the case.

(7) A bank receipt shall be obtained for all money deposited with a bank. Where money is deposited to the credit of the Government of Western Australia Bank Account - Main Account the receipt shall be as per Form 17. Particulars of money deposited shall be specified on or accompany the bank deposit slip.

(8) The chief finance officer shall cause to be maintained separate records for each bank account under his or her control.
GUIDELINES

To assist accountable authorities in implementing procedures in respect of banking, the following are provided as guidelines:

(1) When deciding whether it is appropriate to reduce the frequency of banking from daily and the time of day at which banking is done, the following factors should be considered:

(i) the availability of staff to conduct the banking and whether services to the public or general work flow will be affected;

(ii) the amount of money, particularly cash, that will be retained on the premises and the security arrangements in respect of that money;

(iii) where the distance to banking facilities makes banking of small amounts uneconomical;

(iv) insurance cover for money on the premises and in transit; and

(v) possible effects of delays in banking.

Banking at the same time each day should be avoided, where possible, to minimise any risk to the safety of officers and money through unlawful interception of bankings.

(2) The chief finance officer should implement the relevant procedures for daily collections and subsequent banking, which may include the following

(i) all cheques should be stamped ‘not negotiable’ when received;

(ii) where banking facilities are of an intermittent nature and post office facilities are available, accumulated cash collections may be converted to a money order whenever their value becomes substantial;

(iii) the reconciliation between cash and/or cheques held and receipts issued should be conducted each day; and

(iv) the progressive recording of cheque details for control and reference purposes should be done daily on an abstract or bank deposit slip.

(3) To facilitate recourse to the payer or drawer of a cheque or money order so that a stop payment of a cheque or money order can be effected promptly, in case of loss or theft and, where appropriate, to obtain a replacement cheque or money order, the procedures established to provide an adequate audit/management trail should include the recording of such details as name of the drawer, bank, branch, reference number and amount of each personal cheque or negotiable instrument deposited with a bank.

(4) In exercising discretion on the frequency of banking for the purposes of paragraphs (5) and (6) of this instruction, accountable authorities should consider the risks, costs and benefits. For example, agencies in remote locations and with a limited number of staff should weigh the benefit of earning interest from prompt banking of collections against the cost of conducting the banking, taking into account the risk of loss. The impact on service delivery should also be assessed.
(5) Money deposited with a bank must be evidenced either by a bank receipt bearing the stamp of the bank or by other means such as email, fax or letter that provides an official record of the money deposited with that bank.
BACKGROUND

Credit/debit card schemes are a means of facilitating the collection of money payable to an agency.

Although similar in nature, credit and debit cards are distinctly different in their operation. A credit card allows its holder to purchase goods and services on account up to an approved monetary limit. A debit card allows the holder to purchase goods and services on account up to the amount of prepaid funds within that account.

Approval to participate in a credit/debit card scheme for the collection of money payable to an agency should only be granted where it is considered that an advantage will accrue to the agency.

The instruction provides for a range of credit/debit card schemes to choose from, although limiting them to those cleared through banking institutions. Schemes operating outside of the banking system are not included due to the differences in banking and clearing of collections. Collections under a credit/debit card scheme cleared through a banking institution can be brought to account and banked daily in support of receipts issued. However, schemes operating outside of the banking system require the establishment of clearing procedures for recording sales vouchers and bringing money to account at a later date.

Where money collected is to be credited to the Consolidated Account or retained under a net appropriation determination pursuant to section 23, there is a statutory obligation to bring the full amount of the collections to account. Agencies must arrange in such cases to have the commission or service fee paid separately.

TREASURER’S INSTRUCTION

(1) The accountable authority may approve the receipting of money through the participation of an agency in a credit/debit card scheme cleared through a banking institution, where it is considered that an advantage will accrue to the agency.

(2) Where collections are to be credited to the Consolidated Account, or retained under a net appropriation determination pursuant to section 23, the agency must ensure the full amount collected is deposited to the relevant bank account with any shortfall attributable to the collection agents’ fees and costs to be paid from an appropriate expenditure item or account.
GUIDELINES

To assist accountable authorities in arriving at a decision in respect of participation in a credit/debit card scheme the following are offered as guidelines:

(1) A case detailing advantages and costs of participation should be prepared for consideration. Advantages of participation could include such factors as improved cash flow, greater convenience for the public, increased revenue through opportunity sales, reduced bad debts and less administrative effort. The perceived advantages need to be balanced against the associated costs, including the commission or service fee payable to the credit/debit card organisation and the necessary control procedures that must be established.

(2) Written quotations should be obtained from prospective credit/debit card organisations detailing all costs and benefits of participation in respective schemes, sufficient to decide the most cost effective credit/debit card scheme.

(3) Prior to granting approval to participate in a credit/debit card scheme, accountable authorities should ensure that money has been appropriated or allocated in their respective budgets to meet the cost of the commission/service fee payable to the credit/debit card organisation.

(4) The continuing participation in a credit/debit card scheme should be periodically reviewed to determine whether the perceived advantages still accrue to the agency.

(5) Credit/debit card transactions must be receipted.

(6) To assist in the audit and management trail and also in instances of a legal dispute in respect of credit/debit card transactions, all merchant copies of credit/debit card documents must be retained in accordance with the retention period established under Treasurer's instruction 804.
214 PERSONAL CASH AND CHEQUES

BACKGROUND

The instruction differentiates between the custodial obligations in respect of personal money of individuals and those of money received, collected or held by officers in the course of duties performed.

The Act categorises money received by officers in the course of duties performed as ‘public money’, ‘statutory authority money’ and ‘other money’.

Personal money belonging to an individual officer or group of officers is held by them in their capacity as private individuals. Therefore, the officers are solely responsible for the safety and protection of such money. Where personal money is permitted to be kept in a safe or strongroom of an agency, the individuals concerned should be made aware that they do so at their own risk. Given that there is no fiduciary duty on the part of the agency attached to the holding of such money, any loss suffered should be borne by the individual(s).

Moreover, the mixing of such money with public money, statutory authority money and other money under the control of an officer represents a break down in internal control and provides the opportunity to temporarily conceal fraudulent deficiencies or cast unwarranted suspicion on that officer in this regard.

TREASURER’S INSTRUCTION

(1) No personal cash and cheques may be kept in a safe or strongroom of the agency without the authorisation of the chief finance officer.

(2) No officer shall mix personal cash and cheques with public money, statutory authority money or other money under his control.
PART III - PAYMENT OF MONEY

INTRODUCTION

The instructions in respect of payments are framed to ensure that the principles which govern the payment of money by public sector entities are implemented in the day to day operations of agencies.

The legislative requirements in respect of payments can be grouped in the following three broad categories:

(i) the authority to make the payment;
(ii) the authorisation of the payment; and
(iii) the actual payment and subsequent recording of the transaction.

Within the public sector, authority to make payments is provided within enabling legislation or, in the Constitution Act and the Financial Management Act where expenditure is charged against the Consolidated Account or an operating account established under section 16(1)(a) of the Act.

Where expenditure is made against a special purpose account not established by legislation the authority for making payments is detailed in the relevant special purpose statement.

To assist accountable authorities in meeting the obligations placed on them to ensure that expenditure is in accordance with legal requirements, the Act and instructions provide for the appointment of certifying and incurring officers, whose prescribed duties include the requirement to ensure payments are lawful. The authorisation by these officers prior to the execution of any payment is a safeguard to ensure that payments are only made in accordance with the agency’s legal authority.

Instructions relating to procedural issues in payment of money and subsequent recording of transactions have been deleted from Part III and a requirement has been inserted in Treasurer’s instruction 701 that such matters shall be dealt with in the financial management manual. Major considerations in this area are:

(i) payments are made promptly and correctly;
(ii) duplicate payments are not made;
(iii) adequate management and audit trails are produced; and
(iv) transactions are recorded in sufficient detail to allow the discharge of statutory reporting requirements.
SUPPLEMENTATION OF APPROPRIATIONS

BACKGROUND

The supplementation of Consolidated Account appropriations (including new items) may be required in circumstances where either no provision has been made in the estimates for works or services which are now required or the amounts provided in the estimates were insufficient.

The authority for supplementary funding is provided under section 27 of the Act. Previously the authority was provided under the Treasurer's Advance Authorisation Act.

Supplementary funding has the potential to impact on government’s financial targets. Therefore, prior to the submission of any application for supplementary funding, every effort is to be made within the agency to absorb the additional expenditure within existing resources.

An explanation of the extent to which the additional expenditure has been absorbed should be forwarded in support of every request for supplementary funding.

As the provision of supplementary funding is not assured, agencies should avoid entering into commitments which would result in a charge against an appropriation item, immediately it becomes apparent that the existing appropriation may be exceeded. Contractual arrangements for the supply of goods or services should not then be entered into until the supplementation has been approved.

TREASURER'S INSTRUCTION

(1) This instruction applies to agencies in respect of the drawing of additional funds from the Consolidated Account under section 27 of the Act.

(2) Existing Items

Immediately it becomes apparent to an accountable authority that the appropriation for any item in the Consolidated Account will not be sufficient, the accountable authority shall prepare for approval of the Minister and transmission to the Under Treasurer for consideration by the Treasurer a requisition for supplementary funds on a requisition for authority to incur expenditure (Form 11). The requisition should be supported with an explanation and advice of the extent to which supplementary funds may be required.

(3) New Items

Whenever it is considered necessary that services or works shall be undertaken for which no appropriation has been made in the Consolidated Account Expenditure Estimates, the accountable authority shall forward a requisition for additional funds (Form 12) through the responsible Minister to the Under Treasurer for approval by the Treasurer.
GUIDELINES

A record of outstanding commitments against budget items should be maintained by all agencies to ensure that officers are aware of the position of appropriation items to allow them to cease entering into any commitment which would cause an appropriation to be exceeded.
304 AUTHORISATION OF PAYMENTS

BACKGROUND

Section 32 of the Act provides that a payment or transfer may be made only if the payment or transfer is authorised in the manner prescribed by the Treasurer's instructions.

This instruction provides that a certifying officer must ensure that the requirements in paragraph (5) of this instruction have been satisfied before authorising a payment or transfer. The payment or transfer should be authorised in the operational area which incurred the transaction, with due consideration to separation of duties. The certifying officer must not authorise a payment or transfer for a transaction which he or she has incurred.

The systems for ordering, receiving and paying for goods and services may represent some of the most significant processes within an agency. Regardless of expenditure type, there is a need to ensure risks are fully identified, assessed and mitigated by applying robust controls to ensure operations run effectively.

This instruction specifies only the minimum level of controls agencies shall implement in making payments or transfers. Agencies may implement additional control mechanisms to assure themselves of the legitimacy and accuracy of payments or transfers.

The following factors are relevant in developing and reviewing such a control mechanism:

(i) all payments and transfers must be authorised;
(ii) risks to the payment authorisation process (e.g. fraud) must be mitigated through an appropriate level of controls, with procedures and practices established to maintain the appropriate level of controls;
(iii) all information required for the payment authorisation process is to be effectively communicated both within and outside the agency to all parties concerned; and
(iv) the level of controls in place is to be monitored for its appropriateness and effectiveness.

TREASURER’S INSTRUCTION

(1) The accountable authority of an agency shall cause the appointment, in writing, of one or more officers as a certifying officer and, if required, an incurring officer.

(2) The accountable authority shall ensure that a register of appointments of certifying and incurring officers is established and maintained.

(3) Subject to paragraph (4), an officer shall be authorised to perform no more than one of the following functions in relation to a payment or transfer:

(i) ordering;
(ii) receiving;
(iii) incurring;
(iv) certifying.
(4) Where it is not reasonably practicable for an agency to comply with paragraph (3) due to limited resources, an alternative arrangement may be agreed between the agency’s accountable authority and Internal Audit Committee. However, such alternative arrangements shall not allow the same officer to perform the functions of incurring and certifying in relation to a payment or transfer.

(5) Before authorising a payment or transfer, a certifying officer must ensure that money is lawfully available for making the payment or transfer, and be satisfied that:

(i) there is a valid claim;

(ii) the creditor’s name, address and any other relevant identifying information are correctly recorded;

(iii) (a) goods have been satisfactorily supplied or services have been satisfactorily performed, except where payment in advance is required as a condition of purchase; or

(b) where the payment is not for goods or services, such as a payment of a grant or travel advance, the payment has been approved in accordance with relevant procedures and practices operating at the agency;

(iv) the account to be charged is correct and the payment or transfer is correctly classified;

(v) rates of charges and calculations are correct;

(vi) a discount for early payment has been considered, if applicable; and

(vii) the payment record complies with Treasurer’s instruction 308 ‘Payment Records’.

(6) No payment or transfer shall be made from a bank account or charged to a special purpose account unless the payment or transfer has been authorised by a certifying officer, except in the case of an arrangement permitted by Treasurer’s instruction 310 ‘Payments and Returned Payments’ paragraph (1)(iii).

GUIDELINES

The following guidelines are offered to assist in implementing the requirements of this instruction:

(1) In respect to the appointment of certifying and incurring officers in paragraph (1) of this instruction, the term ‘in writing’ also includes electronic forms of writing.

(2) The accountable authority in exercising his/her duty under paragraph (1) of this instruction may authorise the chief finance officer (CFO) to appoint certifying and incurring officers. However, in small agencies, sound internal control should not be compromised. For example, the CFO should not be charged with the duty to appoint certifying and incurring officers if he/she is the certifying or incurring officer.

(3) The accountable authority may appoint persons external to the agency as certifying or incurring officers, provided that they are exercising functions as officers of the agency.
(4) Treasurer’s instruction 102 ‘Interpretation’ permits appointments of certifying and incurring officers to be made by either name or position to minimise the need for constant updating of the register.

(5) The register required in paragraph (2) of this instruction should include:
   (i) an appropriate identifier for each certifying and incurring officer;
   (ii) details of conditions of the appointment;
   (iii) accounts/functions against which a transaction may be approved;
   (iv) monetary limits; and
   (v) a record of variation or cancellation of the appointment.

(6) To preserve the integrity of the register, certifying and incurring officers should not be responsible for the custody and maintenance of the register. Furthermore, the accountable authority should ensure that access to the register is secured at all times. Regular reviews of the register by the accountable authority would assist in detecting anomalies.

(7) No single officer should be able to control all aspects of the payment authorisation process, such that different officers should be responsible for ordering goods and services, receiving goods and services, incurring transactions and authorising payments. Where this is not reasonably practicable due to limited resources at an agency, an alternative arrangement may be endorsed by the agency’s Internal Audit Committee and approved by the accountable authority. Note that under any such alternative arrangement, the same officer shall not be authorised to perform the functions of incurring and certifying in relation to a payment or transfer.

(8) The accountable authority should ensure that certifying and incurring officers are aware of their responsibilities under this instruction.

(9) Certifying and incurring officers should undertake checks and make enquiries as necessary to verify and authorise each transaction. Certifying and incurring officers need not have personal knowledge of each transaction but are required to do all that a reasonable person would do in the circumstances.

(10) The term ‘claim’ in paragraph (5)(i) of this instruction refers to a creditor’s invoice, contract, agreement or any other document evidencing the supply of goods and services. In the case of grants, the ‘claim’ may be evidenced by a letter or other appropriate document.

(11) Agencies may be operating along a continuum from a highly integrated electronic system to a paper-based manual system in making payments and transfers. A variation of the following may be adopted depending on an agency’s particular circumstances:
   (i) In a manual environment, a certifying officer may place reliance on an incurring officer to satisfy the requirements in paragraph (5) of this instruction.
   (ii) In an electronic environment, a certifying officer may place reliance on an incurring officer and/or relevant procedures and practices operating at the agency to verify that those requirements have been met. It is possible that, in an electronic environment, an incurring officer may verify a payment or transfer by physically signing the record.
(12) In ensuring that money is lawfully available for making a payment or transfer, a certifying officer should ensure that the payment or transfer will not exceed the balance of the special purpose account and that there is adequate money in the agency’s bank account to make the payment or transfer when it becomes due.

(13) It should be noted that adjustments between accounts which are within an appropriation item or a special purpose account are generally not considered transfers for the purposes of this instruction. Nevertheless, procedures and practices should be established to ensure that such adjustments are authorised in a manner appropriate to the circumstances.

However, where other (private) money is held in a special purpose account, a certifying officer should be aware that adjustments between special purpose accounts for such money would constitute a transfer under this instruction, even though they might be held in the same bank account.
307  TREASURER’S ADVANCES

BACKGROUND

Section 28 of the Act provides the Treasurer with the authority to make recoverable advances and prescribes the purposes for which those advances may be utilised. Such advances are on the terms and conditions as determined by the Treasurer and are charged to the Treasurer’s Advance Account. Under section 28(6) of the Act, all advances lapse on 30 June. Should an accountable authority wish to maintain an existing advance, a Requisition for Advances (Form 8) must be forwarded through the responsible Minister to the Under Treasurer to renew the authority to charge against the advance, prior to 1 July of the succeeding financial year.

TREASURER’S INSTRUCTION

Applications for an advance from the Treasurer in accordance with section 28 of the Act shall be forwarded through the responsible Minister to the Under Treasurer on a Requisition for Advances (Form 8).
308 PAYMENT RECORDS

BACKGROUND

The payment record is the prime record for any payment and as such is an essential element in the audit trail which allows subsequent review of the financial administration of an agency.

In a paperless electronic environment, all key information is recorded or stored in electronic format and the related checks and balances required by Treasurer's instruction 304 are performed by the system and/or by persons. The accountable authority must cause the determination at which point in the accounts payable process the agency has a payment record and the form it will take for the purpose of authorisation by the certifying officer in an electronic environment in accordance with Treasurer's instruction 304. However, it is possible for the certifying officer to authorise payments manually even though all the checks are carried out within the system and by persons. Again, the accountable authority shall cause the determination of the form of the payment record in order to meet the requirements of Treasurer's instruction 304.

In a manual environment, the accountable authority shall cause the determination of the format of the paper payment record.

TREASURER'S INSTRUCTION

(1) All payments shall be made on or against a payment record.
(2) The accountable authority shall authorise what constitutes a payment record.
(3) Payment records shall not be processed for payment unless authorised by the certifying officer and, if applicable, certified by the incurring officer in accordance with Treasurer's instruction 304.
(4) Appropriate controls shall be established to ensure that all payment records are processed correctly.
(5) Any alterations in an amount of a payment record shall be authorised and recorded in an electronic environment or initialled by the incurring and certifying officers in a manual environment.
(6) In a manual environment there should be no erasures on the payment record, and the writing should be legible and in ink or other indelible form.
(7) Notwithstanding the provisions of paragraph (1), all payment records in a manual environment shall carry the following wording:
   (i) for certification by the incurring officer
   "I certify that this Account is correct in respect of the requirements of Treasurer's instruction 304(5)(i) to (vii)"; and
   (ii) for authorisation by the certifying officer
   "I certify that this Account is correct in respect of the requirements of Treasurer's instruction 304(5)"
GUIDELINES

The following guidelines are offered to assist in implementing the requirements of the Instruction:

(1) The accountable authority may authorise the chief finance officer to determine the payment record as required by paragraph (2) of this instruction.

(2) Where the payment record does not embody the creditor's claim, the creditor's claim should be attached to the payment record, or alternatively, sufficient reference should be recorded on the payment record to identify the claim and the claim should be endorsed with the details of the payment.

(3) A payment record should provide, wherever possible, sufficient data to establish:

(i) the name and full address of the claimant;
(ii) particulars of the goods or services supplied;
(iii) dates of supply or periods of service;
(iv) the order, requisition, contract or arrangement under which the goods or services have been supplied;
(v) invoice number;
(vi) the amount of the claim;
(vii) discounts, if any;
(viii) the account to which the posting is to be applied; and
(ix) the classification of the expenditure or transfer of money.

(4) The provision in paragraph (6) of this instruction which requires that there are no erasures on a payment record is not intended to prohibit corrections being made. However, it does require that corrections or amendments be made in a manner that allows the original wording or figures to be visible so that any changes that have been made are clearly identifiable. All amendments must be initialled.

(5) The provision in paragraph (5) in this instruction for alterations in an amount of a payment record to be authorised and recorded in an electronic environment refers to the need for persons to be authorised to carry out amendment functions and for such alterations to be appropriately logged.

(6) This instruction does not prescribe the wording for authorisation by the certifying officer in an electronic environment. Rather, the certifying officer must acknowledge upon his/her appointment that he/she is aware of their responsibilities under Treasurer’s instruction 304.
309 DUPLICATE CLAIMS

BACKGROUND

The acceptance of duplicate claims for payment may result in the multiple payment of accounts, either through clerical error or deliberate intent to defraud an agency. Therefore, to prevent duplicate payments occurring agencies should develop appropriate internal controls.

TREASURER’S INSTRUCTION

A duplicate of a claim for payment shall not be used for payment except where the original claim has been lost or mislaid, and the claim has been properly validated in accordance with established control procedures.

GUIDELINES

(1) In a manual environment, the incurring officer should investigate the circumstances surrounding the presentation of duplicate claims and, once satisfied about the integrity of the claim through manual checking and placing reliance on controls built into the financial system or processes to avoid dual payments being made, should endorse duplicate claims as ‘not previously paid’.

(2) In an electronic environment, the agency should have procedures in place for dealing with duplicate claims. However, where invoices are received electronically, there should be sufficient controls built into the system or processes implemented to avoid dual payments being made.

(3) Duplicate payments can be prevented by agencies implementing appropriate internal controls such as:

   (i) establishing a policy for consistently creating invoice numbers for invoices without invoice numbers;

   (ii) establishing a policy of reconciling payments to statements;

   (iii) actively managing the master vendor files;

   (iv) avoiding manual cheques where possible;

   (v) eliminating the overriding of built-in system controls unless appropriately approved;

   (vi) routinely reconciling paid invoices and local purchase orders;

   (vii) stamping the invoice with the word PAID and the relevant date as evidence of payment; and

   (viii) documenting the procedure for getting invoices approved.

(4) It is essential that agencies identify and eliminate control weaknesses that would allow duplicate payments.
BACKGROUND

The objective of this instruction is to maintain the integrity of the payment system. To achieve this, the instruction has been framed to ensure that adequate control is maintained over authorised disbursements to ensure that any associated risks are minimised.

Control over returned, uncollected and stale cheques, as well as returned electronic funds transfer (EFT) payments is also essential to ensure that they are not fraudulently converted and that the interests of those rightfully entitled to the payment are protected.

TREASURER’S INSTRUCTION

(1) Payments may be by:

(i) cheque;

(ii) direct credit using electronic funds transfer, to an account at a bank or other financial institution, nominated by the creditor; or

(iii) direct debit of an agency’s bank account for payments of a recurring nature or for payments to the Western Australian Treasury Corporation by agreement.

For the purposes of this paragraph the term ‘payments' does not include:

(i) the disbursement of a cash advance; or

(ii) salaries and wages paid in cash in accordance with any written law, industrial award or industrial agreement.

(2) All cheques shall be signed:

(i) by two officers, appointed in writing for the purpose, unless otherwise approved by the accountable authority; and

(ii) in handwriting except where the accountable authority has approved the use of facsimile signatures.

(3) A record of appointments of cheque signatories shall be maintained. The record shall include the specimen signature of each signatory and the details of any conditions of appointment.

(4) Notwithstanding the provisions of paragraph (2) of this instruction, in all cases where a certifying officer is required to draw a cheque, in respect of a payment record which that certifying officer has authorised, the cheque shall be counter-signed by another officer.
(5) All appointments of signatories for cheques shall be confirmed on an appropriate bank form and either notified to:

(i) the Under Treasurer – for cheques drawn against the Government of Western Australia Bank Account – Main Account; or

(ii) the accountable authority – for cheques drawn against all other accounts of the Public Bank Account.

(6) Pursuant to paragraph (2)(ii) of this instruction where the accountable authority has approved the use of facsimile signatures, procedures shall be implemented which provide for the security, transfer and control of the facsimile stamps or plates or the electronic medium containing the encoded signature(s).

(7) A record shall be maintained of all returned, uncollected and stale cheques and returned EFT payments (unclaimed moneys) held by an agency in the sundry creditors account.

(8) Unclaimed moneys are to be dealt with in accordance with the Unclaimed Money Act 1990.

GUIDELINES

(1) To ensure that proper control is maintained within the agency, when appointing signatories to cheques consideration should be given to:

(i) the placing of a monetary limit on the value of each individual cheque that the signatories may draw and sign; and

(ii) limiting the purposes and accounts for which signatories may draw and sign cheques.

(2) Where practicable, the functions of authorising/certifying expenditure should be segregated from that of drawing and signing cheques.

(3) To be useful as a control and reference document, the record of appointment of signatories should not be maintained by a signatory to cheques and should detail the conditions of appointment including the purposes and accounts for which each officer may draw cheques and the monetary limits, if any.

(4) Electronically encoded facsimile signatures should be maintained separate of computer hard drives to ensure strong physical security over access and use of the signatures.

(5) The record of returned, uncollected and stale cheques, as well as returned EFT payments must be reviewed annually each 31 December to identify any amount that has been unclaimed for six years and is therefore required to be credited to the Consolidated Account in accordance with the requirements of the Unclaimed Money Act 1990.

The procedure for lodging moneys with Treasury for credit to the Consolidated Account is available at https://www.treasury.wa.gov.au/unclaimedmonies/
(6) The *Cheques Act 1986* (Cth) defines a stale cheque as one “where, at any time, a cheque appears on its face to have been drawn more than 15 months before that time, the cheque is, at that time, a stale cheque.” It is the drawee institution on whom the cheque is drawn that may refuse payment of a stale cheque.

(7) Paragraph (1)(iii) of this instruction enables the accountable authority to enter into arrangements for payments:

(i) of a recurring nature e.g. credit card payments, merchant fees, bank fees, superannuation contributions, rentals etc; or

(ii) conducted through the Western Australian Treasury Corporation under agreement

to be directly charged to the agency’s bank account to ensure timely payment. The amounts may be variable or fixed.

Agencies should ensure, as far as practicable, that the authorisation/certification of payments as required by *TI 304* occurs prior to the bank account being debited for the above transactions, and that processes are in place for ensuring the correctness of such amounts.
ACT OF GRACE PAYMENTS

BACKGROUND

Act of Grace payments are those payments that are not payable in pursuance of the law or are not payable under a legal liability. Although not legally bound, the government exercises executive power to make these payments because it considers that it is appropriate to do so because of special circumstances.

Section 80(1) and (2) of the Act provides that the Treasurer may approve Act of Grace payments up to an amount prescribed by regulation and, where that payment exceeds the prescribed amount prior approval of the Governor must be sought. Financial Management Regulation 8 sets the limit that may be approved by the Treasurer at $250,000. Under section 74(1) of the Act the Treasurer has delegated to Ministers of the Crown the authority to approve Act of Grace payments up to $250,000. Amounts in excess of $250,000 require the prior approval of the Governor.

Where a Minister has delegated authority to approve such payments, they must unequivocally express this fact in the exercise of the powers under section 80(1) of the Act. The delegation to Ministers to approve Act of Grace payments does not in any way diminish the power of the Treasurer to approve Act of Grace payments. The Minister, acting as delegate of the Treasurer, must personally approve each payment made under section 80 prior to the making of such payments.

TREASURER’S INSTRUCTION

(1) All submissions for Act of Grace payments pursuant to section 80(1) of the Act shall provide details of the proposed payment including full details of the incident or occurrence which gave rise to the request for the Act of Grace payment.

(2) Where a delegation from the Treasurer under section 74(1) of the Act so provides, requests for Act of Grace payments up to $250,000 shall be addressed to the Treasurer and submitted to the responsible Minister for approval.

(3) Submissions for Act of Grace payments in excess of $250,000 seeking the prior approval of the Governor in accordance with section 80(2) of the Act shall be forwarded through the responsible Minister to the Under Treasurer.

(4) The agency shall maintain a register of all Act of Grace payments made pursuant to section 80.

(5) All Act of Grace payments are to be disclosed in the annual report of the agency.

GUIDELINES

Requests for an Act of Grace payment arise from many and varied situations and each request will be assessed on the circumstances associated with that particular request.
Requests for Act of Grace payments should be reviewed for reasonableness by the agency prior to being submitted for approval.

Where consideration is being given to a person who has suffered damage, loss or injustice as a result of an act or omission of the agency, or that person’s employment by the agency, the following criteria may be used in the assessment of claims for Act of Grace payments:

(i) any contributory negligence on the part of the claimant;
(ii) any defect or fault on the part of the government;
(iii) the purchase price and current value of the article lost or damaged;
(iv) the cost of repairing or replacing the article; and
(v) is approval likely to create a precedent with unintended consequences?

Where there is a reasonable possibility that further claims for similar payments will be received as stated in point (v) above, the accountable authority should refer the matter to the State Solicitor’s Office before any approval is sought.

Where a request for an Act of Grace payment is not directly attributable to actions of the agency, and the matter is considered to be contentious, complex and uncertain, the Minister should seek the Cabinet’s approval before seeking the Treasurer’s approval.

Where injustice is suffered, agencies are to ensure that all relevant avenues have been pursued in settling the matter, and that the advice of the State Solicitor’s Office has been obtained as to the appropriateness and quantum of compensation.

Where appropriate, agencies should consult with Treasury prior to preparing any request for Act of Grace payments.

The State Solicitor has advised that costs to be met in relation to the following matters are not in the nature of Act of Grace payments:

(i) payments to satisfy a judgment; or
(ii) payments arising from out of court settlements, which stand in lieu of judgments and which may be evidenced by deeds of release, or the filing of documents in court where legal action has commenced.

Where an agency is involved in litigation and the litigation is not covered under professional indemnity and public liability insurance cover, the agency must immediately seek the State Solicitor’s assistance with settlement of the matter.

Claims for breach of contract, breach of copyright or defamation are examples of actions that would not be included under professional indemnity or public liability insurance cover.

When an Act of Grace payment is made as a result of:
(i) a moral obligation to compensate for damage, loss or injustice as a result of an act or omission, or that person's employment by the agency or related body or affiliated body; or

(ii) responsibility to relieve a person from financial hardship and that it would be proper and fair to do so

the payment should be funded from the agency's existing budget allocations.

However, where supplementary funding is considered necessary, Ministers must obtain the Treasurer's approval to such funding in accordance with Treasurer's instruction 302 'Supplementation of Appropriations' prior to making a payment.

It should be noted that as agency appropriations are to "deliver services", any Act of Grace payment should be linked to, or be incidental to, the services delivered by the agency. In cases where there is no apparent linkage it will be necessary to seek guidance from Treasury as to the appropriate funding arrangements.

**Responsible Minister**

The reference to Minister in section 74(1) of the Act includes Ministers Assisting.

**Individual or grouped**

For the purpose of this instruction, Act of Grace payments are to be individually approved. Where there are a number of requests for consideration, the agency may prepare a single submission for consideration by the Treasurer or a delegate.
320  REFUNDS OF REVENUE

BACKGROUND

The requirement that a refund from the Consolidated Account be treated as expenditure in those cases where the money was received in a previous financial year is recognition of the fact that the Consolidated Account operates under an annual system of appropriation.

TREASURER'S INSTRUCTION

In respect of refunds from the Consolidated Account, where a refund is made within the same financial year as the money was received and credited to an account, the account to which the money was originally credited shall be charged, otherwise the refund shall be charged as expenditure.
321 CREDIT CARDS – AUTHORISED USE

BACKGROUND

The use of credit cards can result in significant benefits through reducing paperwork and streamlining purchasing activities for low value, high volume transactions. Recognising these benefits, the Western Australian Government introduced the use of credit cards for purchasing goods and services. The only credit cards to be used are those issued by a provider listed on the Common Use Arrangement (CUA) – Purchasing Card Services and Expense Management System. Information about this CUA is available from the ‘ContractsWA’ website – [https://www.wa.gov.au/government/cuas/common-use-arrangements-cuas](https://www.wa.gov.au/government/cuas/common-use-arrangements-cuas).

This instruction complements the CUA and related guidelines.

TREASURER'S INSTRUCTION

(1) The accountable authority of an agency may arrange for a Western Australian Government Purchasing Card (a ‘credit card’) to be issued to a person who is an officer of the agency or is performing functions for the agency. A person to whom a credit card is issued is a ‘cardholder’ for the agency.

(2) A credit card is not to be used for a personal purpose. A ‘personal purpose’ is a purpose that is not directly related to performing functions for the agency.

(3) The accountable authority must approve a credit card policy for the agency.

(4) The accountable authority must ensure that each cardholder is aware of his or her obligations under this instruction and the agency’s credit card policy.

(5) The accountable authority must ensure that records showing each expenditure item on a credit card are regularly reviewed by someone other than the cardholder (a ‘reviewer’), in order to monitor compliance with paragraph (2). If a reviewer is of the opinion that a credit card has been used for a personal purpose, the reviewer must give written notice of that opinion, and his or her reasons for that opinion, to the cardholder and the cardholder's notifiable authority.

(6) If a cardholder disagrees with a reviewer's opinion in a written notice under paragraph (5), the cardholder must, within five working days after receiving the written notice, give the cardholder’s notifiable authority written notice of his or her reasons for disagreeing with the opinion.

(7) A cardholder must, within five working days after becoming aware that he or she used a credit card for a personal purpose -

(i) give written notice of the use of the credit card for a personal purpose to the chief finance officer of the agency and to the notifiable authority; and

(ii) pay to the agency the amount of the expenditure incurred for a personal purpose (the ‘personal expenditure’).
(8) The written notice under paragraph (7)(i) must include –
   (i) details of the circumstances giving rise to the use of the credit card for a personal purpose; and
   (ii) the details of that use of the credit card; and
   (iii) the amount of the personal expenditure.

(9) Upon receipt of a written notice under paragraph (7)(i), the chief finance officer must record the personal expenditure as a debt in the agency's accounts.

(10) Upon receipt of a payment under paragraph (7)(ii), the chief finance officer must credit the payment against the debt recorded in the agency's accounts under paragraph (9).

(11) If a cardholder gives written notice to a chief finance officer under paragraph (7)(i), but fails to comply with paragraph (7)(ii), the chief finance officer must inform the cardholder's notifiable authority of that failure as soon as is reasonably practicable.

(12) An agency must disclose any personal expenditure in its annual report as specified in Treasurer's instruction 903(13)(iv) Agency Annual Reports.

(13) A review must be performed under paragraph (5) immediately upon a cardholder ceasing to hold a credit card.

(14) In this instruction, the 'notifiable authority' for a cardholder of an agency that is a department or a sub-department means-
   (i) the accountable authority of the agency, except in a case to which subparagraphs (ii), (iii), (iv), (v) or (vi) applies;
   (ii) if the cardholder is the accountable authority of the agency and has an employing authority under the Public Sector Management Act 1994, the cardholder's employing authority;
   (iii) if the agency is the Legislative Assembly, the Clerk of the Legislative Assembly;
   (iv) if the agency is the Legislative Council, the Clerk of the Legislative Council;
   (v) if the cardholder is the accountable authority of the agency and none of subparagraphs (ii), (iii), (iv) and (vi) applies, the Minister responsible for the agency or, if there is no Minister responsible, then the Treasurer; and
   (vi) if the cardholder is the Clerk for the Legislative Assembly and Legislative Council, the notifiable authority will be the respective presiding officer(s).
(15) In this instruction the ‘notifiable authority’ for a cardholder of an agency that is a statutory authority means-

(i) except in a case to which subparagraph (ii) applies, the accountable authority of the agency;

(ii) the Minister responsible for the agency if –

(a) the cardholder is the accountable authority of the agency; or

(b) the cardholder is a member, whether or not ex officio and whether described as a member, commissioner or otherwise, of the accountable authority of the agency; or

(c) the accountable authority of the agency comprises a number of persons, one of whom is the cardholder.

GUIDELINES

(1) For the purposes of paragraph (3) of this instruction, a credit card policy should (as a minimum) clearly articulate:

(i) processes and controls for the issue, management and cancellation of a credit card including credit card limits, validation and acquittal of expenditure;

(ii) the purposes for which a credit card may be used (including what is a reasonable expenditure);

(iii) a cardholder’s obligations (including during leave periods); and

(iv) processes for discharging any debt for personal expenditure on a credit card.

(2) A credit card policy should also prohibit using the cash advance feature of a credit card, unless the accountable authority has given express approval in a particular instance.

(3) Agencies should consider including in their internal policies the requirement that if a credit card is used for a personal purpose in contravention of this instruction, the misuse must be recorded in the description against the particular transaction in their accounts.

(4) Agencies should consider incorporating fraud prevention and detection control plans for credit cards in their risk management policies, procedures and practices as required by Treasurer’s instruction 825 Risk Management and Security.

(5) Any failure by the cardholder to repay the debt for personal expenditure may invoke the disciplinary provisions of the Public Sector Management Act 1994.

(6) Misuse of a credit card may also constitute misconduct under the Corruption and Crime Commission Act 2003.

(7) If a cardholder is uncertain as to who is the notifiable authority, he or she should contact Treasury.

(8) Agencies should consider conducting a periodic review of all credit cards issued, including resolving long–standing unacquitted transactions.
322 DEBIT CARDS

BACKGROUND

The use of debit cards is prohibited for agencies as the payments for purchases made using a debit card are directly debited against a nominated account. This direct debiting of the account precludes, for all practical purposes, the proper authorisation/certification of these payments in accordance with Treasurer’s instruction 304.

With the availability of the Western Australian Government Purchasing Card to facilitate the purchasing of goods and services, the need for the use of a debit card is seen as unlikely.

TREASURER’S INSTRUCTION

An accountable authority shall not arrange with a company or organisation for debit card facilities (whereby goods and services may be purchased on account up to the amount of prepaid funds within that account) to be made available to an officer of the agency.
323 TIMELY PAYMENT OF ACCOUNTS

BACKGROUND

All public sector agencies are to adhere to the Government’s policy on the payment of accounts established by this instruction. By making all commercial payments within a defined period, agencies contribute to the continued viability of businesses and help small businesses to create new jobs and opportunities for Western Australians. This policy also applies where government agencies purchase goods and services from other government agencies.

In addition, due regard must be given to appropriate cash management practices when deciding on the timing of payments.

TREASURER’S INSTRUCTION

(1) The term ‘commercial payments’ means payments following transactions where there is a supplier/customer relationship between the parties.

(2) All commercial payments shall be paid within 30 days of the receipt of the creditor’s claim, or within 30 days of provision of the goods or services (whichever is the later), except where the terms or conditions of a contract relating to a claim for payment provide for alternate payment arrangements or where a discount is available for early payment.

GUIDELINES

The following guidelines are offered to assist in implementing the requirements of the instruction:

(1) Where an accountable authority has established that real economies can be achieved from taking advantage of discounts offered by suppliers, then all reasonable steps should be taken to ensure that payments are made to take advantage of such discounts. In the absence of such economies, payment of commercial accounts should be made within 30 days of the receipt of the creditor’s claim or 30 days of receipt of goods or service, whichever is the later.

(2) This requirement should be interpreted on the basis that if the supplier dates and sends an invoice in October but does not supply the goods or services until November, then the receipt of the invoice is not a valid claim. In this case, the date of the claim should be taken to be the date of receipt of the goods or services. This ensures that suppliers are not able to bring forward their payments by dating invoices prior to the supply of goods or services.

(3) Allowance for processing and posting times should be made, as the creditor should receive payment within the 30 day period of receipt of the claim or goods/services by the agency.

(4) Agencies should have appropriate processes in place to ensure the payment of accounts is in accordance with this instruction. This may include assurance that internal controls are adequate to mitigate agency risks. As a minimum, agencies should record the date of receipt of the invoice and goods and services, and the payment terms of the supplier.

(5) The receipt date of goods and services is usually noted on a purchase order. However, where there is no accompanying purchase order, for example, in the
case of utility bills generated from meter readings then the receipt date of the invoice will be the basis for calculating the payment date.

(6) Payments such as reimbursement of expenses to staff are not ‘commercial payments’ and therefore this instruction does not apply.
PART IV - PUBLIC AND OTHER PROPERTY

406 CUSTODY OF PUBLIC PROPERTY

TREASURER’S INSTRUCTION

(1) Assets must be checked against the particulars recorded in the asset register or record of assets at such times as the accountable authority determines, with a complete check being undertaken at least once every three financial years.

(2) The stocktake shall, as far as practicable, be undertaken by two officers independent of the stores operation or not directly responsible for asset management.

(3) Significant differences between the register or record of assets and the assets in existence at the time of stocktake must be reported, together with particulars of follow-up action, to the accountable authority. The asset register or record of assets must be adjusted with any discrepancies identified, which shall be subsequently written off, where appropriate.

GUIDELINES

The frequency of asset verification procedures should be decided after considering the risk profile and materiality of each class of asset. Consideration should also be given to the agency’s risk management as determined under Treasurer’s instruction 825 ‘Risk Management and Security’. Assets should be verified on a rolling basis to ensure all assets are verified at least once every three years.
410 RECORDS OF ASSETS

BACKGROUND

The accountable authority must ensure that appropriate records are maintained of assets controlled by the agency. This includes records or registers containing sufficient information to enable identification, management and maintenance of assets. The main purpose is to ensure stewardship of assets, but the records or registers may also contain information necessary for financial reporting and for insurance purposes where appropriate.

This instruction establishes a mandatory limit of $5,000 for the recording of items of property, plant and equipment. Assets below this limit may also be recorded at the agency’s discretion. Note that this instruction does not impose a limit for the capitalisation of assets for accounting policy and financial reporting purposes.

Agencies are to follow the requirements for setting the asset capitalisation threshold accounting policy in Treasurer’s instruction 1101 and the related guidance.

TREASURER’S INSTRUCTION

(1) The accountable authority shall ensure that registers are maintained of:

    (i) physical assets controlled by the agency with a value of more than $5,000 and with a total useful life of more than two years; and

    (ii) copyrights, patents, trademarks, licences and similar assets.

(2) The accountable authority shall ensure that appropriate records are maintained of other assets controlled by the agency.

(3) The accountable authority shall ensure that appropriate measures are taken to protect assets of minor value that are portable and attractive.

GUIDELINES

Assets referred to in paragraph (1)

Details to be recorded in the register(s) should contain, where applicable, the:

(i) description;

(ii) original cost or value if donated;

(iii) date of acquisition;

(iv) manufacturer’s identification numbers (e.g. serial number);

(v) agency identification number; and

(vi) location.
Where an individual physical asset that has a value of less than $5,000 is part of a configuration of equipment with a total value of more than $5,000, it may be appropriate for the entire configuration to be recorded in the asset register. There may be circumstances in which this is not appropriate, for example where a number of interchangeable components make up various configurations of equipment. In such instances it may be appropriate for each item to be recorded separately despite having a value of less than $5,000.

Where an agency considers that it is appropriate to record physical assets with a value of less than $5,000, Treasurer’s instruction 701 requires the policy for recording of those assets to be disclosed in the financial management manual. Despite the $5,000 threshold set in this instruction, the accountable authority may seek an exemption from this instruction for a higher amount (not more than $10,000) as the threshold. In this case, the accountable authority must consider the following:

(i) the nature and materiality of the agency’s assets;
(ii) the cost of identifying and recording the assets; and
(iii) where relevant, whether the amount gives:
   (a) a fair representation of the agency’s assets; and
   (b) reliable and relevant information to users of the agency’s financial statements.

The following assets should be recorded in the asset register:

(i) plant, equipment and furniture including:
   (a) items of office equipment and furniture;
   (b) computing hardware and software;
   (c) vehicles; and
   (d) scientific equipment;
(ii) library materials having the required value and useful life;
(iii) land, buildings or other real assets;
(iv) copyrights, patents, trademarks and licences; and
(v) any other assets as considered appropriate by the accountable authority.

The term ‘assets controlled by the agency’ is intended to have a similar meaning to that defined in Accounting Standards.

The value of an asset for the purposes of applying the requirements of this instruction is the original cost of the asset to the agency (not the written–down cost). Where the original cost is nominal, the fair value of the asset should be used.

The term ‘total useful life’ is used to distinguish from the term ‘useful life’ used in Accounting Standards. The intention in this instruction is that the total useful life of the asset should be considered when assessing whether or not it should be entered in a
register. In Accounting Standards, the term ‘useful life’ is defined to mean the period of time the entity intends to use the asset. If this definition was used in this instruction, a relatively valuable asset could avoid being entered in a register if the agency did not intend to use it for more than two years.

**Assets referred to in paragraph (2)**

Assets under this category could include:

(i) cash on hand and at bank;

(ii) receivables;

(iii) prepayments;

(iv) investments;

(v) library materials not recorded under paragraph (1);

(vi) livestock, farm produce, goods manufactured or purchased or otherwise acquired for resale; and

(vii) any other assets of material value.

In most instances the ‘appropriate records’ with sufficient information to identify the assets will be contained within the financial management information system of the agency, e.g. cash, receivables and prepayments. In such instances no further records would have to be maintained.

With respect to other assets such as investments, library materials, livestock, farm produce and goods manufactured or purchased or otherwise acquired for resale, some additional records would probably be required. In general, financial management information systems do not contain sufficient information to identify these assets.

The term ‘appropriate records’ is intended to imply those that are sufficient to identify the assets, record their date of acquisition, cost or valuation and details of sale if appropriate.

**Assets referred to in paragraph (3)**

Where there are assets of minor value but are attractive, the accountable authority may require a register of those assets to be maintained. For risk management and insurance purposes, records of items of an attractive nature below the value threshold, such as television sets, cameras and mobile phones, should be maintained.
411    MOTOR VEHICLES

TREASURER'S INSTRUCTION

(1) For the purposes of these Treasurer's instructions, government motor
    vehicles shall comprise any motor vehicle of an agency, or any motor
    vehicle hired or leased by an agency.

(2) The use of a government motor vehicle may be permitted only for
    movements which are necessary for the performance of the duties of an
    officer, the transacting of official business, in such other circumstances
    as may be approved by the accountable authority in accordance with
    government policy, or as may be permitted under contract of employment
    or terms of service.

(3) The accountable authority shall ensure that procedures and practices
    relative to government motor vehicles, including the:

    (i) acquisition, custody and utilisation of government motor vehicles;

    (ii) security of government motor vehicles;

    (iii) maintenance of records of government motor vehicle usage, fuel
          consumption, running, maintenance and other costs associated
          with the motor vehicle fleet;

    (iv) charging of government motor vehicle costs to internal
         management unit; and

    (v) the identification of government motor vehicles

    are in accordance with government policy, specified in the financial
    management manual and adhered to by officers of the agency.

GUIDELINES

Refer to the WA Government Fleet Policy and Guidelines available at the following
website address:

PART V - SALARIES AND WAGES

INTRODUCTION

As part of the overall operational responsibility imposed by the Act, accountable authorities must ensure that their respective organisations implement and maintain an efficient and economic payroll system.

Labour costs form a significant proportion of all government expenditure with salaries and wages being the major component of ongoing expenditure commitments for most agencies. As the size, complexity and very nature of the payroll function provides scope for both fraud and error to occur it is necessary to build appropriate control procedures into all payroll systems.

Payroll systems should be designed to ensure that:

(i) only bona fide employees are paid;
(ii) employees are paid at the correct rate in accordance with any written law, industrial award or industrial agreement;
(iii) employees are only paid for hours worked (unless appropriate leave is approved);
(iv) adequate accounting and employee records are maintained;
(v) all deductions are authorised and disbursed promptly; and
(vi) an appropriate level of security is provided for payroll distribution.

Some of the basic procedures and control requirements considered necessary to achieve such a system are outlined above. Therefore, agencies should consider applying the appropriate procedures and control requirements to their own particular circumstances and document these in their financial management manuals.
This instruction has been deleted. The requirement to maintain appropriate employment records is covered under section 49D of the Industrial Relations Act 1979, and where applicable is to be included in the agency financial management manual as required under paragraph (6)(i) of TI 701 'Financial Management Manual'.

Agencies should consider applying the 'control procedures' from the deleted TI by incorporating them into their financial management manual.

**BACKGROUND**

Details contained in each employee’s employment records must be sufficient to meet the legitimate demands for such personnel information. Employment records must comply with any requirements contained in directions issued under the authority of the Public Sector Management Act or any other Act, industrial award or agreement.

One of the key uses of employment records is the generation of input information to the payroll system. To provide an appropriate information base for this purpose, employment records should be maintained in a secure, accurate and up-to-date manner and contain sufficient details relevant to the determination of wage and salary payments. Control procedures should be established to maintain the accuracy and quality of this information to ensure that employees are paid correctly and that only current and bona fide employees are paid.

After the initial input of employee details, many payroll systems continue to generate future payments at the same level until details of changes are input to the system. Therefore, to ensure the correctness and validity of payments it is essential that details of all commencements, cessations and required variations in remuneration and allowances are input to the system in a timely and accurate manner. Failure to implement appropriate procedures to ensure the accuracy, validity, completeness and timeliness of such information can result in incorrect payment to current employees and payments to non-existent or past employees.

**TREASURER’S INSTRUCTION**

(1) Appropriate employment records, in a form approved by the accountable authority, shall be maintained for each employee of an agency.

(2) Formal advice of all commencements, cessations and variations in remuneration and allowances shall form the basis of payroll generation and control procedures shall be established to ensure that such information is timely, accurate, valid and complete.

**GUIDELINES**
The following is the minimum level of detail that would normally be expected to fulfill the obligation imposed by this instruction to maintain employment records:

(i) the employee’s full name, address and date of birth;

(ii) the authority for the appointment of that employee and the position held;

(iii) the industrial award or agreement under which the employee is employed including the scale within the award or agreement;

(iv) entitlements to each form of leave to which the employee is entitled, and details (including approvals) of leave taken; and

(v) any allowances payable to the employee.

The following are offered as guidelines in establishing the basic controls relevant to this instruction:

(1) To ensure that information in the payroll system is complete, procedures should be established to ensure that each formal advice of staff changes, whether in written form or electronically transmitted, is uniquely identifiable.

(1) To ensure probity, advices should be prepared outside the payroll area, preferably by the officer responsible for maintaining personnel records.

(2) To provide assurance that the information provided is accurate, valid and complete, advices should be verified against the original documentation for appropriate authorisation and accuracy by an officer appointed for the purpose.
502 RECORDS OF ATTENDANCE AND TIME WORKED (DELETED)

This instruction has been deleted. The requirement to keep a record of attendance is covered under section 49D(2) of the Industrial Relations Act 1979, and where applicable is to be included in the agency financial management manual as required under paragraph (6)(i) of TI 701 ‘Financial Management Manual’.

Agencies should consider applying the ‘control procedures’ from the deleted TI by incorporating them into their financial management manual.

BACKGROUND

The maintenance of records of attendance or of time worked is an integral part of the control procedures necessary to ensure the accuracy and validity of salary and wage payments. Attendance and time records provide a level of assurance that employees are only paid for hours worked and that only bona fide employees are paid.

It is essential that appropriate control procedures are adopted to ensure the integrity and accuracy of information in view of the impact on the payment of salaries and wages. Due certification by a supervising officer would be an essential part of such control procedures in most circumstances.

Requirements relating to records of attendance or time worked as may be specified by any Act, industrial award or agreement must be complied with. For example, section 49D of the Industrial Relations Act 1979 may be relevant.

TREASURER’S INSTRUCTION

(1) Appropriate records of attendance, or of times worked, by employees shall be maintained.

(2) Each record shall be adequately controlled to ensure the accuracy and validity of information, and where appropriate a requirement that records of attendance or hours worked be certified by the officer immediately in charge or other officer appointed for that purpose.
This instruction has been deleted. The method of calculating employees' pay will be subject to any requirements as may be contained in directions issued under the authority of the Public Sector Management Act 1994, any other written law, an industrial award or agreement, or written advice from the appropriate agency charged with the responsibility for industrial relations matters. For example, clause 11(3) of the Public Service Award 1992 specifies the method for calculating the payment of salaries.

Where applicable, the agency financial management manual is to be updated as required under paragraph (6)(i) of TI 701.

TREASURER'S INSTRUCTION

Subject to any requirements as may be contained in directions issued under the authority of the Public Sector Management Act, any other Act, an industrial award or agreement or written advice from the appropriate agency charged with responsibility for industrial relations issues, the following methods of calculating the amount of pay due to an employee shall be used:

(i) the amount payable for a fortnight is computed by multiplying the authorised annual rate by twelve and dividing the result by three hundred and thirteen or by multiplying the authorised weekly rate by two;

(ii) the amount payable for a month is computed by dividing the authorised annual rate by twelve; and

(iii) the amount payable for a period less than a fortnight is computed by multiplying the ascertained fortnightly rate by the number of hours worked in the period and dividing the result by the number of hours prescribed for a fortnight's work.
This instruction has been deleted. Section 49D(2) of the *Industrial Relations Act 1979* specifies the requirements for pay records. The other requirements that were in TI 506 are covered under other relevant legislation (e.g. Commonwealth taxation law) and industrial awards or agreements such as the Public Service Award 1992.

Where applicable, the agency financial management manual is to be updated as required under paragraph (6)(i) of TI 701.

Agencies should consider applying the ‘control procedures’ from the deleted TI by incorporating them into their financial management manual.

**BACKGROUND**

Salary and wage payments are major expenditure items for most organisations. Pay records provide the evidence to support these payments and consequently control over the processing of pay records is essential to ensure the accuracy and validity of salary and wage payments.

A pay advice provides each employee with information concerning each salary or wage payment. It provides a record of the payment and a source of information which allows the employee to check both the gross and net pay calculations. Such pay advices may be electronic records that are accessible by staff.

**TREASURER’S INSTRUCTION**

(1) Pay records shall be prepared for each pay period in a form approved by the accountable authority in support of the gross payment of salaries and wages for that pay period.

(2) Pay records shall, as a minimum, detail with respect to each employee:

(i) employee's payroll number, where applicable;

(ii) full name and designation of the employee;

(iii) the total time worked;

(iv) the rate payable;

(v) allowances payable;

(vi) gross salary or wage earned during the pay period;

(vii) taxation, other mandatory and voluntary deductions made;

(viii) net salary or wage due and payable;
(ix) mode of payment; and

(x) account(s) to be charged.

(3) For each financial year, records shall be maintained for each employee that satisfy the requirements of the Commonwealth Commissioner of Taxation.

(4) Each employee shall, before or at the time of payment, be provided with or have access to particulars of the salary or wage paid.

(5) Employees shall nominate in writing an account at a bank or other authorised deposit taking institution, approved by the accountable authority, to which the net salary or wage is to be credited.

(6) Payment of salaries or wages shall be authorised by the certifying officer in accordance with Treasurer's instruction 304.

(7) Appropriate controls shall be established that ensure the accuracy and validity of pay records. These shall include the certification of pay records, by designated officers, that the employees to be paid are entitled to receive payment.

GUIDELINES

The following are offered as guidelines in establishing basic controls to ensure the accuracy and validity of pay records:

(1) The pay records should not be prepared by any officer whose duties include:

   (i) the engagement or appointment of employees;

   (ii) the control of records of attendance or of times worked; and

   (iii) the maintenance of employment records in accordance with Treasurer's instruction 501.

(2) Where such segregation of duties is not practicable or appropriate, compensating controls and safeguards relevant to the prevailing circumstances should be implemented.

(3) Procedures should be established for the reconciliation of pay records.
This instruction has been deleted. The requirements that were in TI 507 would be subject to any requirements as may be contained in directions issued under the authority of the Public Sector Management Act 1994, any other written law, an industrial award or agreement, or written advice from the appropriate agency charged with the responsibility for industrial relations matters. For example, many of the provisions that were covered in TI 507 are covered under the Public Service Award 1992.

Where applicable, the agency financial management manual is to be updated as required under paragraph (6)(i) of TI 701.

**TREASURER’S INSTRUCTION**

(1) Salaries and wages of employees shall be paid on a fortnightly basis unless required otherwise by an industrial award or agreement, or as approved by the accountable authority.

(2) When the payday or the day immediately following is a Public Holiday or a Public Service Holiday, salaries and wages may be paid two working days prior to the Public Holiday or the Public Service Holiday or as otherwise approved by the accountable authority.

(3) Provided due notice is given, employees ceasing employment during the pay period shall be paid on cessation or on the first pay following cessation.

(4) An employee who has been granted annual or long service leave may:

(i) upon request, be paid in advance all payments of salary or wages and allowances that will fall due during the period of absence; or

(ii) where a period of annual or long service leave extends over parts of two financial years, elect to be paid in advance on the commencement of the leave in respect of the period up to and including the last payday of the financial year, and on the first payday of the next financial year for the balance of the period of leave.
This instruction has been deleted. The requirements of this instruction are largely covered either by A New Tax System (Pay As You Go) Act 1999 (Cth) which introduced the Pay As You Go (PAYG) system into the Taxation Administration Act 1953 (Cth) or section 49D(2) of the Industrial Relations Act 1979.

Where applicable, the agency financial management manual is to be updated as required under paragraphs (6)(i) of TI 701. Agencies should also consider updating their human resource policies where appropriate.

BACKGROUND

A voluntary deduction is a deduction from gross pay that is made at the employee’s election. In order to limit the costs associated with pay deductions it may be desirable to restrict the number or categories of voluntary deductions. Particular categories of deductions have evolved over time, however it is the decision of the accountable authority as to whether these and other types of voluntary deductions are accepted.

Agencies may recover the costs associated with pay deductions by charging a commission on amounts deducted. However, commission should not be charged on taxation or other mandatory deductions. Various categories of voluntary deductions (which have been traditionally made as a service to employees) may also be exempted.

TREASURER’S INSTRUCTION

(1) All deductions made from salaries and wages shall be paid promptly.

(2) Mandatory deductions shall be effected in accordance with any requirement of the written law or a court order and commission shall not be charged on any mandatory deduction.

(3) All mandatory deductions must be met from an employee’s pay before any voluntary deduction may be made.

(4) The accountable authority shall determine the voluntary deductions or categories of voluntary deductions that may be made.

(5) A voluntary deduction from the salary or wage of an employee and deductions of amounts owing to an agency shall require the prior authority of the employee in writing.

(6) Where the deduction is for contributions to hospital and medical funds or subscriptions to industrially registered employee unions or associations, an official change in general contribution or subscription rate as advised by the fund, union, or association, shall be considered authorised by the employee unless the employee revokes the authority for such increased deduction.
(7) The rate of commission, if any, that may be charged on amounts deducted in respect of voluntary deductions shall be determined by the accountable authority, unless it is negotiated as a result of any written law, industrial award or industrial agreement. In any instance where these commissions do not form part of the revenue of an agency they shall be credited to the Consolidated Account.

GUIDELINES

It has been established practice for the following categories of voluntary deductions to be processed and accountable authorities may consider it appropriate to continue this practice:

(i) life assurance premiums;
(ii) superannuation;
(iii) contributions to hospital and medical funds;
(iv) subscriptions to industrially registered employee unions or associations;
(v) payments to credit unions; and
(vi) staff tea and/or social clubs.

It has also been accepted practice for voluntary deductions (ii) – (vi) to be processed without receipt of a commission.

Accountable authorities may consider that this practice should continue unless varied by any written law, industrial award or industrial agreement.
TRANSFER OF EMPLOYEES

BACKGROUND

The mobility of employees within the public sector and the portability of leave entitlements frequently leads to the situation where an employee carries over some form of leave that was accrued in another agency. This instruction details government policy on this matter and other aspects of remuneration costs where an employee is transferred.

Prior to 1998, where an employee permanently transferred from one agency to another, the transferee agency received no compensation from the transferor agency for assuming the liability (i.e. ‘knock-for-knock’).

Since then, transferor agencies have been required to pay transferee agencies an amount to compensate them for taking on additional leave liability when an employee transfers. This is to align the cost of providing services with the actual costs incurred by each agency in providing those services, and encourage agencies to better manage accrued leave liabilities.

From 1 July 2003, the following further changes apply to transfer payments:

(i) including pre-conditional long service leave credits; and
(ii) recognising leave purchase and deferred salary schemes.

It is still the case that no transfer payment is required in respect of temporary transfers.

TREASURER’S INSTRUCTION

(1) For the purposes of this instruction:

(i) ‘agency’ includes departments and all statutory authorities listed in Schedule 1 of the Act that are consolidated in the Annual Report on State Finances;

(ii) ‘temporary transfer’ includes secondment or any other means of temporary transfer that may occur between agencies;

(iii) ‘permanent transfer’ includes promotion, redeployment or any other means of permanent transfer that may occur between agencies;

(iv) ‘transferor agency’ means the agency from which the employee is transferring;

(v) ‘transferee agency’ means the agency to which the employee is transferring; and

(vi) ‘accrual’ and ‘accrued’ in relation to leave entitlements, is the amount of leave entitlements earned but not taken rather than leave credits available to be taken.
(2) Where an employee is temporarily transferred between agencies, the following procedures shall apply:

(i) the cost of the employee's remuneration shall be met by the transferee agency;

(ii) changes in an employee's leave entitlements during the period of the transfer shall be accrued by the transferor agency; and

(iii) notwithstanding the requirements in sub-paragraphs (2)(i) and (ii), agencies may make alternative arrangements regarding the cost of an employee's remuneration and the payment and accrual of leave entitlements.

(3) Where an employee is permanently transferred between agencies, the following procedures shall apply:

(i) any annual, long service or sick leave payable to the employee shall be charged to the agency employing the employee at the time the leave is taken notwithstanding that the employee may have accrued such leave entitlement in other agencies;

(ii) the transferor agency shall pay the transfer value to the transferee agency, an amount equal to the employee's annual and long service leave entitlements, including pre-conditional entitlements and annual leave loading where it applies;

(iii) with respect to the requirements of paragraph (3)(ii), where the employee would have been required, on resignation, to repay to the transferor agency an amount in respect of leave taken prior to the completion of the period of service necessary to qualify for that leave entitlement, the transferee agency shall pay that amount to the transferor agency; and

(iv) if the employee is participating in a scheme whereby the employee receives a reduced salary in return for additional annual leave or other time off, and will continue in this scheme in the transferee agency, the transferor agency shall pay to the transferee agency the amount which the employee would receive if the employee had left the scheme and been compensated for the foregone salary.
GUIDELINES

Temporary transfers

Sub-paragraph (2)(iii) of this instruction allows agencies to make alternative arrangements in respect of the cost of remuneration and the payment and accrual of leave entitlements for employees involved in temporary transfers. Such arrangements may be appropriate where the transfers are for an extended or indefinite period or where an agency has a policy of full cost recovery for temporary transfers. Except where agencies agree to such alternative arrangements, the provisions of sub-paragraphs (2)(i) and (ii) of this instruction require that:

(i) the cost of the employee's remuneration is to be met by the transferee agency. This includes the payment of remuneration during any leave taken within the period of the transfer (without compensation from the transferor agency); and

(ii) any increase in an employee's leave entitlement during the transfer period is accrued by the transferor agency (without compensation from the transferee agency).

Refer also to the guidance in TI 1103 ‘Statements of Financial Position’ on the accounting treatment for salary recoups – secondments and other temporary transfers.

Permanent transfers – effect on agencies’ statements of financial position

Sub-paragraphs (3)(i) and (ii) of this instruction provides for the transfer and payment of employee leave entitlements as a consequence of permanent transfers of employees between agencies.

The effects on the statements of financial position of both the transferor agency and transferee agency are shown in the following table:

| Effect on Agencies' Statements of Financial Position with regard to Employee Transfers |
|-----------------------------------------|----------------------------------|
| Transferor                              | Transferee                       |
| Decrease in Liability                   | Increase in Liability            |
| Decrease in Asset/Cash                  | Increase in Asset/Cash           |

Because employees usually transfer at a different salary level, the transferor agency’s decrease in liability will differ from the transferee agency’s increase in liability. They may also differ from each other and from the transfer value because the liabilities include an estimate of the probability of the employee taking long service leave based on each agency’s experience while the transfer value recognises long service leave according to the pro-rata progress of the pre-conditional entitlement.

Those employees who were on industrial agreements or awards which allowed for the paying out of accrued leave entitlements will still be able to access a payout if preferred.
Transfer value

This instruction requires the transfer value to be equivalent to the annual and long service leave entitlements, including pre-conditional long service leave entitlements which the employee had accrued up to the time of the transfer, and any annual leave loading that will be required to be paid by the transferee agency when the employee eventually takes their annual leave. The transfer value must also include, where applicable, any additional leave purchased by an employee and/or any deferred salary arrangement, where the employee continues the arrangement with the transferee agency.

Salary rate to be used in calculating the transfer value

The salary rate would normally be the nominal value of substantive salary prior to transfer. On costs, such as payroll tax, would not be included. The industrial agreement or industrial award under which the employee is currently employed should be used to calculate the substantive salary.

Fixed-term employees permanently transferring between agencies at the end of their fixed-term

In circumstances where a fixed-term employee, at or soon after the completion of their fixed-term at an agency, takes up employment with another agency and that other agency is required to take up any annual leave, long service leave or sick leave due to the employee, whether accrued in the previous agency or other agencies, this take up of employment is considered to be a permanent transfer for the purposes of paragraphs (1)(iii) and (3) of this instruction.

Employees permanently transferring to another agency as a fixed-term employee

If an employee transfers to another agency for a fixed-term (e.g. 12 month contract) and at the end of the fixed-term there is no obligation on the transferor agency to accept that employee back, then this type of transfer is considered to be a permanent transfer for the purposes of paragraphs (1)(iii) and (3) of this instruction. However, this circumstance may lead to potential inequity for the transferor agency in applying the requirements of paragraph (3) of this instruction especially in relation to any pre-conditional long service leave entitlements.

In this instance, it may be appropriate for an exemption to be granted from the requirements of sub-paragraph (3)(ii) of this instruction subject to an agreement between the relevant agencies being reached that results in a fair and equitable outcome for all parties concerned.

These matters should be discussed with the Financial Policy Division at the Department of Treasury (Treasury) before applying for an exemption from the requirements of sub-paragraph (3)(ii) of this instruction. Applications should be forwarded to the Under Treasurer.
Employees formally resigning from the public sector subsequently taking up employment at another agency

Where an employee makes a formal resignation from an agency with the clear intention of permanently resigning from the public sector and is paid out in accordance with the requirements under the appropriate industrial agreement or industrial award, and the employee subsequently takes up employment with another agency, this is not considered to be a permanent transfer for the purposes of this instruction. However, there may be circumstances where an industrial agreement or industrial award requires the take up of those employee entitlements that were accrued at previous agencies and not paid out upon the resignation of the employee (for example, pro-rata long service leave not paid out on resignation). In this case, it may be considered as a permanent transfer under this instruction. These matters should be discussed with the Financial Policy Division at Treasury where the circumstances are unclear.

Long service leave entitlements

The long service leave entitlements may include unconditional, conditional and pre-conditional leave entitlements, which are defined as follows:

Unconditional – exists where legal entitlement to payment arises after completion of a qualifying period of service.

Conditional – exists where legal entitlement to pro-rata payment in lieu of long service leave arises.

Pre-conditional – occurs where the qualifying period of service for pro-rata has not been reached. At this point there is no legal entitlement to any payment or leave.

All of an employee’s long service leave entitlements are included in the transfer value, i.e. not only the long service leave which an employee is entitled to take when transferred (i.e. unconditional) but also any pre-conditional and pro-rata leave which an employee could only take when a qualifying period is completed. For example, when an employee transfers after completing one year of a seven year long service leave scheme the transfer value would include one-seventh of the value of the long service leave.

This means that the transfer value will be closer to the liability associated with the employee than in the past, when leave accumulated before a qualifying period was not included in the transfer value. Including all long service leave in the transfer value more accurately reflects the actual cost of employing staff.

When an employee transfers twice within a qualifying period, i.e. between three agencies, the difference between the first and second transfer values (to the extent they include long service leave) will reflect the length of service in the second agency.

Annual leave entitlements

Accrued annual leave is an unconditional leave entitlement. The employee has a legal entitlement to annual leave accrued in respect of completed service and the entitlement must be paid out on resignation or retirement. That portion of the employee's current entitlement (leave credits) accrued in respect of service up to the transfer date should be included in the transfer value. Any annual leave loading that will be required to be paid by the transferee agency when the employee eventually takes their annual leave should
be included in the transfer value. Any credits in respect of future service should be excluded.

**Example**

An employee is currently working for Agency A and has gained a permanent position at Agency B.

The transfer of the employee is to take effect from 1 July 20X1.

The employee has 20 days' accrued annual leave balance as at 31 December 20X0 and accrues a further 10 days’ annual leave credits in the 6 months to 30 June 20X1 (assuming no leave has been taken between January and June).

The transfer value at 1 July 20X1, would include the transferred employee’s accrued annual leave entitlements earned but not taken of 30 days and any annual leave loading that will be required to be paid by the transferee agency when the employee eventually takes their annual leave.

**Differing qualifying periods**

An employer may offer multiple industrial agreements and/or industrial awards with differing leave provisions. This will not impact on the determination of an employee’s leave entitlements, as the only relevant qualifying period for any employee in determining leave entitlements is the qualifying period in the industrial agreement/industrial award under which the employee was employed at the time of transfer.

**Leave purchase, deferred salary schemes and salary packaging**

When an employee has sacrificed salary in order to purchase additional annual leave or other time off, and will continue the arrangement with the transferee agency, the transfer value must recognise it. The transfer value must include the amount to which the employee would be entitled if he or she left the scheme and was compensated for the foregone salary. The transfer value for employees on salary packaging schemes should be based on their salary packaging.

**Leave taken prior to completion of the qualifying period of service**

Where an employee has taken leave prior to completing the period of service necessary to qualify for the leave, on resignation, the employee would have to repay the employer an amount equal to the leave taken before the entitlement had accrued.

In such circumstances, where the employee transfers to another agency, the employee would effectively carry negative leave entitlements to the transferee agency. This has the effect of reducing the assets of the transferor agency. To compensate the transferor agency, the transferee agency pays the transfer value to the transferor agency.

**Restructuring**

A restructure includes any formal transfer of function and would generally be subject to the requirements of *Treasurer’s instruction 955 ‘Contributions by Owners Made to Wholly Owned Public Sector Entities’*.
Where a restructure involves the transfer of employees, the application of sub-paragraph (3)(ii) of this instruction results in TI 955 not applying to the transferor agency or transferee agency with respect to the transfer of the employee entitlements liabilities and accompanying cash payment, as they are not considered to be non-reciprocal transfers under that instruction. This may have a significant financial impact on both the transferor and transferee agencies.

As with other liabilities and assets subject to the restructure, the funding of existing leave liability should be negotiated between the agencies prior to, or on the effective date of the restructure.

Where the transferee agency is entitled to receive payment for assuming the leave liability transferred, the application of sub-paragraph (3)(ii) of this instruction may not always be appropriate. For example, if a restructure results in the transferor agency being exposed to cash management difficulties and/or where the transferee agency is able to manage the leave liability it will receive from the transferor agency, it may be appropriate for an exemption to be granted from the requirements of sub-paragraph (3)(ii) of this instruction rather than seeking supplementary funding for payments which may not emerge for some time (i.e. until the leave is actually taken). These matters should be discussed with the Financial Policy Division at Treasury. It may be necessary for an agency to apply to the Treasurer for an exemption from the requirements of sub-paragraph (3)(ii) of this instruction. Applications should be forwarded to the Under Treasurer.

Where an exemption has been granted from the requirements of sub-paragraph (3)(ii) of this instruction, the transfer of employee entitlements becomes non-reciprocal and therefore subject to the requirements of TI 955.

If the transferor agency is abolished in the restructure, the provisions of this instruction do not apply. In such a case, AASB 1004 ‘Contributions’ is to be applied to non-reciprocal transfers in relation to a restructure of administrative arrangements. The final report of the abolished agency would include all assets and liabilities of the agency prior to the restructure.

All employee benefit provisions in final reports and annual financial statements are to be calculated under AASB 119 ‘Employee Benefits’. The transfer value calculated under this instruction is not relevant to the calculation of employee benefit provisions under AASB 119.

**Accounting treatments**

Where an employee permanently transfers from one agency to another, the accounting treatment of accrued employee entitlements should be as follows:

(i) the sum of all accrued annual and long service leave entitlements shall comprise a transfer value that is to be paid to the transferee agency;

(ii) where the transfer involves a change in salary, the transferor agency would calculate the transfer value using the pay rate applicable prior to transfer (generally this would be the substantive salary of the employee);

The transferee agency, however, will be required to recognize the liability calculated at the new pay rate, and will incur an expense as a consequence of the transfer (see Example 1 below);
(iii) where the transfer value is more than the transferor agency’s associated liability, the transferor agency shall recognise an expense equal to the amount of the shortfall (see Example 2 below). (This may occur as the transfer value is calculated on the pro-rata basis); and

(iv) if the transfer value also exceeds the additional liability recognised by the transferee agency, then the transferee agency shall recognise an income for the excess (see also Example 2 below).

Example 1

An employee, with 10 weeks unconditional annual leave entitlements, permanently transfers from Agency A (transferor agency) to Agency B (transferee agency). The employee’s current salary at Agency A is $1,000 per week. The transfer to Agency B is a promotion, which increases his salary to $1,200 per week.

The accounting treatments for Agency A and Agency B are as follows:

Agency A (Transferor agency)

The transferor agency shall extinguish liabilities and recognise a decrease in assets (cash). The required journal entry is:

| DR Leave Provisions (Liability) | $10,000 |
| CR Cash | $10,000 |

Agency B (Transferee agency)

The transferee agency shall recognise the liability assumed (at the increased salary) and an increase in assets (cash). The required journal entry is:

| DR Cash | $10,000 |
| DR Employee Benefits Expense | $2,000 |
| CR Leave Provisions (Liability) | $12,000 |

Example 2

If the employee in the above example also had a pre-conditional long service leave entitlement of three weeks which had not been fully recognised by the transferor agency (i.e. the transferor agency estimates the provision for long service leave on the probability of the employee taking long service leave based on its experience), the required journal entries are:

Agency A (Transferor agency)

| DR Leave Provisions (Liability) | $10,000 |
| DR Employee Benefits Expense | $3,000 |
| CR Cash | $13,000 |
Agency B (Transferee agency)

<table>
<thead>
<tr>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash $13,000</td>
<td>Income $1,000</td>
</tr>
<tr>
<td></td>
<td>Leave Provisions (Liability) $12,000</td>
</tr>
</tbody>
</table>

In the above example:
- $10,000 represented the amount of unconditional annual leave entitlement (10 weeks at $1,000) transferred from Agency A to Agency B.
- $3,000 represented the amount of pre-conditional long service leave entitlement (3 weeks at $1,000) recognised by Agency A as an employee benefits expense.
- $12,000 represented the total amount of leave entitlements (10 weeks at $1,200) recognised by Agency B.

Example 3

If the employee in the previous examples had a negative leave entitlement of two weeks in Agency A (i.e. had taken two weeks leave prior to completing the relevant service period), on transfer to Agency B he or she will carry that negative leave entitlement with him. The required journal entries are:

Agency A (Transferor agency)

| DR Cash $2,000 | CR Leave Provisions (Liability) $2,000 |

Agency B (Transferee agency)

| DR Leave Provisions (Liability) $2,400 | CR Cash $2,000 | CR Employee Benefits Expense $400 |

Example 4

Where an employee with a deferred salary agreement is transferred and continues the arrangement with the transferee agency, the required journal entries are:

Agency A (Transferor agency)

| DR Provision for Deferred Salary $10,000 | CR Cash $10,000 |

Agency B (Transferee agency)

| DR Cash $10,000 | CR Provision for Deferred Salary $10,000 |
The amount transferred is the amount of salary foregone by the employee.

**Transfer of employees between agencies not subject to this instruction**

This instruction addresses the funding arrangements applicable to the transfer of employees between agencies that are subject to the Act. The guidance provided below relates to transfers between WA state public sector agencies where one party is not subject to the Act.

There may be instances where the transfer of employees occurs between one or more WA state public sector agencies that are not subject to this instruction. For example, corporatised agencies such as the port authorities and Water Corporation are not subject to the Treasurer’s instructions because of their enabling legislation. In addition, universities are only required to comply with those Treasurer’s instructions relating to annual reporting.

Where a transfer of an employee involves one of these types of agencies this instruction does not apply to either party, as application to one party may be inequitable.

In the interests of equity and fairness, agencies involved in the situations described above are encouraged to liaise with each other to produce an overall equitable outcome for all parties concerned. In achieving an equitable outcome, agencies may choose to adopt the principles and guidance contained in this instruction. Alternatively, agencies may negotiate a mutually agreed outcome that does not disadvantage the employee or either agency. The Financial Policy Division at Treasury should be consulted where it is considered appropriate.

It should be noted that this instruction does not apply to the transfer of staff to WA state public sector agencies who was, immediately prior to the transfer, employed by:

- the Commonwealth government of Australia;
- another Australian State or Territory government; or
- a local government.
PORTABILITY OF EMPLOYER'S UNFUNDED LIABILITY FOR SUPERANNUATION UNDER SCHEMES ADMINISTERED BY THE GOVERNMENT EMPLOYEES SUPERANNUATION BOARD

BACKGROUND

The Government Employees Superannuation Board (GESB) administers superannuation schemes of which employees of agencies may be members. This instruction concerns itself with the following schemes:

(i) the pension and provident schemes established under the Superannuation and Family Benefits Act 1938 and continued under the State Superannuation Act 2000, entry to which was closed on 15 August 1986; and

(ii) the lump sum scheme established under the Government Employees Superannuation Act 1987 and continued under the State Superannuation Act 2000, entry to which was closed on 29 December 1995.

Prior to 1 January 1995, where a member of the pension scheme transferred employment from one statutory authority to another, or between a statutory authority and a department, the practice of applying a "knock-for-knock" policy resulted in the new employing authority (or the Treasurer in the case of departments) having to assume responsibility for the pension liability with the previous employing authority (or the Treasurer in the case of departments) being discharged of the liability for the individual's past service. A similar transfer of responsibility occurred for liability arising from transfer benefits in the lump sum scheme. The above practice resulted in distortions in superannuation expense reported in financial statements (especially in some of the smaller authorities) where superannuation liability increased or decreased as a result of the transfer of an employee. The reason for introducing this instruction was to put in place arrangements to deal with these concerns.

From 1 January 1995, a system for the portability of an employee's unfunded superannuation entitlements in respect of the pension scheme or a transfer benefit in the lump sum scheme was established. Arrangements were modified in that certain statutory authorities (mainly hospitals) had an arrangement with the Treasurer that transfer benefits paid by the GESB to retiring employees were not recovered from the statutory authority.

From 1 July 2004, certain statutory authorities (i.e. non-liable statutory authorities) have an arrangement with the Treasurer where pensions and transfer benefits are paid by the GESB to retiring employees were not recovered from the statutory authority. Consequently, there is no responsibility for liability in respect of pensions and transfer benefits transferred to these authorities (such liability being assumed by the Treasurer). In this instruction such statutory authorities are defined as non-liable statutory authorities.
In respect of employee membership of the lump sum scheme, the payment of concurrent contributions by an authority means that no unfunded employee entitlement arises in respect of that service (liability in respect of transfer benefits arises in respect of prior membership of the pension scheme). Where there has been previous service with an employer who did not pay concurrent contributions, then unfunded employee entitlements will have arisen in respect of such service. However, authorities making concurrent contributions have no further liability in respect of such amounts.

This instruction provides a system for the portability of an employee's unfunded entitlement amounts (and thus the associated employer's unfunded liability) in respect of membership of the pension scheme under the *Superannuation and Family Benefits Act* (as continued under the *State Superannuation Act*) or a transfer benefit in the lump sum scheme under the *Government Employees Superannuation Act* (as continued under the *State Superannuation Act*). This instruction applies to employees transferring subsequent to 30 June 2004.

In respect of secondments, no formal transfer of employment has occurred and thus any unfunded superannuation liability does not transfer to the agency to which the secondment has been made. Consequently any superannuation expense arising from an increase in unfunded superannuation liabilities in such circumstances should, where material, be recovered during the secondment through inter-organisation charging.

The general responsibilities for meeting unfunded superannuation liability from 1 July 2004 in respect of pension and transfer benefits are set out in the following table:

<table>
<thead>
<tr>
<th>Employer</th>
<th>Responsibility for unfunded liability (Pension Scheme)</th>
<th>Responsibility for unfunded liability (Lump Sum Scheme) Transfer Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department</td>
<td>Treasurer</td>
<td>Treasurer</td>
</tr>
<tr>
<td>Liable Statutory Authority</td>
<td>Employer</td>
<td>Employer</td>
</tr>
<tr>
<td>Non-liable Statutory Authority</td>
<td>Treasurer</td>
<td>Treasurer</td>
</tr>
</tbody>
</table>

The changes to superannuation arrangements on 30 June 2004, has resulted in a shift of responsibility for the unfunded liabilities of the pension scheme and the transfer benefit in the lump sum scheme for certain agencies from the previous arrangements.

Departments' responsibilities remain unchanged from the previous arrangements. This is also the case for those statutory authorities that are not predominantly funded by an appropriation from the Consolidated Account (now defined as non-liable statutory authorities). Those statutory authorities that are predominantly funded by an appropriation from the Consolidated Account, including the TAFE colleges, (now defined as non-liable statutory authorities) now have their responsibilities for superannuation liabilities assumed by the Treasurer and are treated in the same way as departments.
For those statutory authorities such as hospitals, the responsibility for the unfunded liabilities in respect of the transfer benefit in the lump sum scheme remains unchanged (such liabilities already being assumed by the Treasurer), however responsibility for the unfunded liabilities of the pension scheme have now been assumed by the Treasurer. This means that these statutory authorities are also treated the same as departments (and defined as non-liable statutory authorities).

Agencies affected by the change in superannuation arrangements have already been notified accordingly.

**Superannuation Portability Obligations**

Under the portability scheme, the existing arrangements continue regarding liable statutory authorities being responsible for the amount of any unfunded employee entitlement for superannuation in respect of membership of the pension scheme or a transfer benefit in the lump sum scheme that is associated with each new employee transferring to the authority. However, the new employer will be compensated for assuming this liability. This compensation is in the form of superannuation portability obligations owed to the new employer by previous employers of each transferring employee.

Where an employee with such an associated employer's unfunded liability for superannuation leaves a liable statutory authority after 30 June 2004, the liable statutory authority will have a superannuation portability obligation to the new employer. This will be equivalent to the amount of employer's unfunded liability existing in respect of that employee at the time of transfer less any existing superannuation portability obligations (arising through the operation of this instruction) owed by previous employers in respect of that employee.

Where an employee with such an associated employer's unfunded liability for superannuation transfers into, or out of, a liable statutory authority, the GESB will advise the authority (authorities) involved. All amounts of employers’ unfunded liability and superannuation portability obligations will be determined by the GESB.

Recognition of a superannuation portability obligation liability will ensure that the previous employer meets an appropriate share of the final unfunded superannuation liability. The superannuation portability obligation asset compensates the new employer for assuming the previous employer's (unfunded) liability for superannuation in respect of the transferred employee. Any existing superannuation portability obligations owed to the previous employer, in respect of the employee, will also be transferred to the new employer.

Where an employee who is a member of the pension scheme transfers to a liable statutory authority from a department or non-liable statutory authority, any superannuation portability obligation in respect of that employee for periods of employment with a department or non-liable statutory authority are owed by the Treasurer to the liable statutory authority. Similarly, where an employee transfers from a liable statutory authority to a department or non-liable statutory authority, any superannuation portability obligation in respect of that employee for periods of employment with a liable statutory authority, are owed to the Treasurer.

The same principle applies for an employee who is entitled to the transfer benefit in the lump sum scheme.
Superannuation portability obligations are to be discharged following the payment of transfer benefits or pensions by the GESB. Settlement is also required in the case of employees who are members of the lump sum scheme and entitled to a transfer benefit who leave State public sector employment when resigning from a liable statutory authority as their deferred benefits are paid into the scheme at that point in time. Where employees leave the State public sector when resigning from a department or a non-liable statutory authority, settlement is not required until deferred benefits are paid out at normal retirement age (or on death or disablement).

For administrative convenience, upon the crystallisation of a member’s lump sum scheme benefit (member becomes a deferred member) the GESB will recoup superannuation portability obligations from liable statutory authorities at a time before the benefit becomes payable to the member. However, for departments and non-liable statutory authorities the GESB recoups the superannuation portability obligations on emergence of a benefit payment.

In the case of pension payments, the GESB will recoup the employer’s share of payments on behalf of the Treasurer against any related superannuation portability obligations, to the extent thereof, in the order that they were accrued (i.e. oldest first) or as determined by the GESB. Payments are recouped to the Treasurer as the employer’s share of pension payments are met in the first place by the State.

In the case of transfer benefit payments, the GESB will recoup from the last employing liable statutory authority the amount of the transfer benefit paid out to an employee on retirement less any superannuation portability obligations owed in respect of that employee. Payment of this net amount will extinguish that statutory authority’s obligations in respect of unfunded superannuation liability, and any claims in respect of any superannuation portability obligation assets in respect of that employee. The GESB will also recoup any superannuation portability obligation liability less any superannuation portability obligation asset for all previous employing liable statutory authorities.

Where amounts of superannuation portability obligations or other amounts of related unfunded employer liability for superannuation become due and payable, the collection procedure will be initiated through the issue of an invoice (or invoices) by the GESB to the relevant statutory authorities involved.

The assets and liabilities associated with the transfer of SPOs is illustrated by the following:

<table>
<thead>
<tr>
<th></th>
<th>Liability</th>
<th>Asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Employer</td>
<td>Total unfunded liability</td>
<td>SPO (A+B+C)</td>
</tr>
<tr>
<td>Previous Employer A</td>
<td>SPO A¹</td>
<td></td>
</tr>
<tr>
<td>Previous Employer B</td>
<td>SPO B²</td>
<td></td>
</tr>
<tr>
<td>Previous Employer C</td>
<td>SPO C³</td>
<td></td>
</tr>
</tbody>
</table>

Note 1: Unfunded liability accrued up to transfer to new employer less SPO (B+C)

Note 2: Unfunded liability accrued up to transfer to A less SPO C

Note 3: Unfunded liability accrued up to transfer to B
Measurement of employer's unfunded liability for superannuation

Employer's unfunded liability for superannuation is identified for the portability scheme in respect of employees who are members of the pension scheme, or employees who are members of the lump sum scheme and are entitled to a transfer benefit in respect of prior membership of the pension scheme. Employer's unfunded liability for superannuation and superannuation portability obligation amounts will be calculated by the GESB.

Employer's unfunded liability in respect of the pension scheme arises in respect of the State's share of the pension. Where the full required service period has been served and the required number of pension units are held, the State's share of pensions is 50 per cent of the employee's final salary or wage. The required service period for full entitlement varies according to when the employee joined the scheme. For employees who joined the scheme before 28 December 1967 the period was 10 years of membership, for those who joined before 8 December 1976, 20 years, and for those who joined on or after 8 December 1976, 30 years. The formula used by the GESB to calculate the employer's unfunded liability for superannuation arising from membership of the pension scheme, takes into account these requirements.

The ratio of an employee's total service period (which includes completed and potential service to age 60) to the required service period is applied to determine the pension level and the ratio of completed service to total service is applied to apportion the pension entitlement equally over the total service period. Additionally a factor is applied to take into account actuarial assumptions concerning life expectancies and inflation and discount rates to arrive at the present value of the future expected pension payments.

Employer's unfunded liability in respect of the lump sum scheme transfer benefits occurs where an employee transferred from the pension scheme to the lump sum scheme. The transfer benefit amounts to one per cent of the employee's current salary or wage for every month that the employee was a member of the pension scheme prior to transfer to the lump sum scheme. No discount factor is applied in calculating the liability in order that a benefit emerging prior to retirement age through death, disability or resignation from State government service is fully provided for.

The superannuation portability obligation is set at the date of transfer at the current salary rate for superannuation purposes (i.e. salary at last birthday) applicable to the employee in the agency from which the transfer takes place, and thus no adjustment is to be made for subsequent events that would otherwise result in increases in liability (such as through a salary increase on transfer or a subsequent promotion).

The amount, however, is to be incremented annually and up to the date of discharge of the obligation, through the accrual of interest to compensate for the relevant transferee authority or the Treasurer not having use of the funds involved.

The interest rate to be applied is the CPI rate (1 July to 30 June) determined annually by the GESB, plus one per cent. Interest is calculated on a daily basis and compounded annually at the end of June and at the date of discharge of the liability. Annual adjustments to superannuation portability obligation amounts will be calculated by the GESB.
Records of Superannuation Portability Obligations

The GESB will maintain a central record of superannuation portability obligations. Thus each liable statutory authority will only be required to maintain summary records of superannuation portability obligation amounts owed to or by the authority as advised to it by the GESB.

TREASURER’S INSTRUCTION

(1) This instruction applies to superannuation portability obligations, where applicable, in respect of employees taking up or terminating employment with a liable statutory authority on or after 1 July 2004.

(2) For the purposes of this instruction:

(i) ‘Board’ means the Government Employees Superannuation Board;

(ii) ‘lump sum scheme’ means the superannuation scheme established under the Government Employees Superannuation Act 1987 and continued under the State Superannuation Act 2000;

(iii) ‘non-liable statutory authority’ means a statutory authority which has an arrangement with the Treasurer that pension and transfer benefits are paid to retiring employees without recovery from the statutory authority;

(iv) ‘pension scheme’ means the pension scheme established under the Superannuation and Family Benefits Act 1938 and continued under the State Superannuation Act 2000;

(v) ‘liable statutory authority’ means a statutory authority other than a non-liable statutory authority; and

(vi) ‘superannuation portability obligation (SPO)’ means the obligation to an employer or the Treasurer in respect of the unfunded superannuation liability transferred to that employer or the Treasurer. The obligation is compensation from the previous employer or the Treasurer in respect of the liability transferred.

(3) For the purposes of this instruction an employer's unfunded liability for superannuation exists in respect of an employee where:

(i) the employee is a member of the pension scheme; or

(ii) the employee is entitled to a transfer benefit in the lump sum scheme.

(4) Where an employee with an associated employer's unfunded liability for superannuation in respect of the pension scheme takes up employment with a liable statutory authority:

(i) the new employer shall assume the full obligation in respect of that liability;
(ii) the amount of that liability shall also become a superannuation portability obligation from the previous employer (where the previous employer was a liable statutory authority) or the Treasurer (where the previous employer was a department or non-liable statutory authority), to the new employer; and

(iii) any prior superannuation portability obligations owed to the previous employer (where the previous employer was a liable statutory authority) or to the Treasurer (where the previous employer was a department or non-liable statutory authority) in respect of that employee:

(a) shall be transferred to the new employer; and

(b) the amount of the superannuation portability obligation referred to in paragraph 4(ii) above shall be reduced by the total amount of the prior superannuation portability obligations, including interest accrued to the date of transfer, so transferred.

(5) Where an employee with an associated employer's unfunded liability for superannuation in respect of the pension scheme takes up employment with a department or non-liable statutory authority and the previous employer was a liable statutory authority:

(i) the full obligation in respect of that liability will be assumed by the Treasurer;

(ii) the amount of that liability shall also become a superannuation portability obligation from the previous employer to the Treasurer; and

(iii) any prior superannuation portability obligations owed to the liable statutory authority in respect of that employee:

(a) shall be transferred to the Treasurer; and

(b) the amount of the superannuation portability obligation referred to in paragraph 5(ii) above shall be reduced by the total amount of the prior superannuation portability obligations, including interest accrued to the date of transfer, so transferred.

(6) Where an employee with an associated employer's unfunded liability for superannuation in respect of a transfer benefit in the lump sum scheme takes up employment with a liable statutory authority:

(i) the new employer shall assume the full obligation in respect of that liability;

(ii) the amount of that liability shall also become a superannuation portability obligation from the previous employer (where the previous employer was a liable statutory authority) or the Treasurer (where the previous employer was a department or a non-liable statutory authority), to the new employer; and
(iii) any prior superannuation portability obligations owed to the previous employer (where the previous employer was a liable statutory authority) or to the Treasurer (where the previous employer was a department or a non-liable statutory authority) in respect of that employee:

(a) shall be transferred to the new employer; and

(b) the amount of the superannuation portability obligation referred to in paragraph 6(ii) above shall be reduced by the total amount of the prior superannuation portability obligations, including interest accrued to the date of transfer, so transferred.

(7) Where an employee with an associated employer's unfunded liability for superannuation in respect of a transfer benefit in the lump sum scheme takes up employment with a department or a non-liable statutory authority and the previous employer was a liable statutory authority:

(i) the full obligation in respect of that liability will be assumed by the Treasurer;

(ii) the amount of that liability shall also become a superannuation portability obligation from the previous employer to the Treasurer; and

(iii) any prior superannuation portability obligations owed to the liable statutory authority in respect of that employee:

(a) shall be transferred to the Treasurer; and

(b) the amount of the superannuation portability obligation referred to in paragraph 7(ii) above shall be reduced by the total amount of the prior superannuation portability obligations, including interest accrued to the date of transfer, so transferred.

(8) All superannuation portability obligation amounts shall be as determined by the Board.

(9) Superannuation portability obligation amounts shall, until settled, be incremented by interest charges as determined by the Board.

(10) The following shall apply regarding payments by the Board in respect of pensions:

(i) where payment is made in respect of a pension of a former employee of a liable statutory authority who retired while employed with that liable statutory authority:

(a) any superannuation portability obligations owed to that liable statutory authority in respect of that former employee shall be paid to the Treasurer on demand to the extent of the employer's unfunded share of the pension payments made, in the order in which the superannuation portability obligations were first established or as determined by the Board; and
(b) where no superannuation portability obligations are owed to that liable statutory authority in respect of that former employee, or following the discharge of such superannuation portability obligations, the employer's unfunded share of pension payments made shall be paid by that liable statutory authority to the Treasurer on demand;

(ii) where payment is made in respect of a pension of a former employee of a department or non-liable statutory authority who retired while employed with that department or non-liable statutory authority, any superannuation portability obligations owed to the Treasurer in respect of that former employee, shall be paid to the Treasurer on demand to the extent of the employer's unfunded share of the pension payments made, in the order in which the superannuation portability obligations were first established or as determined by the Board.

(11) The following shall apply regarding payments in respect of transfer benefits:

(i) where the Board makes a payment in respect of a transfer benefit of an employee who has retired from a liable statutory authority or where an employee on resigning from such a statutory authority and leaving the State public sector has elected to defer transfer benefits:

(a) that liable statutory authority shall pay to the Board on demand an amount equal to the transfer benefit less the amounts of any superannuation portability obligations owing to that liable statutory authority in respect of that employee; and

(b) other liable statutory authorities shall pay to the Board on demand the amount of any superannuation portability obligations owing to the liable statutory authority referred to in (i)(a) above, in respect of that employee;

(ii) where the Board makes a payment in respect of a transfer benefit of an employee who has retired from a department or a non-liable statutory authority or who has previously, on resigning from a department or a non-liable statutory authority and leaving the State public sector, elected to defer transfer benefits, any superannuation portability obligations owed to the Treasurer by liable statutory authorities in respect of that employee shall be paid to the Board on demand.

(12) The amount of the payments required to be made to the Board or the Treasurer in terms of paragraphs (10) and (11) of this instruction shall be as determined by the Board, and shall take into account the financial effects of any specific agreement between a statutory authority and the Treasurer, or specific provisions in legislation, concerning the assumption of, or exemption from, all or part of the employer's unfunded liability for superannuation in respect of certain employees, or classes of employee, as applicable in each case.

(13) Adequate records shall be maintained by a liable statutory authority of superannuation portability obligations owing to, or by, it.
GUIDELINES

Superannuation liabilities assumed by the Treasurer

On 30 June 2004, the (unfunded) superannuation liabilities relating to pensions and transfer benefits of non-liable statutory authorities were assumed by the Treasurer. The implication of this arrangement is for the Treasurer to also effectively assume the SPO liabilities and SPO assets from the relevant statutory authorities affected.

For the purposes of this instruction, TI 955 ‘Contributions by Owners Made to Wholly Owned Public Sector Entities’ shall apply to the assumption of pension and transfer benefit liabilities subject to this arrangement. The net liabilities (or net assets) transferred from the non-liable statutory authorities to the Treasurer on 30 June 2004 shall be treated as a Contribution by Owner (or Distribution to Owner) calculated by taking into consideration the (unfunded) superannuation liabilities relating to pensions and transfer benefits, and any related SPO liabilities and SPO assets.
PART VII – FINANCIAL MANAGEMENT MANUALS

701 FINANCIAL MANAGEMENT MANUALS

BACKGROUND

The financial management manual is a key document within an agency that assists in promoting sound practices, procedures and policies in matters of financial management. It provides the means by which relevant changes in procedures, practices and policies are communicated and formalised throughout the organisation. The manual assists users to become fully conversant with the agency’s method of operation and ensures that disruption to operations is minimised as a result of staffing changes.

This instruction is the instrument requiring agencies to maintain a financial management manual and prescribes the minimum contents.

The onus for preparing and maintaining a manual is placed upon the accountable authority as the head of the agency. In most instances the chief finance officer would also carry some responsibility for this role.

The manual should be tailored to suit the agency so that it becomes a practical document assisting employees to perform their duties effectively. The level of detail to be included in the manual would be at the discretion of the accountable authority, assisted by the chief finance officer and would be commensurate with the significance, scope and complexity of the organisation’s operations.

Subsidiary financial management information system documentation may either be included in the manual or documented through references directing users to the relevant information.

The manual is the property of the agency and sufficient controls should be established to ensure that the accuracy and currency of the manual is maintained and that all officers have access to the current version. The manual may be either in hard copy or electronic form whichever is most appropriate.

TREASURER’S INSTRUCTION

(1) Every accountable authority is to ensure that a financial management manual is prepared and maintained in an up to date form in respect of the agency for which he or she is responsible.

(2) The financial management manual is to comply with and be consistent with the Act and the Auditor General Act 2006 and any other relevant legislation.

(3) The financial management manual shall be available to all members of staff of the agency and shall be complied with in all matters relating to financial management of the agency.

(4) The financial management manual shall contain all relevant details as to the policies and principles that apply to the financial management and external financial reporting of the agency. In particular, it shall include:

(i) the purpose, scope and use of the manual;

(ii) the legislative and other authority under which the agency operates together with the functions and activities it is required to perform;
(iii) a summary of any control exercised over the financial management of the agency by external parties;

(iv) authorisations by the accountable authority to the chief finance officer or other officers;

(v) a statement of accounting policies adopted in external financial reporting and the accounting standards adopted;

(vi) all necessary insurance requirements; and

(vii) a listing of any exemptions to the Treasurer's instructions granted by the Treasurer.

(5) The financial management manual shall include detailed procedures and practices to be used or followed by officers engaged in duties that involve financial aspects of the activities of the agency, including:

(i) control of and accounting for money received, including:
   (a) receipt of money by all methods utilised by the agency (including postal remittances);
   (b) cancelled receipts;
   (c) appointment of collection agents;
   (d) dishonoured revenue collections and collections made on behalf of other agencies;
   (e) custody and handing over of money, advances and monetary forms;
   (f) banking; and
   (g) accounting for all money received;

(ii) payment of money by all methods utilised by the agency;

(iii) recovery and writing off debts due to the State or statutory authority;

(iv) control of and accounting for amounts receivable (but not yet received) and amounts payable (but not yet paid);

(v) control of salaries and wages;

(vi) purchase, receipt, issue, sale, custody, control, management and disposal of public property or other property and accounting for all such property in accordance with agency adopted policy;

(vii) internal financial management reports as deemed appropriate by the accountable authority;

(viii) the establishment and keeping of financial records that will separately identify the costs and revenues relating to services provided by the agency and the costs and revenues relating to any manufacturing, trading, commercial or like activity conducted by the agency;

(ix) action to be taken on the occurrence of theft;

(x) the control of monetary forms and the storage and destruction of financial records;

(xi) amendments to the financial management manual; and
(xii) any other matters as considered relevant by the accountable authority for the effective operation of the financial management function.

(6) The financial management manual shall include:

(i) subject matter containing references to the relevant authority which may include the Act or any other Act, these instructions, any Regulations, Executive Council Minutes or other applicable authority;

(ii) a glossary of terms; and

(iii) risk management policies, procedures and standard checklists applicable to the agency.

(7) The accountable authority shall ensure that procedures are established that provide adequate control over the security and maintenance of the financial management manual.

(8) The financial management manual shall be made available to the Office of the Auditor General, upon request.
PART VIII – MISCELLANEOUS

801 ACCOUNTING FOR PUBLIC MONEY, STATUTORY AUTHORITY MONEY AND OTHER MONEY (MONEY HELD IN TRUST)

BACKGROUND

All money is classified as public money, statutory authority money or other money as defined in section 3 of the Act. Public money and statutory authority money is money collected, received or held by or on behalf of the State or a statutory authority respectively. Other money is private money collected, received or held by the State or statutory authority but is not held on behalf of the State or a statutory authority i.e. the money is held in trust by the State or a statutory authority.

Subject to any other written law, all money must be accounted for through the Public Ledger, established and maintained by the Treasurer in accordance with section 7 of the Act or agency special purpose accounts established under section 16 of the Act.

Agencies may receive money from various sources including appropriations, operating revenue, donations, bequests, grants and private money that may be categorised as general purpose money (operating revenues), specific purpose money or other money (money held in trust). These are accounted for in agency special purpose accounts as follows:

- Departments' operating accounts - section 16(1)(a);
- Accounts established by legislation (this would include statutory authority money) - section 16(1)(b);
- Accounts holding other money - section 16(1)(c); and
- Accounts holding only specific purpose money - section 16(1)(d).

Operating accounts can hold both general purpose and specific purpose money. Specific purpose money is money that the accountable authority has an obligation to use in accordance with the conditions or restrictions imposed by the donor or contributor. Specific purpose money is not private money. TI 805 'Departments' Operating Accounts' addresses policies and procedures for accounts established under section 16(1)(a).

TI 806 'Accounting for Specific Purpose and Other Money (Money Held in Trust)' addresses policies and procedures for specific purpose money not credited to the operating account, that is, specific purpose money required to be credited to a separate special purpose account (section 16(1)(d)) and money held in trust (section 16(1)(c)).

Treasurer's special purpose accounts for specific purpose money and other money established under section 10(a) and (f) are also addressed in the instruction.
Special purpose accounts operate on a cash basis. A special purpose account is a record of transactions against a specific bank account (or component thereof). The balance of a special purpose account can only be applied for purposes for which the account was established. Expenditure that may be charged to a section 16(1)(b) will be specified in legislation and expenditure that may be charged to a section 16(1)(c) or (d) will be specified in the Trust or Special Purpose Statement respectively. For section 16(1)(a) special purpose accounts refer to TI 805 ‘Departments’ Operating Accounts’. Subject to these requirements, payments may be made from a special purpose account to recoup accrued expenses (e.g. depreciation, accrued leave). However, a special purpose account cannot be operated on an accrual basis. Where an agency needs to record an activity on an accrual basis in its accounts, any relevant special purpose account will only represent the cash at bank.

TREASURER'S INSTRUCTION

(1) Subject to any other written law, public money, statutory authority money and other money shall be credited to the Consolidated Account, the Treasurer’s Advance Account or a special purpose account.
SPECIAL PURPOSE STATEMENTS AND TRUST STATEMENTS

BACKGROUND

Under section 17 of the Act and Treasury's instruction 806 ‘Accounting for Specific Purpose and Other Money (Money Held in Trust)’, the accountable authority must prepare and seek the Treasurer's approval to a special purpose statement or trust statement and the associated special purpose account for crediting certain specific purpose money or other money respectively.

The special purpose statement and trust statement detail the accountability and stewardship arrangements which the accountable authority is required to comply with in order to protect the interests of all relevant parties. It prescribes the purpose of the account, the money which may be credited to the account and how that money is to be spent.

The special purpose statement and trust statement draw their authority from the Act and therefore carry the force of law.

Under section 17, the accountable authority must forward a copy of the approved statement to the Auditor General. Further, Treasury's instruction 950 ‘Publication of Special Purpose Statements and Trust Statements’ requires new or amended statements to be published in the annual report in the year they are approved.

TREASURER'S INSTRUCTION

(1) The accountable authority shall prepare a special purpose statement for crediting specific purpose moneys or a trust statement for crediting other moneys to a special purpose account in accordance with section 17 and Treasurer's instruction 806 ‘Accounting for Specific Purpose and Other Money (Money Held in Trust)’.

(2) The special purpose statement or trust statement shall detail:

(i) the responsible agency and the title of the account;

(ii) the purpose of the account;

(iii) the money to be credited to the account including investment income where applicable;

(iv) the purposes for which expenditure may be charged to the account;

(v) that the administration, accounting and reporting is in accordance with the Act, instructions and regulations and any other legal requirements; and

(vi) the manner in which funds may be dealt with on closure of the account.
(3) The special purpose statement or trust statement shall be signed and dated by the accountable authority.

(4) The special purpose statement or trust statement is to be submitted to the Under Treasurer for the Treasurer’s approval.

(5) A copy of the approved special purpose statement or trust statement shall be forwarded to the Auditor General.

GUIDELINES

(1) The agency is required to send one copy of the special purpose statement or trust statement to the Under Treasurer for the Treasurer’s approval. Once approved, the agency is required to transmit a copy of the approved special purpose statement or trust statement (electronically or otherwise) to the Auditor General as required by section 17(4) of the Act.

(2) The special purpose statement or trust statement complements any agreement between the donor and the recipient and should therefore succinctly express the intent of the agreement i.e. what money can be received into the account, how money is to be applied. Any changes to the special purpose statement or trust statement should only mirror changes to the underlying agreement or other legal instrument.

(3) The special purpose statement or trust statement also complements any legislative, contractual or common law obligations which might apply to the money in the account. It is therefore essential that the provisions of the special purpose statement or trust statement are consistent with statute and common law obligations placed on trustees.

(4) Of particular importance is the ‘Payments’ clause which must be clearly enunciated so as to avoid the potential for misuse of funds. Agencies must also be aware that they are under an obligation to disburse funds only in accordance with the purposes for which the special purpose account is established.

(5) Agencies must make application to the Under Treasurer where there is a requirement to pay interest on funds in special purpose accounts.

(6) Where the terms and conditions under which the money is held require that the revenue derived from the investment of that money be applied to a specific purpose, that purpose should be clearly reflected in the ‘Payments’ clause of the special purpose statement or trust statement e.g. interest is expended but capital is preserved.

(7) When preparing the special purpose statement or trust statement, consideration should also be given to the inclusion of a clause which prescribes the terms and conditions regarding the distribution of funds remaining in the account should it be closed (‘Disposal of Funds on Cessation’). These terms and conditions may derive from, inter alia, a deed or bequest or by arrangement with donors at the time the donations are made.
Where circumstances require the closure of sections 10(a), 10(f), 16(1)(c) or 16(1)(d) special purpose accounts prior to the exhaustion of funds and no provision has been made in the agreement, trust deed or bequest for the distribution of the balance of funds remaining in the account, the direction of the Courts may be required to determine the appropriate treatment of those funds.

However, where section 10(a) or 16(1)(d) special purpose accounts hold funds from a parliamentary appropriation and is to be closed, the balance is to be transferred to the Consolidated Account.
803 SHORTAGES AND SURPLUSES OF MONEY

BACKGROUND

In circumstances where shortages and surpluses of money may occur, an appropriate level of control is necessary to ensure probity, to safeguard money and to maintain accurate and consistent accounting records. This requires the establishment of relevant reporting, investigation and accounting procedures. All shortages of money should be reported in the agency’s annual financial statements. In this regard, reference is made to the requirements of Treasurer's instruction 952.

The objective of this instruction is to ensure that such procedures are implemented. While allowing agencies to determine procedures appropriate to their circumstances, this instruction sets responsibilities and includes some procedural requirements to achieve a desirable level of consistency with respect to the treatment of shortages and surpluses of money. This instruction should be read in conjunction with section 49 of the Act which details the circumstances where an officer may be held liable for the shortage of money.

TREASURERS INSTRUCTION

(1) This instruction does not apply to money advanced to an officer to meet that officer's travelling expenses. An advance of this nature is the personal responsibility of the officer from the time that officer receives the advance.

(2) An officer who holds money shall be responsible for the safe custody and accounting for that money.

(3) Appropriate procedures shall be established for the reporting and investigation of shortages and surpluses of money.

(4) A shortage is deemed to be a loss for the purposes of the Treasurer's instructions.

(5) Shortages of money include cashiers shortages and shortages arising from thefts, break-ins and hold ups.

(6) A shortage in money under the control of an officer of an agency shall be met from the funds of that agency.

(7) For money to be banked and credited to the Consolidated Account, an amount equal to the amount of a shortage in money collected shall be banked on the day it is detected or on the next occasion on which banking is required in accordance with Treasurer's instruction 206. Cash advance facilities may be utilised to allow compliance with the requirements of this paragraph.
(8) Appropriate procedures shall be established in respect of surpluses of money which provide:

(i) that the surplus be banked on the day it is detected or on the next occasion on which banking is required in accordance with **Treasurer's instruction 206**;

(ii) for the amount of the surplus to be credited to a miscellaneous revenue account; and

(iii) for the processing of any subsequent claim in respect of a surplus or part thereof.

(9) There shall be maintained a register of shortages and surpluses of money.

GUIDELINES

A shortage or surplus of money is usually identified during the daily reconciliation process, where the amount of money on hand or banked differs from the amount of receipts recorded. In this case, the amount of shortage or surplus should be clearly documented on the daily reconciliation.

A shortage in the context of this instruction is not subject to the requirements of **Treasurer's instruction 807**.

The following guidelines are provided to assist in establishing procedures that deal with claims in respect of a surplus of money or part thereof:

(i) all claims should be in writing;

(ii) an appropriate investigation should be conducted into the circumstances of each claim;

(iii) a written report providing details of the claim and the results of the investigation should be prepared by an independent investigating officer; and

(iv) before any payment or refund is made the accuracy and validity of the claim should be demonstrated to the satisfaction of the accountable authority or officer designated by the accountable authority for such purpose.
804 RETENTION OF ACCOUNTING RECORDS

BACKGROUND

Accounting records must be retained to provide an adequate audit/management trail of financial transactions. Retention facilitates management’s knowledge of the agency, expedites audits by both internal audit and the Auditor General, and, compliance with legislation.

Under the State Records Act 2000 the State Records Commission (the Commission) has responsibility for establishing Principles and Standards by which State records are to be selected as State archives and for determining the retention periods for State records that are not to be State archives. Furthermore, unauthorised destruction of government records is an offence under the Act.

The Commission’s Standards address:

- Government Recordkeeping;
- Recordkeeping Plans;
- Appraisal of Records;
- Restricted Access Archives;
- Outsourcing;
- State Archives Retained by Government Organizations and associated Archival Storage Specification; and
- Managing Digital Information.

The Commission’s Standards include the General Disposal Authority for State Government Information (GDASG). The GDASG covers financial and accounting records common to most agencies and prescribes the minimum retention periods of specified records without the need for further recourse to the State Records Office or the Commission. However, accountable authorities should apply any additional retention requirements imposed by any other law or duty relevant to their records, prior to approving the destruction of their records.

Accountable authorities should also be aware that:

- an agency is required to transfer its archives to the State archives collection when those archives become twenty-five (25) years old;
- an agency wishing to retain custody of its archives beyond the compulsory transfer period, the records must be identified in its Recordkeeping Plan, in accordance with the State Records Act; and,
- some degree of flexibility may be exercised in the retention of original records that have been reproduced in another format in accordance with the Evidence Act 1906 (concerning the modifications of best evidence rules), subject to the State Records Act 2000 and the Commission’s Standards.

For the purpose of this instruction, a reference to ‘policies and standards issued by the State Records Commission’ includes the GDASG and its successor policy instruments.

TREASURER’S INSTRUCTION

(1) For the purpose of this instruction ‘accounting records’ has the same meaning as the word ‘accounts’ defined in the Auditor General Act 2006.
(2) Accounting records may only be destroyed in accordance with policies and standards issued by the State Records Commission and with prior approval of the accountable authority, unless required to be retained for a longer period by any other written law.

(3) Accounting records which are compiled from original source documents in support of the agency's financial statements must be:
   (i) readily available for inspection for two years after the completion of the audit by the Auditor General for the financial year to which they apply; and
   (ii) retained in accordance with paragraph (2) after the period specified in paragraph 3(i).

(4) Accounting records reproduced for storage in an alternate format, must be:
   (i) stored in accordance with the agency's approved Recordkeeping Plan; and
   (ii) capable of clear reproduction for the specified retention period.

(5) The financial management manual shall reference the agency's Recordkeeping Plan, procedures and appropriate controls to ensure accounting records are stored without amendment after the completion of the audit by the Auditor General.

GUIDELINES

The State Records Act 2000 requires every agency to have, and comply with, a Recordkeeping Plan approved by the Commission. A Recordkeeping Plan will:

   (i) stipulate that an agency will refer to the GDASG for the retention and disposal of its financial and accounting records;
   (ii) if applicable, justify any variations to retention periods for any records covered by the GDASG;
   (iii) if applicable, cover those financial and accounting records peculiar to the agency that are not covered under the GDASG. These must be included in the retention and disposal component of the Plan; and
   (iv) address the retention and disposal of original records that have been reproduced in another format, eg copied into microfilm or microfiche, or digitized. In considering the destruction of original records before the end of their minimum retention period, accountable authorities should weigh the costs of retaining the original records for a longer period against the likelihood of requiring to produce them in a court of law, and the loss or disadvantage should the reproduction not be accepted as evidence by a Court.

Records maintained under the Recordkeeping Plan may be in either physical or electronic formats, in accordance with the Electronic Transactions Act 2011. The risk of loss of both physical and electronic records are within the ambit of TI 825 ‘Risk Management and Security’.

In considering retention periods for and/or the destruction of accounting records, accountable authorities should not only have regard to the retention periods prescribed by the GDASG, this instruction and any other written law, but should also consider whether from an operational perspective it is practicable or wise to discontinue retaining the records in question [particularly where they act as or form part of a book of original (prime) entry or a ledger or subsidiary ledger].
Information contained in a general ledger for example, may be useful for an indefinite period of time. There also may be some merit in retaining certain records purely for their historical value.

The State Records Office should be consulted where necessary. Further information on the keeping of records is available at the following website address:

805 DEPARTMENTS' OPERATING ACCOUNTS

BACKGROUND

The accountable authority must establish for each department a special purpose (operating) account in respect of its activities in accordance with section 16(1)(a) of the Act. Section 16(2) requires the accountable authority to maintain appropriate and adequate records for accountability and stewardship purposes.

Unless credited to the Consolidated Account, Treasurer’s Advance Account or a separate special purpose account under an Act or Treasurer's instruction 806 ‘Accounting for Specific Purpose Money and Other Money (Money Held in Trust)’, all money received by a department must be accounted for in a departmental operating account. This may include:

(i) general purpose money such as appropriations, net appropriations, transfers from another agency under section 21 of the Act, unconditional donations and grants etc to enable the agency to perform its functions;

(ii) specific purpose money which includes donations and grants that the accountable authority is obliged to spend in accordance with conditions or restrictions specified or imposed by the donor or grantor for which there is no legal requirement to maintain a separate special purpose account e.g. discretionary scholarships. Although the accountable authority may have some discretion in how the money is used in the delivery of departmental services, the accountable authority has an obligation to maintain stewardship and accountability for this money and therefore appropriate controls and processes should be implemented. Specific purpose money is retained under a net appropriation determination;

(iii) suspense money pending identification of the purposes for which such money was received or identification of where money is to be credited or paid; and

(iv) administered receipts.

Where an agreement with a donor or contributor imposes a legal requirement that the funds be held in a separate account or a parliamentary appropriation is made to a special purpose account for a specific purpose, Treasurer’s instruction 806 requires specific purpose money to be credited to a separate Treasurer’s or agency special purpose account. These accounts are explained in Treasurer's instruction 806.

TREASURER'S INSTRUCTION

(1) Subject to any other written law, the accountable authority shall cause to establish one or more agency special purpose accounts for the operations of the department.

(2) An operating account may be established in relation to all the services under the control of a department or in relation to such of those services as are determined by the Treasurer, and different operating accounts may be
established in relation to different services under the control of the same department.

(3) Subject to the requirements in Treasurer’s instruction 806, there shall be credited to the operating account money appropriated by Parliament and money retained under a net appropriation determination.

(4) Money credited to the operating account shall only be applied for the services and purposes detailed in the annual budget statements, or authorised by the Governor under section 27 of the Act.

(5) Where specific purpose money is retained under a net appropriation determination and held in the operating account, the accountable authority shall implement appropriate controls to ensure compliance with the terms and conditions applying to such money.

GUIDELINES

(1) The accountable authority may authorise the chief finance officer to establish and administer the operating account.

(2) The operating account is a general ledger account in the department’s financial management system. A department may elect to have more than one operating account in accordance with paragraph (2) of this instruction.

(3) Where the accountable authority transacts specific purpose money through the operating account, there is a fiduciary obligation to utilise such money for their stated purposes. This may be achieved by separating specific purpose money from general operating money in the general ledger, outlining the procedures and processes for receiving/expending such money in the financial management manual, and ensuring that the controls are adequate etc.

(4) The accountable authority can ensure that the money is utilised for its stated purposes and protect the interests of the relevant parties by developing appropriate documentation to be signed by the relevant parties. This could be similar to the special purpose statement required for section 16(1)(d) accounts and explained in Treasurer’s instruction 802 ‘Special Purpose Statements and Trust Statements’ and TI 806.

(5) Under the Westminster system, departments can only expend money in accordance with their administered legislation, for services and purposes identified in the budget statements or for new items authorised by government from the Treasurer’s Advance Account.
BACKGROUND

This instruction describes the treatment of certain types of specific purpose money and other money. Treasurer's instructions TI 801 ‘Accounting for Public Money, Statutory Authority Money and Other Money (Money Held in Trust)’ and TI 805 ‘Departments’ Operating Accounts’ refer to general purpose money and specific purpose money that can be accounted for through an agency's operating account.

Specific purpose money

Specific purpose money is defined in this instruction as 'money that the accountable authority is obliged to spend in accordance with the conditions or restrictions specified by the donor or contributor'.

Specific purpose money may be public money or statutory authority money, which the accountable authority is obliged to spend in a specific manner. This occurs where a donor or contributor specifies conditions or restrictions on how the funds are to be used by the recipient. Agencies will generally account for specific purpose money in their operating account.

However, where an agreement with the donor or contributor imposes a legal requirement that the funds must be held in a separate account or where a parliamentary appropriation is made to a special purpose account for a specific purpose, the money must be accounted for in a separate Treasurer's or agency special purpose account established for that purpose in accordance with a determination made by the Treasurer under sections 10(a) or 16(1)(d) of the Act respectively.

If the agency does not already have a special purpose account established for such a purpose, the accountable authority must prepare a special purpose statement and request the Treasurer's approval to both the special purpose account and the associated special purpose statement under section 17 and section 10(a) or 16(1)(d) of the Act.

Other Money (money held in trust)

Other money is defined in section 3 of the Act as 'money collected, received or held by the State or statutory authority for or on behalf of a person other than the State or a statutory authority'.

Other money is money held on behalf of a person other than the State or a statutory authority and in the absence of some legal intervention, would benefit someone other than the State or statutory authority. The money is private in nature and is held in trust on behalf of the beneficiary. Patients’ private cash and contractors' deposits are examples of other money (money held in trust).

Other money must be accounted for in a separate Treasurer's or agency special purpose account established for that purpose in accordance with a determination made by the Treasurer under section 10(f) or 16(1)(c) of the Act respectively.
If the agency does not already have a special purpose account established for such a purpose, the accountable authority must prepare a trust statement and request the Treasurer’s approval to both the special purpose account and the associated trust statement under section 17 and section 10(f) or 16(1)(c) of the Act.

TI 802 ‘Special Purpose Statements and Trust Statements’ specifies the content for special purpose statements and trust statements.

Accountability for specific purpose and other money (money held in trust)

As the Act and Treasurer’s instructions apply equally to other money, public money and statutory authority money, these are subject to the same level of accountability and stewardship.

Agencies are also legally obliged to comply with any accepted terms and conditions applying to specific purpose money (irrespective of type of account in which money is held) or to other money. Adequate records must be maintained to ensure that money is spent for the purposes specified and is in accordance with the terms and conditions of the donation, grant etc, and to meet reporting obligations.

TREASURER’S INSTRUCTION

(1) For the purposes of this instruction, ‘specific purpose money’ is money that the accountable authority is obliged to spend in accordance with the conditions or restrictions specified by the donor or contributor.

(2) Subject to the requirements of paragraph (3) and any other Act, specific purpose money shall be credited to an agency’s operating account.

(3) Where the donor or contributor imposes a legal and/or specific requirement that money be held in a separate account or where an appropriation is made to a special purpose account for a specific purpose, the money shall be credited to a Treasurer’s special purpose account or an agency special purpose account in accordance with section 10(a) or 16(1)(d) of the Act respectively.

(4) Subject to the requirements of any other relevant written law, other money shall be credited to a Treasurer’s special purpose account or an agency special purpose account in accordance with section 10(f) or 16(1)(c) of the Act respectively.

(5) Where an accountable authority receives money to which paragraph (3) or (4) applies and the Treasurer has not made a determination under section 10(a) or (f) or 16(1)(c) or (1)(d) of the Act in respect of such money, the accountable authority shall prepare a special purpose statement or a trust statement (refer TI 802 ‘Special Purpose Statements and Trust Statements’) and request the Treasurer’s approval to the special purpose account and associated special purpose statement or trust statement under section 17 of the Act.

(6) The accountable authority shall ensure compliance with the accountability and stewardship of specific purpose money and other money.
(7) The accountable authority shall implement procedures that ensure the rights and obligations of donors and recipients are adequately documented.

GUIDELINES

(1) Donations, bequests or grants that do not have specific conditions attached and where discretion can be exercised on how the money will be spent should be treated as general operating revenues and credited to the operating account.

(2) Subject to written law, statutory authorities may only credit statutory authority money as defined in section 3 of the Act to their statutory operating account (irrespective of whether this is a section 16(b) special purpose account or held at a bank).

Therefore, when the accountable authority receives other money in the course of conducting its operations, this instruction and section 36 of the Act require that these moneys must be credited to a special purpose account.

(i) If the operating account is a section 16(b) special purpose account and the statutory authority does not have a special purpose account designated by the Treasurer for the purpose of other moneys, the accountable authority must prepare a trust statement under TI 802 and request the Treasurer's approval to a special purpose account and the associated trust statement under sections 16(1)(c) and 17 of the Act. The moneys in this instance would be held in a sub-division of the Public Bank Account; or

(ii) If the operating account is at a bank and the statutory authority does not have a special purpose account designated by the Treasurer for the purpose of other moneys, the accountable authority must prepare a trust statement under TI 802 and request the Treasurer's approval to the special purpose account and the associated trust statement under sections 16(1)(c) and 17 of the Act, and a bank account under section 13 of the Act. The Treasurer's approval would be required for the bank account to be operated outside the Public Bank Account.

(3) It may be difficult to determine whether money constitutes other money (money held in trust) in a purely legal sense without examining the underlying agreement or the legal instrument between the donor and recipient/receiving agency (or trustee). For example, donations or bequests for the granting of scholarships (trust property) to third parties (beneficiaries) may be regarded as other money (money held in trust) as the State (trustee) gets no benefit but has all of the obligations of the trustee. Agencies should examine the supporting documentation to understand the nature of the donation or bequest, and the extent of their own discretion in applying the money.

(4) If an agency cannot distinguish between specific purpose and other money (money held in trust), it should treat the money as specific purpose money or seek legal advice as to the nature of the money.

(5) As other money held in special purpose accounts is held for or on behalf of a person other than the State or a statutory authority, agencies have a fiduciary responsibility in respect of this money.
(6) Accountability and stewardship does not diminish where specific purpose money is credited to a departmental operating account.

(7) An agency may establish one account with a single special purpose statement or trust statement to hold money provided from a range of donors or contributors that are to be expended on a range of purposes (or a single purpose).
807 WRITE-OFFS

BACKGROUND

An important aspect of accountability and probity in the public sector is particularly apparent when it comes to public property, and revenue and other debts due to the State and statutory authorities. As part of the overall responsibility of the executive government, the requirement to write-off relevant amounts under section 48 of the Act provides the mechanism to ensure that the appropriate action is taken in terms of accountability and transparency. Built into this process are the varying levels of accountability (i.e. accountable authority, the responsible Minister and/or the Governor) depending on the monetary limits and conditions that have been prescribed under the regulations. This process also acts to highlight potential areas of concern in the general management of public property, and revenue and other debts due by agencies, thereby allowing the varying levels of accountability to take action where necessary.

Sections 48(2), (3) and (4) of the Act allow accountable authorities, Ministers and the Governor to write-off amounts in respect of public property, revenue and other debts due to the State or a statutory authority. Financial Management Regulation 7 imposes limits on the amounts that may be written off by accountable authorities and Ministers without the prior approval of the Governor.

In summary, the levels of authority for write-offs prescribed in the regulation are as follows:

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<tr>
<th>Reference</th>
<th>Limits</th>
<th>Agency</th>
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</thead>
<tbody>
<tr>
<td>Reg 7</td>
<td>Up to $100,000</td>
<td>Accountable authority</td>
</tr>
<tr>
<td>Reg 7</td>
<td>Up to $250,000</td>
<td>Responsible Minister</td>
</tr>
<tr>
<td>Reg 7</td>
<td>Over $250,000</td>
<td>Responsible Minister with approval of the Governor</td>
</tr>
</tbody>
</table>

Section 48(5) of the Act states that “Another written law that applies to a statutory authority prevails to the extent of any inconsistency with this section”. Accordingly, where other legislation provides write-off provisions in respect of a statutory authority those provisions will prevail to the extent of any inconsistency.

The requirement to write-off under this instruction relates to an agency’s stewardship of its revenues and assets. A write-off action under section 48 is required when it is considered that it is improbable or uneconomical to recover revenue and other debts due to the State or a statutory authority, or where public property has been stolen, lost or damaged.
Prior to seeking write-off approval, the accountable authority must take all reasonable actions to recover:

- outstanding revenues and other amounts which are receivable;
- overpayments by the agency; and
- losses suffered as a result of loss, damage, destruction or stock deficiency in respect of public property under its control or administration.

Write-offs are to be reported in the agency's annual financial statements. In this regard, reference is made to the requirements of Treasurer's instruction 952 ‘General Information in Financial Statements’.

TREASURER’S INSTRUCTION

(1) For the purposes of this instruction a ‘matter’ means the set of circumstances, event or thing giving rise to the write-off.

(2) Submissions for write-offs by agencies shall provide full details of the matter including:

(i) an audit trail of the original transactions relating to the proposed write-off;
(ii) file and other references, as necessary;
(iii) the individual amounts to be written-off; and
(iv) any details of recovery and remedial action taken.

(3) Submissions seeking the approval of the Governor in accordance with section 48(4) of the Act shall be forwarded through the responsible Minister to the Under Treasurer.

(4) The agency shall establish and maintain a register of all amounts and items written-off.

(5) The relevant amount that may be written-off under section 48 of the Act is in respect of one matter concerning public property and revenue and other debts due to the State or statutory authority.

(6) In the application of section 48 of the Act and Financial Management Regulation 7 if the public property:

(i) has been capitalised, the relevant amount that may be written-off for that property is to be taken to be the carrying amount;
(ii) has not been initially capitalised (i.e. expensed) the relevant amount that may be written-off at a future point in time is the estimated replacement cost; and
(iii) can be repaired, the estimated cost of repairs is the relevant amount that may be written-off.

GUIDELINES

No debt is to be written-off unless all reasonable actions have been taken to recover the debt and the debt is irrecoverable. Circumstances that may lead to the write-off of revenue and other debts, and public property include:

(i) receivables that are irrecoverable (including debts, fees and charges and overpayments);

(ii) losses or deficiencies of public property; and

(iii) loss of money due to failure to assess and levy revenue.

Under the framework of the Act, there are basically three situations that may arise where the interpretation of the term “write-off” will differ. These situations relate to whether amounts are being written-off in terms of accounting policy (i.e. AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ and materiality), legal (i.e. section 48 of the Act) or stewardship (i.e. Treasurer’s instruction 410 ‘Record of Assets’).

Agencies generally seek approval to write-off both as an authority to remove items from the accounts and as a discharge of the stewardship function in respect of public property.

The accounting and stewardship functions of a write-off may occur at different times. The purpose of a write-off is to gain approval not to take any further action to recover debts or property losses and to take the item out of the books. Simply because an item is not included in the financial statements does not mean that the agency’s stewardship function ceases to exist.

Public property write-offs

Section 48 of the Act write-offs in relation to public property are instances where public property is lost, stolen or damaged (to be collectively referred to as a ‘loss’). The loss may result from negligence, arson, vandalism, other criminal or reckless acts, omissions, natural disasters or by pure accident. For example, public property destroyed by a fire or stolen from an agency causing a partial or total loss of the assets.

Leasehold improvements are public property and would be subject to a section 48 of the Act write-off in the event of any partial or total loss.

The following are examples of situations that are not section 48 of the Act write-offs:

- Revaluation decrements under Australian Accounting Standard AASB 116 ‘Property Plant and Equipment’;
- Impairment under Australian Accounting Standard AASB 136 ‘Impairment of Assets’;
- Loss on sale or disposal of a public property;
• The demolition of buildings which are considered to be beyond their economic life, and where the demolition results from the deliberate and considered action of an accountable authority;

• The act of expensing instead of capitalising an asset. For example, writing down the value of an asset through normal depletion of the value of an asset (depreciation) or when the value of an asset has been determined to be less than its book value. However, an asset that has been fully expensed, but still has a value, may require a section 48 of the Act write-off if it is subsequently stolen, lost or damaged. The write-off approval of assets for which no value is recorded in the financial statements serves as a discharge of the agency’s stewardship function in respect of public property (TI 807(6)(ii));

• Assets which are identified as surplus to requirements, redundant or of no further use but still have a value;

• Assets that are obsolete and have no value. These assets only need to be written-off in the accounting sense, i.e. written out of the books or asset register;

• Losses arising from a change in fair value of individual financial investments or impairment of individual financial investments under Australian Accounting Standard AASB 9 ‘Financial Instruments’ that form part of an investment portfolio;

• Loss on sale of individual financial investments that form part of an investment portfolio;

• Uncollectibility of individual financial investments that form part of an investment portfolio, except where the entire investment portfolio becomes uncollectible. In contrast, section 48 applies if an entire investment portfolio becomes uncollectible; and

• Right-of-use assets arising from AASB 16 ‘Leases’, where the right-of-use asset is modified by a change in the terms of the lease arrangement.

For the purposes of this instruction the value of any partial ‘loss’ in relation to public property is the value of, or the cost of repairing or replacing, as the case requires, property that is lost, destroyed or damaged.

For the purpose of paragraph (6) of this instruction:

• carrying amount is the amount recognised in the financial statements; and

• estimated replacement cost is the cost of replacing the asset less an estimate of accumulated depreciation on that asset.

Agencies shall maintain a register of public properties written-off. The register shall record the details of the public property, the authority for write-off and any insurance recoveries.
Write-off of revenue and other debts

Section 48 of the Act write-offs in relation to revenue and other debts are instances where there is a legal right to receive revenue or a debt is owed and the payee defaults on this payment or the full amount of the debt is not collected. A shortage or loss of cash is not a write-off under section 48 of the Act unless a debtor has been recognised in respect of that shortage or loss. For example, where an individual or business owes funds to the agency for services provided and the individual or business is subsequently declared bankrupt and the amounts owing are irrecoverable.

The write-off approval process of a debt provides the authority to remove the debt from the accounts of the agency, as well as removing the obligation from the accountable authority to actively pursue recovery of that debt. However, the granting of approval to write-off a debt due to the State does not in any way relieve the debtor of the liability to pay and does not prohibit action to enforce payment from being taken. There have been cases where amounts which have been written-off have been subsequently recovered following a change in the debtor’s circumstances.

Before a debt may be regarded as irrecoverable, one of the following conditions must be satisfied:

- the debtor cannot be located; or
- it is uneconomical to finalise the recovery action due to the relatively small value of the debt; or
- the medical, financial, or domestic circumstances of a particular debtor at that time does not warrant further recovery action; or
- legal proceedings through the courts have proved, or on legal advice, would prove unsuccessful.

Agencies shall maintain a register of debts written-off. The register shall record the details of debt, the authority for write-off and any subsequent action to reinstate the debt. In certain circumstances a debtor may negotiate the payment of an amount that is less than the outstanding receivable in full and final settlement of the debt. The amount by which the debt is discounted represents a write-off.

Where all fees have been collected but the level at which they have been set is inadequate and an operating loss or deficiency results, there is no requirement to write-off under section 48 of the Act. This matter is a funding issue and the decision may be to raise future fees, obtain external funding (Consolidated Account appropriation) or to carry the loss/deficiency.

Write-off of inter-agency revenue and other debts

In addition to the guidelines above on write-off of revenue and other debts, where an irrecoverable debt is between government agencies, the debt must be written-off pursuant to section 48 of the Act only when the revenue and other debts are due from one statutory authority to another, or from the State (department/sub-department) to a statutory authority (or vice versa). This is because statutory authorities are legal entities
separate from the State. They can contract with each other (i.e. revenue and debt can be due from one statutory authority to another). Similarly, the State can enter into a contract with a statutory authority.

Where a write-off involves a department/sub-department and another department/sub-department, these agencies are to negotiate to resolve any disputes around non-payment of debts. As a guide, agencies should follow the requirements of the instruction. Alternative dispute resolution clauses could be built into any MOU arrangements that provides for a process in order to resolve disputes if and when they arise.

**Meaning of a ‘matter’**

The dollar limits imposed by Financial Management Regulation 7 relate to the value of one ‘matter’. The following provides guidance in determining what constitutes a matter for write-off purposes under this instruction.

For the purposes of this instruction, a ‘matter’ refers to the thing, set of circumstances or event giving rise to the write-off. Consequently, individual items to be written-off could each be considered as separate matters or grouped together as a single matter depending upon the circumstances leading to the need for the write-off. The grouping of items is not conditional upon the likeness or number of such items but on whether or not the items are linked together by a particular event. In determining what constitutes an event and which items are linked together, judgment must be exercised. The following examples may assist:

(i) following a stocktake there may be many diverse items to be written-off. These would be considered a single matter, for write-off purposes, as the items are linked by a single event (the stocktake); and

(ii) where a fire destroys various items of property, the loss of these items would be considered a single matter, for write-off purposes, as the various items are linked together by the event of the fire.

By contrast, individual debts to be written-off would constitute separate matters because they are not normally linked together by a particular event.

**Authority to write-off**

The power to write-off amounts is granted by section 48 of the Act, and the limits to the amounts which can be written-off by various individuals are prescribed by Financial Management Regulation 7. Subject to the following paragraph, an accountable authority cannot delegate its power to write-off under section 48 of the Act.

In a small number of cases, another Act of Parliament (i.e. other than the Act) may authorise the accountable authority to delegate its power to write-off under section 48 of the Act. If an accountable authority is uncertain whether it has the power to delegate the power to write-off, the accountable authority should seek legal advice from the State Solicitor’s Office.

However, it would not be unreasonable for an accountable authority to authorise officers within the agency to approve on a day-to-day basis write-offs of a routine nature or for
minor amounts for which no irreversible action has been taken, with such write-offs to be submitted on a periodic basis to the accountable authority for their ultimate approval.

**Insurance recoveries**

The fact that an asset (public property) is insured does not affect the operation of section 48 of the Act. Where a loss involves public property and the value of that property is recovered but not necessarily the physical property itself, write-off action under section 48 of the Act is still required. The relevant amount to be written-off in this situation would be the carrying amount of the asset. Any submissions for write-offs should also state the amount received or receivable from insurance. Insurance coverage in itself does not alleviate the responsibility of the accountable authority in carrying out their duties pertaining to the custody, control, management, stewardship and accounting of all public property under its control and/or responsibility.

**Credit Notes**

If a customer refuses to accept goods that have been supplied because there are problems with the quality of the goods or the wrong goods have been supplied, a credit note may be raised. A credit note may also be issued when the unit price is overcharged or goods are short delivered. Credit notes may be raised to adjust or cancel out the original sale, and are usually distinguished from a bad debt that arises when a customer does not pay and the debt is considered irrecoverable. Credit notes are often raised for the following reasons:

- customer refuses to accept supplied goods, owing to quality or specification issues;
- customer notifies supplier of incomplete delivery; or
- the unit price indicated on the invoice is overcharged.

However, there may be circumstances where agencies elect to issue a credit note or adjustment beyond normal commercial consideration, for example, the supplier may opt to issue a credit note rather than pursue the matter through legal action where the customer unjustifiably disputes the quality of the goods supplied. Under these circumstances, the issue of a credit note may represent a write-off of the debt owed to the State in accordance with the Act and this instruction.

It is a matter of judgment for the agency concerned to determine whether the issue of a credit note is an adjustment to the original transaction or a write-off.
RESOURCE AGREEMENTS

BACKGROUND

A resource agreement articulates for each agency the Government desired outcomes, the services to be delivered and the performance targets to be achieved (both financial and non-financial). The agreement also provides for accountable authorities to monitor and report performance against these targets.

Section 41 of the Act requires the accountable authority of an agency that has been directed to do so by the Treasurer, to submit a draft resource agreement for the Treasurer's agreement. As a general rule, resource agreements are required to be submitted by all budget-funded agencies and are signed as part of the annual budget process by the Minister, accountable authority and the Treasurer. Financial targets will be updated, by the Treasurer, at key times throughout the financial year to reflect the impact of subsequent Government decisions.

In accordance with section 61(2) of the Act, where an agency is covered by a resource agreement, the accountable authority is required to include in the annual report for a financial year a report on the extent to which the agency achieved any objectives described in the resource agreement. These objectives include budget targets for key performance indicators relating to government desired outcomes and services. Resource agreements also allocate accountabilities for achieving the agency’s financial targets, including agreed expense limits (i.e. total cost of services), net operating balance (net cost of services), net worth (equity), agreed salary expense level, agreed borrowing limit, and agreed working cash limit. These targets may change over time in line with Government financial policy objectives. Adherence to these targets is crucial to the achievement of the Government’s financial targets, published each year as part of its budget strategy in accordance with the Government Financial Responsibility Act 2000.

In addition to strengthening accountability for achieving outcomes, services and financial targets, resource agreements also recognise agency contributions to the achievement of whole-of-government and cross-agency initiatives.

TREASURER'S INSTRUCTION

(1) For the purposes of section 43 of the Act, a resource agreement for an agency is to:

(i) specify the agency level Government desired outcomes and services, and supporting key performance indicators of effectiveness and efficiency;

(ii) outline the agreed financial targets relating to the agency, in line with current Government financial policy objectives;

(iii) specify the agency's contributions to relevant whole-of-government and cross-agency initiatives; and

(iv) outline the conditions under which the agreement may be amended.

(2) The accountable authority is to:

(i) seek the respective Minister(s)' approval to the draft resource agreement; and
(ii) following the Minister(s)’ approval, submit the draft resource agreement for agreement by the Treasurer.

(3) In accordance with section 61(2) of the Act, the accountable authority is required to include in the agency’s annual report details of actual performance relative to the targets specified in the resource agreement.

(4) In complying with paragraph (3) of this instruction, the accountable authority is to adopt the format shown in the ‘template to report actual performance compared to resource agreement targets’ included in the Guidelines to this instruction.

(5) This Treasurer’s instruction applies as follows:

   (i) the template referred to in paragraph (4) applies to draft resource agreements for years beginning on or after 1 July 2015; and

   (ii) agency annual reports shall present information in accordance with the draft resource agreement relevant to that reporting period.

GUIDELINES

Draft resource agreements shall be submitted to the Under Treasurer, as part of the budget process, for consideration by the Treasurer. Financial targets will be updated, by the Treasurer, at key times throughout the financial year to reflect the impact of approved Government decisions. Agencies created part way through a financial year may also be required to submit a resource agreement.

Explanations of material variations between actual results and targets outlined in the resource agreement should be disclosed within the report on operations segment of the agency’s annual report. Agencies may wish to continue to disclose more detailed information including long term trends and supporting footnotes, either in the report on operations or in the ‘Disclosures and Legal Compliance’ section of the annual report. Further detail on the disclosure of performance information in agency annual reports is available in Treasurer’s instruction 904 ‘Key Performance Indicators’.

Application

Draft resource agreements (referred to in paragraph (5)) are submitted in advance of the reporting period to which they relate. For example, the draft resource agreement for the 2015/16 reporting period will be submitted to the Treasurer toward the end of the 2014/15 reporting period.

Financial disclosures for ‘Actual Results versus Budget Targets’ in agency annual reports for the reporting period ending on 30 June 2015, will incorporate only the financial aggregates included in resource agreements prepared in accordance with the version of TI 808 issued prior to 2 December 2014.

For resource agreements and financial disclosures in respect of reporting periods commencing on or after 1 July 2015, the Resource Agreement template required by paragraph (4) of this (current) instruction is to be used. For further illustration of financial reporting requirements, the model annual reports for the respective reporting periods will reflect the disclosures for ‘Actual Results versus Budget Targets’ required by paragraph 8 of Treasurer’s instruction 903 ‘Agency Annual Reports’.
Template to report actual performance compared to resource agreement targets

**Financial Targets**

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<th></th>
<th>Target $</th>
<th>Actual $</th>
<th>Variation $</th>
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<tbody>
<tr>
<td>Total cost of services (expense limit) (details from Statement of Comprehensive Income)</td>
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<tr>
<td>Net cost of services (details from Statement of Comprehensive Income)</td>
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<tr>
<td>Total equity (details from Statement of Financial Position)</td>
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<tr>
<td>Agreed salary expense level</td>
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<tr>
<td>Agreed borrowing limit (where applicable)</td>
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</table>

(1) As specified in the budget statements for the year in question.
(2) Explanations are required for material variations between target and actual results. Where actual results vary from the original budget target due to Government policy decisions made after finalisation of the budget, these decisions (and the associated financial impact) need to be described.

Agencies are required to operate within an agreed working cash limit, defined as five per cent of budgeted cash payments. This is detailed in the Department of Treasury’s Cash Management Policy.

**Working Cash Targets**

<table>
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<tr>
<th></th>
<th>Agreed Limit $</th>
<th>Target $</th>
<th>Variation $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreed Working Cash Limit (at Budget)</td>
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<td>n/a</td>
</tr>
<tr>
<td>Agreed Working Cash Limit (at Actuals)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Target to reflect the agency’s anticipated working cash for the relevant financial year.
(2) Actual to reflect the actual working cash held at the close of the financial year.
(3) Explanations are required for any variation where the actual working cash held at the close of the financial year exceeds the agreed limit.
### Key Performance Indicators

<table>
<thead>
<tr>
<th>Outcome (title)</th>
<th>Target(^{(1)})</th>
<th>Actual</th>
<th>Variation(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Effectiveness Indicator(s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Service (title)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key Efficiency Indicator(s)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) As specified in the budget statements for the year in question.

(2) Explanations are required for material variations between target and actual results. Where actual results vary from the original budget target due to Government policy decisions made after finalisation of the budget, these decisions (and the associated financial impact) need to be described.
809 LOAN INDEBTEDNESS

BACKGROUND

A prerequisite to effective debt management is the establishment of appropriate records of loan indebtedness. Agencies should record sufficient details to permit adequate planning and control of repayments (interest and principal) and debt levels.

TREASURER’S INSTRUCTION

Where an agency is authorised by the written law to borrow money, adequate controls shall be established and maintained to ensure that:

(i) particulars of all loan indebtedness are properly recorded in a register;
(ii) payments of interest, principal, or sinking fund contributions are promptly made in accordance with the terms and conditions of the relevant loan raisings; and
(iii) a separate record of loan indebtedness is kept for borrowings that are guaranteed by the Treasurer.

GUIDELINES

Registers of loan indebtedness should as a minimum contain the following information:

(i) amount of loan;
(ii) date of loan;
(iii) reference to loan approvals and documents;
(iv) date instalments due; and
(v) details of principal, interest and, if applicable sinking fund contributions.
810 REVIEW OF FEES AND CHARGES

BACKGROUND

This instruction requires accountable authorities of not-for-profit agencies (as mandated by Treasurer’s instruction 1101 Application of Australian Accounting Standards and Other Pronouncements), in respect of the services for which their agency provides, to conduct regular reviews of their agency’s fees and charges. As identified in the Costing and Pricing Government Services guidelines, the review process is designed to give reasonable assurance that the level at which a fee or charge is set is consistent with the cost recovery policy and not likely to exceed full cost recovery (full cost recovery may be exceeded where agencies set fees and charges at a level that is authorised by statute). The objective of undertaking regular reviews is to ensure that fees and charges:

(i) reflect movements in the input costs;
(ii) achieve, or make adequate progress towards achieving, full cost recovery where appropriate;
(iii) are not over-recovering costs;
(iv) are fair and equitable, and recognise household capacity to pay;
(v) are competitive, in comparison to service providers locally and in other jurisdictions; and
(vi) are comprehensive in that new fees and charges are designed and introduced in a timely manner.

To facilitate the review process, accountable authorities are also required to maintain a register of their agency’s fees and charges which may be in hard copy form or in the form of an electronic system that records relevant information. Such information will be provided to Treasury as and when required.

TREASURER’S INSTRUCTION

(1) This instruction applies to accountable authorities of not-for-profit agencies, for financial reporting periods beginning on or after 1 January 2019.

(2) The accountable authority shall be responsible for undertaking a full review of the agency’s fees and charges under the following circumstances:

(i) where changes have occurred that significantly impact on the agency’s costs of services (restructuring, introduction of a new service(s), or ceasing to provide a service(s); and
(ii) three years after the last full review.

(3) Notwithstanding paragraph (2) of this instruction, accountable authorities are not precluded from undertaking full reviews of their fees and charges on a more frequent basis.

(4) The accountable authority shall cause the establishment and maintenance of a register of fees and charges. The register may be in hard copy form or in the form of an electronic system that records relevant information.
(5) A register of fees and charges shall, as a minimum, contain the following information:

(i) the fee/charge name, or a description of the goods and/or services to be provided;

(ii) the name of the legislation that authorises the collection of the fee/charge;

(iii) the current fee/charge ($ per unit);

(iv) the existing level of cost recovery (%);

(v) the estimated revenue to be raised over the current reporting period;

and

(vi) the date of the last full review.

(6) When requested by the Under Treasurer, the accountable authority shall provide information as requested in respect of fees and charges.

GUIDELINES

The Department of Treasury usually requests details of review to assist in the budget process. Guidance is included in these requests, and also in the Costing and Pricing Government Services guidelines which are available at the following website address:

811 REGISTER OF SECURITY DOCUMENTS

BACKGROUND

Security documents are items of value and accordingly organisations should implement appropriate procedures to safeguard such documents. A register of security documents provides an organisation with both an appropriate control and a source of relevant information.

TREASURER’S INSTRUCTION

(1) For the purpose of this instruction security documents shall include:
   (i) guarantees, indemnities or sureties issued or received, whether of a financial or performance nature;
   (ii) negotiable instruments, whether issued or received;
   (iii) any document which is defined by the written law to be a security document; and
   (iv) any other document which the accountable authority determines shall be treated as a security document.

(2) Adequate controls shall be established and maintained to ensure:
   (i) that appropriate details of all security documents are recorded in a register of security documents;
   (ii) the safe custody of security documents; and
   (iii) that the register of security documents is reconciled annually with all security documents.

GUIDELINES

Registers of security documents should contain the following type of information:
   (i) the date of lodgement;
   (ii) a full description of the document concerned;
   (iii) the nature of the document;
   (iv) by whom the document is lodged;
   (v) in whose favour the document is lodged;
   (vi) the face value of the document;
   (vii) under what statute, regulation or authority the document is lodged;
   (viii) reference to where the security document is held;
(ix) particulars regarding the payment of interest; and

(x) the date and particulars of release, substitution or alteration.
The accountable authority shall, having regard to any government policy with respect to insurance, ensure that there is an appropriate level of insurance cover over all insurable risks of the agency, and shall review insurance arrangements in respect of an insurance policy or class of policies, where practicable, before the renewal of each policy or class of policies.
813 VARIANCES IN CAPITAL EXPENDITURE

BACKGROUND

This instruction guides the management of variances in expenditure on capital works as part of the State’s Asset Investment Program, including but not limited to the repurposing of surplus unspent moneys, to ensure prudent financial management across the public sector.

For any capital work with an estimated total cost of $5 million or more, accountable authorities must:

(i) advise the Under Treasurer in writing of the variance between the pre-tender estimate and the tender outcome, and between the tender outcome and approved estimated total cost for each contract; and

(ii) provide the Under Treasurer with a practical completion report for each contract.

To ensure that unspent moneys are allocated in accordance with Government priorities, accountable authorities seeking to repurpose unspent moneys from completed capital works are to seek the prior approval of the Treasurer, as Chair of the Expenditure Review Committee.

TREASURER’S INSTRUCTION

(1) For the purposes of this instruction:

(i) ‘estimated total cost’ means the estimated total cost of a capital work within the Asset Investment Program reported in an agency’s Budget Statements;

(ii) ‘pre-tender estimate’ means the estimated price of a capital work contract that is generated by the accountable authority prior to seeking tender from prospective suppliers;

(iii) ‘tender outcome’ means the cost of a capital work contract as specified in the awarded contract;

(iv) ‘practical completion’ is achieved when the works required to be performed under a capital work contract have been completed except for minor omissions and defects that do not prevent the works from being used for the intended purpose; and

(v) ‘date of practical completion’ means the date practical completion or equivalent is achieved in respect of a capital work contract.

(2) If the estimated total cost of an agency’s capital work is $5 million or more, the accountable authority must, within 30 days of awarding the main contract for the capital work, provide the Under Treasurer with written notice of:

(i) the variance between the pre-tender estimate and tender outcome; and

(ii) the reasons for any variance;
as detailed in paragraph (4) of the Guidelines to this instruction.

(3) If the estimated total cost of an agency’s capital work is $5 million or more, the accountable authority must, within 60 days of the date of practical completion, provide the Under Treasurer with a written practical completion report as detailed in paragraph (5) of the Guidelines to this instruction.

GUIDELINES

Capital Underspends

(1) It is the Government’s policy that, irrespective of the funding source for capital works, accountable authorities must seek prior approval from the Treasurer, as Chair of the Expenditure Review Committee, to repurpose any savings identified at tender outcome or thereafter, for capital works with an estimated total cost of $5 million or more, to another capital work or capital works.

(2) For the avoidance of doubt, this instruction applies to a capital work, regardless of whether or not the capital work is subject to a Gateway Review or similar project assurance framework.

(3) For the purposes of this instruction:

(i) a capital work may be comprised of one or more contracts;

(ii) a pre-tender estimate does not generally include an estimate of likely other costs of a capital work such as client costs or any other contracts associated with the capital work;

(iii) a tender outcome does not generally include other costs of a capital work such as client costs or any other contracts associated with the capital work; and

(iv) practical completion signifies that the accountable authority deems that the capital work is considered fit for its intended use but does not necessarily signify the completion of the capital work.

Advice to the Under Treasurer

(4) For the purposes of paragraph (2) of this instruction, written advice to the Under Treasurer is to be provided in a format as approved by the Department of Treasury and is to specify:

(i) contract title;

(ii) project identifiers for the capital work;

(iii) approved estimated total cost;

(iv) contract award date;

(v) value of pre-tender estimate in dollars;

(vi) value of awarded contract in dollars;
(vii) variance between value of pre-tender estimate and awarded contract, in dollars; and

(viii) variance between the approved estimated total cost (where different from the pre-tender estimate) and awarded contract, in dollars.

(5) For the purposes of paragraph (3) of this instruction, a written practical completion report is to be provided to the Under Treasurer in a format approved by the Department of Treasury and is to specify:

(i) the actual expenditure incurred at the time of the report;

(ii) the variance between the actual expenditure incurred at the time of the report and the tender outcome;

(iii) any variations to scope, cost and/or time relative to the tender outcome; and

(iv) the dates and authorities for any variations outlined in (iii).

(6) Information provided to the Under Treasurer under this instruction may be subject to a performance audit at the Auditor General’s discretion under the Auditor General Act 2006.
816 PREPARATION, PUBLICATION AND PRESENTATION OF ANNUAL ESTIMATES FOR CERTAIN SPECIAL PURPOSE ACCOUNTS OF DEPARTMENTS (DELETED)

The instruction was intended to capture any special purpose accounts that were created under the repealed Financial Administration and Audit Act 1985 but may not be covered under section 16 of the Act. The likelihood of this occurring is very rare; therefore, it is considered that the TI is no longer required and has been deleted.
## 819  TREASURY AND OTHER ACCOUNTING FORMS

### BACKGROUND

Accounting forms are an integral and vital part of any financial management system. They provide for the recording of minimum information requirements in a consistent format that facilitates data processing and provides control over the financial data input and information output of a financial management system. They are the means by which data input and information output of a financial management system, whether manual or computerised, are communicated. They also act as a means of storage of information, and provide a basis for calculation and authorisation.

The format adopted in respect of accounting forms should be relevant to the needs of the agency but should also be useful to those users, both internal and external, required to utilise such accounting forms.

The forms listed in paragraph (1) of this instruction are termed Treasury Forms as they are directly linked to the operations of the central accounts of government.

Agencies whose financial operations directly impact on the central accounts of government, must utilise these forms to ensure consistency in respect of the information provided to Treasury, in order to facilitate the efficient and accurate recording of the State's financial transactions in its central accounts. Consequently, the format of Treasury Forms is at the discretion of the Under Treasurer.

However, the format of accounting forms other than Treasury forms used by agencies is at the discretion of the accountable authority who must establish procedures for their approval relevant to the needs of the agency concerned.

### TREASURER'S INSTRUCTION

1. The following forms shall be termed Treasury Forms:

<table>
<thead>
<tr>
<th>Treasury Form</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Requisition to Transfer Moneys</td>
</tr>
<tr>
<td>2</td>
<td>Requisition for Transfer of Appropriations (25[2])</td>
</tr>
<tr>
<td>3</td>
<td>Requisition for Transfer of Appropriations (25[4])</td>
</tr>
<tr>
<td>4</td>
<td>Remittances to Treasury</td>
</tr>
<tr>
<td>8</td>
<td>Requisition for Advances</td>
</tr>
<tr>
<td>11</td>
<td>Requisition for Excess on Vote</td>
</tr>
<tr>
<td>12</td>
<td>Requisition for New Vote</td>
</tr>
<tr>
<td>17</td>
<td>Bank Receipt</td>
</tr>
</tbody>
</table>

2. The Under Treasurer shall approve the format of Treasury Forms.

3. The accountable authority shall establish procedures for the approval of the format of accounting forms, other than Treasury Forms, to be used by the agency.
TREASURY FORM 1

REQUISITION for authority to transfer money standing to the credit of a special purpose account to another special purpose account, where there is a transfer of service, as directed by the Treasurer in accordance with section 21(3) of the Financial Management Act 2006.

Service transferred: ________________________       Effective Date of Transfer: _____________

TRANSFER OF MONEYS

From (agency name): ___________________________________________________________________

<table>
<thead>
<tr>
<th>TRANSFEROR’S OPERATING ACCOUNT</th>
<th>TOTAL FUNDS AVAILABLE IN YEAR</th>
<th>AMOUNT EXPENDED/REPOSITIONED AT TRANSFER DATE</th>
<th>RECOMMENDED SECTION 21(3) TRANSFER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash assets (Controlled)</td>
<td>$’000 $’000 $’000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

_____________________________________    _______________________
Accountable Authority                          Date

To (agency name): ___________________________________________________________________

<table>
<thead>
<tr>
<th>TRANSFEE’S OPERATING ACCOUNT</th>
<th>TRANSFEE’S REQUEST/REQUIREMENT</th>
<th>RECOMMENDED SECTION 21(3) TRANSFER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash assets</td>
<td>$’000 $’000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

_____________________________________    _______________________
Accountable Authority                          Date

APPROVED

_____________________________________    _______________________
Treasurer                          Date
TREASURY FORM 2

Requisition for authority to transfer any unexpended amount of the relevant appropriation upon the transfer of a service or function from one agency to another after the commencement of an Appropriation Act, to be determined by the Treasurer in accordance with section 25(2) of the Financial Management Act 2006.

Section 25 requirement applies only to the transfer of appropriation for the current budget year. However, the purpose of this Form is to recognise all the financial implications and adjustments required from the transfer of functions.

Function/service being transferred: _______________________________________________________

<table>
<thead>
<tr>
<th>Year</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Transfer of Amount Appropriated to Deliver Services

From Item Number: ___________________________

<table>
<thead>
<tr>
<th>Cash Receipt</th>
<th>Non-Cash Items</th>
<th>Total Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

To Item Number: ___________________________

<table>
<thead>
<tr>
<th>Cash Receipt</th>
<th>Non-Cash Items</th>
<th>Total Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

Transfer of Capital Appropriation

From Item Number: ___________________________

To Item Number: ___________________________

Transfer of Holding Account Drawdowns

TRANSFERRING AGENCY: ________________________________________________________________

_________________________________  ______________________________
Accountable Authority               Date

RECEIVING AGENCY: __________________________________________________________________

_________________________________  ______________________________
Accountable Authority               Date

APPROVED

_________________________________  ______________________________
Treasurer                           Date
CONSEQUENTIAL AMENDMENTS TO FORWARD ESTIMATES FLOWING FROM SECTION 25 TRANSFERS IN THE CURRENT YEAR

Function/service being transferred: _________________________________________________________________

<table>
<thead>
<tr>
<th>Transfer of Amount Appropriated to Deliver Services</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
<td>From Item Number: _________________________________</td>
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</tr>
<tr>
<td>Cash Receipt</td>
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<td></td>
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<tr>
<td>Non-Cash Items</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total Appropriation</td>
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<tr>
<td>To Item Number: _________________________________</td>
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<td></td>
</tr>
<tr>
<td>Cash Receipt</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Non-Cash Items</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total Appropriation</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Transfer of Capital Appropriation

| From Item Number: _________________________________ |      |      |      |      |      |
| To Item Number: _________________________________   |      |      |      |      |      |

Transfer of Holding Account Drawdowns
## Statement of Comprehensive Income

### Income

- Sales of goods and services
- Regulatory fees and fines
- Grants and subsidies
- Other revenues

### Total Income

### Expenses

- Employee benefits
- Grants and subsidies
- Supplies and services
- Accommodation
- Depreciation and amortisation
- Other expenses

### Total Expenses

## Statement of Financial Position

### Assets

- Cash at bank
- Restricted cash
- Holding account receivables
- Receivables
- Property, plant and equipment
- Other

### Total Assets

### Liabilities

- Employee provisions
- Payables
- Borrowings
- Other

### Total Liabilities

### Year $’000 | Year $’000 | Year $’000 | Year $’000 | Year $’000
---|---|---|---|---


Requisition for authority to transfer an amount appropriated by an Appropriation Act by way of a central appropriation for a general purpose for the financial year ending 30th June _________ to another appropriation item, as directed by the Treasurer in accordance with section 25(4) of the Financial Management Act 2006.

General purpose of appropriation: _________________________________

<table>
<thead>
<tr>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
<th>Year</th>
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<tbody>
<tr>
<td>$'000</td>
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</tbody>
</table>

Transfer of a central appropriation for a general purpose to another appropriation item

From Item Number: ____________________________

Cash Receipt

Non-Cash Items

Total Appropriation

Agency ________________________________

To Item Number: ____________________________

Cash Receipt

Non-Cash Items

Total Appropriation

Note: See attachment for details if applicable

UNDER TREASURER ____________________________ Date

APPROVED

TREASURER ____________________________ Date
**TREASURY FORM 4**

GOVERNMENT OF WESTERN AUSTRALIA  
REMITTANCES TO TREASURY

**Department/Statutory Authority**  
TREASURY

INITIATING DEPT ABBREV  
T S E

**BATCH NUMBER:** ___ ___ ___ ___

<table>
<thead>
<tr>
<th>Fund/Account To Be Credited</th>
<th>TABS Account Code</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
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**TOTAL**

**DETAILS OF REMITTANCES**

<p>| | | |</p>
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</tbody>
</table>

**AUTHORISING OFFICER**

<table>
<thead>
<tr>
<th>DATE</th>
<th>TOTAL</th>
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<tbody>
<tr>
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</tbody>
</table>

APP 27/11/97
REQUEST for a repayable advance under section 28(1) of the Financial Management Act 2006. The advance is to be made on the terms and conditions set out below, and is to be repaid by [insert name of person or body responsible for repaying the advance] before the end of the financial year ending 30th June [insert year].

<table>
<thead>
<tr>
<th>PURPOSE OF ADVANCE</th>
<th>AMOUNT $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the advance to be made for the temporary financing of works and services of the State under section 28(1)(a)(i)?</td>
<td></td>
</tr>
<tr>
<td>Is the advance to be made to a public authority under section 28(1)(a)(ii)?</td>
<td></td>
</tr>
<tr>
<td>Is the advance to be made to the credit of a special purpose account under section 28(1)(a)(iii)?</td>
<td></td>
</tr>
<tr>
<td>Is the advance to be made for the purchase of stores under section 28(1)(a)(iv)?</td>
<td></td>
</tr>
<tr>
<td>Is the advance to be made for the temporary financing of works and services undertaken in the circumstances described in section 28(1)(b)?</td>
<td></td>
</tr>
</tbody>
</table>

I certify that it is necessary that the amount of $ [dollars] be provided for the abovementioned purposes for the financial year ending 30th June [insert year].

_________________________________________  _______________________________________
Accountable Authority                                                                          Agency

RECOMMENDED

_________________________________________  _______________________________________
Minister                                                                                      Date

APPROVED

_________________________________________  _______________________________________
Treasurer                                                                                     Date

Amend the signature block if Treasury officers are exercising the power under delegated authority from the Treasurer
**TREASURY FORM 11**

**REQUISITION** for authority to incur expenditure that exceeds the amount appropriated by an Appropriation Act for the financial year ending 30th June _______, to be authorised by the Treasurer under section 27(2) of the *Financial Management Act 2006*.

**CONSOLIDATED ACCOUNT**

<table>
<thead>
<tr>
<th>ITEM NO.</th>
<th>DESCRIPTION OF ITEM</th>
<th>BUDGET ESTIMATES</th>
<th>AMOUNT EXPENDED TO DATE (insert date)</th>
<th>AMOUNT NOW APPLIED FOR</th>
<th>PREVIOUS SUPPLEMENTARY FUNDING DURING CURRENT FINANCIAL YEAR</th>
<th>TOTAL SUPPLEMENTARY FUNDS REQUIRED</th>
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**Total ............**

I certify that it is necessary that the amount of $ ___________________ (Column 3) be provided to meet the requirements of this agency for the financial year ending 30th June ________.

__________________________  ____________________________
Accountable Authority      Agency

**RECOMMENDED**

__________________________  ____________________________
Minister                   Date

**APPROVED**

__________________________  ____________________________
Treasurer                  Date

**ENDORSED** This Form is to be endorsed by the Under Treasurer before being forwarded to the Treasurer

__________________________
Under Treasurer  Date
**TREASURY FORM 12**

**Executive Council No. ____________**

**REQUISITION** for authority to incur expenditure that has not been provided for by an appropriation by an Appropriation Act for the financial year ending 30th June ____________ for authorisation by the Governor in Executive Council on the recommendation of the Treasurer, under section 27(1) of the *Financial Management Act 2006*.

### CONSOLIDATED ACCOUNT

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<tr>
<th>PURPOSE AND DESIGNATION OF ITEM</th>
<th>AMOUNT NOW APPLIED FOR</th>
<th>PREVIOUS AUTHORISATION DURING CURRENT FINANCIAL YEAR</th>
<th>TOTAL SUPPLEMENTARY FUNDS REQUIRED</th>
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Total ………………..

I certify that it is necessary that the amount of $ ________________ ___ be provided to meet the requirements of this agency for the financial year ending 30th June _____________.

__________________________  __________________________
Accountable Authority        Agency

**THE HON TREASURER**

I have considered this requisition and recommend your approval and the approval of the Governor in Executive Council.

__________________________  __________________________
Minister                    Date

**RECOMMENDED**

That the necessary funds be provided

__________________________
Treasurer

**APPROVED**

__________________________  __________________________
Clerk of Executive Council        Date

**ENDORSED** This form is to be endorsed by the Under Treasurer before being submitted to the Treasurer

__________________________  __________________________
Under Treasurer                  Date
BACKGROUND

Contracting is an integral part of doing business in the public sector. The delivery of many government services and programs often involve contracting with private sector entities. Contracts may vary in size, complexity, value, duration and risks, but all benefit from a strong approach to contract management.

Effective contract management is consistent with good financial management practice. This includes monitoring of a contractor’s performance against agreed contractual requirements and/or milestones, which in turn enables the early identification of risks and effective risk management.

This instruction requires accountable authorities to maintain a register of contracts, which may be in hard copy form or in the form of an electronic system that records relevant contract information. The register must enable the information to be easily accessed and retrieved. The establishment and maintenance of a register of contracts that contains details of the agency’s contracts is essential from an accountability perspective and also assists agencies in meeting their financial reporting obligations.

It should be noted that paragraph (5) of this instruction specifies the minimum information that needs to be included in the register. The level of detail to be included in the register, beyond the minimum information specified, is at the discretion of the accountable authority, and should be specified in the financial management manual. The details recorded in the register should be commensurate with the significance, scope and complexity of the agency’s operations.

As a transitional measure, the requirement for agencies to establish and maintain a register of contracts is to apply 90 days after the date of gazettal notice of the issue of this instruction.

TREASURER’S INSTRUCTION

(1) The accountable authority shall cause the establishment and maintenance of a register of contracts. The register may be in hard copy form or in the form of an electronic system that records relevant contract information.

(2) Subject to paragraph (3) of this instruction, a contract must be recorded in the register if it has a dollar value of more than $50,000 and it:

(i) results in revenue to or expenditure by the agency; or

(ii) relates to any dealings with an asset or liability (other than in relation to employees) controlled or administered by the agency.

(3) Subject to materiality, the accountable authority may establish a dollar value higher than $50,000, but no more than $100,000.

(4) A contract must remain recorded in the register at least 12 months after its completion.
(5) A register of contracts shall, as a minimum, contain the following information:

(i) the contract title, or a description of the subject matter of the contract, for example, the goods, services or works to be provided or project to be undertaken;

(ii) the estimated dollar value of the contract at commencement;

(iii) final contract dollar value and the total value of approved variations;

(iv) foreign exchange exposure (if applicable);

(v) the counterparty name and contact details;

(vi) the commencement date and duration of the contract (if applicable);

(vii) the name and position of the contract manager; and

(viii) the scheduling and manner of contractor performance reviews where the agency is the recipient of goods or services (if applicable).

(6) A reference in this instruction to the “dollar value” of a contract is to the total value of that contract (in Australian dollars), including GST and any fees, interest or other amounts payable to the contract counterparty and taking into account all extension options available under the contract.

GUIDELINES

A register of contracts is a listing of contracts with a dollar value of more than $50,000 entered into by an agency, including information on the contract’s purpose, duration, relevant financial information and details of the counterparty. The register may be either in hard copy or electronic form whichever is most appropriate, and should be easily accessible and retrievable.

The register should contain information on an agency’s ‘live’ contracts. The information is to be entered on the register within 30 days of the contract being entered into, and should remain on the register for the term of the contract, plus 12 months after the contract completion.

When calculating the dollar value of a contract, agencies should not divide a contract into multiple parts (that is, disaggregate or split the contract) for the purpose of avoiding the requirement of entering it into the register.

Although this instruction establishes a mandatory dollar value above which an agency must record its contracts, contracts below this set amount may also be recorded at the agency’s discretion. On the other hand, given the nature of an agency’s operations and subject to materiality, it may be appropriate to establish a limit higher than $50,000 (but no more than $100,000). Agencies should consider their own individual circumstances in selecting the threshold of contract value that may vary from the value mandated by this instruction. The policy for recording contracts should be disclosed in
the agency’s financial management manual as required by TI 701 ‘Financial Management Manuals’.

Where contracts are entered into with a foreign currency exposure, agencies should also refer to TI 826 ‘Managing Foreign Exchange Risk’.

The requirement in paragraph (5)(viii) to record contractor performance reviews in the register will normally not apply to contracts dealing with single point-in-time transactions, such as discrete purchases. Evidence of the scheduling and manner of contractor performance reviews that may be recorded include the dates of the review and the name and signature of the reviewer.

In order to be able to conduct effective performance reviews, an agency should clearly define in its contracts the performance standards, review mechanisms (e.g. client/user feedback, contract management meeting) and deliverables (milestones and key dates) required from the contractor. The list of key performance measures to be used for measuring the contractor’s performance, how frequently monitoring will take place (e.g. quarterly, annually), and the reporting arrangements do not need to be recorded in the register but should be documented separately.

Records of performance reviews, feedback and reports of any non-compliance, or under or non-performance need to be created and retained during the contract period.

To ensure the completeness and accuracy of the register of contracts, the accountable authority should:

(i) develop a formal procedure for the maintenance of the register of contracts;

(ii) clearly assign responsibility for maintaining the register to an individual(s) or work area(s); and

(iii) ensure the periodic review of the register by internal audit or other review mechanisms.

In order to maintain the accuracy and reliability of the information in the register, the accountable authority should also provide a secure control system to ensure unauthorised staff do not have access to, and cannot amend or alter, contract details.

The following transactions/agreements do not need to be recorded in the register of contracts because this information is either publicly available or monitoring arrangements are already in place:

(i) orders, purchases and transactions under a standing offer for agency-specific panel arrangements, where the head agreement is published and the details of the standing offer are already recorded in the register of contracts (variations to the awarded amount would need to be recorded);

(ii) agency-to-agency agreements such as leases for office accommodation or memorandums of understanding for services or project resourcing; and

(iii) agency administered grants, sponsorship arrangements and/or Commonwealth funding agreements.
Contracts formed pursuant to a Common Use Arrangement (CUA) are required to be recorded in accordance with this instruction unless the relevant CUA Buyers Guide states otherwise. Information about all current CUAs and the relevant CUA Buyers Guide are available from the Department of Finance’s ContractsWA website: https://www.wa.gov.au/government/cuas/common-use-arrangements-cuas

This instruction is to apply 90 days after the date of gazettal of notice of the issue of this instruction.
821  REGISTER OF GUARANTEES AND INDEMNITIES

BACKGROUND

The State government enters into legal obligations from time to time that will require the State to pay money at a future date to another person or body outside the State Public sector, or to a State agency, or to a State instrumentality established under Corporations Law, if a specified circumstance or set of circumstances either does or does not occur in the future, the occurrence of those circumstances being uncertain. These legal obligations may be set out in a formal document, or in a letter, or may be imposed by legislation.

This instruction requires a record to be kept of all guarantees and indemnities specifically authorised by statute and of sureties (which are guarantees or indemnities issued without specific legislative authority), other than indemnities which are provided incidental to the performance of another function such as the purchase of a good or service.

Government has adopted the policy that:

(i) the issue of sureties, other than indemnities issued incidental to another function, be limited to the Treasurer after having been first approved by Cabinet; and

(ii) a copy of each surety issued be tabled in Parliament within 10 sitting days and a copy be provided to the Auditor General within 10 days.

Each accountable authority with administrative responsibility for legislation that authorises the issue of a guarantee or indemnity, or for a matter for which a surety has been given, is required to maintain registers of all such statutory guarantees, statutory indemnities and sureties issued or given.

These registers may be structured to also meet the requirement that accountable authorities provide a register of loan indebtedness under Treasurer's instruction 809 ‘Loan Indebtedness’. The Under Treasurer's approval is required for a system of recording that does not hold all guarantee and indemnity data in one single register.

Treasury maintains a central register of all statutory guarantees, statutory indemnities and sureties issued or given (other than indemnities issued incidental to the performance of another function), to facilitate the reporting of statutory guarantees, statutory indemnities and sureties in the Annual Report on State Finances.

As a general practice, entries are made in the Treasury register on advice by agencies at the time a statutory guarantee, statutory indemnity or surety is given, and the central register is periodically compared with agency registers using regular periodic returns from agencies. As the financial liabilities incurred by the Western Australian Treasury Corporation (WATC) are guaranteed under the Western Australian Treasury Corporation Act 1986, the borrowings by State agencies from WATC triggers a guarantee at the time WATC borrows, and it is not necessary for agencies to provide advice to Treasury of such borrowings at the time they are drawn down from WATC, even if they are also guaranteed under the agency's separate legislation, as WATC will hold the necessary information.
Accordingly, accountable authorities are required to advise Treasury immediately upon the issue of a statutory guarantee, statutory indemnity or surety, other than guarantees in respect of borrowings from WATC. However, accountable authorities are to provide information to Treasury on the status of these statutory guarantees, statutory indemnities and sureties, including information on borrowings from WATC, when and as required.

It should be noted that the following are not of the nature of a guarantee or indemnity for the purposes of this instruction:

(i) asbestosis claims against government agencies;

(ii) aggrieved parents taking action against teachers as a result of school matters, for example, inadequate education, or injuries through lack of supervision;

(iii) patients taking action against hospitals and their doctors;

(iv) possible obligations to pay damages in respect of pending lawsuits;

(v) agencies undertaking to repair or meet the cost of repairing any damage that may be caused to buildings, fences or other property in the normal course of the agency's business, such as the provision or maintenance of water, sewerage or electricity services or the construction of a road; and

(vi) indemnities given incidental to the performance of another function, such as the purchase of a good or service (e.g. a contract where the purchaser indemnifies the supplier of software against any unauthorised use of that software).

TREASURER'S INSTRUCTION

(1) For the purpose of this instruction:

(i) ‘Guarantee or Indemnity’ means:

(a) a Statutory Guarantee or Indemnity;

(b) a Surety

which exposes the State to a liability but does not include:

(aa) an indemnity granted as part of, and incidental to, an agreement, transaction or arrangement between the grantor and the beneficiary or recipient of the indemnity, the principal purpose of which is not the grant of the indemnity; or

(bb) an indemnity granted to persons or officers in the performance of their duties for the State or for any public authority or public body of the State;

(ii) ‘Statutory Guarantee or Indemnity’ means a guarantee or indemnity granted or arising under the authority of any statute;

(iii) ‘Surety’ means a guarantee or indemnity which is not a statutory guarantee or indemnity.
(2) An accountable authority or other officer shall not grant any surety.

(3) (i) Where any Guarantee or Indemnity is granted, the accountable authority shall cause to be provided to the Under Treasurer the information specified in paragraph (6).

(ii) This paragraph does not apply to Statutory Guarantees of borrowings from the Western Australian Treasury Corporation or to any other arrangement specifically excluded from this paragraph by notice in writing from the Under Treasurer to the accountable authority.

(4) Applications for the issue of a Guarantee or Indemnity by the Treasurer shall be submitted through the Under Treasurer supported by all relevant information.

(5) There shall be established and maintained:

(i) either one register in which shall be recorded details of all Guarantees and Indemnities granted, showing:

(a) Statutory Guarantees and Indemnities; and

(b) Sureties

separately, or a system of recording approved by the Under Treasurer adequate to record the data required under paragraph (6);

(ii) documented criteria, procedures and guidelines for the assessment (including risk analyses in respect of the issue and non-issue of a Guarantee or Indemnity), evaluation, approval, issue and monitoring of Guarantees and Indemnities; and

(iii) adequate controls that ensure the safe custody of documents relating to the assessment, evaluation, approval, issue and monitoring of Guarantees and Indemnities.

(6) The following details should wherever possible be recorded in the register of Guarantees and Indemnities referred to in paragraph (5):

(i) the authority for the grant of the Guarantee or Indemnity;

(ii) the name of the person or body granting the Guarantee or Indemnity, the name of the recipient and the name of the person or organisation for whose benefit the Guarantee or Indemnity is granted;

(iii) the terms and conditions (including the terms of repayment of any loan) of the Guarantee or Indemnity;

(iv) the date on which the Guarantee or Indemnity was granted;

(v) the amount of the liability (if known, otherwise a considered and reliable estimate is acceptable);
(vi) the circumstances under which the Guarantee or Indemnity may be 
invoked, or an appropriate reference to where details pertaining to 
those circumstances are recorded;

(vii) the date on which the Guarantee or Indemnity is due to expire;

(viii) the form of security (if any) taken in support of the Guarantee or 
Indemnity; and

(ix) the manner in which the Guarantee or Indemnity has been discharged.

(7) The Under Treasurer shall cause a control register to be maintained of all 
Guarantees and Indemnities showing:

(i) Statutory Guarantees and Indemnities; and

(ii) Sureties

separately, and may record the liability under Statutory Guarantees, 
Statutory Indemnities and Sureties in aggregate by statute.

(8) Notwithstanding anything in this instruction, the accountable authority shall, 
when requested by the Under Treasurer, cause to be provided such 
information as may be requested in respect of Guarantees and Indemnities.
822 BORROWINGS

BACKGROUND

A revised policy for the management of debt has been approved by the government given that the borrowing of funds generally impacts on the State’s total public sector net debt position and in order to ensure prudent financial management across the public sector.

Under the State’s current legislative framework, public sector agencies are not permitted to borrow funds unless specifically authorised under their enabling legislation, and the form of approval required to borrow varies across the public sector. In this regard, relevant legislation may require the approval of one or more of the Governor, Treasurer, Minister and the accountable authority.

To ensure the State Government’s debt is properly managed and its potential debt exposure is known, government has determined that accountable authorities seeking to borrow funds under the authority of their enabling legislation must seek the prior approval of the Treasurer.

Approval for agencies to borrow will normally be granted during the annual budget process in the form of:

(i) an approved total debt balance outstanding at 30 June in each of the budget and forward estimate years; and

(ii) an approved peak balance during the budget year. (Quarterly peak levels for the budget year will also be approved where necessary).

This approval will be based on financial information submitted by agencies to Treasury for the purposes of the preparation of the annual budget.

If a variation is required outside the budget process, sufficient information should be submitted by agencies to allow the Treasurer to arrive at an informed decision.

In the context of the policy, “debt” relates to all gross agency borrowings. Gross debt is the aggregate amount outstanding within all approved borrowing facilities, from all sources, including finance leases, long-term and short-term facilities.

TREASURER’S INSTRUCTION

(1) During the annual budget process, for the purpose of establishing an approved debt level, accountable authorities shall submit to the Under Treasurer proposals to borrow funds over the budget and forward estimates period.

(2) Accountable authorities shall cause proposals to borrow funds in excess of the level approved in accordance with paragraph (1) to be submitted to the Under Treasurer, after approval by their responsible Minister, for approval by the Treasurer.
(3) For the purposes of this instruction, ‘borrow funds’ include finance leases as classified in accordance with Australian Accounting Standard AASB 117 ‘Leases’.
BACKGROUND

Section 57(2)(b) of the Act provides that the chief finance officer is responsible for the provision of advice on the effectiveness of accounting and financial management information systems and financial controls in meeting the requirements of the agency. Section 58 of the Act requires the accountable authorities to ensure that the agency has, or has access to, a financial management system that complies with the requirements prescribed by the Treasurer’s instructions.

This instruction supplements sections 57(2) and 58 of the Act and places a specific requirement on agencies to record performance information required by Treasurer’s instruction 904.

TREASURER’S INSTRUCTION

(1) All accountable authorities shall ensure that they have access to a financial management information system that properly records all transactions of the agency and facilitates preparation of general purpose financial statements for the agency at such intervals as may be required.

(2) Where appropriate, all accountable authorities shall ensure that they maintain a system to record and report agency performance information as required by Treasurer’s instruction 904.

GUIDELINES

In this instruction the term ‘general purpose financial statements’ has the same meaning as the definition in AASB 101 ‘Presentation of Financial Statements’. They consist of an:

(i) Statement of Comprehensive Income;

(ii) Statement of Financial Position;

(iii) Statement of Changes in Equity;

(iv) Statement of Cash Flows; and

(v) Notes.

and are prepared in accordance with Australian Accounting Standards applied by Treasurer’s instruction 1101 ‘Application of Australian Accounting Standards and Other Pronouncements’.
BACKGROUND

Chief Finance Officers (CFOs) are required to provide a value-adding role which supports decision-making throughout the agency, including a focus on strategic financial management and being conversant with the latest corporate governance and performance management practices, and accounting pronouncements issued by the Australian Accounting Standards Board and accounting concepts generally.

This broader and more comprehensive role of CFOs is intended to assist agencies achieve government desired outcomes as provided for in section 57 of the Act.

To facilitate the broader role, this instruction mandates requirements for CFOs to be ‘suitably qualified’ and to have direct access to the accountable authority of the agency.

TREASURER’S INSTRUCTION

(1) For the purposes of this instruction, ‘suitably qualified’ means:

(i) current membership of CPA Australia as a CPA; or
(ii) current membership of Chartered Accountants Australia and New Zealand as a Chartered Accountant; or
(iii) current membership of the Institute of Public Accountants as a Member of the Institute of Public Accountants; or
(iv) appropriate membership of an overseas accounting body that is approved in writing by any two of the aforementioned bodies as having requirements for membership equivalent to those of the approving body; and
(v) possess relevant experience, skills and knowledge as determined by the accountable authority appropriate for the size, complexity and type of agency after taking into account the responsibilities of a Chief Finance Officer under section 57(2).

(2) The substantive occupant or the occupant acting beyond a period of 3 months in the position of Chief Finance Officer of an agency under section 57 of the Act shall:

(i) be suitably qualified; and
(ii) have direct access to the accountable authority of that agency.

GUIDELINES

(1) The following business practices are important to support the CFO’s role of being a key strategic partner and enabler of business outcomes:

(i) that the CFO holds a position in the organisational structure that reports directly to the accountable authority; or
(ii) that the CFO attends regular meetings of the corporate executive (or equivalent) or Board to report on financial management issues. In this regard, it would be accepted that regular attendance to present on issues such as financial performance would be regarded as having direct access; or
(iii) that the CFO regularly briefs the accountable authority on financial management issues. Again, this interaction would need to be on a regular basis, or at least monthly, in order to satisfy the requirement; and

(iv) the accountable authority should refer directly to the CFO for advice on the financial implications of policy decisions before such decisions are approved. This is consistent with the responsibilities of the accountable authority under section 53 of the Act.

The CFO success profile document (link included below) is a tool for identifying some of the key expectations, accountabilities and suggested skills and experience necessary for a successfully performing CFO. This publication should be used to assist in selecting a CFO.


(2) The accountable authority is to ensure that an office, post or position is designated as CFO under section 57(1)(a) of the Act, and also to advise the Treasurer and the Auditor General of the office, post or position so designated under section 57(1)(b) of the Act.

(3) The accountable authority’s obligation to advise the Treasurer of the office, post or position designated CFO under section 57(1)(b) of the Act can be discharged by notifying the Under Treasurer of the appointment in writing. Advice of the name of the person occupying the office, post or position is not required.

(4) It is implicit in section 57 of the Act that the person appointed as CFO must have a sound understanding of the agency in order to discharge his or her obligations under section 57(2) of the Act. Membership of a professional accounting body is to ensure ongoing professional development and maintenance of appropriate (and up-to-date) skills and knowledge. Whilst the experience requirement is to ensure a solid foundation of experience from which the person appointed as CFO can draw from when executing his or her responsibilities. When determining the experience requirement for the person to be appointed as CFO, it is essential to consider the type of agency. For example, whilst public sector experience may be essential for a CFO role in the health or education departments, commercial experience may be preferred for a CFO role within agencies that include a commercial focus.

(5) Where one agency (the provider) provides financial services to another agency, it is possible for a ‘suitably qualified’ employee of the provider to be appointed as the CFO of the recipient agency. The appointment of a CFO would be limited to a person employed within the public sector. In this regard, the public sector is considered to be agencies that are consolidated into the Annual Report on State Finances (ARSF) in addition to those agencies not consolidated in the ARSF where they meet the definition of ‘agency’ under section 3 of the Act.

(6) Acting for extended periods of time i.e. more than 3 months by personnel that are not ‘suitably qualified’ does not fulfil the expected role of CFOs.

(7) Where personnel are not ‘suitably qualified’ and are expected to act in the position of CFO beyond 3 months, the agency shall comply with this instruction in the following ways - the accountable authority of an agency:

(i) as a matter of priority, endeavour to appoint a ‘suitably qualified’ person to the office, post or position designated as CFO within 3 months; or
(ii) appoint a 'suitably qualified' person to act in the role beyond the 'limited time'; or

(iii) redesignate another office, post or position as CFO in order to have a 'suitably qualified' person fulfilling the role; or

(iv) appoint a 'suitably qualified' employee of the provider as CFO, where the appointee is an employee of an agency providing financial services to another agency, pursuant to paragraph (5) of the Guidelines; or

(v) seek an exemption to this requirement by submitting a business case for the approval of the Treasurer, pursuant to Treasurer's instruction 104 ‘Exemptions’.
RISK MANAGEMENT AND SECURITY

BACKGROUND

Risk management is defined as the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. It is designed to protect the agency, the whole of government and the general community from unnecessary costs and losses.

In complying with the Treasurer's instructions, managers need to focus on material risks at all levels of the organisation and take necessary action to manage those risks. Risk management is an integral part of day-to-day operations and is an important element of effective internal control.

An organisation can have exposure to risk in many areas, for example:

(i) commercial and legal relationships;
(ii) human behaviour, including risk of misconduct and corruption;
(iii) natural events;
(iv) political circumstances;
(v) technology and technical issues; and
(vi) management activities and control.

Risks can impact agencies in various areas, such as:

(i) assets including intellectual property;
(ii) revenue and entitlements;
(iii) costs;
(iv) human relations and people management;
(v) the community and physical environment;
(vi) performance;
(vii) timing and schedule of activities;
(viii) reputation and image; and
(ix) organisational behaviour and management system inadequacies.

Information held and intellectual property developed and controlled by the agency is a valuable asset and needs to be protected.
Security arrangements should be implemented by agencies to safeguard assets from misuse and losses due to theft or damage. In this context, assets include public and other property of or under the control of the agency and money as defined in Treasurer's instruction 102. The provision of adequate security requires both the adoption of procedures and the use of facilities which are appropriate to the circumstances (risk) involved.

**TREASURER’S INSTRUCTION**

The accountable authority shall ensure that:

(i) there are procedures in place for the periodic assessment, identification, and treatment of risks inherent in the operations of the agency;

(ii) suitable risk management policies and practices are developed;

(iii) an appropriate level of security is maintained over money, public and other property of or under control of the agency, including information held and intellectual property developed and controlled by the agency; and

(iv) these procedures, policies and practices are documented in the financial management manual or other relevant policy manuals.

**GUIDELINES**

Risk management is an ever-present management responsibility. This does not mean, however that it happens automatically. Only by the recognition of risk management as a management discipline in its own right will it be fully implemented.

The establishment of a risk management discipline may not necessarily require additional specialised staff. For example, the internal audit function may be charged with undertaking risk analyses in partnership with management and monitoring management's establishment of policies, procedures and processes for managing risks.

Steps in the risk management process include:

(i) identifying the nature and extent of exposure to risks whilst recognising the objectives of the organisation;

(ii) analysing the impacts and likelihood of each risk event with due consideration for existing control mechanisms, and prioritising the risks;

(iii) finding ways to reduce or avoid losses and claims;

(iv) deciding how to fund the costs arising from risks, losses and claims which cannot be practically or economically avoided; and

(v) establishing on-going controls and accountability for risk management.
These steps may be implemented using a variety of strategies. There are no hard and fast rules on how a risk management system should be implemented. Depending on the size and risk profile of the organisation, implementation might involve some or all of the following strategies:

(i) establish a risk management committee or coordinator and allocate management responsibilities;

(ii) carry out risk surveys and determine priorities for planning risk management activities;

(iii) make all staff aware of the benefits of risk management; and

(iv) in areas considered necessary, develop new procedures, set performance targets and monitor progress.

Options for the treatment of identified risks, include:

(i) lessen risk by introducing controls to reduce the likely occurrence of undesired events, such as standardised questionnaires/checklists to assist officers responsible for major projects to indicate compliance with risk management practices;

(ii) avoid risk by deciding not to engage in activities likely to generate risk;

(iii) reduce the likely impact of undesired events by having in place contingency plans and recovery procedures;

(iv) transfer risk to another party by way of contract conditions or insurance; and

(v) accept a certain level of risk in instances where other options are impractical or uneconomic.

Where insurance is considered the most appropriate risk treatment option, regard must be had to the government policy on insurance as required in Treasurer's instruction 812.

When hedging arrangements are considered the most appropriate risk treatment option, regard must be had to government policy on managing foreign exchange risk as required by Treasurer's instruction 826.

Under the Public Sector Commissioner’s Circular 2015-03 Risk Management and Business Continuity Planning (available on https://publicsector.wa.gov.au/node/4428/), agencies are required to ensure policies and continuity plans are maintained to ensure they are up to date with the activities performed by their organisation.

In the development of risk management strategies agencies may wish to consider the Australian and New Zealand Standards on risk management and the Australian Standard on Corporate Governance – Fraud and Corruption Control issued by Standards Australia.
The following are offered as guidelines in providing appropriate security arrangements:

(1) With respect to strongrooms, safes, strongboxes and other lockable receptacles used for the safekeeping of money and other valuable items:

(i) appropriate procedures should be established to control the allocation of keys and combinations;

(ii) where an officer is entrusted with a key or combination the officer should retain personal control of the key or combination until such time that relief from the duty is obtained. Under no circumstances should keys or details of the combination be left on premises where the strongroom etc. is housed;

(iii) duplicate keys and combinations should be held within a package under seal or within a locked drawer or cash box acceptable to both the holder of the original and custodian of the duplicate and kept:

(a) within another locked safe by the agency or by another agency;

(b) by a bank;

(c) by the Under Treasurer; or

(d) in an approved place of security;

(iv) arrangements made in respect of the safe keeping of duplicate keys or combinations should be in writing; and

(v) combinations should be changed regularly and appropriate procedures established for the safeguarding of the combination.

(2) Appropriate control procedures should be in place to ensure the security of information, including that which is stored in electronic or magnetic form.

(3) Security arrangements should be reviewed at regular intervals.

(4) Advice in respect of security and security escort services, as may be provided by the Office of Crime Prevention, should be considered when determining or reviewing security arrangements.

(5) Where the engagement of a security service is required on a regular basis, tenders or competitive quotes should be called.
MANAGING FOREIGN EXCHANGE RISK

BACKGROUND

Foreign exchange risk (also known as currency risk or exchange rate risk) arises where an organisation has agreements or arrangements denominated in, or conditional on, foreign currency prices. The value of the currency payments and receipts is dependent on continuous fluctuations in Australian dollar exchange rates with those denominated currencies. Any adverse movements in exchange rates, if unmanaged, could lead to significant cash flows and financial obligations, and potentially result in adverse impacts on expense limits, financial performance and expected outcomes.

In government, foreign exchange risk from an agreement or arrangement may leave public sector agencies unable to fund operations within their appropriation limits. Agencies may be required to seek supplementary funding (including debt) or be forced to delay, abandon or scale back publicly committed services. If sufficiently material, such an outcome could compromise wider whole-of-government finances.

Accordingly, this instruction requires accountable authorities to ensure that any agreement or arrangement that carries a foreign exchange risk are considered and appropriately managed. The accountable authority shall seek and obtain advice from the Western Australian Treasury Corporation (WATC) and, if appropriate, engage WATC to manage the foreign exchange risk for those agreements or arrangements that exceed the minimum threshold identified in this instruction, except where any written law applicable to the agency permits otherwise.

Treasurer’s Instruction

(1) For the purposes of this instruction, ‘foreign exchange risk’ is the adverse movement in exchange rates between the Australian dollar and any foreign currency.

(2) The accountable authority shall ensure that foreign exchange risk arising from agreements or arrangements denominated in or conditional upon foreign currencies is identified, measured and managed.

(3) The accountable authority shall also assess the ongoing risk of any new or existing agreement or arrangement that carries a foreign exchange risk.

(4) In complying with paragraphs (2) and (3), before committing to any agreement or arrangement that carries a foreign exchange risk and is valued at A$50,000 (the threshold) or more, the accountable authority shall:

(i) seek and obtain appropriate advice relating to the foreign exchange risk from the Western Australian Treasury Corporation; and

(ii) enter into an appropriate risk management strategy to manage the foreign exchange risk, except where any written law applicable to the agency permits otherwise.

(5) In complying with paragraph (4), the accountable authority may establish a threshold greater than A$50,000, subject to materiality, but not greater than A$100,000.
GUIDELINES

Accountable authorities must identify, measure and manage foreign exchange risk at the earliest stage possible, preferably during the business case development and procurement planning phase.

Foreign exchange risk can occur when:

- an agency purchases goods or services that originate from overseas;
- an agency makes payments or receives payments in foreign currency;
- an agency has the option to pay or receive Australian dollars or a foreign currency;
- a supplier's foreign currency price is to be translated into an Australian dollar price based on an exchange rate at the time of contract award; and
- payment for goods or services is denominated in Australian dollars, but the Australian dollar price is dependent on an exchange rate (commonly within a price variation clause).

The accountable authority shall seek and obtain advice from WATC before entering into any agreement or arrangement that meets or exceeds the threshold at paragraph (4), where a foreign exchange risk may arise.

In developing internal guidelines for use by the agency in relation to management of foreign exchange risk, the accountable authority should consider the following Treasurer's instructions (TIs):

TI 808 Resource Agreements

The accountable authority shall be mindful of the current year's resource agreement, and avoid committing Government to future cash outflows without prior Government approval.

TI 820 Register of Contracts

An accountable authority is expected to align the threshold under this instruction with the dollar values stated in TI 820.

TI 825 Risk Management and Security

Accountable authorities are required to manage risks appropriately. Therefore, the management of foreign exchange risk should be documented in the agency's financial management manual and shall involve WATC managing that risk for the agency, unless any written law applicable to the agency permits otherwise.

Identification of Foreign Exchange Risk

The identification of foreign exchange exposure may highlight inherent complexities. In particular, in the case of non-determinable cash flows, quantifying the exposure becomes increasingly difficult as the uncertainty of expected cash flows increases. Some examples of how foreign exchange risks may arise are outlined below, however, these examples are by no means exhaustive.
The most readily apparent exposure is when contractual future cash flows, either payments or receipts, are designated in a non-Australian dollar currency. Determining the foreign exchange risk in such cases is relatively simple when there is little or no uncertainty of future cash flows. However, the Australian dollar could change due to fluctuations in the exchange rate if payment is required at some future point in time. Because appropriations are set in Australian dollars, agencies may face an unexpected loss and have to seek supplementary funding etc.

Care needs to be exercised if the flexibility exists to alter the terms of the contract or terminate the arrangements. In such circumstances, simple solutions to apparent exposures will no longer be able to provide risk reduction, but may in fact increase the exposure to foreign currency fluctuations.

Volume uncertainty leads to uncertain future cash flows. Unless the demand for a product is established with certainty and trade volumes are known at the time of entering into a contract, a risk management strategy will have to be framed in the context of uncertainty of future foreign currency cash flows. A critical starting point, however, is the identification of the true risk exposure.

Suppliers who source products from overseas will themselves face foreign currency risks and will often seek to reduce the risks they face. A common method to mitigate these exposures is through the contracts that they negotiate. For example, contracts may contain rise and fall clauses, or other contract variation arrangements that allow the supplier to transfer currency risks to their contractual counterparty. Another method that is often used to mitigate risks is to propose some form of risk sharing arrangement or to stipulate a maximum amount of exposure that the supplier will accept.

Any contract or arrangement that allows for price variation contingent on movements in foreign currency exchange rates needs to be carefully analysed to identify the true nature of the underlying risk.

Revenues or expenses will also be affected by currency fluctuations if they are linked to movements in some underlying non-Australian dollar index. In such cases, the resultant exposure is not always transparent and contracts need to be carefully analysed to determine any potential foreign currency risks.
PART IX - GENERAL ACCOUNTING AND REPORTING REQUIREMENTS

INTRODUCTION TO PARTS IX AND XI

Parts IX and XI of Treasurer's instructions prescribe accounting and reporting requirements for application in respect of agencies. The requirements are presented in the form of Treasurer's instructions.

Parts IX and XI of Treasurer's instructions are arranged as follows:

(i) Part IX : applicable to annual reporting on the operations and performance of agencies. It contains requirements underlying the preparation of financial statements.

(ii) Part XI : applicable to the preparation of financial statements by agencies.

The Act requires accountable authorities to prepare annual reports that contain the following:

(i) report on operations;

(ii) performance indicators;

(iii) financial statements: and

(iv) such other information as the Minister may direct in writing.

In order to ensure comprehensive reporting of all activities including subsidiaries and/or related bodies for which the accountable authority is responsible, the annual report may need to encompass disclosures for subsidiaries and/or related bodies.

The annual report of an agency is an important medium for communicating information on the organisation and its performance. As a communication medium, the annual report is both an explanatory document and a public record.

The fundamental objectives of the annual report are the communication of information necessary for:

(i) monitoring performance in terms of financial regularity and legal compliance;

(ii) assessing the financial affairs of the agency and the nature and extent of changes that have occurred during the financial year;

(iii) evaluating managerial and organisational performance of an agency; and

(iv) making economic and social judgements and decisions in relation to the operations and performance of an agency.
STATEMENT OF COMPLIANCE

BACKGROUND

The Act charges the accountable authority with a responsibility for causing an annual report to be prepared and submitted to the Minister. An important and necessary element of this process is the provision within the annual report of a statement that the report has been prepared in accordance with the Act and, where any other written law applies, in accordance with that other written law. This statement, expressed in the form of a statement of compliance, is required to be made by the accountable authority.

TREASURER'S INSTRUCTION

(1) This instruction applies to the preparation of a statement by the accountable authority that the annual report has been prepared in accordance with the Act and any other written law.

(2) The annual report of the accountable authority shall include a Statement of Compliance, addressed to the responsible Minister, comprising:

(i) a statement in the following terms:

‘In accordance with section 63 of the Financial Management Act 2006, I (We) hereby submit for your information and presentation to Parliament the Report of the (name of agency) for the (period as specified) ending (date).

The Report has been prepared in accordance with the provisions of the Financial Management Act 2006’; and

(ii) where applicable, a statement acknowledging the incorporation within the report of any special reporting requirements imposed upon the accountable authority by any other written law.

(3) The Statement of Compliance shall be signed and dated by the accountable authority, as appropriate, with the proviso that where the accountable authority is:

(i) an individual, the Statement of Compliance shall be signed by that individual; or

(ii) a body, the Statement of Compliance shall be signed by two members of the body following a resolution of that body:
(a) adopting the annual report; and

(b) providing for transmission of the annual report to the Minister.

(4) The provisions of Treasurer's instruction 107 'Authorisations', concerning authorisations and designations, shall not apply to this instruction.
BACKGROUND

This instruction prescribes a standard layout and the minimum information disclosure requirements (other than the financial statements) for agency annual reports prepared under section 61(1) of the Act. A detailed description of the contents and presentation of the financial statements is provided in Part XI of the TIs and is illustrated in the model financial statements.

Information presented in agency annual reports should be clear and succinct, with the focus being on outcomes rather than process or procedure.

As part of the annual reporting requirement, agencies are required to report actual performance that the agency has achieved for the financial year against its targets both financial and non-financial. Where an agency is covered by a resource agreement to which section 46 of the Act applies, further details of these performance reporting requirements are detailed in Treasurer’s instruction 808 ‘Resource Agreements’.

A standardised layout, as outlined in the Schedule, will enable readers of annual reports to more easily find information.

Additional disclosures may also be required by the responsible Minister under section 61(1)(f) of the Act or by any other written law. This instruction does not prescribe the contents of those additional disclosures.

TREASURER’S INSTRUCTION

(1) This instruction applies to the content and layout of agency annual reports.

(2) For the purpose of this instruction:

‘Report on operations’ means the report on operations that is required to form part of the annual report of each accountable authority in accordance with section 61(1)(c) of the Act and forms part of the ‘Agency Performance’ section.

‘Senior officer’ in relation to an agency means any person who is concerned with or takes part in the management of the agency or any subsidiary body or related body of the agency, and includes the accountable authority of a department or members of the accountable authority of a statutory authority, but excludes any person acting in such a position for a limited period.

Government goals, agency level government desired outcomes, services and key performance indicators are as defined in Treasurer’s instruction 904 ‘Key Performance Indicators’.

(3) Annual reports shall adopt the following layout:

(i) Overview;
(ii) Agency Performance;
(iii) Significant Issues Impacting the Agency; and
(iv) Disclosures and Legal Compliance.
Information that is necessary to present fairly the operations of the agency and subsidiary and related bodies must be disclosed, either within the structure outlined in paragraph (3) or in an appendix to the annual report. This could include any matter or circumstance that has arisen between the end of the financial year and a date which shall be stated and which is not more than two weeks prior to the date that the annual report is submitted to the Minister in terms of section 63 of the Act, which matter or circumstance has significantly affected or may significantly affect:

(i) the operations of the agency and subsidiary and related bodies;
(ii) the results of those operations; and
(iii) the state of affairs of the agency and subsidiary and related bodies.

Overview

This section of the annual report shall consist of the following:

An ‘Executive Summary’ that shall include a statement from the accountable authority that includes performance highlights and/or other significant events impacting on the agency.

An ‘Operational Structure’ that shall disclose:

(i) the name of the agency;
(ii) the authority by which the agency is established;
(iii) the Minister(s) to which the agency is responsible and any introductory message the Minister wishes to contribute;
(iv) an organisational chart which incorporates the names of senior officers and a summary of the activities and responsibilities of each division or its equivalent;
(v) the short title of the legislation administered by the agency and by the Minister with the assistance of the agency;
(vi) the name of and authority for establishment of each subsidiary, related and government affiliated body (as defined in Treasurer’s instruction 951) of the agency; and
(vii) information pertaining to subparagraph (v) for each subsidiary and related body of the agency.

A ‘Performance Management Framework’ that shall include, for the agency and any subsidiary and/or related bodies:

(i) a description of the links between the relevant government goals, agency level government desired outcomes and services;
(ii) a discussion of any changes to agency level government desired outcomes, services and key performance indicators from the previous reporting year; and
(iii) a statement of which services are being delivered jointly with other agencies and how the agency is contributing to other agencies’ government desired outcomes.
Agency Performance

(8) This section of the annual report shall comprise, for the agency and any subsidiary and/or related bodies, the ‘report on operations’ and includes a comparison of actual results against budget targets for the key performance indicators of effectiveness and efficiency and agreed financial targets. The key performance indicators approved under Treasurer’s instruction 904 are to be used in this reporting process. More detailed information, including long term trends and supporting footnotes, may also be disclosed in this section or in the ‘Disclosures and Legal Compliance’ section. At a minimum, the report on operations must include a summary assessment of actual performance relative to target performance.

The report on operations shall include any narrative necessary to explain the results and describe the agency’s performance, including any material variations and the impact of any external factors.

The targets referred to in this paragraph are those set for the agency and any subsidiary and/or related bodies in any of the following documents:

(i) the Budget Statements;
(ii) a resource agreement under section 46;
(iii) statement of corporate intent; or
(iv) other publicly issued strategic plan or equivalent document.

Significant Issues Impacting the Agency

(9) This section of the annual report shall include a brief description of current and emerging issues and trends impacting on the agency’s operations. This would include strategic information about significant achievements, initiatives, issues or trends impacting on the agency in relation to both financial and non-financial performance, as well as the operations of any subsidiary and/or related bodies, and how the agency, subsidiary and/or related bodies intend to address them. This may include economic and social trends, and changes in any written law or significant judicial decisions. Any likely developments in the operations of the agency and the forecast results of those developments should also be disclosed, unless the disclosure is likely to be prejudicial to the agency.

Disclosures and Legal Compliance

This section of the annual report shall include the following:

(10) The Financial Statements prescribed by Part XI of the Treasurer’s instructions, for the agency and any subsidiary and/or related bodies.

(11) Additional key performance indicator information such as details of long term trends and supporting footnotes, which the accountable authority considers relevant and useful to explain the agency’s financial and non-financial performance.

(12) Any written Ministerial directives relevant to the setting of desired outcomes or operational objectives, the achievement of desired outcomes or operational objectives, investment activities, and financing activities.
‘Other Financial Disclosures’ that shall include, for the agency and any subsidiary and/or related bodies, the following:

(i) pricing policies of services provided and, where applicable, reference to the Gazette or other public document which contains pricing or rating information;

(ii) details of major capital projects undertaken including:

(a) for each project that remains uncompleted at the end of the financial year: the expected year of completion of the project; the estimated cost to complete and the estimated total cost of the project; and where the estimated total cost of the project varies significantly from the estimated total cost reported in the immediately preceding financial year, an explanation of that variation; and

(b) for projects that have been completed during the course of the financial year: the total cost of the project; and where the total cost of the project varies significantly from the estimated total cost reported in the immediately preceding financial year, an explanation of that variation;

(iii) a summary of the number of employees by category, in comparison with the immediately preceding financial year, together with information on:

(a) staffing policies, including recruitment and staff development;

(b) industrial relations; and

(c) workers' compensation claims, the prevention of occupational injuries and illnesses and the rehabilitation of injured and sick employees.

(iv) personal expenditure under Treasurer’s instruction 321 ‘Credit Cards – Authorised Use’:

(a) the number of instances the Western Australian Government Purchasing Card has been used for a personal purpose;

(b) the aggregate amount of personal use expenditure for the reporting period;

(c) the aggregate amount of personal use expenditure settled by the due date;

(d) the aggregate amount of personal use expenditure settled after the period required by paragraph (c);

(e) the aggregate amount of personal use expenditure outstanding at the end of the reporting period; and

(f) the number of referrals for disciplinary action instigated by the notifiable authority during the reporting period.
(14) ‘Governance Disclosures’ that shall include:
   (i) If the agency is a statutory authority, particulars of any shares in the
       statutory authority held, as a nominee or beneficially, by a senior
       officer of the statutory authority.
   (ii) Details of shares in any subsidiary body of the agency held as a
        nominee or held beneficially by a senior officer of the agency.
   (iii) [deleted by Department of Treasury]
   (iv) The amount of any insurance premium paid to indemnify any
        ‘director’ (as defined in Part 3 of the Statutory Corporations (Liability
        of Directors) Act 1996) against a liability incurred under sections 13
        or 14 of that Act.

(15) ‘Other Legal Requirements’ that shall disclose for the agency and any
     subsidiary and/or related bodies:
     (i) information required by Treasurer’s instruction 953 (annual
         estimates of agencies); and
     (ii) information required by legislation other than the Act, Financial
         Management Regulations 2007 and the Treasurer’s instructions.

(16) ‘Government Policy Requirements’ that shall disclose, for the agency and
     any subsidiary and/or related bodies, the agency’s performance against
     government policy requirements not addressed elsewhere in this
     instruction.

GUIDELINES

Senior Officer

‘Senior officer’ is a generalised term, which is necessary to cover many different
circumstances in differing types of agencies. Any officer who has responsibility and
accountability for the functioning of a section or division which is significant in the
operation of the reporting entity or who has equivalent responsibility is a senior officer.
In larger agencies, officers down to the third level of management would be included.
The first level of management is the Chief Executive Officer (CEO), the second level
comprises persons who report directly to the CEO (e.g. deputy), and the third level
comprises persons who report directly to the second level (e.g. Executive Directors).
The classification of a senior officer would depend on the size of the agency. The
definition specifies that a ‘senior officer’ is one who is concerned with or takes part in the
management of the agency. A staff member at a high classification level but not
concerned with or taking part in the management of the agency, would not fall within the
definition.

The definition of ‘senior officer’ in sub-paragraph (2) of this instruction excludes any
person acting in such a position for a limited period. For the purposes of this instruction
a ‘limited period’ is considered to be for a period of 3 months or less.

Key Performance Indicators

Key performance indicators must be ‘relevant and useful’ to stakeholders and readers of
annual reports particularly when they are accompanied by other supporting information
on agency operations. Paragraph (8) of this instruction outlines details to be included in
an agency’s report on operations. The annual report should clearly identify those key
performance indicators that are audited by the Auditor General.
Agencies that do not publish targets in the budget statements are encouraged to disclose targets in their statements of corporate intent, or other publicly issued strategic plans or documents.

As part of the discussion of actual results against budget targets and any material variations, the accountable authority should adopt the table format shown in TI 808 (where appropriate).

Agencies are required to report in their annual reports against all targets that have been set, enabling stakeholders to assess agency performance in achieving government desired outcomes and delivering services. Consistent with good governance protocols, it is important that any material changes within a reporting period are disclosed. Where government desired outcomes, services and key performance indicators have materially changed from the previous financial year, the reasons for the change should be disclosed.

Where responsibility for a service or achievement of a government desired outcome is transferred, in the absence of any approved changes, the existing service, desired outcome and related key performance indicators should be reported by the transferee agency. However, where a restructure occurs agencies should review their performance management framework.

The transferee agency, i.e. the agency assuming responsibility for the service(s) or desired outcome, is required to report all related key performance indicators (KPIs) for the full reporting period, together with sufficient information to inform interested parties that responsibility for the transferred service(s) or desired outcome resided with the identified transferor agency prior to the date of transfer. Sufficient disclosures should also be made to allow interested parties to assess the performance of the transferee agency since assuming responsibility for the transferred service(s) or government desired outcome. This would generally require reporting separately each KPI for the two relevant periods within the financial year (i.e. the respective periods that the transferor and transferee agency had responsibility for the service(s)). The notes to the KPIs should state the reason(s) why comparative information has not been provided for preceding years, together with details as to where the comparative KPIs are located and reported.

The transferor agency in its annual report is required to disclose the transfer date, the identity of the transferee agency and details of the transferred service(s) or desired outcomes. KPIs for the reporting period up to the date that the service(s) or desired outcome was transferred should be disclosed. The transferor agency should also disclose comparative/trend information for the reporting periods prior to the transfer, together with any relevant explanatory notes.

These requirements should be used as a guide. Professional judgment will be required to assess the specific circumstances to ensure that meaningful performance information is provided to users.

Additional Performance Information

Although this instruction requires reporting against key performance indicators and financial targets disclosed in any relevant resource agreement, statement of corporate intent or equivalent public document, it does not preclude disclosure of other performance information, including longer term trends and supporting footnotes, which the accountable authority considers relevant and useful to explain the agency’s performance and financial results. This additional information may be disclosed as part of the report on operations in the Agency Performance section or the Disclosures and Legal Compliance section of the annual report.
These disclosures are to be in accordance with the requirements of section 61 of the Act and Treasurer’s instruction 904.

**Ministerial directives**

The disclosure requirement in paragraph (12) only applies to formal (i.e. written) directives rather than verbal. In the case of departments, the CEOs are appointed by the Governor under section 45 of the Public Sector Management Act 1994 (PSM Act), and under section 32(1) of the PSM Act the CEO of a department is subject to the direction of the Minister. Therefore, departments are an extension of the Minister. In the case of statutory authorities and corporatised entities, ministerial directions are provided in their enabling legislation.

When the Minister and CEO discuss operational matters and the Minister requires the CEO to do certain things, then this is not necessarily a ministerial direction, but quite simply the result of a discussion/consultation process. The requirement in paragraph (12) that ministerial directives be disclosed in the annual report is intended to catch those directions made in writing and is not intended to impact day to day operational matters. An example of a ministerial directive is when a Minister issues a written directive to an agency to implement an efficiency dividend.

**Comment on Events Occurring after the Reporting Period**

Where an event occurs after the reporting period that is of sufficient importance, either due to its financial impact or the manner in which the agency operates, then it should receive comment in the annual report. For example, if an agency were to take on or relinquish a function constituting a material part of its operations, then this should receive comment. Further guidance on dealing with financial issues that occur after the reporting period is available in AASB 110 ‘Events after the Reporting Period’.

**Other Information**

Information that an agency wishes to or must report that does not fit into the structure prescribed by this instruction must be reported in an appendix or appendices to the annual report.

The ‘other legal requirements’ and ‘government policy requirements’ referred to in paragraphs (15) and (16) respectively are listed in the Public Sector Commission’s publication titled ‘Annual Report Framework’.
Schedule

A suggested outline of an annual report that is consistent with this Treasurer’s instruction is as follows:

Annual Report Structure

1.0 Overview
   1.1 Executive Summary
   1.2 Operational Structure
   1.3 Performance Management Framework
      1.3.1 Outcome Based Management framework
      1.3.2 Changes to Outcome Based Management framework
      1.3.3 Shared responsibilities with other agencies

2.0 Agency Performance

3.0 Significant Issues Impacting the Agency

4.0 Disclosures and Legal Compliance
   4.1 Financial Statements
   4.2 Additional key performance indicator information
   4.3 Ministerial directives
   4.4 Other Financial Disclosures
      4.4.1 Pricing policies of services provided
      4.4.2 Capital works
      4.4.3 Employment and industrial relations
   4.5 Governance Disclosures
   4.6 Other Legal Requirements
   4.7 Government Policy Requirements
BACKGROUND

This instruction requires the disclosure of performance information including key performance indicators in agency annual reports. The information assists stakeholders and interested parties such as government, Parliament, the community and client groups to assess agency performance in achieving government desired outcomes and obtaining value for public funds from services delivered. In addition, it should assist agencies to understand their own performance: facilitating strategic planning, enhancing resource management and highlighting areas for improvement.

TREASURER’S INSTRUCTION

(1) For the purpose of this instruction:

   (i) ‘Government Goal’ means an expression of high level policies and/or priorities that support the government’s vision. Government desired outcomes contribute to these goals;

   (ii) ‘Outcome’ means the effect, impact, result on or consequence for the community, environment or target clients of government services;

   (iii) ‘Agency level government desired outcomes’ are those pitched at a level more relevant to agencies and are required to link to government goals. They are intended to bring about behavioural change or satisfy a community or client need.

   (iv) ‘Service’ means the supply of an activity or good to a user external to the agency providing the service. Services comprise programs and outputs.

   (v) ‘Key Performance Indicator’ provides an overview of the critical or material aspects of outcome achievement or service provision. Different types of key performance indicator are defined below:

   (a) ‘Key Effectiveness Indicator’ provides information on the extent of, or progress in a reporting period towards, achievement of an agency level government desired outcome through the delivery of a service or services;

   (b) ‘Key Efficiency Indicator’ relates a service to the level of resource input required to deliver it;

   (c) ‘Key Cost Effectiveness Indicator’ relates achievement of an agency level government desired outcome to the cost of the service(s) that achieved it.

   (vi) ‘Subsidiary’ has the same meaning as in Treasurer’s instruction 1105 ‘Consolidated Financial Statements’.
(2) The accountable authority of an agency shall disclose in the annual report, for the reporting year:

(i) the relevant agency level government desired outcome(s);

(ii) the agency’s services;

(iii) the relationship between government goals, agency level government desired outcomes and the agency’s services;

(iv) key effectiveness indicators for each agency level government desired outcome;

(v) (a) key efficiency indicators for each service; or

(b) only when the preparation of key efficiency indicators is demonstrably impractical, and the Under Treasurer has approved the use of key cost effectiveness indicators pursuant to paragraph 3(i), key cost effectiveness indicators for each agency level government desired outcome may be used as a measure of efficiency; and

(vi) [deleted by Treasury]

(vii) a comparison of actual results against budget targets for the key performance indicators, together with explanations of any material variations between actual results and budget targets. These are to be disclosed in the Agency Performance section of the agency’s annual report.

(3) All changes in agency level government desired outcomes, services and key performance indicators are subject to the following rules:

(i) the changes require the prior approval of the Under Treasurer irrespective of whether they occur within a reporting year or at the commencement of a reporting year; and

(ii) the changes require disclosure and a brief explanation in the agency annual report.

This paragraph applies to changes that discontinue, add to or modify items.

(4) Key performance indicators shall:

(i) be relevant and appropriate having regard to their purpose, and fairly represent indicated performance;

(ii) provide a substantial overview of the operations and material expenses of the agency, together with its subsidiaries and related bodies;
(iii) be submitted to and audited by the Auditor General; and

(iv) be clearly identified in the annual report as the audited key performance indicators.

(5) When an agency provides controlled funds to another party for the achievement of outcomes, the agency providing the funds must report on the performance of the expenditure in accordance with paragraph (2). If the party receiving the funds is also subject to this instruction, its reporting of the performance of the expenditure must be consistent with that of the agency providing the funds.

GUIDELINES

Outcomes

Outcomes are the effect, impact, result on or consequence for the community, environment or target clients of government services. Achievement of outcomes is the reason why government services are delivered.

Agency level government desired outcomes will, in the case of agencies subject to a separate division in the Consolidated Account Expenditure Estimates, be disclosed in the budget statements in accordance with the instructions issued annually by Treasury. In the case of off-budget agencies they will be either drawn from the enabling legislation or specified/endorsed by the Minister.

Agency level government desired outcomes are pitched at agency level in the sense that they reflect the purpose of agencies. Agencies may not have complete control over outcomes due to other influences, but they are accountable for their efforts to contribute towards achieving agreed desired outcomes. This accountability for the impact agencies have should be reflected in the development and reporting of key performance indicators. Where appropriate, agencies are encouraged to work jointly towards achievement of desired outcomes.

Integration with Whole of Government Policies and Planning

Agency level government desired outcomes clarify the contributions agencies are expected to make towards achieving government policies and priorities, and must be linked to government goals. This linkage creates a hierarchy in which the purpose of each service provided by an agency can be traced to a government goal.

Services

Government desired outcomes are achieved (over time) through the delivery of services. Services are in the nature of outputs or programs. Agencies may refer to services as outputs if they are standardised, so that they readily lend themselves to per unit measurement. Agencies may refer to services as programs if they comprise a number of related but non-standardised services.
Key Performance Indicators

Accountable authorities are required to identify and report key performance indicators of effectiveness, and either efficiency or cost effectiveness, in their annual reports.

**Effectiveness** indicators provide information on the extent to which agency level government desired outcomes have been achieved, or contributed to, through the delivery of services.

It is recognised that there may be lags between the provision of services and achievement of outcomes. To reflect this, it may be appropriate for agencies to estimate the projected timing of outcomes and forecast milestones that indicate progress towards achieving the outcomes.

An outcome may be influenced by the services of a number of agencies, other levels of government and external influences such as cost pressures and demographic changes. Consequently, effectiveness needs to be reported with narrative and not simply in numerical form. The narrative should not only disclose progress towards outcomes (and the amount of inputs in the case of cost effectiveness) but also discuss other influences on outcomes.

Another form of performance indicator is **cost effectiveness**, which relates outcomes directly to inputs. An outcome may be generated by a number of an agency’s services, so the inputs allocated to a number of services may have to be aggregated when cost effectiveness is being calculated.

Cost effectiveness indicators can provide an overview of agency effectiveness and efficiency, and ensure that efficiency can in some sense be measured where per unit measurement is impractical, for example when standardised units of output are not delivered.

Although this instruction only requires reporting of cost effectiveness when reporting of efficiency is not feasible, agencies are encouraged to also report cost effectiveness in other circumstances where doing so clarifies their performance or adds value to performance information.

**Efficiency** indicators generally relate services to the level of resource inputs required to deliver them. They are usually expressed in the form of an index, ratio, unit, or some other form of comparison. While the most common efficiency indicator focuses on financial resources, e.g. per unit cost and per capita cost, other examples could be improved service quality or timeliness. Physical efficiency (i.e. productivity) indicators that relate physical inputs to physical outputs may also be used, for example, units of output per machine hour. A ratio between one of the inputs and an output is only meaningful when other factors (such as other inputs, timeliness and quality) are held constant.

In some cases, cost related indicators (i.e. per unit cost) information may fulfill the key performance indicator reporting requirement. In other cases costs per unit may need to be aggregated in order to construct the higher level key performance indicators audited by the Auditor General. To aggregate unit costs that are dissimilar in type, volume and consumed resources, it is necessary to weight them, with the most commonly used method being weighted average cost.
Although required to address the scope of agency operations, key efficiency indicators need only cover material expenditure or activity levels of the services to which they are applied. Materiality of the expenses or activity levels covered by the key performance indicators is meant in the same sense as in the Accounting Standards.

Agencies are not precluded from developing and disclosing indicators of efficiency other than ratios of outputs to inputs such as quality and timeliness.

In addition to annual reports, accountability for achievement of government desired outcomes and efficient service delivery should be addressed in resource agreements and statements of corporate intent.

**Characteristics of Key Performance Indicators**

To fulfill their purpose, key performance indicators should:

(i) be relevant;

(ii) be appropriate; and

(iii) fairly represent indicated performance.

*Relevant* means the performance indicators must be logically related to the needs of stakeholders. The indicators must relate to clearly defined agency level government desired outcomes and services that communicate what is to be measured and assist with resource allocation decisions.

*Appropriate* means the performance indicators should enable users to assess an agency’s performance. Performance indicators should be selected to facilitate an accurate understanding of the extent to which an agency has achieved predetermined targets, trends in performance over time and performance relative to the performance of similar service providers. Appropriateness can be achieved by examining the indicators currently being used or developed by other organisations or peak bodies in the same field. Using widely recognised indicators also facilitates benchmarking. Indicators are also more likely to be appropriate if they are used for internal management as well as for external reporting. The appropriateness of the performance indicators is enhanced by agencies disclosing, to the extent possible, information about trends over time and/or comparisons with similar service providers.

Appropriate indicators reduce the risk of distorting the incentives of agencies. For example, it would be inappropriate for performance indicators to encourage agencies to focus on a large number of less severe cases (e.g. health or criminal) where better results could be achieved by focusing on a smaller number of more severe cases.

Appropriate indicators should be supported by explanations, either in the form of narrative or notes to tables, to ensure that the significance of statistics is clearly explained.

*Fairly represent indicated performance* means that the indicators are free from bias, and should be measurable (in either quantitative or qualitative terms) so that appropriately qualified individuals working independently can verify them.
Agency Provision of Controlled Funds

Controlled funds are spent to achieve government desired outcomes. Agencies either spend the controlled funds themselves or pass them to another party to enable that party to achieve government desired outcomes. An agency that passes controlled funds must always report on the expenditure of those funds in accordance with this instruction.

If the recipient agency is subject to this instruction, it is also required to report on that expenditure. Reporting by both agencies must be consistent, but the funding agency may report at a more strategic level than the recipient agency.

Annual Reports

Key performance indicators will be most useful to users of annual reports when accompanied by other material on agency operations.

Material variations between budget targets and actual results should be explained in the Agency Performance section of the agency’s annual report. For budget funded agencies the targets are usually specified in the budget statements and the supporting resource agreement or equivalent performance document. Agencies that do not publish targets in the budget statements are encouraged to set targets in annual reports, statements of corporate intent, or publicly issued strategic plans.

Further details of key performance indicators, including analysis of long term trends and supporting footnotes, should continue to be disclosed either as part of the Agency Performance section or in the ‘Disclosures and Legal Compliance’ section of the annual report.

The annual report should clearly identify those key performance indicators that are audited by the Auditor General. Agencies are required to report in annual reports against all targets that have been set, enabling stakeholders to assess agency performance in achieving government desired outcomes and delivering services. Consistent with good governance protocols, it is important that any material changes within a reporting period are brought to stakeholders’ attention. Stakeholders should also be able to see the reasons why government desired outcomes, services and key performance indicators are changed from one year to the next.

Where responsibility for a service or achievement of a government desired outcome is transferred to another agency, in the absence of any approved changes, the existing service, desired outcome and related key performance indicators should be reported by the transferee agency. Further annual reporting requirements are set out in TI 903

Further Assistance

Further information on, and discussion of, government desired outcomes, services and performance indicators is available in Treasury’s publication *Outcome Based Management: Guidelines for Use in the Western Australian Public Sector.*

Agencies considering changes to their OBM structure should consult with the relevant agency analyst at Treasury.
BACKGROUND

This instruction requires the disclosure of performance information including key performance indicators in university annual reports. The information assists stakeholders and interested parties such as government, Parliament, the community and client groups to assess university performance in achieving desired outcomes and obtaining value for public funds from services delivered. In addition, it should assist universities to understand their own performance: facilitating strategic planning, enhancing resource management and highlighting areas for improvement.

TREASURER’S INSTRUCTION

(1) For the purpose of this instruction:

(i) ‘Outcome’ means the effect, impact, result on or consequence for the community, environment or target clients of the university’s services. In this case the term refers to the strategic outcome(s)/objectives approved by the university's governing body.

(ii) ‘Service’ means the supply of an activity or good to a user external to the university providing the service. Services comprise programs and outputs.

(iii) ‘Key Performance Indicator’ provides an overview of the critical or material aspects of outcome achievement or service provision. Different types of key performance indicator are defined below:

(a) ‘Key Effectiveness Indicator’ provides information on the extent of, or progress in a reporting period towards, achievement of an approved strategic outcome(s)/objective(s) through the delivery of a service or services;

(b) ‘Key Efficiency Indicator’ relates a service to the level of resource input required to deliver it;

(c) ‘Key Cost Effectiveness Indicator’ relates achievement of an approved strategic outcome(s)/objective(s) to the cost of the service(s) that achieved it.

(iv) ‘Subsidiary’ has the same meaning as in Treasurer's instruction 1105 ‘Consolidated Financial Statements’.

(2) Universities shall disclose in their annual report, for the reporting year:

(i) the relevant, approved strategic outcome(s)/objective(s);

(ii) the university’s services;
(iii) the relationship between approved strategic outcome(s)/
objective(s) and the university’s services;

(iv) key effectiveness indicators for each approved strategic
outcome(s)/objective(s);

(v) key efficiency indicators for each service (if applicable);

(vi) key cost effectiveness indicators for each approved strategic
outcome(s)/objective(s) (if applicable); and

(vii) a comparison of actual results against targets set at the beginning
of the year for the key performance indicators, together with
explanations of any material variations between actual results and
targets. These are to be disclosed in the Agency Performance
section of the university’s annual report.

(3) All changes in approved strategic outcome(s)/objective(s), services and
key performance indicators are subject to the following rules:

(i) the changes require the prior approval of the university’s governing
body irrespective of whether they occur within a reporting year or at
the commencement of a reporting year; and

(ii) changes within a reporting year require disclosure and explanation
in the university’s annual report.

This paragraph applies to changes that discontinue, add to or modify
items.

(4) Key performance indicators shall:

(i) be relevant and appropriate having regard to their purpose, and
fairly represent indicated performance;

(ii) provide a substantial overview of the operations and material
expenses of the university, together with its subsidiaries and related
bodies;

(iii) be submitted to and audited by the Auditor General; and

(iv) be clearly identified in the annual report as the audited key
performance indicators.

GUIDELINES

Outcomes

Outcomes are the effect, impact, result on or consequence for the community,
environment or target clients of the university’s services. Achievement of outcomes
i.e. approved strategic outcome(s)/objective(s) is the reason why the university’s
services are delivered.

Approved strategic outcome(s)/objective(s) are pitched at university level in the
sense that they reflect the purpose of universities. Universities may not have
complete control over outcomes due to other influences, but they are accountable for their efforts to contribute towards achieving agreed desired strategic outcome(s)/objective(s). This accountability for the impact universities have should be reflected in the development and reporting of key performance indicators. Where appropriate, universities are encouraged to work jointly towards achievement of desired outcomes.

**Services**

Approved strategic outcome(s)/objective(s) are achieved (over time) through the delivery of services. Services are in the nature of outputs or programs. Universities may refer to services as outputs if they are standardised, so that they readily lend themselves to per unit measurement. Universities may refer to services as programs if they comprise a number of related but non-standardised services.

**Key Performance Indicators**

Accountable authorities are required to identify and report key performance indicators of effectiveness, and either efficiency or cost effectiveness, in their annual reports.

*Effectiveness* indicators provide information on the extent to which approved strategic outcome(s)/objective(s) have been achieved, or contributed to, through the delivery of services.

It is recognised that there may be lags between the provision of services and achievement of outcomes. To reflect this, it may be appropriate for universities to estimate the projected timing of outcomes and forecast milestones that indicate progress towards achieving the outcomes.

An outcome may be influenced by the services of a number of universities, other levels of government and external influences such as cost pressures and demographic changes. Consequently, effectiveness needs to be reported with narrative and not simply in numerical form. The narrative should not only disclose progress towards outcomes (and the amount of inputs in the case of cost effectiveness) but also discuss other influences on outcomes.

Another form of performance indicator is *cost effectiveness*, which relates outcomes directly to inputs. An outcome may be generated by a number of the university’s services, so the inputs allocated to a number of services may have to be aggregated when cost effectiveness is being calculated.

Cost effectiveness indicators can provide an overview of university effectiveness and efficiency, and ensure that efficiency can in some sense be measured where per unit measurement is impractical, for example when standardised units of output are not delivered.

Although this instruction only requires reporting of cost effectiveness when reporting of efficiency is not feasible, universities are encouraged to also report cost effectiveness in other circumstances where doing so clarifies their performance or adds value to performance information.

*Efficiency* indicators generally relate services to the level of resource inputs required to deliver them. They are usually expressed in the form of an index, ratio, unit, or some other form of comparison. While the most common efficiency indicator focuses on financial resources, e.g. per unit cost and per capita cost, other examples could be improved service quality or timeliness. Physical efficiency (i.e. productivity)
indicators that relate physical inputs to physical outputs may also be used, for example, units of output per machine hour. A ratio between one of the inputs and an output is only meaningful when other factors (such as other inputs, timeliness and quality) are held constant.

In some cases, cost related indicators (i.e. per unit cost) information may fulfil the key performance indicator reporting requirement. In other cases costs per unit may need to be aggregated in order to construct the higher level key performance indicators audited by the Auditor General. To aggregate unit costs that are dissimilar in type, volume and consumed resources, it is necessary to weight them, with the most commonly used method being weighted average cost.

Although required to address the scope of university operations, key efficiency indicators need only cover material expenditure or activity levels of the services to which they are applied. Materiality of the expenses or activity levels covered by the key performance indicators is meant in the same sense as in the Accounting Standards.

Universities are not precluded from developing and disclosing indicators of efficiency other than ratios of outputs to inputs such as quality and timeliness.

**Characteristics of Key Performance Indicators**

To fulfil their purpose, key performance indicators should:

(i) be relevant;

(ii) be appropriate; and

(iii) fairly represent indicated performance.

*Relevant* means the performance indicators must be logically related to the needs of stakeholders. The indicators must relate to clearly defined strategic outcome(s)/objective(s) and services that communicate what is to be measured and assist with resource allocation decisions.

*Appropriate* means the performance indicators should enable users to assess a university’s performance. Performance indicators should be selected to facilitate an accurate understanding of the extent to which a university has achieved predetermined targets, trends in performance over time and performance relative to the performance of similar service providers. Appropriateness can be achieved by examining the indicators currently being used or developed by other organisations or peak bodies in the same field. Using widely recognised indicators also facilitates benchmarking. Indicators are also more likely to be appropriate if they are used for internal management as well as for external reporting. The appropriateness of the performance indicators is enhanced by universities disclosing, to the extent possible, information about trends over time and/or comparisons with similar service providers.

Appropriate indicators reduce the risk of distorting the incentives of universities. For example, it would be inappropriate for performance indicators to encourage universities to focus on a large number of low cost courses where better results could be achieved by focusing on a smaller number of more relevant courses.

Appropriate indicators should be supported by explanations, either in the form of narrative or notes to tables, to ensure that the significance of statistics is clearly explained.
*Fairly represent indicated performance* means that the indicators are free from bias, and should be measurable (in either quantitative or qualitative terms) so that appropriately qualified individuals working independently can verify them.

**Annual Reports**

Key performance indicators will be most useful to users of annual reports when accompanied by other material on university operations.

Material variations between budget targets and actual results should be explained in the Agency Performance section of the university's annual report. Universities are encouraged to set targets in annual reports or publicly issued strategic plans.

Further details of key performance indicators, including analysis of long term trends and supporting footnotes, should continue to be disclosed either as part of the Agency Performance section or in the 'Disclosures and Legal Compliance' section of the annual report.

The annual report should clearly identify those key performance indicators that are audited by the Auditor General. Universities are required to report in annual reports against all targets that have been set, enabling stakeholders to assess university performance in achieving approved strategic outcome(s)/objective(s) and delivering services. Consistent with good governance protocols, it is important that any material changes within a reporting period are brought to stakeholders’ attention. Stakeholders should also be able to see the reasons why strategic outcome(s)/objective(s), services and key performance indicators are changed from one year to the next.

**Further Assistance**

Further information on, and discussion of, desired outcomes, services and performance indicators is available in Treasury’s publication *Outcome Based Management: Guidelines for Use in the Western Australian Public Sector.*
905 CERTIFICATION OF KEY PERFORMANCE INDICATORS

BACKGROUND

The Act charges accountable authorities with the responsibility for causing key performance indicators to be prepared for inclusion in the annual report. In keeping with the accountability concept, certification of the key performance indicators by the accountable authority evidences this responsibility to users of the annual report.

Sections 66 to 72 of the Act prescribe the reporting required on the abolition of agencies. Section 69 provides that the final report shall include financial statements and any other information required by a written direction given by the Minister and, if practicable, key performance indicators. The certification of these key performance indicators shall be signed and dated by the reporting officer appointed under section 68(1).

TREASURER’S INSTRUCTION

(1) This instruction applies to the certification of key performance indicators.

(2) The key performance indicators shall be accompanied by a statement declaring whether, in the opinion of the accountable authority, the key performance indicators:

(i) are based on proper records;

(ii) are relevant and appropriate for assisting users to assess the performance of the agency; and

(iii) fairly represent the performance of the agency and, where applicable, its subsidiaries and related bodies for the financial year.

(3) The statement prescribed in paragraph (2) of this instruction shall be signed and dated by the accountable authority, as appropriate, with the proviso that where the accountable authority is:

(i) an individual, the statement shall be signed by that individual; or

(ii) a body, the statement shall be signed by two members of that body following a resolution of that body providing for the inclusion of the key performance indicators in the annual report.

(4) Where an agency has been abolished, the certification required by paragraph (2) of this instruction shall be signed and dated by the reporting officer.

(5) The provisions of Treasurer’s instruction 107, concerning authorisations and designations, shall not apply to this instruction.
916 LEASES

BACKGROUND

The purpose of this instruction is to outline the key policy positions in relation to accounting for lease transactions. It should be read in conjunction with APG 6, which provides detailed guidance on the application of the key principles of Australian Accounting Standard AASB 16.

Many agencies within the public sector become lessees by acquiring rights to use another entity’s assets. While less common, a number of agencies become lessors through subleasing assets or leasing their own property, plant and equipment to other entities.

AASB 16 ‘Leases’ applies to public sector entities for annual reporting periods beginning on or after 1 January 2019. Broadly, it incorporates a single lease accounting model for lessees and a dual lease accounting model for lessors. The single lease model, subject to exemptions and practical expedients within the standard, requires a lessee to recognise right-of-use (ROU) assets and related lease liabilities. AASB 16 substantially retains the lessor accounting requirements in AASB 117 ‘Leases’.

TREASURER’S INSTRUCTION

(1) This instruction applies to all accountable authorities of not-for-profit agencies listed in Schedule 1 of the Financial Management Act 2006 that are consolidated in the Government of Western Australia Consolidated Financial Statements.

(2) For the purposes of this instruction:

(i) ‘wholly-owned public sector entities’ include all entities consolidated in the Annual Report on State Finances;

(ii) ‘concessionary lease’ means a lease that is significantly below-market terms and conditions, or a ‘pepper-corn’ lease;

(iii) ‘lease’ means a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration; and

(iv) ‘low value asset’ means an asset acquired from an entity external to the public sector and is valued new at up to $5,000.

LESSEES

(3) Agencies may apply the low value and short-term lease exemption criteria per AASB 16, except where the lease is with another wholly-owned public sector entity lessor agency.
(4) Unless paragraph (3) applies, the asset capitalisation threshold for agencies is set at $5,000 for the recognition of right-of-use (ROU) assets.

(5) All ROU assets including concessionary leases, are to be measured at cost excepting investment property ROU assets which are measured in accordance with AASB 140 ‘Investment Property’.

(6) Agencies shall apply discount rates for present valuing liabilities as follows:

(i) lease liabilities are to be calculated by reference to the Western Australian Treasury Corporation (WATC) incremental borrowing rates (IBR) where the interest rate implicit in the lease is not readily determined; or

(ii) restoration provisions are to be calculated by reference to the Australian Government Bond Rate applicable to the lease term.

(7) Lessee agencies shall account for lease and non-lease component(s), as follows:

(i) material non-lease component(s) are to be accounted for separately from the lease amount, where practicable; or

(ii) immaterial non-lease component(s) may be included in the lease amount, and accounted for as a single lease, by class of the underlying asset.

(8) Agencies shall disclose in the notes to the financial statements, the ‘cost’ of providing non-monetary benefits to an employee (e.g. GROH housing rental cost) on a gross basis.

‘Cost’ is the interest and depreciation expense amounts for the associated lease. This treatment is for those leases that fall under AASB 16 and are included on the statement of financial position.

(9) Where an agency has a service concession arrangement in place, it is to continue the same treatment as if it was being accounted for under AASB 117 ‘Leases’. The service concession arrangement will then need to comply with the requirements of AASB 1059 ‘Service Concession Arrangements’ for reporting periods beginning on or after 1 January 2020.

LESSORS

(10) Lessor agencies may not account for a lease arrangement with one or more additional lease components or non-lease components as a single lease.
GUIDELINES

Discount rates

WATC

WATC rates per paragraph 6 of this instruction are to be accessed from the attached link: https://www.watc.wa.gov.au/client-services/debt-finance/lease-valuation-aasb-16/.

These rates are updated monthly, and agencies are required to use the rate for the month in which the lease commenced for the contracted term rounded to the nearest half year interval. The rates provided by WATC are effective annual rates.

WATC also provide forecast rates for budgeting purposes. These rates are updated annually to coincide with the budgeting timelines.

STATE FLEET

For the purposes of paragraph 6(i), the interest rate implicit in State Fleet (SF) leases is provided by SF and is therefore determined.

Non-lease component(s)

Non-lease component(s) accounted for separately from a lease are accounted for in accordance with other applicable Standards.

For example, embedded derivatives within a lease contract meeting the criteria in paragraph 4.3.3 of AASB 9 ‘Financial Instruments’ are required to be accounted for in accordance with AASB 9, not AASB 16.

Presentation and disclosure requirements

Agencies are referred to AASB 16 paragraphs 47 to 60 for presentation and disclosure requirements and TI 1103.

Employee Benefits

TI 1103 ‘Statements of Financial Position’ specifies the requirements for disclosing employee benefits. As there is no connection between AASB 16 and AASB 119 ‘Employee Benefits’, the starting point is to determine what defines the ‘cost’ of these employee benefits to an agency.

Treasury has mandated that this ‘cost’ is the interest and depreciation amount for the leases, where the lease is included on the balance sheet under AASB 16.

Agencies are required to report these amounts consistent with the requirements per AASB 16 on the face of the financial statements (i.e. separately in the statement of comprehensive income). A notional reclassification journal will then be required to be posted in order to disclose the correct leasing disclosures in the notes to the financial statements. This notional reclassification amount should not have any impact on the general ledger amounts, it is only for disclosure purposes in the financial statements.
Wholly-owned public sector lessor entities

For the purposes of paragraph 3 of this instruction, wholly-owned public sector lessor agencies that act at a central level, generally includes: Government Office Accommodation and State Fleet business units of the Department of Finance and the Government Regional Officer Housing program of the Housing Authority.

Non-lease components

Where a lessee agency elects to account for lease and non-lease components, compliant with paragraph 7(i) of this TI:

(i) the non-lease components are to be accounted for in accordance with other Accounting Standards where that standard specifically stipulates the treatment.

(ii) Allocate lease consideration to each lease component based on the relative stand-alone price of each component.
924 RELATED PARTY DISCLOSURES

BACKGROUND

Australian Accounting Standard AASB 124 “Related Party Disclosures” applies to public sector entities for annual reporting periods ending on or after 30 June 2017. Its broad impact is to extend disclosures for Key Management Personnel (KMP) compensation and require disclosures for certain transactions with related parties.

The objective of AASB 124 is to ensure that an entity’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and financial performance may have been affected by related party transactions.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. Cabinet Ministers are considered KMP of whole of government and all controlled public sector entities while senior officers are likely to be KMP of their responsible agency.

Related parties of a public sector entity include:

(i) Ministers and senior officers;
(ii) their close family members which include:
   (a) spouse or domestic partner (including married, de-facto, civil union partnership, but excluding separated or divorced spouse or partner);
   (b) children over the age of 16, including children of the spouse/partner (including step, adopted, dependant/non-dependant, adult children living/not living at home); and
   (c) dependants over the age of 16, including dependants of the spouse/partner (i.e. family members financially supported by Minister/senior officer or the spouse/partner and may include siblings, elderly parents/grandparents or disabled family members);
(iii) entities (including sole proprietors, partnerships, companies and trusts) in which Minister/senior officer and/or his/her close family members have control or joint control (e.g. hold 50% or more of the shares or 50% or more voting power); and
(iv) other entities (including associates and joint ventures) within the Western Australian public sector1.

A related party transaction is a transfer of resources, services or obligations between a public sector entity and a related party, regardless of whether a price is charged. However, judgement may be required as to when the transactions are material for collection and disclosure, especially when qualitative assessments are made about the nature of the transactions.

It is considered that:

(i) Citizen transactions are unlikely to be material for disclosure, and therefore excluded from collection. These transactions are where Ministers/senior officers or their close family members interact with a public sector entity under the same terms and conditions as a public citizen.

1 Refer to Note 7 ‘Composition of Sectors’ in Appendix 1 ‘Detailed Financial Projections’ of the Budget Paper No. 3 ‘Economic and Fiscal Outlook’.
(ii) Business transactions, by which there is the exchange of goods or services through a market (i.e. arm's length), between related parties and a public sector entity could be quantitatively material, and therefore required to be declared when they are above $50,000.

(iii) Other sensitive transactions between related parties and a public sector entity are to be declared, with Ministers/senior officers exercising judgement on the sensitivity and materiality of the transaction to the intent of the standard.

A declaration form for completion by Ministers and senior officers is a significant tool in gathering the information necessary for public sector entities to comply with the requirements of the standard. This may include details of related parties, and certain transactions between related parties and a public sector entity.

The information collected will inform judgements concerning an entity's disclosures for related party transactions in its financial statements, and will be subject to review by the Auditor General. Not all information collected will be disclosed in the financial statements. Information that is considered not material for disclosure in an entity’s financial statements is not required to be disclosed. Judgements on materiality of information will vary on a case by case basis.

TREASURER’S INSTRUCTION

(1) This instruction applies to all accountable authorities.

(2) For the purpose of this instruction:
   ‘Senior officer’ is as defined in Treasurer’s instruction 903 ‘Agency Annual Reports’.

(3) In complying with the requirements of AASB 124, the accountable authority shall cause senior officers of the agency to complete the Data Collection Form included in the Guidelines to this instruction:
   (i) at the end of the reporting period; and
   (ii) as changes occur during the year that impact senior officers of the agency such as machinery of government change, resignation or acting arrangements.

GUIDELINES

Ministers

Cabinet has agreed that Ministers will provide the information necessary for public sector entities to comply with the requirements of AASB 124 through a data collection process that leverages off the existing Ministerial Code of Conduct process.

The Department of the Premier and Cabinet on behalf of the Department of Treasury (Treasury) will coordinate the Ministerial data collection process. Treasury will assess if any related party transaction is material for disclosure and will communicate that transaction to the relevant chief finance officer.

In addition, if the chief finance officer or the accountable authority is aware of any material transactions with Ministers (or their close family members or their controlled/jointly controlled entities) then best endeavours are to be made to include the necessary disclosures in the financial statements.
Senior Officers

Refer to the definition and Guidelines in Treasurer's instruction 903 'Agency Annual Reports'. For consistency across public sector entities, senior officers are required to complete the declaration form included in the Guidelines to this instruction.

Related Parties and Related Party Transactions

For further information and examples, refer to the Accounting Policy Guideline 4 ‘Related Party Disclosures’.
Data Collection Form

Section 1: Personal details
Senior officer is to list all people whose interests he/she is required to provide to the intent of the standard and indicate the relationship he/she has with that person as follows: S - Spouse; P – Partner, C – Children; D – Dependents; and O - Others.

<table>
<thead>
<tr>
<th>Party</th>
<th>Full Name</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior officer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Person A</td>
<td></td>
<td>S/P</td>
</tr>
<tr>
<td>Person B</td>
<td></td>
<td>C</td>
</tr>
<tr>
<td>Person C</td>
<td></td>
<td>C</td>
</tr>
<tr>
<td>Person D</td>
<td></td>
<td>D</td>
</tr>
<tr>
<td>Person E</td>
<td></td>
<td>O</td>
</tr>
</tbody>
</table>

Section 2: Declaration of controlling interests
Senior officer is to indicate the controlling (or jointly controlling) interest and the parties who hold this interest by reference to the personal details provided in section 1 of this form. That is, K for the senior officer or S through O for each of the people the senior officer has provided as a spouse/partner, children, dependants or others that hold the interest.

<table>
<thead>
<tr>
<th>Name and address of entity</th>
<th>ABN or ACN of entity</th>
<th>Controlling party</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ Ltd Pty</td>
<td></td>
<td>C</td>
</tr>
<tr>
<td>000 Barrack Street, Perth, WA 6000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Section 3: Transaction details**

Senior officer is to provide details of certain related party transactions with the responsible entity since the beginning of the reporting period. Note that certain related party transactions include business transactions above $50,000 and other sensitive transactions, but exclude general citizen transactions.

<table>
<thead>
<tr>
<th>Name of related party</th>
<th>Details of transaction</th>
<th>Total value of transaction (GST included)</th>
<th>Outstanding balance</th>
<th>Commitment</th>
<th>Terms and conditions</th>
</tr>
</thead>
</table>
| XYZ Pty Ltd           | Provision of accountancy services to the Department | $100,000                                  | $20,000 payable     | $50,000 to be provided in the following period | • open tender  
                          |                                              |                           |         | • unsecured                           | • settlement by bank transfer |


Section 4: Additional information
Senior officer is to provide any other relevant information in this section.

Section 5: Declaration
Senior officer is to read and sign the declaration below after completing this form.

I declare that, to the best of my knowledge, the information recorded above is accurate and complete. If it becomes apparent at any stage that the information provided was or is inaccurate, incomplete or otherwise misleading, I will take the necessary steps to correct or update the record.

Signature

Date
945 EXPLANATORY STATEMENT

BACKGROUND
In order to demonstrate accountability and stewardship for resources provided to agencies, accountable authorities are required to explain variations between:

(i) the budget estimates and actual results for the financial year; and
(ii) the actual results for the financial year and for the immediately preceding financial year.

TREASURER’S INSTRUCTION

(1) This instruction applies to accountable authorities of:

(i) each general government sector agency preparing Estimates as defined in paragraph (2)(i)(a) of this instruction;

(ii) each general government sector agency preparing Estimates as defined in paragraphs (2)(i)(b)-(c) of this instruction (where applicable) and where their Total Cost of Services exceeds $3 million for the two most recent consecutive comparative periods; and

(iii) the Public Transport Authority of Western Australia.

(2) For the purpose of this instruction:

(i) ‘Estimates’ mean the original budget for the relevant financial year provided to Parliament and includes:

(a) estimates published in the budget papers; or

(b) the estimates as approved by the Minister in accordance with Treasurer's instruction (TI) 953 ‘Publication and Presentation of Estimates’; or

(c) the estimates contained in the statement of corporate intent of a statutory authority.

(ii) Where a general government sector agency is combined with other agencies as a single Division of the Consolidated Account Expenditure Estimates, the agency is required to prepare estimates in accordance with TI 953.

(iii) ‘Major variance’ means a variance, when compared to the estimate or prior year actual for a line item:

(a) where qualitative evidence indicates omission of narrative information could potentially mislead readers of financial statements; or

(b) where narrative disclosure is required under a written law; or

(c) greater than 5% and greater than a dollar aggregate, being the lower of $25 million and the dollar aggregate of, as applicable:

(aa) 2.0% multiplied by Total Cost of Services, when compared with variances for revenues, gains and expense line items. Variances relating to changes in
asset revaluation surplus are excluded from the definition of major variance for disclosure purposes; or

(bb) 2.0% multiplied by Total Cost of Services, when compared with variances for cash flow line items not substantially explained elsewhere in another narrative disclosure; or

(cc) 2.0% multiplied by Total Assets when compared with variances for assets, liabilities, and equity line items. Variances relating to cash assets, receivables, payables, contributed equity and accumulated surplus are excluded from the definition of major variance for disclosure purposes, unless required by (a) or (b);

The dollar aggregate calculated from Total Cost of Services and Total Assets is to be based on the lower of the estimate or the prior year actual, as appropriate.

(d) for a department's administered income and expenses, greater than 5% and greater than a dollar aggregate, being the lower of $25 million and the dollar aggregate of 2.0% multiplied by Total Administered Revenues, when compared with variances for revenues, gains and expense line items.

The dollar aggregate calculated from Total Administered Revenues is to be based on the lower of the estimate or the prior year actual, as appropriate.

(3) Notes to the financial statements of departments shall include a comparison of original budgeted financial statements with actual results and comparatives, and, explanatory narrative providing:

(i) reasons for and details of each major variance by line item between estimate and actual; and

(ii) reasons for and details of each major variance by line item between actual and prior year actual; and

(iii) reasons for and the amount of each authorisation to expend in advance of appropriation approved in accordance with section 27 of the Act.

(4) Notes to the financial statements of statutory authorities shall include a comparison of original budgeted financial statements with actual results and comparatives, and, explanatory narrative providing:

(i) reasons for and details of any major variance for each published line item between estimate and actual; and

(ii) reasons for and details of each major variance for each published line item between actual and prior year actual; and

(iii) reasons for and the amount of each authorisation to expend in advance of appropriation approved in accordance with section 27 of the Act.

(5) Notes to the financial statements for administered income and expenses of departments shall include a comparison of original budgeted financial statements with actual results and comparatives, and, explanatory narrative providing:
(i) reasons for and details of each major variance by line item between estimate and actual; and

(ii) reasons for and details of each major variance by line item between actual and prior year actual; and

(iii) reasons for and the amount of each authorisation for the recipient of funds approved to be expended in advance of appropriation in accordance with section 27 of the Act.

GUIDELINES

AASB 1055 ‘Budgetary Reporting’ requires general government sector agencies to disclose original budgets presented to Parliament against agency actual financial results for the reporting period, together with explanations of major variances. The standard does not require disclosure of budgets from comparative periods.

The general government sector (GGS) is defined in AASB 1049 ‘Whole of Government and General Government Sector Financial Reporting’ and information on the composition of government sectors is published annually within the Budget Paper No.3 ‘Economic and Fiscal Outlook’ and the Annual Report on State Finances.

AASB 1055 does not impose requirements on the preparation of budgets. As a consequence, budgets presented to Parliament are not required to be presented and classified consistently with the presentation and classification adopted in financial statements prepared in accordance with Australian Accounting Standards. Whilst recognition and measurement changes of original budget financial aggregates are not permitted, AASB 1055 requires reclassification of budget aggregates so that they may be presented and classified in financial statement disclosures consistently with requirements of Australian Accounting Standards.

Major Variances

Explanatory variance narratives are required to disclose details of, and the reasons for, all major variances in the line items comprising the total. This includes variances that offset each other.

‘Major variances’ arise from qualitative and quantitative circumstances.

Qualitative consideration of ‘major variances’ requires agencies to consider whether narrative omission would mislead readers of financial statements or whether other written laws require disclosure of the variances.

This instruction utilises a threshold for a quantitative definition of ‘major variance’, determined by reference to a 5% movement of the line item, and, a dollar aggregate that is the lower of $25 million and 2% of the agency’s Total Cost of Services or Total Assets. The calculation of a dollar aggregate for each financial statement is undertaken by reference to the lower of the estimate or the prior year actual, unless the result exceeds the $25 million upper limit. The calculated dollar aggregate is the comparison point for variances between actual and estimate, and, actual and prior year actual for the relevant financial statement.

For the purpose of administered income and expenses, departments are required to substitute Total Administered Revenues for Total Cost of Services when calculating the threshold for the major variance.
Departments

In some instances, a Department's financial aggregates will be combined with other agency financial aggregates as a Division of the Consolidated Account Expenditure Estimates. Treasurer’s instruction (TI) 953 ‘Publication and Presentation of Estimates’ requires such Department to publish estimates specific to the Department for a financial year in the annual report of the preceding financial year. For Departments complying with TI 953, the estimates published in the annual report are effectively the original budget for the relevant financial year for the purpose of the Explanatory Statement.

Statutory authorities – Annual Estimates

The section 40 estimates for statutory authorities are effectively the original budget for the relevant financial year for the purpose of the Explanatory Statement.

TI 953 requires statutory authorities which have financial aggregates combined into a consolidated total for Budget Paper No.2 ‘Budget Statements’ to also publish annual estimates specific to the agency for a financial year in the annual report of the preceding financial year.
EXPLANATORY STATEMENT FOR NON-GGS AGENCIES

BACKGROUND

This instruction requires Schedule 1 agencies that are characterised as not belonging to the General Government Sector (GGS) and are excluded from the scope of Treasurer’s instruction 945 to demonstrate accountability and stewardship for resources provided to agencies, by requiring their accountable authorities to explain variations between:

(i) the annual estimates and actual results for the financial year; and
(ii) the actual results for the financial year and for the immediately preceding financial year.

TREASURER’S INSTRUCTION

(1) This instruction applies for reporting periods ending on or after 30 June 2015 to all accountable authorities except:

(i) accountable authorities of universities that are listed in Schedule 1 of the Act; and
(ii) accountable authorities of general government sector agencies; and
(iii) the accountable authority of the Public Transport Authority of Western Australia.

(2) For the purpose of this instruction ‘Annual Estimates’ for a statutory authority means:

(i) the estimates as published in the budget papers; or
(ii) the estimates as approved by the Minister in accordance with section 40 of the Act; or
(iii) the estimates contained in the statement of corporate intent; or
(iv) where any other written law provides that section 40 of the Act does not apply to the statutory authority, the estimates prepared in accordance with that other written law;
subject to any variation that has resulted from funding allocations provided from:

(i) the Consolidated Account;
(ii) a special purpose account; or
(iii) another statutory authority.

(3) Notes to the financial statements of statutory authorities shall include an Explanatory Statement providing reasons for and details of any significant variations between:

(i) actual income and expenses for the financial year and the estimate for each class of income and expense identified in the annual estimates; and
(ii) actual income and expenses for the financial year and the corresponding items in the financial statements of the immediately preceding year.

GUIDELINES

The general government sector (GGS) is defined in AASB 1049 ‘Whole of Government and General Government Sector Financial Reporting’ and information on the composition of government sectors is published annually within the Budget Paper No.3 ‘Economic and Fiscal Outlook’ and the ‘Annual Report on State Finances’.

Statutory authorities – Annual Estimates

The Annual Estimates for statutory authorities, as defined in paragraph (2) of this instruction, represents the final budget for the relevant financial year. That is, the original budget prepared by the statutory authority after taking into account any formally agreed variations to that budget in relation to sources of funding from:

(a) the Consolidated Account;
(b) a special purpose account; or
(c) another statutory authority.

The final budget for the year does not mean the financial aggregates provided for an agency’s estimated out turn (EOT). This data is utilised to determine the likely final result for Whole of Government reporting purposes, rather than a final modification to the provision of resources to agencies for approval by Parliament. Rather the final budget comprises the Mid-Year Review financial aggregates as modified by any subsequent agreed variations to that budget.
CERTIFICATION OF FINANCIAL STATEMENTS

BACKGROUND

Accountable authorities are responsible in accordance with section 61 of the Act for the preparation of financial statements at the end of each financial year. Section 62 of the Act provides that the financial statements shall be certified in the manner required by the Treasurer's instructions.

Sections 66 to 72 of the Act prescribe the reporting required on the abolition of agencies. Section 69 provides that the final report shall include financial statements and any other information required by a written direction given by the Minister and, if practicable, key performance indicators. The certification of these financial statements shall be signed and dated by the reporting officer. Reporting officers are appointed under section 68(1).

TREASURER'S INSTRUCTION

(1) This instruction applies to the certification of financial statements.

(2) Financial statements prepared on an accrual basis shall be accompanied by a statement of certification in the following terms:

"The accompanying financial statements of the (name of the agency and, where consolidated financial statements are prepared the words 'and the accompanying consolidated financial statements') 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 (period as specified) ending (date) and the financial position as at (date).

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

(3) The certification required by paragraph (2) of this instruction shall be signed and dated by the chief finance officer and the accountable authority with the proviso that where the accountable authority is:

(i) an individual, the statement shall be signed by that individual; or

(ii) a body, the statement shall be signed by two members of that body following a resolution of that body

(a) adopting the financial statements, and

(b) providing for the inclusion of the financial statements in the annual report."
(4) Where an agency has been abolished, the certification required by paragraph (2) of this Instruction shall be signed and dated by the reporting officer.

(5) The provisions of Treasurer's instruction 107 ‘Authorisations’, concerning authorisations and designations, shall not apply to this instruction.
**948 Rounding of Figures**

**BACKGROUND**

Accounting measurements are normally made in monetary terms. The extent to which these measurements may be rounded within financial statements is dependent upon the nature and objectives of the particular statement, and the materiality of the financial information to be disclosed.

**Treasurer's Instruction**

1. This instruction applies to the rounding of figures within financial statements.
2. Subject to paragraph (4) of this instruction, in the preparation of financial statements the accountable authority shall cause the amounts to be rounded to the nearest whole dollar.
3. For the purpose of paragraph (2) of this instruction, the amounts in the financial statements shall be rounded in such a manner that total amounts reflect the true totals expressed in dollars and cents and rounded to the nearest whole dollar.
4. The accountable authority may, for reasons of clarity and understandability, cause amounts shown in the financial statements to be rounded to the nearest thousand dollars.
5. Where the result of expressing the amounts to the nearest thousand dollars under paragraph (4) of this instruction would result in an amount of zero, the financial statement shall contain a note expressing the amount to the nearest whole dollar.
949 COMPARATIVE FIGURES

BACKGROUND

The presentation of comparative figures in the financial statements (including the notes to the financial statements) enhances the usefulness of the financial statements and more clearly demonstrates the nature and trends of change affecting the agency. Comparative financial statements provide more meaningful information to users than financial statements which relate to a single period and recognise that the financial statements for one period are an instalment of what is essentially a continuing operation.

For comparison of periodic results to be effective, it is essential that the immediately preceding financial year figures shown for comparative purposes are in fact comparable with those shown for the financial year. Any limitations to comparability will require full disclosure.

The disclosure of comparative information is a requirement under various Australian Accounting Standards and other authoritative pronouncements. In particular, Australian Accounting Standard AASB 101 ‘Presentation of Financial Statements’ paragraphs 38 to 44 provide for the disclosure of financial information for the preceding reporting period that corresponds to the disclosures required by Australian Accounting Standards for the reporting period, reclassification of financial information and narrative information.

TREASURER’S INSTRUCTION

(1) This instruction applies to the disclosure of comparative figures within the financial statements.

(2) The financial statements shall disclose the comparative figures for the corresponding item reported in the financial statements for the immediately preceding financial year, except in the case of financial statements for the first year of operation of the reporting entity, or where comparative figures are specifically not required in terms of an Australian Accounting Standard as adopted by Treasurer's instructions or where comparative figures are specifically not required in terms of a Treasurer’s instruction.

(3) Where the financial statements do not include an item reported in the financial statements for the immediately preceding financial year, that previous item and the amount of that previous item shall be shown.

(4) Where the presentation or classification of an item in the current financial year's statements has been changed in relation to the corresponding item in the financial statements for the immediately preceding financial year, the item for that immediately preceding financial year shall be similarly reclassified for the purpose of showing comparative amounts, and the nature of the change shall be disclosed by way of note to the financial statements. If it is impracticable to represent or reclassify comparative amounts, the agency must disclose:
(i) the reason for not representing or reclassifying the comparative amounts; and

(ii) the nature of the changes that would have been made if amounts were represented or reclassified.

(5) Where an agency undergoes a restructure that results in significant changes to the activities and/or services it carries out, no comparative amounts for the preceding reporting period should be disclosed in the financial statements (including the notes) for the reporting period in which the changes occurred. The agency shall disclose by way of note the reason for the non-disclosure of comparative amounts in the financial statements.

GUIDELINES

Reclassification of financial information

Agencies that reclassify items in their financial statements should be similarly reclassifying the comparative amounts to ensure comparability with the current reporting period. For the purposes of paragraph (4) of this instruction, any reclassifications should only be at the line item level within the same broad category. That is, the total amounts of the broad categories (such as income, expenses, assets, liabilities and equity) presented in the financial statements remain unchanged. Certain reclassifications may require the presentation of three statements of financial position. Refer to Guidelines in TI 1103 ‘Statements of Financial Position’.

Restructuring

Significant change as referred to in paragraph (5) should be interpreted in the context of the financial statements and the meaningfulness of the comparatives. Whether a restructure is a significant change is a judgement for consideration by the agency in consultation with its auditor.
TREASURER'S INSTRUCTION

(1) The accountable authority shall cause a copy of the special purpose statement or trust statement approved in accordance with sections 17 and 36 of the Act to be included in the annual report for the year in which the special purpose statement or trust statement is approved.

(2) Where a special purpose statement or trust statement is amended during the financial year, a copy of the amended special purpose statement or trust statement effective at the end of the financial year shall be included in the annual report for that year.

(3) It shall not be necessary to publish a special purpose statement or trust statement in accordance with paragraph (1) of this instruction if it is subsequently amended in the same financial year.
BACKGROUND

It is not uncommon for agencies to provide financial support to other government and non-government organisations. This support may involve the agency paying accounts relating to the organisation, providing accommodation, staff or other support services, or providing direct grants to the organisation.

Organisations which are financially dependent upon an agency may be a related body or an affiliated body of the agency:

(i) a related body is a body which receives more than half its funding and resources from an agency and is subject to operational control by that agency; and

(ii) an affiliated body is a body which receives more than half its funding and resources from an agency but is not subject to operational control by that agency.

(words in italics denote terms that are defined in section 60 of the Act)

Individual related and affiliated bodies will vary widely in their methods of creation, their form and their function. They may be created either in or under legislation by government or in some instances by private individuals, or they may be created by the administrative action of, for example, the Cabinet or individual Ministers.

Related bodies will generally be government organisations which have no financial administration responsibilities and consequently have no separate accountability under the Act, although it is conceivable that a related body may have direct control over at least some of the funds which are deployed in respect of their operations. Many will be in the nature of advisory bodies to a Minister or an agency, while others may have statutory operational responsibilities. However, internal committees and working groups which agencies establish by their own administrative actions would not, by definition, constitute related bodies.

Affiliated bodies may be either:

(i) government organisations, such as independent quasi-judicial or regulatory bodies; or

(ii) non-government organisations, such as charitable, welfare and community interest groups which receive financial support from government.

While financial dependence is a common feature of all related and affiliated bodies, the extent of an agency's accountability in respect of their related and affiliated bodies is determined by the existence or absence of operational control.

In the case of a related body, the combination of operational control and financial dependence effectively integrates the related body into the agency. Consequently, the accountability of the agency embraces the related body, and any funds which it controls, and the annual reports of agencies need to include both financial and operational information on their related bodies.
In the case of affiliated bodies, where the agency has no capacity to exercise control, the scope of accountability and the associated annual reporting obligation extends only to the support provided by the agency.

Although the funds and resources applied by agencies in support of their related and affiliated bodies will be included in the agency's financial statements, the fact and extent of that support may not be readily apparent. This instruction requires that financial statements clearly identify, by note disclosure, the level of support provided to related and affiliated bodies.

In the case of a related body, this instruction also requires that:

(i) where practicable, notes to the financial statements acknowledge any financial support provided by any other agency or other body; and

(ii) any funds separately controlled by the related body be incorporated into the financial statements.

TREASURER’S INSTRUCTION

(1) This instruction applies to all accountable authorities.

(2) For the purpose of this instruction:

(i) ‘Financial assistance’ includes assistance provided:

(a) directly, in the form of cash grants to or payment of accounts on behalf of another body; and

(b) indirectly, in the form of staff, accommodation, support services or any other form of non-cash assistance;

(ii) ‘Government affiliated body’ means an affiliated body which is not a non-government affiliated body; and

(iii) ‘Non-government affiliated body’ means a non-government organisation established for purposes not related to the implementation of government policy.

Related Bodies

(3) Where an agency had a related body at the end of the financial year or at any time during the financial year, there shall be disclosed by way of note to the financial statements for each related body, or subject to materiality, each class of related bodies:

(i) the identity of the related body or class of related bodies; and

(ii) the nature and, where practicable, the amount or value of financial assistance provided to each related body or class of related bodies during the financial year:

(a) by the agency, and
(b) where practicable, by any other body.

(4) Where a related body received or expended money, controlled assets or incurred liabilities independent from the agency during the financial year, those receipts and expenditures and assets and liabilities shall be included within the agency’s financial statements as if they were revenues and expenditures and assets and liabilities of the agency.

Where revenues and expenditures and assets and liabilities of a related body are included within an agency’s financial statements in accordance with this paragraph, such adjustments shall be made as are necessary to eliminate transactions between the agency and its related body.

**Affiliated Bodies**

(5) Where an agency had a government affiliated body at the end of the financial year or at any time during the financial year, there shall be disclosed by way of note to the financial statements for each government affiliated body or, subject to materiality, each class of government affiliated bodies:

(i) the identity of the government affiliated body or class of government affiliated bodies; and

(ii) the nature and, where practicable, the amount or value of financial assistance provided by the agency during the financial year.

(6) Financial assistance provided by the agency to a non-government affiliated body shall be disclosed:

(i) in accordance with the disclosure requirements of any other written law which relates to the provision of that financial assistance; or

(ii) where disclosure requirements are not prescribed in any other written law, in such manner as the accountable authority considers appropriate.

**GUIDELINES**

**Non-Government Affiliated Bodies**

The diverse nature of non-government affiliated bodies precludes this instruction from prescribing specific disclosure requirements. The instruction requires instead that disclosures be made either in accordance with any other relevant written law or in such manner as the accountable authority considers appropriate.

Where no other written law applies, accountable authorities will need to provide information on non-government affiliated bodies which will enable users to make decisions as to:

(i) whether the agency is achieving the government desired outcomes for which resources were provided to it; and
(ii) the extent to which those resources have been properly targeted and efficiently and effectively applied.

Where an agency provides funding and resources to a significant number of non-government bodies, it may be more relevant and practicable to disclose information for each non-government body or class of non-government bodies, rather than identifying which bodies or classes of bodies are non-government affiliated bodies.
952 GENERAL INFORMATION IN FINANCIAL STATEMENTS

BACKGROUND

A number of matters need to be recognised in financial statements or disclosed in the notes to the financial statements due to requirements of legislation or to provide more information to users and to satisfy accountability requirements.

TREASURER'S INSTRUCTION

(1) This instruction requires specific disclosures that are to be presented either in the financial statements or in the notes to the financial statements of departments and statutory authorities.

(2) For the purposes of this instruction:

Senior officers are as defined in Treasurer's instruction 903 ‘Agency Annual Reports’.

(3) (i) There shall be disclosed by way of note to the financial statements:

   (a) [deleted by Treasury]
   (b) the number of senior officers of departments whose total compensation for the financial year, falls within each band of income of $10,000;
   (c) the number of members of the accountable authority (if applicable) and senior officers (other than senior officers reported as members of the accountable authority) of statutory authorities, whose total compensation for the financial year, falls within each band of income of $10,000; and
   (d) the number of senior officers employed in the agency at the end of the reporting period, who are members of the Pension Scheme; and

(4) If, in the opinion of the accountable authority, the financial statements, as prepared in accordance with the Treasurer's instructions, would not otherwise present fairly:

   (i) the financial transactions of the department and, where applicable, its subsidiary and related bodies or the statutory authority and, where applicable, its subsidiary and related bodies during the financial year; or
   (ii) the financial position of the department and, where applicable, its subsidiary and related bodies or the statutory authority and, where applicable, its subsidiary and related bodies at the end of the financial year,

the accountable authority shall disclose by way of note to the financial statements such information and explanations as necessary to ensure that the financial statements do present fairly such matters.
(5) In any year where an appropriation to an agency is expressed as a 'net appropriation' there shall be disclosed in the notes to the financial statements of that agency:

(i) the broad terms of the determination entered into between the Treasurer and the accountable authority pursuant to section 23 of the Act; and

(ii) in respect of the purpose or purposes specified in the determination, the amount of revenue retained by that agency in accordance with the determination.

(6) The following information, where applicable, shall be disclosed in the financial statements or notes to the financial statements:

(i) revenue and debts (including revenue and debts due to the State), and public and other property written off during the financial year. In addition, where such amounts are written off in the financial statements of a department in accordance with section 48 of the Act or under the provisions of any other Act, separate identification is required of amounts written off under the authority of:

(a) the accountable authority;
(b) the Minister; and
(c) Executive Council;

(ii) losses of public money, statutory authority money and other money, and public and other property through theft, default or otherwise, including losses referred to in Treasurer’s instruction 803 ‘Shortages and Surpluses of Money’, together with details of:

(a) recoveries of losses; and
(b) losses written off; and

(iii) gifts of public property provided by an agency during the financial year.

GUIDELINES

Senior officer

Refer to the definition and Guidelines in Treasurer’s instruction 903 ‘Agency Annual Reports’.

Circumstances in which additional information is required

In the event that circumstances arise where the accountable authority is of the opinion that in complying with the requirements of the Treasurer’s instructions the financial statements would not otherwise present fairly the matters they are required to address, the accountable authority shall:

(i) comply with the Treasurer’s instructions; and

(ii) include within the notes to the financial statements such information and explanations as necessary to ensure that the financial statements present fairly those matters.

In complying with paragraph (4) of this instruction, paragraphs 23 and 24 of AASB 101 ‘Presentation of Financial Statements’ should be referred to as guidance to the extent to which such information and explanations are disclosed in the notes to the financial statements.
BACKGROUND

The objects and purposes of the Act include the administration of public finances and provision for annual reporting by agencies.

In this context, the budget statements include budget estimates for the individual agencies which operate as Divisions of the Consolidated Account Expenditure Estimates. Accordingly, these estimates are publicly available. Estimates are also publicly available for agencies that table a statement of corporate intent under a written law.

In order to enhance financial management and reporting of those agencies that:

- do not receive funding as a separate Division of the Consolidated Account Expenditure Estimates; or
- are not separately identifiable within a separate Division of the Consolidated Account Expenditure Estimates; or
- do not table a statement of corporate intent in Parliament,

they are required to publish budget estimates for the relevant financial year in the annual report of the preceding financial year in accordance with this instruction.

Budget estimates do not form part of the financial statements and therefore are not subject to audit.

TREASURER’S INSTRUCTION

(1) This instruction applies to accountable authorities of:

(i) each government department or sub-department whose financial aggregates are not separately identifiable in a single Division of the Consolidated Account Expenditure Estimates; and

(ii) each statutory authority whose financial aggregates are not separately identifiable in a single Division of the Consolidated Account Expenditure Estimates, unless the statutory authority has tabled in Parliament a statement of corporate intent containing annual estimates for the relevant year.

(2) For the purpose of this instruction, ‘estimates’ are the annual estimates of the financial operations of the agency for the relevant financial year.

(3) The estimates shall, as a minimum, contain the following information:

(i) where no other written law applies to the estimates, accountable authorities of agencies that are required to comply with Treasurer’s instruction (TI) 945P ‘Explanatory Statement for Non-GGS Agencies’ must submit estimates in the form approved by the Minister; or

(ii) where no other written law applies to the estimates, accountable authorities of agencies that are required to comply with Treasurer’s instruction (TI) 945 ‘Explanatory Statement’ must submit estimates comprising:

(a) a Statement of Comprehensive Income;
(b) a Statement of Financial Position; and
(c) a Statement of Cash Flows.

(4) The accountable authority shall submit the estimates prepared in accordance with paragraph (3) for the approval of the Minister as follows:

(i) agencies with a financial year ending on December 31:
   (a) such times as determined by the Treasurer; or
   (b) if there is no day so fixed, no later than one week after the end of the financial year.

(ii) other agencies:
   (a) such times as determined by the Treasurer; or
   (b) if the Treasurer directs the agency under section 41(1) to submit a draft Resource Agreement and there is no day so fixed, concurrently with that submission; or
   (c) if there is no day so fixed, no later than one week after the budget papers have been tabled in the Legislative Assembly.

(5) Unless the Treasurer otherwise directs in writing, the estimates approved in accordance with paragraph (4) shall be published as:

(i) original budget for the relevant financial year in the annual report of the preceding financial year for accountable authorities required to comply with TI 945; or

(ii) original budget for the relevant financial year in the annual report of the preceding financial year for accountable authorities required to comply with TI 945P; or

(iii) original budget for the relevant financial year in the annual report of the preceding financial year for accountable authorities not required to comply with either TI 945 or TI 945P.

GUIDELINES

Agencies not separately identifiable in a single Division of the Consolidated Account Expenditure Estimates

The estimates of a number of departments and statutory authorities are combined (aggregated) for publication within a single Division of the Consolidated Account Expenditure Estimates. These agencies are required to publish individual agency specific estimates prepared on the same basis as the combined estimates published in Budget Paper No.2 ‘Budget Statements’. This requirement enhances accountability, stewardship and financial transparency for resources allocated to agencies in achieving government objectives and desired outcomes.

Estimates

The estimates are submitted for approval after agreeing the allocation of resources to agencies in the pursuit of government approved outcomes between the Treasurer, Ministers and agencies. Therefore, they should be consistent with the estimates contained in:

- Budget Papers;
• Resource Agreements, where applicable; and
• CEO Performance Agreements.

These approved estimates are published in the agency Annual Reports and form the basis for agencies’ explanatory statements under Treasurer’s instructions 945 and 945P.
PUBLICATION AND PRESENTATION OF ESTIMATES BY STATUTORY AUTHORITIES THAT RECEIVE FUNDING FROM THE STATE POOL ACCOUNT (DELETED)
REVALUATION OF NON-CURRENT PHYSICAL ASSETS

BACKGROUND

Australian Accounting Standard AASB 116 ‘Property, Plant and Equipment’ prescribes the accounting treatment for property, plant and equipment (PPE). The Standard requires assets to be initially recognised at cost. Where a not-for-profit entity (refer to TI 1101 ‘Application of Australian Accounting Standards and Other Pronouncements’) acquires an asset at a cost that is significantly less than fair value principally to enable the entity to further its objectives, the fair value at the date of acquisition is recognised as its cost. Subsequent to initial recognition, a class of assets can be measured using the cost model or, where fair value can be measured reliably, the revaluation model. All assets in a class must be measured on the same basis.

Under the cost model, assets are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Under the revaluation model, assets are carried at fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Where a class of assets is measured at fair value, revaluations of that class of assets must be made with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the end of each reporting period.

Under the AASB 116 requirements, agencies are able to continue reporting all assets on the cost basis or to report some classes of assets at cost and other classes at fair value.

The reporting of assets on the cost basis provides information in respect of both the value and consumption of those assets that generally becomes less relevant over the life of an asset, especially for assets with long useful lives. In terms of value, a major proportion of non-current assets in the public sector have very long useful lives (for example, land, buildings and infrastructure). Consequently, the continued reporting of significant assets at cost may materially understate the total value of assets and depreciation expense reported in the Statement of Financial Position and the Statement of Comprehensive Income respectively. This would result in a reduction in the relevance of the financial statements to the user and limit the effectiveness of accrual appropriations.

In addition to the understatement of asset values and depreciation expense, the options available under AASB 116 have the potential to result in inconsistent reporting across the public sector. These outcomes flow through to whole-of-government reporting. Excluding infrastructure, land and buildings account for approximately 90 percent of the value of non-current assets in the general government sector.

To address these issues, this instruction mandates that subsequent to initial recognition, land and buildings are to be measured at fair value (the revaluation model under AASB 116). In addition, this instruction also applies to land and buildings measured under AASB 140 ‘Investment Property’.

By contrast, land and buildings measured under AASB 5 ‘Non-current Assets Held for Sale and Discontinued Operations’, AASB 102 ‘Inventories’ and AASB 141 ‘Agriculture’ are not subject to this instruction. Note that leases of land and buildings under AASB 16 ‘Leases’ (i.e. right-of-use assets – land and buildings) are not subject to this instruction.

The adoption of the fair value basis for other classes of PPE is at the agency’s discretion. Further advice on this matter is provided in the Guidelines.
This instruction applies to both for-profit and not-for-profit agencies. The differences in revaluation accounting requirements between for-profit and not-for-profit agencies are discussed in the Guidelines.

**TREASURER’S INSTRUCTION**

1. This instruction applies to accountable authorities.
2. For the purposes of this instruction ‘agencies’ includes departments and those statutory authorities listed in Schedule 1 of the *Financial Management Act* that are consolidated in the Annual Report on State Finances.
3. Assets subject to Australian Accounting Standards AASB 5 ‘Non-current Assets Held for Sale and Discontinued Operations’, AASB 16 ‘Leases’, AASB 102 ‘Inventories’ and AASB 141 ‘Agriculture’ are excluded from the scope of this instruction.
4. Subsequent to initial recognition, agencies must measure land and buildings at fair value as defined in AASB 13 ‘Fair Value Measurement’ in preparing financial statements.
5. Valuations of land and buildings are deemed to be categorised within Level 3 of the three-level fair value hierarchy under AASB 13, where the valuation utilises significant unobservable inputs on a recurring basis.

**GUIDELINES**

The following guidelines are provided to assist agencies in complying with the revaluation requirements under AASB 116.

**All assets within a class of assets to be measured on the same basis**

Where an agency measures a class of non-current assets at fair value, all assets in that class of assets must be measured on the fair value basis. The cost of acquisition for assets acquired during the reporting period is generally consistent with this requirement. Depending on the circumstances, the initial cost may be consistent with fair value for a number of reporting periods, for example plant and equipment. Where a class of non-current assets is measured on the cost basis, all assets in that class of assets must be measured on that basis.

**Changing from cost to fair value**

Changing the measurement basis for a class of assets is a change in accounting policy and is addressed in AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’. Apart from where a change in accounting policy is required by an Australian Accounting Standard, AASB 108 permits a change in accounting policy only where the change results in the provision of reliable and more relevant information about the effects of transactions, other events or conditions on the agency’s financial position, financial performance or cash flows. Although a change from cost to fair value is assessed under paragraphs 14 to 16 of AASB 108, the change is not accounted for as a change in accounting policy under paragraph 19 of AASB 108 but is treated as a revaluation under AASB 116 (refer to paragraph 17 of AASB 108). This means that any change from cost to fair value for a class of assets is not to be applied retrospectively (i.e. no restatement of comparatives is required).

Refer to the Guidelines under ‘Accounting for revaluation increments and decrements’ for further advice on accounting for revaluations.
**Land and buildings**

A change in accounting policy to comply with this instruction is considered to be compliant with paragraph 14(b) of AASB 108.

**Other classes of non-current assets**

Agencies should only consider changing the measurement basis for a class of non-current assets from the cost basis to fair value where the move will have a material impact on the Statement of Financial Position or the Statement of Comprehensive Income. In making this decision, agencies need to consider the overall impact on their financial statements, the relevance of the measurement basis and the ongoing costs involved. For example, the revaluation of a class of non-current assets that has relatively short useful lives and has an immaterial impact on depreciation expense would not be justified.

**Changing from fair value to cost**

Subject to meeting the specific requirements set out in paragraphs 14 and 15, and 19 to 27, AASB 108 allows a change from fair value to cost. However, it is unlikely that a change from fair value to cost would provide more relevant information about the effects of transactions. Any change from fair value to cost would be accounted for as a change in accounting policy under AASB 108 (i.e. applied retrospectively). Note that this instruction does not permit agencies to change from fair value to cost for land and buildings.

The application of all requirements in Australian Accounting Standards is subject to materiality. Consequently, where a change from fair value to cost or a discontinuance of revaluation for a class of assets other than land and buildings has no material impact on the financial statements, an agency may revert to cost or discontinue revaluation for that class of assets. In making an assessment of the materiality of such a change, in addition to the effect on the financial statements for the reporting period in which the change is proposed, agencies need to consider the effect of the change in future reporting periods. Assets with short useful lives and relatively low values, such as computers and minor office equipment, are the likely type of asset where the valuation policy applied may have no material impact.

**Measuring the fair value of an asset**

Fair value is defined in AASB 13 ‘Fair Value Measurement’ as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Professionally qualified valuers would normally undertake land and buildings valuations.

The fair value of an asset is generally measured at:

(i) the asset's quoted price (unadjusted) in an active market for an identical asset where such a price exists at the measurement date; or

(ii) where a quoted price in an active market does not exist for the asset at the measurement date, fair value is estimated by reference to the best available market evidence of the price at which the asset could be sold in an orderly transaction in the principal, or most advantageous, market (Refer to the guidelines under ‘Highest and best use’). This evidence includes current market prices for assets that are similar in use, type and condition and recent transactions for the same or similar assets. Current market prices and the prices of the most recent transactions for the same or similar assets can usually be observed for non-specialised assets such as land with no public use restrictions,
non-specialised buildings, used motor vehicles and some forms of plant and equipment; or

(iii) if there is no market based evidence of fair value because of the specialised nature of the asset, fair value is estimated having regard to current or existing use:

a. For specialised buildings, the valuation is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence (i.e. current replacement cost). Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

b. For low restricted use land, the valuation is based on the assumption that the site will be rehabilitated to a vacant and marketable condition. For high restricted use land, the valuation is based on comparison with land that has low level utility. Land of low level utility is considered to be grazing land or similar on the urban fringe of the metropolitan area with no economic farming potential or foreseeable development or redevelopment potential at the measurement date.

Valuation techniques used to measure fair value should maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Note that the fair value hierarchy in AASB 13 is consistent with the derivations of fair value above. The fair value hierarchy follows:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1] (e.g. traded commodities valued by the market approach);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly [Level 2] (e.g. non-specialised assets valued on the basis of observed sales of similar items); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) [Level 3] (e.g. specialised assets valued on utilising the current replacement cost; land with public use restrictions valued by comparing with other low level utility land).

The three-level fair value hierarchy does not create sub-classes within each class of non-current physical assets. However, AASB 13 requires a reconciliation of these ‘sub-classes’ by hierarchy level, which reconciles to the fair value of PPE contained within the PPE reconciliation required by paragraph 73 of AASB 116. Deeming categorisation within Level 3 of the three-level fair value hierarchy, where the valuation utilises significant unobservable inputs on a recurring basis for valuations of land and buildings, reduces the potential for additional disclosures required where asset valuations fluctuate between Level 2 and Level 3 classification. For example, an asset may move from the cost basis on practical completion to a Level 2 classification and then over time to a Level 3 classification. This instruction requires the categorisation of those assets at a Level 3 classification on application of fair value.

Although AASB 13 allows the option of using an income approach for valuing specialised assets, the income approach is not considered relevant for valuing specialised assets in the public sector. Current replacement cost should be used for valuing specialised assets. Non-cash-generating specialised assets in the public sector valued on the current replacement cost are not subject to impairment as required by AASB 136 ‘Impairment of Assets’. In the limited circumstances where specialised assets in the public sector are held primarily to generate net cash inflows, fair value is still determined by the current replacement cost. However, the recoverable amount under AASB 136 of such assets (or a cash generating unit) is subject to an upper limit based on the income
approach – the present value of future cash flows expected to be derived from the assets (or a cash generating unit).

It is likely that specialised assets (e.g. schools, dams and transmission lines) subject to current use valuations derived by reference to the current replacement cost will be classified at Level 3 of the hierarchy. This is due to adjustments for obsolescence representing a significant unobservable input that is required to derive the service capacity of the asset.

Land with public use restrictions will be categorised at Level 3 due to significant adjustments by unobservable inputs to valuation including rehabilitation costs (low restricted use land) and adjustments for low level utility (high restricted use land).

**Highest and best use**

Fair value for a non-financial asset is measured by having regard to the highest and best use of an asset in accordance with AASB 13. This is defined as the use of the asset that is physically possible, legally permissible, financially feasible, and which results in the highest value. Highest and best use is determined from the perspective of market participants, even if the agency intends a different use. However, in the public sector, it must take into account the mandated legal and other socio-political restrictions imposed on the use or disposal of assets.

Highest and best use may not always be the existing use of an asset. In assessing any feasible alternative highest and best use of an asset, both current and future restrictions on the use of the asset must be considered. There must be evidence that the alternative use is feasible.

**Existing use**

Assets that are non-specialised and have no legal, natural or socio-political restrictions on their potential use are commonly referred to as market type assets and are valued by utilising the market approach.

However, in the public sector, many assets have restrictions or limitations placed on their use and disposal. Parks, gardens, other reserves and heritage buildings fall into this category. Refer to the discussion under ‘Heritage or cultural assets’. Assets held to deliver a specific community service, such as schools, police stations, hospitals, prisons and other specialised assets also fall into this category (where they are not surplus to requirements). Such assets are held by agencies for their value in use and accordingly fair value is measured having regard to the current or existing use of the asset. Such assets do not normally have a feasible alternative use (i.e. existing use is their highest and best use) and are commonly referred to as non-market type or current use assets.

Refer to the determination of fair value with regard to current or existing use of assets under ‘Measuring the fair value of an asset’.

**Surplus assets**

Assets determined to be surplus to requirements are no longer valued on an existing use basis. They should be valued utilising either the market approach or the income approach (i.e. the present value of estimated future cash flows).

**Heritage or cultural assets**

AASB 116 requires the cost of an item of PPE to be recognised as an asset if, and only if, “it is probable that future economic benefits associated with the item will flow to the entity” and “the cost of the item can be measured reliably”. PPE are defined as tangible items that are “held for use in the production or supply of goods or services, for rental to others, or for administrative purposes” and are “expected to be used during more than one period”. Whilst heritage or cultural assets are not specifically defined in AASB 116, they are commonly considered as PPE with unique cultural, historical, geographical,
scientific and/or environmental attributes. Heritage or cultural assets are held by agencies to meet objectives such as exhibition, education, research, curatorial and preservation.

The treatment of heritage or cultural assets is no different to other PPE and they should be recognised where they meet the recognition criteria. When heritage or cultural assets are recognised, the provisions of AASB 116 apply. Land and buildings recognised as heritage or cultural assets must also be valued at fair value in accordance with this instruction. For most heritage or cultural assets, highest and best use is existing use and they are valued on that basis. Where no reliable measurement basis is available, heritage or cultural assets are not recognised.

Certain heritage or cultural assets, by virtue of their nature, may not have limited useful lives and therefore would not be depreciated (see Australian Implementation Guidance accompanying AASB 116 for further guidance).

**Valuations provided by Valuation Services (Western Australian Land Information Authority) and the timing of take-up of valuations**

Where valuations are provided by Valuations and Property Analytics (Landgate), these are considered to be consistent with the fair value requirements under AASB 13. Although valuations are as at 1 July of each financial year, the valuations are performed over the course of the year and are provided to agencies at the end of that financial year. Valuations and Property Analytics (Landgate), the Office of Auditor General and the Department of Treasury assess the valuations annually at a global level to ensure that the valuations provided are consistent with fair value at the end of the reporting period (i.e. 30 June). Therefore, it is unnecessary to take-up the valuations at an earlier date and depreciate the assets to 30 June. If an agency does this, in certain circumstances, there may be a risk of not being compliant with fair value at the end of the reporting period. It is recommended that revaluations are taken up at 30 June and with no retrospective adjustments to depreciation expense for that financial year.

**Subsequent expenditure**

Subsequent expenditure on an asset must be capitalised where it meets the asset recognition criteria. Where an asset is reported at fair value, agencies must comply with the requirements under the AASB 116 to ensure that the carrying amount of the asset does not vary materially from its fair value at the end of each reporting period. Expenditure capitalised in a reporting period, after a valuation is undertaken for an asset, should be added to the carrying amount (fair value) of the asset. In most circumstances the new carrying amount should not vary materially from fair value. However, major expenditure on a building valued by utilising the market approach may not increase its fair value by the level of expenditure. In such circumstances, the asset should be revalued.

**Frequency of revaluation**

AASB 116 requires that revaluations must be carried out with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from its fair value at the end of the reporting period.

What this implies in terms of frequency of revaluation depends on the movement in asset values within an asset class. Some types of assets may experience frequent and material movements in fair value that would necessitate revaluation each reporting period. Other assets experience only immaterial movements and revaluation every three to five years may be sufficient.
Assets within a class should be valued as at substantially the same date to avoid selective revaluation of assets. However, assets within a class may be valued progressively within a reporting period provided this gives compliance with the Standard, i.e. no material variance from fair value at the end of the reporting period.

To ensure compliance with the Standard, agencies will need to develop a strategy for each class of assets to be measured on the fair value basis. This will require an assessment of the assets within each class to determine if they are susceptible to material movements in fair value between reporting periods. Agencies should assess if there is any indication that an asset’s carrying amount may differ materially from fair value at the end of each reporting period. If any such indication exists, the agency will need to determine the asset’s fair value and revalue the asset to that amount. Agencies with significant land and buildings may need to take-up revaluations annually where relevant price increases have been material.

In assessing whether there is any indication that a revalued asset’s carrying amount may differ materially from that which would be determined if the asset were revalued at the end of the reporting period, an agency should consider, as a minimum, the following indications:

External sources of information include:

(i) significant changes affecting the agency have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the agency operates or in the market to which an asset is dedicated; and

(ii) during the period, a price index relevant to the asset has undergone a material change.

Internal sources of information include:

(i) evidence is available of obsolescence or physical damage of an asset;

(ii) significant changes affecting the agency have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. Adverse changes include the asset becoming idle, or plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite. Favourable changes include capital expenditure incurred during the period to improve or enhance an asset in excess of its standard of performance assessed immediately before the expenditure is made; and

(iii) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse/better than expected.

The list above is not exhaustive. An agency may identify other indications that a revalued asset’s carrying amount may differ materially from that which would be determined if the asset were revalued at the end of the reporting period and these would also require the agency to determine the asset’s fair value.

In determining the frequency of revaluations for a class of assets, agencies should consider the cost and availability of valuations. Generally, classes of assets measured on the fair value basis should be revalued at least every three years.
Accounting for revaluation increments and decrements

Not-for-profit entities

Revaluation increments and decrements within a class of assets must be offset. A net revaluation increment must be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus except to the extent that the increment reverses a previous decrement (in respect of that same class of assets), which was recognised as an expense in a prior period’s profit or loss. In this case, the increment must be recognised as a gain in profit or loss. A net revaluation decrement must be recognised as an expense in profit or loss, except that to the extent that a credit balance exists in the revaluation surplus (in respect of that same class of assets) where the decrement must be recognised in other comprehensive income and reduces the amount accumulated in the revaluation surplus. These requirements are detailed in paragraphs Aus39.1 and Aus40.1-2 of AASB 116.

For-profit entities

Revaluation increments and decrements are accounted for on an individual asset basis without offsetting within classes of PPE. These requirements are detailed in paragraphs 39 and 40 of AASB 116.

Investment Property

Gains or losses arising from changes in fair value of investment property are recognised in profit or loss. This requirement is detailed in paragraph 35 of AASB 140.

Treatment of accumulated depreciation on revaluation

AASB 116 allows two alternative treatments of accumulated depreciation on revaluation of an asset:

(i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset (i.e. current replacement cost), and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset (gross basis); or

(ii) the accumulated depreciation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset (net basis).

Although the gross basis provides a better outcome by retaining useful information, it is not always practical to apply where the carrying amount of the asset is determined by the market approach. Where the carrying amount is determined on the basis of current replacement cost, the gross basis should be applied where practicable. The treatment adopted should be disclosed.

Treatment of revaluation surplus on derecognition of assets

AASB 116 provides two options for the treatment of revaluation surplus on derecognition of assets:

(i) retain the revaluation surplus in reserve; or

(ii) transfer the revaluation surplus relating to disposed assets to retained earnings.

Note that in order to transfer the revaluation surplus on disposal, an agency would have to record increments and decrements by individual asset. The Standard provides that not-for-profit agencies are only required to record revaluation increments and decrements by class. This option should be used with caution.
AASB 116 disclosure requirements

The disclosure requirements in respect of PPE are set out in paragraphs 73 to 79 of AASB 116. The key disclosures relating to revaluation are outlined below.

For each class of PPE, a reconciliation is required of the carrying amount at the beginning and end of the reporting period showing:

(i) additions;
(ii) assets classified as held for sale and other disposals;
(iii) acquisitions through business combinations;
(iv) increases or decreases resulting from revaluations under AASB 116 and impairment losses recognised or reversed in other comprehensive income under AASB 136;
(v) impairment losses recognised in profit or loss in accordance with AASB 136;
(vi) impairment losses reversed in profit or loss in accordance with AASB 136; and
(vii) depreciation expense.

Where the fair value basis is applied to measure a class of PPE, other ongoing disclosure requirements in addition to those required by AASB 13 include:

(i) the effective date of the revaluation;
(ii) whether an independent valuer was involved;
(iii) the revaluation surplus and the change for the period.

For-profit entities must also disclose, for each revalued class of PPE, the carrying amount that would have been recognised had the cost model been applied.

AASB 13 disclosure requirements

The fair value disclosure requirements are set out in paragraphs 91 to 99 of AASB 13.

Tier 1 agencies (as listed in Schedule 1 of TI 1107 ‘Application of Tiered Reporting – Reduced Disclosure Requirements’) are required to apply all of the disclosure requirements of AASB 13. Tier 2 agencies only need to apply the disclosure requirements set out in paragraphs 91(a), 92, 93(a), 94 and 96 of AASB 13.

The key disclosures relating to PPE and the reporting entity that they relate to are outlined below.

For each class of assets measured at fair value, the following information is disclosed:

(i) the fair value at the reporting date – Tier 1 and Tier 2 agencies;
(ii) the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3) – Tier 1 agencies only;
(iii) a description of the valuation technique(s) (and, if applicable, any change in valuation technique and the reason(s) for the change) and the inputs used in the fair value measurement – Tier 1 and Tier 2 agencies; and
(iv) the fact why the asset is being used in a manner that differs from its highest and best use – Tier 1 agencies only.
Additional disclosures for Tier 1 agencies are required for assets measured at fair value categorised within Level 3 of the fair value hierarchy:

(i) a reconciliation from the opening balances to the closing balances disclosing separately changes attributable to:
   • total gains or losses in profit or loss and the line item(s);
   • total gains or losses in other comprehensive income and the line item(s);
   • purchases, sales, issues and settlements;
   • the amounts of any transfers into or out of Level 3 of the fair value hierarchy, and the reasons for those transfers; and

(ii) a description of the valuation processes used by the agency.

Contributed assets

Under TI 955 ‘Contributions by Owners Made to Wholly Owned Public Sector Entities’ contributions by owners must be accounted for on the fair value basis. Where assets are initially recognised at fair value under this requirement, it does not initiate an ongoing revaluation requirement for those assets or, where the transferred assets are included in a class of assets measured on the cost basis, require the other assets in that class to be revalued to fair value. That is, for the purposes of paragraph 30 of AASB 116, the fair value of assets transferred may be considered as measurement under the cost model.

Initial recognition of assets

The initial recognition of a pre-existing but previously unidentified asset for the first time is considered to be a prior period error under AASB 108. Accordingly, comparatives should be restated with a corresponding adjustment to the opening balance of each affected component of equity (e.g. Accumulated Surplus). Where assets are valued for the purposes of initial recognition, because the original cost of the assets is unknown, this initial valuation (not a revaluation) may be considered as being at cost.

Recognition of assets previously derecognised

There may be circumstances when an asset has been fully depreciated as the useful life of the asset to the agency has expired, but the agency’s circumstances change and the asset again becomes useful. Where assets previously derecognised are subsequently recognised, this should be accounted for in accordance with paragraph 37 of AASB 108 (i.e. changes in accounting estimate). Appropriate disclosures should be made in accordance with paragraph 39 of AASB 108 where material.
CONTRIBUTIONS BY OWNERS MADE TO WHOLLY-OWNED PUBLIC SECTOR ENTITIES

BACKGROUND

The transfer of assets (or the assumption of liabilities) between government agencies (departments and statutory authorities) can occur for a number of reasons. Such transfers are either non-reciprocal transfers or form part of the purchase consideration for the provision of goods and services. This instruction only addresses the accounting treatment surrounding non-reciprocal transfers within the public sector.

Non-reciprocal transfers

A non-reciprocal transfer is defined in Australian Accounting Standards as a transfer where the entity receives assets or services or has liabilities extinguished without giving approximately equal value in exchange to the other party or parties to the transfer. Contributions and asset transfers as a consequence of restructuring are examples. Non-reciprocal transfers represent income and/or increases in liabilities to the transferee (recipient) unless the transfer is in the nature of contributions by owners. To the transferor, a non-reciprocal transfer represents an expense, investment or distribution to owners.

Contributions by owners are defined in Australian Accounting Standards as:

“future economic benefits that have been contributed to the entity by parties external to the entity, other than those which result in liabilities of the entity, that give rise to a financial interest in the net assets of the entity which:

(a) conveys entitlement both to distributions of future economic benefits by the entity during its life, such distributions being at the discretion of the ownership group or its representatives, and to distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or
(b) can be sold, transferred or redeemed.”

It is not necessary that both (a) and (b) be satisfied.

Interpretation 1038 ‘Contributions by Owners Made to Wholly-Owned Public Sector Entities’

A transfer to a wholly-owned public sector entity must be recognised by the transferee as a contribution by owners when and only when it satisfies the definition of contribution by owners in AASB 1004. Interpretation 1038 establishes the criteria for determining when transfers of assets, or assets and liabilities, to wholly-owned public sector entities, satisfies the definition of contributions by owners in AASB 1004. For not-for-profit agencies, the Interpretation scopes out those transfers that arise as a result of a restructure of administrative arrangements. These transfers are to be accounted for in accordance with AASB 1004, paragraphs 54 to 59. Interpretations are applied through the Australian Accounting Standard AASB 1048 ‘Interpretation of Standards’.

To meet the criteria under Interpretation 1038, the equity nature of a transfer must be evidenced by either:

(i) the issuance of equity instruments which can be sold, transferred or redeemed; or
(ii) a formal agreement establishing a financial interest in the net assets of the transferee which can be sold, transferred or redeemed; or
(iii) a formal designation of the transfer (or of a class of such transfers) by the transferor or a parent entity of the transferor as forming part of the transference’s contributed equity, either before the transfer occurs or at the time of the transfer.

The discussion in the Interpretation provides examples of how designation of transfers may occur.

In most circumstances, there will be no equity instrument or formal agreement to evidence that transfers are in the nature of contributions by owners. Consequently, a designation of a transfer as a contribution by owners will be required before a transfer can be accounted for as a contribution by owners. Government policy on transfers is to designate as contributions by owners where the transfer is a direct contribution of capital from government (non-repayable capital appropriations and assumptions of liability) or a withdrawal of capital from one agency and a contribution of capital to another agency. Transfers of this nature will meet part (b) of the definition of contribution by owners in AASB 1004, i.e. the government has a right to sell, transfer or redeem the financial interest in the net assets of the transference. Such transfers of assets and liabilities between wholly-owned government agencies are in substance transfers to/from the government.

This instruction designates those classes of non-reciprocal transfers to be recognised as contributions by owners.

Non-reciprocal transfers made at the discretion of an agency are not contributions by owners. Such transfers should be accounted for as expenses by the transferor and income (and/or increases in liabilities) by the transference.

**Restructure of administrative arrangements**

A restructure of administrative arrangements is defined in AASB 1004 as:

“The reallocation or reorganisation of assets, liabilities, activities and responsibilities amongst the entities that the government controls that occurs as a consequence of a rearrangement in the way in which activities and responsibilities as prescribed under legislation or other authority are allocated between the government’s controlled entities.

The scope of the requirements relating to restructures of administrative arrangements is limited to the transfer of a business (as defined in AASB 3 ‘Business Combinations’). The requirements do not apply to, for example, a transfer of an individual asset or a group of assets that is not a business.”

Examples of restructures of administrative arrangements are as follows:

- Abolition of an agency where the net assets are transferred to another government controlled agency;
- Creation of a new agency where the assets and liabilities are transferred from one or more government controlled agencies;
- Amalgamations of agencies;
- Splitting of an agency into two or more new agencies; and
- Transfer of function.

All agencies, except for-profit government controlled entities, shall apply the requirements in AASB 1004 to non-reciprocal transfers in relation to the restructure of administrative arrangements. The requirements of Interpretation 1038 shall continue to apply to the restructure of administrative arrangements in respect of for-profit government controlled entities.
Measurement

This instruction requires all contributions by owners and distributions to owners to be recognised at fair value. This ensures that the current values of capital contributions and withdrawals are reflected in the financial statements. This is required for the government to make the necessary judgement on the adequacy of the capital structure of the transferor and transferee agencies. It also ensures that previously unrecognised gains and losses are recognised prior to transfer. This is necessary to ensure accountability of the transferor and transferee in terms of financial performance.

It is in the interest of an agency from which the government makes a capital withdrawal that the full extent of such a withdrawal is reported. Similarly, it is in the interest of the transferee to ensure that a capital contribution is reported accurately. Note that Treasurer’s instruction 954 ‘Revaluation of Non-Current Physical Assets’ requires all land and buildings to be measured on the fair value basis.

The requirement to recognise contributions by owners and distributions to owners at fair value is subject to materiality and compliance with valuation requirements in Australian Accounting Standards. For example, under AASB 138 ‘Intangible Assets’, fair value must be determined by reference to an active market. Consequently, most intangibles in the public sector cannot be measured on the fair value basis.

Land Sales and Transfers

Consistent with the measurement policy for contributions by owners, it is recommended that all sales and transfers of land be at fair value. Sales or transfers at other values could materially misstate the impact of such transactions in the financial statements.

Application

For government controlled not-for-profit entities, the transfer of assets, or assets and liabilities, as a result of a restructure of administrative arrangements is to be accounted for in accordance with AASB 1004, paragraphs 54 to 59.

The transfer of assets, or assets and liabilities, other than as a result of a restructure of administrative arrangements, to wholly-owned public sector entities from other entities within the same group of entities is to be accounted for in accordance with Interpretation 1038 (i.e. formal designations required) and this instruction.

Government departments also need to comply with AASB 1004, paragraphs 48 to 53 in respect to all contributions by owners and distributions to owners.

TREASURER’S INSTRUCTION

(1) For the purposes of this instruction:

   (i) ‘agencies’ includes departments and all statutory authorities listed in Schedule 1 of the Act that are consolidated in the Annual Report on State Finances; and

   (ii) ‘wholly-owned public sector entities’ include all entities consolidated in the Annual Report on State Finances.

(2) Designations in paragraph (3) do not apply to non-reciprocal transfers that occur as a consequence of a restructure of administrative arrangements as set out in paragraphs 54 to 59 of AASB 1004 ‘Contributions’.
(3) For the purposes of Interpretation 1038 ‘Contributions by Owners Made to Wholly-Owned Public Sector Entities’, the following classes of non-reciprocal transfers are designated as ‘contributions by owners’:

(i) capital appropriations, except where the appropriation is repayable;
(ii) subject to paragraph (4), non-discretionary transfers of net assets from wholly-owned public sector entities to agencies;
(iii) non-discretionary assumptions of liabilities or net liabilities by wholly-owned public sector entities from agencies;
(iv) assumptions of liabilities or net liabilities by the government from agencies and the transfer of net assets from government to agencies; and
(v) capital expenditure authorised under section 27(1) of the Act.

(4) Transfers of cash between agencies are not contributions by owners where:

(i) the cash transferred represents a reallocation of current year revenue; and
(ii) the transfer of cash is not related to a transfer of function or the transfer of other assets and/or liabilities.

(5) A non-reciprocal transfer of assets or net assets from an agency to the government must be accounted for by the transferor agency as a distribution to owners.

(6) Subject to paragraph (7) and materiality, all contributions by owners and all distributions to owners must be recognised in the financial statements at fair value by both the transferee and transferor.

(7) All assets and liabilities must be measured in accordance with the relevant Australian Accounting Standards.

GUIDELINES

Non-discretionary transfers

For the purposes of this instruction, a transfer is classed as a non-discretionary transfer where the decision to transfer assets and/or liabilities is not made by the transferor agency, i.e. the decision is made by or on behalf of the government. Transfers of assets from one agency to another that have been made without the discretion of either agency are considered to be non-discretionary transfers for the purposes of this instruction. Discretionary transfers are made at the agency’s discretion and represent an expense to the transferor agency and income (and/or increases in liabilities) to the transferee. 

Accounting for contributions by owners and distributions to owners

Where a transfer is classified as a contribution by owners by the transferee agency, under Interpretation 1038, the transferor agency is required to classify the transfer as a distribution to owners unless the transfer is to an investee in which case the transferor classifies the transfer as an acquisition of ownership interest. Transfers from an agency either directly to government or to another agency (which is in substance a transfer to government) must be classified as distribution to owners by the transferor. Transfers from government to agencies represent an acquisition of ownership interest in the transferee.
**Example**

Department A transfers net assets to Statutory Authority B. The transfer is a decision of the government and is not for fair value consideration in the provision of goods or services. That is, the transfer is non-discretionary and non-reciprocal. Such transfers are designated as contributions by owners under paragraph (3)(ii) of this instruction. Under Interpretation 1038, as the transferor and transferee are wholly-owned public sector entities controlled by the same government, the transfer must be accounted for as a transfer to/from that government. Consequently, the transfer is accounted for as two transfers. Transfer 1 is from Department A to the government and Transfer 2 is from the government to Statutory Authority B.

**Transfer 1:**

Department A classifies the transfer as a distribution to owners.

Government classifies the transfer as redemption of ownership interest or income.

**Transfer 2:**

Government classifies the transfer as acquisition of ownership interest.

Statutory Authority B classifies the transfer as a contribution by owners.

Note that the government entries are eliminated in the government’s consolidated financial statements as they represent transfers within the same economic entity.

Contributions by owners should be credited directly to Contributed equity in the Statement of Financial Position. Distributions to owners should be debited directly to Contributed equity in the Statement of Financial Position.

Where an agency does not have a sufficient credit balance in Contributed equity with respect to net assets transferred, the whole amount of distribution to owners should still be debited directly to Contributed equity. If at the end of an agency’s reporting period there is a net debit balance in Contributed equity after distributions to owners and contributions by owners during the year, this balance should then be transferred to Accumulated surplus/(deficit) in the Statement of Financial Position.

Where it is expected that the assets or liabilities are to be transferred within 12 months or before the end of the agency’s current operating cycle, non-current assets and non-current liabilities should be reclassified as current.

Any subsequent discovery of assets and/or liabilities relating to the original transfer, after accounting for a transfer of net assets as a contribution by owners and distribution to owners, is to be recognised and adjusted directly against the respective agencies’ Contributed equity at their fair value in the Statement of Financial Position. If this occurs in a subsequent reporting period, compliance with AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ is required where the transaction is a material error under that Standard.

**Designation of non-repayable capital appropriations as contributions by owners**

Most capital appropriations are non-repayable and consequently are designated as contributions by owners under paragraph (3)(i) of this instruction. Where in the rare circumstances that a capital appropriation is repayable, the appropriation is recognised as a liability by the entity. Also refer to the guidance below under ‘Repayable administered capital appropriations and administered borrowings’.

Note that a designation of capital appropriations as contributions by owners was made in Treasury correspondence to agencies dated 4 July 2001. This advice stated that from 1 July 2001 capital appropriations are to be treated as contributions by owners.
**Controlled capital appropriations**

Capital appropriations, which are displayed as Capital Contribution or Capital Appropriation in the Budget Statements, represent equity contributions from the government and accordingly are designated as contributions by owners. Capital appropriations are recognised in the financial statements of the transferee (recipient) as contributions by owners. If Capital appropriations are subsequently transferred to other wholly-owned government agencies, the transferor (original recipient of the appropriation) classifies the transfer as a distribution to owners (the government) and the transferee (final recipient of the appropriation) classifies the transfer as a contribution by owners (the government). Note that such transfers of capital appropriations need to be distinguished from contributions that are made at the agency’s discretion. These contributions represent an expense to the transferor and income (and/or increases in liabilities) to the transferee.

**Administered capital appropriations**

In some circumstances an agency may receive an administered capital appropriation. Such appropriations will be displayed as either Administered Capital Contributions or Administered Capital Appropriation in the Budget Statements.

Where the intention is to transfer the administered capital appropriation to a transferee agency (i.e. controlled agency), these administered capital appropriations are not equity contributions to the administering agency. In such cases, the agency administering the capital appropriations should disclose the appropriation amount received for transfer as administered revenue and the appropriation amount transferred out as administered expense, along with other administered items, in the notes to their financial statements. The transfer of an administered capital appropriation from the administering agency represents an equity contribution from government to the transferee agency (i.e. controlled agency) and has been designated as a contribution by owners under paragraph (3)(i) of this instruction.

In certain limited circumstances the administering agency may retain the capital appropriation and administer the funds on behalf of government. That is, the appropriation is not transferred to an agency (i.e. controlled agency). In such circumstances, the agency administering the capital appropriations should disclose this administered item in the notes to their financial statements as administered revenue called ‘non-repayable capital appropriation’. However, for whole-of-government accounting purposes (i.e. the financial data submitted to Treasury), the administering agency should treat the administered capital appropriation as an equity contribution to facilitate the whole of government consolidation.

**Royalties for Regions funding for capital**

Amounts for the Royalties for Regions program are appropriated from the Consolidated Account (displayed as Administered Capital Contributions in the Department of Treasury’s Budget Statements) to a Treasurer’s Special Purpose Account titled the Royalties for Regions Fund (RRF) administered by Treasury.

All amounts appropriated as capital must flow to agencies as capital. Therefore, the transfer of the administered funds from the RRF for capital purposes has been designated as a contribution by owners under paragraph (3)(i) of this instruction and represents an equity contribution from government to the transferee agency (being the controlled agency).
Repayable administered capital appropriations and administered borrowings

In the rare circumstance that an administering agency receives a repayable administered capital appropriation or an administered borrowing (e.g. an administered Treasurer’s Advance), these administered items should be classified as administered borrowings in the notes to the financial statements and treated as financing activities for whole-of-government cash flow statement reporting purposes (i.e. the financial data submitted to Treasury).

Designation of non-reciprocal transfers between agencies as contributions by owners

Where assets and liabilities are transferred between agencies as a consequence of government policy, e.g. where functions are transferred, the transfer of net assets represents an equity withdrawal from the transferor and an equity contribution to the transferee. Paragraph (3)(ii) of this instruction designates such transfers as contributions by owners. Consequently, the transferor accounts for the transfer as a distribution to owners and the transferee accounts for the transfer as a contribution by owners.

Where assets and liabilities are transferred between not-for-profit agencies as a consequence of a restructure of administrative arrangements, such transfers shall be accounted for in accordance with AASB 1004.

Paragraph (4) of this instruction excludes specific transfers of cash that are both non-reciprocal and non-discretionary from the scope of paragraph (3)(ii). The objective of the exclusions is to ensure that the management of recurrent funds within a portfolio are not accounted for as contributions by owners.

The transfer of net liabilities represents an equity withdrawal from the transferee and an equity contribution to the transferor. Paragraph (3)(iii) of this instruction designates such transfers as contributions by owners. In these circumstances, the transferee accounts for the transfer as a distribution to owners and the transferor accounts for the transfer as a contribution by owners.

Transfer of employees involved in a restructure

Where a restructure involves the transfer of employees, the requirements of TI 520 ‘Transfer of Employees’ apply to the transfer of employee leave entitlements liabilities and the accompanying cash payment. This means that the matching asset and liability transferred between agencies are not captured by the designation requirements of this instruction as they are not considered to be non-reciprocal transfers. Further guidance on the transfer of employees involved in a restructure is provided in the Guidelines to TI 520.

However, if an exemption from the requirements of TI 520 has been approved, then this instruction applies to those employee leave entitlements liabilities associated with those employees transferring. In practice, these liabilities would form part of the overall transfer of net assets (or net liabilities) between the transferor and transferee as per the Guidelines on ‘Designation of non-reciprocal transfers between agencies as contributions by owners’ above.

Where an exemption from the requirements of TI 520 has been approved for those employee leave entitlements liabilities associated with those employees transferring as a consequence of a restructure of administrative arrangements, such transfers shall be accounted for in accordance with AASB 1004 (where the transfer takes place between not-for-profit agencies).
Transfer of assets between agencies with different capitalisation policies

As discussed in Guidelines to TI 1101 ‘Application of Accounting Standards and Other Pronouncements’, the varying size and nature of operations of public sector agencies means that materiality between agencies can differ significantly. Accordingly, agencies can have differing capitalisation thresholds.

Where an agency with a lower capitalisation threshold is abolished or otherwise transfers assets to another agency with a higher threshold, differences in the amounts of net assets recognised could occur. For example, if assets were transferred from an agency with a capitalisation policy of $5,000 to an agency with a capitalisation policy of $10,000, though the amount of assets distributed by the transferor agency would correspond with the contribution by owners recognised by the transferee or recipient agency, the amount of assets recognised by the transferee agency could be lower than the amount distributed by the former agency (i.e. assets with a carrying value of between $5,000 and $9,999 previously recognised by the transferor agency would not be recognised as assets by the transferee agency). These would be expensed because of the higher asset capitalisation threshold of the transferee agency (i.e. $10,000 in this instance).

To illustrate, assume that the total value of assets being transferred from the transferor agency was $10M, of which $9.7M worth of these assets meet the transferee agency’s capitalisation threshold of $10,000. The following accounting entries would apply:

Transfer 1: Transfer of assets from the transferor agency

Dr Distribution to owners $10M
Cr Assets $10M

Transfer 2: Contribution of assets received by the transferee agency

Dr Expense $0.3M
Dr Assets $9.7M
Cr Contribution by owners $10M

The expensed amount is the total value of assets below the transferee agency’s $10,000 asset capitalisation threshold.

Note that the reverse could also occur. Therefore, in addition to considering materiality, the new agency should take into account the practicality and cost of identifying and valuing assets that were not previously recognised by the abolished agencies.

Where assets are transferred under a restructure, there may be situations that arise where the transferor agency originally capitalised a depreciable asset, but at the time of transfer the fair value of the asset is now below the capitalisation threshold of the transferee agency. In this case, even though each agency may have the same capitalisation threshold, the treatment as detailed above would apply.

Designation of non-reciprocal transfers of net liabilities from agencies to government and the transfer of net assets from government to agencies as contributions by owners

Both the assumption of net liabilities from an agency by the government and the transfer of net assets from government to an agency are equity contributions from government to the agency. Paragraph (3)(iv) of this instruction designates such transfers as contributions by owners. These transfers are between controlled and administered (on behalf of the government) and should be accounted for as contributions by owners in the transferee agency’s controlled financial statements and as an administered expense to be disclosed in the transferor agency’s administered items note to the financial statements. Liaison between agencies may be required, as the transfer will be at fair
value and would not necessarily be between the same agency’s controlled and administered functions.

An assumption of a superannuation liability by government without fair value consideration from the agency is an example of a contribution by owner.

Note that transfers from an agency’s administered to another agency’s administered are not disclosed as contributions by owners/distribution to owners or as revenue/expense in administered financial statements (i.e. there is no transfer between reporting entities). Administered assets and liabilities are simply reported by the agency administering the assets and liabilities at the end of the reporting period in the notes to the financial statements.

**Capital expenditure in advance of appropriation**

Drawdowns charged to the Consolidated Account under the authority of section 27(1) of the Act (Treasurer’s Advance) in relation to new items that have been approved by the Governor for capital purposes are to be treated as contributions by owners for the purposes of paragraph (3)(v) of this instruction. These new items are usually designated as capital in the requisition for additional funds (Treasury Form 12).

Drawdowns from the Consolidated Account and charged against the Treasurer’s Advance in relation to supplementary funding of existing items (Treasury Form 11) that are displayed as capital appropriations in the Budget Statements are designated as contributions by owners by paragraph (3)(i) of this instruction.

**Non-reciprocal transfers of assets or net assets from agencies to the government to be accounted for as distributions to owners**

Where assets or net assets are transferred to government without fair value consideration (at the government’s discretion), the transferor agency should account for the transfer as a distribution to owners.

Where assets are sold and the proceeds must be paid into the Consolidated Account, the payment represents a distribution to owners. To ensure appropriate accounting treatment, the sale of the asset (e.g. a building) and the payment of the proceeds to the Consolidated Account are treated as separate transactions. The agency should initially recognise the proceeds and report a gain or loss on sale and then report the payment of the proceeds to the Consolidated Account as a distribution to owners in their controlled financial statements. Where the agency is a government department, the proceeds would also be disclosed as administered revenue in the financial statements (i.e. the administered notes) of the department making the payment into the Consolidated Account.

Amounts transferred to the Consolidated Account in accordance with section 20 of the Act are treated as a distribution to owner for the purposes of paragraph (5) of this instruction.

The sale of Crown land and the sale of freehold land by departments both result in distributions to owners (refer below).

**Transfers of Crown land**

An example of the transfer of assets to government is the transfer of Crown land to the Department of Planning, Lands and Heritage (DPLH) for sale. DPLH is the only agency with the power to sell Crown land. Accordingly, the land must be transferred to DPLH for sale (refer to the Guidelines in TI 1101 under the sub-heading ‘Sale of Crown land’). The transfer and sale are accounted for by DPLH as administered transactions, i.e. the transactions are administered by DPLH on behalf of the government. DPLH should disclose the transfer as administered revenue and the payment of the proceeds to the
Consolidated Account as administered expense. However, such transactions represent a withdrawal of capital from the transferor agency. Although the decision to sell the land may be considered discretionary (e.g. the agency determines that the land is surplus to their requirements), the transfer of Crown land to DPLH is non-discretionary as only DPLH can sell Crown land. Where the proceeds or part proceeds are appropriated back to the transferor agency, the appropriation would generally be an injection of capital to the agency, i.e. a contribution by owners.

**Sale of freehold land by departments**

Where a department has the power to hold and sell freehold land, under the current net appropriations determination, the department cannot retain the proceeds of the sale unless specifically approved by the Treasurer. The payment of the proceeds to the Consolidated Account is a distribution to owners. To ensure appropriate accounting treatment, the sale of the land and the payment of the proceeds to the Consolidated Account should be treated as separate transactions. The department should initially recognise the proceeds and report a loss or gain on sale and then report the payment of the proceeds to the Consolidated Account as a distribution to owners in their controlled financial statements. The department should also disclose the proceeds as revenue and the payment to the Consolidated Account as expense in their administered transactions. Again, where the proceeds or part proceeds are appropriated back to the department, the appropriation would generally be an injection of capital to the agency, i.e. a contribution by owners.

**Transfer of assets to entities other than wholly-owned public sector entities**

Wholly-owned public sector entities are defined in paragraph (1)(ii) of this instruction as all entities consolidated in the Annual Report on State Finances. This includes all agencies as defined in paragraph (1)(i) of this instruction and other entities (such as the corporatised entities) that are not subject to the Act and Treasurer’s instructions, but by definition excludes the universities.

Where assets are transferred to entities that are not wholly-owned public sector entities (i.e. entities not consolidated in the Annual Report on State Finances) and the transfer is not at the agency’s discretion and is not consistent with agency objectives, the transfer represents a distribution to owners under paragraph (5) of this instruction. The transfer to the external entity represents an expense to government. The transaction is to be disclosed in the financial statements as a debit to the agency’s contributed equity and an administered revenue and expense in the relevant administering agency’s notes to the financial statements. Agencies should advise State Finances in Treasury of the details of such transfers. Further advice as to which entities are consolidated in the Annual Report on State Finances may also be obtained from this Division.

Where transfers to entities that are not wholly-owned public sector entities are at the agency’s discretion or are consistent with agency objectives, the transfer represents an expense to the agency.

**Measurement of contributions by owners and distributions to owners**

Paragraph (6) of this instruction requires both the transferor and transferee to recognise the net assets transferred at fair value. This requirement is subject to materiality and paragraph (7) of this instruction. Generally, the transferor agency needs to ensure that the assets and liabilities to be transferred are measured at fair value prior to the transfer.

Paragraphs (6) and (7) of this instruction contemplate the recognition of contributions by owners and distributions to owners at fair value, subject to materiality and compliance with the measurement (valuation) requirements in Australian Accounting Standards. This addresses situations where an accounting standard does not permit fair value as a basis of measurement for specific assets and/or liabilities. This means that there may
be limited circumstances where this instruction allows contributions by owners and distributions to owners to be measured on a basis other than fair value.

As a consequence of the fair value requirement under TI 954, the majority of land and buildings have already been measured at fair value. Where an agency revalued land and buildings in the financial reporting period immediately prior to the transfer, no further revaluation would normally be required at the transfer date. If however, the last revaluation was in an earlier reporting period, the transferor would need to assess the need for a revaluation prior to transfer.

In many circumstances, because of their relatively short useful life, the written-down value of plant and equipment measured on the cost basis will be consistent with fair value for compliance with this instruction.

Subject to materiality, liabilities and other assets must also be measured at fair value. Any unrealised gains and losses must be recognised in the transferor’s financial statements (i.e. such gains and losses are crystallised by the transfer).

It is recognised that in some circumstances due to timing and cost issues it may be necessary to estimate fair value where the written-down value may not be consistent with fair value. In all circumstances, adequate liaison and negotiation between the transferor and transferee is required to ensure the transfer is recognised at a value consistent with the fair value basis.

The revaluation of non-current physical assets should be accounted for in accordance with AASB 116, except that assets to be transferred may be treated as a separate class (or classes) of assets. This avoids the necessity of having to revalue similar assets that are not being transferred. Revaluation increments and decrements within a class of assets must be offset. A net revaluation increment must be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus, except to the extent that the increment reverses a previous decrement (in respect of that class of assets) which was recognised as an expense in profit or loss. In this case, the increment must be recognised as gain in profit or loss. A net revaluation decrement must be recognised as an expense in profit or loss, except to the extent that credit balance exists in the revaluation surplus (in respect of that class of assets). In this case, the decrement must be recognised in other comprehensive income and reduces the amount accumulated in the revaluation surplus. These requirements apply to not-for-profit agencies. Refer to AASB 116 for the requirements in respect of for-profit agencies.

Where assets are initially recognised at fair value by the transferee agency to comply with paragraph (6) of this instruction, it does not initiate an ongoing revaluation requirement for those assets or, where the transferred assets are included in a class of assets measured on the cost basis, require the other assets in that class to be revalued to fair value. That is, for the purposes of paragraph 30 of AASB 116, the fair value of assets transferred may constitute the cost basis.

**Where the transferor agency is not abolished in a restructure**

Where the transferor agency is not abolished in a restructure, the transfer is not recognised in their financial statements where the restructure is to occur the day after the end of the reporting period. However, this event would be disclosed in the notes to the financial statements as an event occurring after the reporting period (refer AASB 110 ‘Events after the Reporting Period’).

**Where the transferor agency is abolished in a restructure**

Where an agency ceases to exist on 30 June and the net assets are transferred to another agency on 1 July, the assets and liabilities as at 30 June must be recognised by the transferor in their final report (i.e. before the net assets are transferred to the
transferee agency). Note disclosure is required for the event occurring after the reporting period. Where practicable, and subject to materiality, the transferor should ensure that all assets and liabilities are reported at fair value (accountability for past performance). Note that to comply with AASB 116 and TI 954, land and buildings must be at fair value at the end of each reporting period.

However, where the transferor is abolished, the onus is on the transferee to ensure that the net assets transferred are recognised at fair value.

**Non-reciprocal transfers that are not contributions by owners**

Contributions by owners are transfers to other wholly-owned public sector entities made at the government’s discretion. Transfers to other agencies that are made at the discretion of an agency and transfers by an agency to external entities (entities other than wholly-owned public sector entities) do not represent contributions by owners to the transferee. Examples are contributions and donations to either other wholly-owned public sector entities or other entities. Another example is where an agency, at its discretion, constructs an asset for another agency. Most resources provided free of charge would normally be classified as expense/revenue. However, there may be circumstances where resources provided free of charge by other wholly-owned public sector entities qualify as contributions by owners. This would occur where control of material assets is transferred at the government’s direction (designated as a contribution by owners in paragraph (3)(ii) of this instruction).

Note that although a non-discretionary transfer by an agency to an external agency or other entity is not a contribution by owners to the transferee the transfer may represent a distribution to owners by the transferor. Refer to the previous discussion under ‘Non-reciprocal transfers of net assets from agencies to the government to be accounted for as distributions to owners’.

**Transactions with other wholly-owned public sector entities not subject to the Financial Management Act**

Corporatised entities (the port authorities, the Water Corporation, Western Power, Synergy and Horizon Power) are not subject to the Act and Treasurer’s instructions. Consequently, the designation of certain classes of transfers as contributions by owners in this instruction does not apply to these entities. For corporatised entities to recognise a transfer of net assets to them from any other wholly-owned public sector entity as a contribution by owners, a designation is to be made prior to or at the time of the transfer. An exception to this is the designation made previously via a Treasury letter sent to agencies dated 4 July 2001, that as from 1 July 2001 all capital appropriations are contributions by owners. This is applicable to all Western Australian public sector entities. Under Interpretation 1038, corporatised entities are required to recognise a transfer as a distribution to owners where the transferee recognises the transfer as a contribution by owners.

Another exception to the requirement for a specific designation for corporatised entities is where assets and/or liabilities are transferred as a consequence of a restructure of administrative arrangements. Accounting for the restructure of administrative arrangements for all government controlled not-for-profit entities (irrespective of whether or not they are subject to the Act) is to be in accordance with paragraphs 54 to 59 of AASB 1004. Under these requirements, such transfers are accounted for as contributions by owners or distributions by owners as applicable.

Agencies subject to the Act should account for transfers from wholly-owned public sector entities that are not subject to the Act in accordance with this instruction. That is, where a transfer of net assets from, or the assumption of net liabilities by, such an entity falls into the classes of transfers designated as contributions by owners in
paragraph (3)(ii) or (iii) of this instruction, the designation is effective and the agency should recognise the transfer as a contribution by owners.

**Disclosure of contributions by owners and distributions to owners**

Under AASB 101 ‘Presentation of Financial Statements’ (paragraph 106(c)), the amount of any increase or decrease in contributed equity during the reporting period must be disclosed.

**Further guidance**

AASB 1004 includes general accounting requirements applicable to local governments, government departments and whole of governments regarding contributions by owners and distributions to owners (paragraphs 48 to 53).

In addition, AASB 1004 provides specific requirements in relation to the restructure of administrative arrangements of government controlled not-for-profit entities and for-profit government departments (paragraphs 54 to 59). These include disclosures for each material transfer of assets and liabilities in relation to a restructure of administrative arrangements, together with the name of the counterparty transferor/transferee agency. In respect of transfers that are individually immaterial, the assets and liabilities transferred are to be disclosed on an aggregate basis (paragraph 58). Where activities are transferred from one agency to another agency as a result of a restructure of administrative arrangements, AASB 1004 also requires the transferee agency to disclose the expenses and income attributable to the transferred activities for the reporting period, showing separately those expenses and income recognised by the transferor agency during the reporting period (paragraph 57).

It should be noted that Interpretation 1038 does not apply to the transfer of assets, or assets and liabilities, as a result of a restructure of administrative arrangements.

An agency may be party to a transfer of net assets or liabilities that is considered to be in the nature of a contribution by owners but does not fall into the classes of transfers designated as contributions by owners by this instruction. There may also be circumstances where judgement is required in determining whether or not a transfer is non-discretionary. The Financial Policy Division, Treasury should be contacted for advice regarding these and for other matters of interpretation of the requirements of Interpretation 1038 and this instruction. Where relevant, advice should be sought prior to transfers taking place, as designations must be made prior to or at the time of transfer.
PART XI - FINANCIAL STATEMENTS

INTRODUCTION

Part XI applies Australian Accounting Standards and other pronouncements and modifies or clarifies their application where it is considered necessary to enhance or clarify reporting requirements and/or to ensure consistency and appropriate reporting across the public sector. The accountable authority may present additional information to that specified, in order to enable the Parliament and other users to make better informed assessments and economic decisions regarding their agency.

Compliant model annual reports are attached for guidance but they do not form part of the Treasurer’s instructions.

Financial statements prepared in accordance with the Act shall include:

- a Statement of Comprehensive Income;
- a Statement of Financial Position;
- a Statement of Changes in Equity;
- a Statement of Cash Flows; and
- Notes to the Financial Statements;

unless the Treasurer approves otherwise under section 62 of the Act.

The requirements prescribed in Part IX ‘General Accounting and Reporting Requirements’ also apply to financial statements.
1101 APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS

BACKGROUND

This instruction applies Australian Accounting Standards (including Australian Accounting Interpretations), the ‘Framework for the Preparation and Presentation of Financial Statements’ (Framework) and Statement of Accounting Concepts (SAC) to agencies as appropriate and relevant.

Australian Accounting Standards

The term ‘Australian Accounting Standards’ refers to Standards and Interpretations made by the Australian Accounting Standards Board (AASB). Australian Accounting Standards are applied (where relevant and appropriate) to all public sector agencies. In a number of instances, this instruction applies Australian Accounting Standards subject to modifications which are intended to extend or vary the application of the Standards to agencies where relevant. The significant modifications are explained in the following paragraphs. In addition, the application of the following Australian Accounting Standards is modified by other Treasurer’s instructions as follows:

(i) AASB 10 ‘Consolidated Financial Statements’ – application is modified by Treasurer’s instruction 1105 or Treasurer’s instruction 1105G;

(ii) AASB 101 ‘Presentation of Financial Statements’ – application is modified by Treasurer’s instruction 1102 and Treasurer’s instruction 1103;

(iii) AASB 116 ‘Property, Plant and Equipment’ – application is modified by Treasurer’s instruction 954;

(iv) AASB 1055 ‘Budgetary Reporting’ – application is modified by Treasurer’s instruction 953; and

(v) AASB 16 ‘Leases’ – application is modified by Treasurer’s instruction 916.

Classification of agencies as not-for-profit (NFP) or for-profit (FP) entities

International Accounting Standards are ‘designed’ for the FP sector, whereas the AASB have issued a single set of Accounting Standards that are sector neutral with specific provisions included to accommodate the NFP sector. AASB 136 ‘Impairment of Assets’, AASB 116 ‘Property, Plant and Equipment’ and AASB 102 ‘Inventories’ include specific NFP requirements. In addition, the application of AASB 8 ‘Operating Segments’ and AASB 120 ‘Accounting for Government Grants and Disclosure of Government Assistance’ has been limited to FP entities by the AASB. Consequently, the classification of an agency as FP or NFP may impact on financial statements in these areas.

A NFP entity was defined under superseded Standards as an entity whose financial objectives do not include the generation of profit. The AASB added material in AASB 136 (paragraph Aus6.2) defining a NFP entity as an entity whose principal objective is not the generation of profit. The requirements for an agency to operate in a commercial manner, pay taxation equivalents or return a dividend to Government, do not by themselves mean that an agency is in substance a FP entity under the definition in AASB 136. To ensure consistency, this instruction mandates that all agencies are NFP for purposes of compliance with Australian Accounting Standards unless specifically designated as FP.


Classification of agencies as Tier 1 or Tier 2

AASB 1053 ‘Application of Tiers of Australian Accounting Standards’ establishes two tiers of reporting requirements. Tier 1 comprises the full range of recognition, measurement and disclosure requirements of all Australian Accounting Standards and Interpretations. Tier 2 comprises the same recognition and measurement requirements as Tier 1, but with less disclosures.

Tier 1 agencies can be found in Schedule 1 of Treasurer’s instruction (TI) 1107 ‘Application of Tiered Reporting – Reduced Disclosure Requirements’. Tier 2 agencies are those agencies other than the ones listed in Schedule 1 of TI 1107.

Materiality

Materiality does not provide an authority for non-compliance with legal requirements. Consequently, paragraph (8)(iv) of this instruction precludes recourse to the concept of materiality on any matter relating to legal compliance unless specified. Requirements for the assessment and application of materiality are found in AASB 101 ‘Presentation of Financial Statements’, AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ and AASB Practice Statement 2 ‘Making Materiality Judgements’.

AASB 8 ‘Operating Segments’

AASB 8 only applies to for-profit entities whose debt or equity instruments are traded in a public market, or that files (or is in the process of filing) its financial statements with a security commission or other regulatory organisation for the purposes of issuing any class of instruments in a public market. As such it does not apply to public sector entities, whether FP or NFP. However, where an agency discloses information about segments that does not comply with this Standard, it shall not describe this information as segment information. The Standard requires the disclosure of information on operating segments to enable users of financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The Standard defines operating segment as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Where a FP statutory authority chooses to apply the Standard, paragraph (8)(ii) of this instruction provides that a FP statutory authority’s services, or a collection of related services, may be substituted for operating segments for the purposes of compliance with the Standard.

Paragraph (9) of this instruction requires Tier 1 NFP statutory authorities to disclose revenues and expenses by services. Disclosures must be consistent with the Statement of Comprehensive Income. Paragraph (10) of this instruction requires specific disclosures by the Commissioner of Main Roads due to the capital nature of their services.

Under AASB 1052 ‘Disaggregated Disclosures’ (paragraphs 15 and 16) Tier 1 departments are required to disclose income and expenses by service, and assets deployed and liabilities incurred by service. Tier 2 departments, under the reduced disclosure requirements are exempt from disaggregated disclosures.
AASB 107 ‘Statement of Cash Flows’

AASB 107 requires that cash flows be appropriately classified within the statement of cash flows to provide users with relevant information about the operating and other activities of the entity.

Whilst AASB 107 permits alternate methods of reporting cash flows from operating activities, this instruction mandates that the direct method option be used.

In order to ensure a consistent classification structure within statements of cash flows prepared by agencies, this instruction requires that cash flows be classified as:

(i) cash flows from operating activities;
(ii) cash flows from investing activities;
(iii) cash flows from financing activities; and
(iv) cash flows from/to State Government.

The category of cash flows from/to State Government in terms of paragraph (8)(i)(b) of this instruction is intended to include only those from or to the State Government. This includes appropriations and grants from other State agencies. Non-repayable grants and contributions received from the Commonwealth (not re-appropriated through the Consolidated Account) are cash flows from operating activities. Other amounts from or to agencies, such as the Western Australian Treasury Corporation, should be classified under the most appropriate of the other categories. Treasurer’s Advances should be classified as cash flows from financing activities as they are repayable to the Treasurer.

AASB 112 ‘Income Taxes’

AASB 112 paragraph 81(c) permits two alternative numerical reconciliations to explain the relationship between tax expense (income) and accounting profit. This instruction mandates the application of paragraph 81(c)(i) of AASB 112 ‘Income Taxes’.

Australian Accounting Interpretations

The AASB is directly responsible for considering the adoption of IFRIC Interpretations in Australia and in developing and approving domestic Interpretations.

Australian Accounting Interpretations include interpretations of both the AASB and the former Urgent Issues Group (UIG). These interpretations are listed in AASB 1048 ‘Interpretation of Standards’, giving them authority alongside the Standards.

Australian Accounting Interpretations listed in AASB 1048 shall be applied by agencies unless modified by the Treasurer’s instructions.

Early adoption of Australian Accounting Standards and Australian Accounting Interpretations

This instruction specifies that Australian Accounting Standards shall not be early adopted unless specified by this instruction. This is to provide agencies with certainty and to ensure consistency and appropriate reporting across the public sector. Note however that Tier 1 agencies would still need to meet the disclosure requirements of paragraph 30 of AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ where the agency had not applied a new Australian Accounting Standard that has been issued but is not yet effective.
Framework and Statement of Accounting Concepts

The conceptual framework underlying the development and amendment of Australian Accounting Standards consists of the Framework and SAC 1 ‘Definition of the Reporting Entity’. By themselves the Framework and SAC are not mandatory in the preparation, presentation or audit of general purpose financial statements. This instruction requires agencies to have regard to the Framework and SAC in preparing financial statements in circumstances where there is no Australian Accounting Standard or Australian Accounting Interpretation dealing with an accounting treatment or disclosure issue.

AASB 108 paragraphs 10 to 12 also have application where there is no Australian Accounting Standard specifically applying to a transaction, other event or condition.

Compliance with the Act, Regulations and Treasurer's instructions

Agencies are charged with reporting in accordance with the provisions of the Act, Financial Management Regulations and the Treasurer's instructions. Accordingly, paragraph (12) of this instruction provides that where there is any inconsistency between the Australian Accounting Standards, Australian Accounting Interpretations, the Framework and SAC, and the requirements of the Act, Regulations and the Treasurer's instructions, the latter shall prevail.

Modification of Australian Accounting Standards and Australian Accounting Interpretations by the Treasurer's instructions

Where Australian Accounting Standards or Australian Accounting Interpretations have been modified by the Treasurer's instructions, it is necessary to inform financial statement users of the nature and financial effect (where material and significant) of the modifications. The obligation to ensure that any departure from Australian Accounting Standards (including Australian Accounting Interpretations), the reasons for such departure, and its financial effects are properly disclosed and explained in the summary of significant accounting policies or notes to the financial statements is imposed by paragraph 20 of AASB 101 ‘Presentation of Financial Statements’ and APES 205 ‘Conformity with Accounting Standards’. Further to the requirements of AASB 101, members of the domestic professional accounting bodies listed in paragraph 1 of Treasurer's instruction 824 ‘Chief Finance Officers’ are obliged to comply with APES 205, as issued by the Accounting Professional and Ethical Standards Board (APESB). APES 205 requires that if legislation, ministerial directive or other government authority requires a departure from Australian Accounting Standards, that fact shall be disclosed in the report as a reason for the departure. To detail the effects of each modification would require a substantial addition to the summary of significant accounting policies or other note to the financial statements.

Paragraph (13) of this instruction gives effect to this APES 205 requirement. A general note is required covering all modifications which do not have a financial effect on the results reported in the financial statements. Where material or significant financial effects occur, specific explanatory notes are required where practicable.

Scope of Treasurer's instruction

Consistent accounting policies from a whole of government perspective are not essential for agencies that are not consolidated in the Annual Report on State Finances. For this reason, paragraph (2) of this instruction scopes out these agencies from the policy positions mandated in paragraphs (4), (6), (7) and (14).

Universities listed in Schedule 1 of the Act are scoped out of this instruction.
TREASURER'S INSTRUCTION

(1) This instruction applies to all accountable authorities except the accountable authorities of universities listed in Schedule 1 of the Act.

(2) For the purposes of this instruction:

(i) In paragraphs (4), (6), (7) and (14), ‘agencies’ include departments and all statutory authorities listed in Schedule 1 of the Act that are consolidated in the Annual Report on State Finances; and

(ii) ‘Dividends’ mean distributions of the whole or part of operating surpluses or profits to the Consolidated Account.

(3) Financial statements shall be presented in the Australian currency.

(4) Apart from Gold Corporation, all agencies are not-for-profit entities as defined in Australian Accounting Standards.

(5) Subject to paragraph (7), (8) and (14), Australian Accounting Standards, including Australian Accounting Interpretations, are to be applied by all accountable authorities preparing financial statements.

(6) Australian Accounting Standards, including Australian Accounting Interpretations, that have been issued but are not yet effective shall not be applied by agencies to earlier reporting periods unless specified by this instruction.

(7) The application of the following Australian Accounting Standards by agencies is modified:

(i) AASB 107 ‘Statement of Cash Flows’ – the direct method is to be used in reporting cash flows from operating activities;

(ii) AASB 112 ‘Income Taxes’ – an explanation of the relationship between tax expense (income) and accounting profit shall be in the form of a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed;

(iii) [deleted by Treasury]

(iv) AASB 119 ‘Employee Benefits’ – where an agency has more than one defined benefit plan, disclosures shall be made separately for each plan;

(v) [deleted by Treasury]

(vi) [deleted by Treasury]

(vii) [deleted by Treasury]

(viii) AASB 1053 ‘Application of Tiers of Australian Accounting Standards’ – Tier 1 agencies are those listed in Treasurer’s instruction 1107 ‘Application of Tiered Reporting – Reduced Reporting Requirements; Tier 2 agencies are all other agencies.

(ix) AASB 127 ‘ Separate Financial Statements’ – the elections under paragraph 8 to present separate financial statements as the agency’s only financial statements are disallowed;
AASB 9 ‘Financial Instruments’ – loss allowance for trade receivables, contract assets and lease receivables is to be measured at an amount equal to lifetime expected credit losses; and

AASB 9 ‘Financial Instruments’ – the election under paragraph 7.2.21 to continue to apply the hedge accounting requirements of AASB 139 ‘Financial Instruments: Recognition and Measurement’ is disallowed.

The application of the following Australian Accounting Standards is modified:

(i) AASB 107 ‘Statement of Cash Flows’ – with the proviso that:

(a) the statement of cash flows shall be structured to disclose, where applicable:

(aa) cash flows from operating activities;

(bb) cash flows from investing activities;

(cc) cash flows from financing activities;

(dd) cash flows from/to State Government; and

(b) in the statement of cash flows:

(aa) recurrent and capital appropriations, grants and subsidies received from the Consolidated Account;

(bb) money received from other State funds not in the nature of a financing activity cash flow;

(cc) payments of income tax equivalents as defined in Treasurer’s instruction 1102 ‘Statements of Comprehensive Income’; and

(dd) payments of dividends, shall be disclosed as cash flows from/to State Government;

(ii) AASB 8 ‘Operating Segments’ – where the accountable authority of a statutory authority considers that it would provide more relevant information, for-profit statutory authorities may use services as defined in Treasurer’s instruction 904 ‘Key Performance Indicators’, or a collection of related services, as separate operating segments for the purposes of compliance with AASB 8; and

(iii) [deleted by Treasury]

(iv) ‘Materiality’ – the concept of materiality as defined in AASB 101 ‘Presentation of Financial Statements’ and AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ shall not be considered or applied by agencies in matters relating to legal compliance, except where specified.

(v) AASB 1054 ‘Australian Additional Disclosures’ – all agencies are to apply Tier 1 reporting disclosures under paragraphs 10 and 11 relating to Audit Fees, regardless of the Tier 2 exemptions in the Standard.
(9) Apart from the Commissioner of Main Roads, all Tier 1 not-for-profit statutory authorities shall additionally disclose income and expenditures for each service, or a collection of related services. Income and expenditures for each service shall be consistent with the Statement of Comprehensive Income categorisation, and, services consistent with the definition in Treasurer's instruction 904 ‘Key Performance Indicators’.

(10) The Commissioner of Main Roads shall additionally disclose income and expenditures for each service, or a collection of related services. Income and expenditures for each service shall be consistent with the Statement of Comprehensive Income categorisation, and, services consistent with the definition in Treasurer's instruction 904 ‘Key Performance Indicators’. For the purposes of compliance with this paragraph, ‘expenditure’ means expense plus capital expenditure on road infrastructure less depreciation on road infrastructure.

(11) In preparing financial statements, accountable authorities should have regard to the Framework and Statement of Accounting Concepts as a source of guidance to which reference should be made when preparing financial statements if there is no Australian Accounting Standard or Australian Accounting Interpretation dealing with an accounting treatment or disclosure issue.

(12) Australian Accounting Standards, Australian Accounting Interpretations, the Framework and Statement of Accounting Concepts do not apply in those instances where their requirements are inconsistent with the requirements of the Act, Financial Management Regulations or the Treasurer's instructions.

(13) Tier 1 agencies’ financial statements shall include in the statement of accounting policies or other notes to the financial statements, the following general statement:

‘The financial statements constitute general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, the Framework, Statement 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 Act and the Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board. Where modification is required and has had 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.’

Where such modification has a material or significant financial effect upon the results reported in the financial statements, the statement of accounting policies or other notes to the financial statements shall include:

(i) the fact that the Australian Accounting Standard or Australian Accounting Interpretation has been modified by a Treasurer's instruction, the nature of the modification and identification of the relevant Treasurer's instruction; and

(ii) the financial effects of the modification where practicable.
Tier 2 agencies’ financial statements shall include in the statement of accounting policies or other notes to the financial statements, the following general statement:

‘These general purpose financial statements comply with Australian Accounting Standards – Reduced disclosure requirements issued by the Australian Accounting Standards Board. The general purpose financial statements have been prepared in accordance with Australian Accounting Standards, the Framework, Statement 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 Act and the Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board. Where modification is required and has had 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.’

Where such modification has a material or significant financial effect upon the results reported in the financial statements, the statement of accounting policies or other notes to the financial statements shall include:

(i) the fact that the Australian Accounting Standard or Australian Accounting Interpretation has been modified by a Treasurer's instruction, the nature of the modification and identification of the relevant Treasurer's instruction; and

(ii) the financial effects of the modification where practicable.

The asset capitalisation threshold for agencies is set at $5,000 for the recognition of assets under AASB 116 ‘Property, Plant and Equipment’ and, at a minimum of $5,000 for the recognition of intangible assets under AASB 138 ‘Intangible Assets’.

GUIDELINES

Notes to the financial statements

Where it is not practicable to include in the financial statements information which is an integral part of or pertinent to the interpretation of those statements, that information is to be disclosed by way of note. Notes should be designated numerically and cross-referenced to the relevant items in the financial statements.

Types of information generally required to be disclosed in notes to the financial statements include:

(i) qualitative information being:

(a) information relating to the financial statements as a whole which materially assists in understanding their content; and

(b) information about particular items within the financial statements which relates to the understandability and comparability of the information;
(ii) quantitative information, being detailed information which is of value in interpreting significant aspects of the financial statements; and

(iii) information about items not recognised in the financial statements.

AASB 101 ‘Presentation of Financial Statements’ has a general requirement that notes in the financial statements must disclose information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

**AASB 5 ‘Non-current Assets Held for Sale and Discontinued Operations’**

AASB 5 requires agencies to present non-current assets held for sale as a separate item in the Statement of Financial Position. Assets can only be classified as ‘held for sale’ when the following criteria are met:

- the carrying amount will principally be recovered through sale rather than from continuing use;
- the asset is available for immediate sale; and
- the sale is highly probable.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

AASB 5 requires non-current assets to be classified as held for distribution to owners when the agency is committed to distribute the asset to the owners. A transfer of assets from controlled to administered is a distribution to owners. Non-current assets classified as held for distribution to owners are measured at the lower of carrying amount and fair value less costs to distribute.

**Sale of Crown land**

The Department of Planning, Lands and Heritage (DPLH) is the only agency with the power to sell Crown land. Accordingly, legal title of the land must be transferred to DPLH for sale. However, this does not necessarily transfer control of the asset.

Under Australian Accounting Standards, the land must be reported by the agency controlling the land. The agency which controls the land between the date of the land becoming available for sale and the date of sale by DPLH may vary according to the particular circumstances. To ensure that all Crown land in the process of being prepared for sale is reported either by the agency or DPLH, the land should generally continue to be reported by the agency to which the land was vested (initially as land and then as assets classified as held for distribution to owners when the land becomes available for immediate sale) until the date of sale by DPLH. Transfers to DPLH prior to this date may be undertaken where it is clear that control of the land has transferred to DPLH and DPLH has been consulted and agrees with the transfer. Agencies must advise DPLH of the carrying amount of the land and any buildings thereon which should equate to fair value.

Where control of crown land has passed to DPLH, agencies account for the transfer to DPLH as a distribution to owner and the sale is recognised in DPLH Administered (refer to the Guidelines in Treasurer’s instruction (TI) 955 ‘Contributions by Owners Made to Wholly Owned Public Sector Entities’).

Land transferred to DPLH prior to sale will be reported by DPLH Administered as non-current assets classified as held for sale. The specific measurement, presentation and disclosure requirements for assets classified as held for sale or as held for distribution to owners under AASB 5 pay more attention to the timing of the transfer to DPHL. Currently, most transfers are completed at the time of sale.
AASB 9 ‘Financial Instruments’

AASB 9 applies to annual reporting periods beginning on or after 1 January 2018. Essentially, AASB 9 introduces a new concept of ‘expected credit losses’ to account for doubtful debts and other impairments of a financial asset.

Agencies shall recognise a loss allowance for expected credit losses on a financial asset that is measured at amortised cost. Note that no loss allowance would be recognised in relation to financial assets measured at fair value through profit or loss.

Expected credit losses of a financial asset shall be measured in a way that reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(ii) the time value of money; and
(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

In comparison to the measurement of impairments under the superseded AASB 139 ‘Financial Instruments: Recognition and Measurement’, the amount of expected credit losses under AASB 9 is expected to be higher due to the inclusion of future credit losses (that have not been incurred).

Typical financial assets held by agencies are cash and cash equivalents, amounts receivable for services (i.e. holding account receivables), trade receivables, and loans and advances.

No credit loss is expected for cash and cash equivalents. It is considered that amounts receivable for services (which are accessible on the emergence of the cash funding requirement to cover leave entitlements or asset replacement) would not be impaired.

Expected credit losses are required to be recognised for trade receivables, loans and advances. Note that this instruction mandates loss allowance for trade receivables, contract assets (regardless of whether they contain a significant financing component or not) and lease receivables be measured at the lifetime expected credit losses (see paragraph 5.5.15). Nevertheless, it is considered that no expected credit loss would be incurred in relation to a debtor that is a wholly-owned public sector entity.

Hedge accounting under AASB 9 is more principle-based and less strict, which allows more hedging instruments and hedged items to qualify for hedge accounting. As a result, this instruction disallows the election under paragraph 7.2.21 of continuing to apply the hedge accounting requirements under AASB 139.

AASB 119 ‘Employee Benefits’

AASB 119 covers the recognition and measurement of employee benefits including salaries and wages, sick leave, annual leave and long-service leave.

Note that the application of Treasurer’s instruction 520 ‘Transfer of Employees’ does not affect the calculation of employee benefits under AASB 119.

**Short-term employee benefits**

AASB 119 defines short-term employee benefits as employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service. Short-term employee benefits include wages, salaries, paid annual leave and paid sick leave, and non-monetary benefits (e.g. fringe benefits such as medical care, housing, cars and free or subsidised goods or services) for current employees. Liabilities for all short-term
employee benefits are measured at undiscounted amounts based on all factors that are expected to affect the ultimate amount to be paid in settlement of the obligation.

Sick leave is generally an accumulating non-vesting entitlement in the public sector. Where an employee leaves the public sector, they are not entitled to a cash payment for unused entitlement. In measuring the liability for accumulated non-vesting sick leave, agencies should recognise the additional amount that is expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period. Note that not all accumulated non-vesting sick leave entitlements will result in payments being made to employees. Where experience indicates that sick leave taken each reporting period is less than or equal to the benefit accruing in that period, no liability or expense is recognised until the time of absence. Unused accumulating non-vesting sick leave entitlement at the end of the reporting period will give rise to a liability when it is probable that sick leave taken in the future will be greater than the entitlement that will accrue in the future.

Flexi leave that is banked, but does not vest to the employee, and is not paid on termination, resignation or transfer to another agency, is a form of short-term employee benefit that has an accumulating component and a non-accumulating component (i.e. excess hours over the set ceiling are lost). Subject to materiality, agencies with this type of employee benefit would be required to recognise and measure the liability under AASB 119.

Other long-term employee benefits

AASB 119 defines other long-term employee benefits as all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits. Other long-term employee benefits include deferred salary schemes, long-service leave, and employee benefits such as annual leave, sick leave and non-monetary benefits (e.g. fringe benefits) that are not expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service. Liabilities for these other long-term employee benefits are measured on a discounted basis by calculating the present value of the estimated future cash outflows.

The use of the phrase ‘expected to be settled wholly’ in the definition of short-term employee benefits implies that annual leave will generally be considered to be other long-term employee benefit as at least a portion is expected to be settled after 12 months. As such, liability for annual leave will need to be discounted where material.

Deferred salary schemes allow Public Service employees to enter an agreement to self-fund an additional 12 months leave in the fifth year of the agreement, by reducing their salary by 20% throughout the period of the agreement. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

Long-service leave is leave where a legal entitlement to payment arises after a qualifying period of service has passed which is usually 7, 10 or 15 years.

Measuring the long-service leave liability on a discounted basis involves estimates of items such as future employee turnover and future salary increases on a group basis, including the use of appropriate discount rate/s. AASB 119 allows ‘short-hand’ measurement techniques in estimating the present value of the future cash outflows associated with the long-service leave liabilities where this is not materially different from the detailed computations illustrated in the Standard (see paragraph 60).

The discount rate used to calculate the present value of other long-term employee benefits is to be determined by reference to market yields (based on interest rates at the end of the reporting period on government bonds (see AASB 119, paragraph Aus83.1).
**Employment on-costs**

Employment on-costs such as payroll tax and workers’ compensation insurance are not considered to be employee benefits as per AASB 119 and should not be classified as such. Superannuation contributions are regarded as employee benefits and are not considered to be on-costs. To the extent that it is expected that settlement of leave will give rise to the payment of superannuation contributions, these contributions should be accrued as part of the provision for leave.

As employment on-costs are not employee benefits, they should not be included as part of the agency’s ‘employee benefits expense’. Agencies should separately disclose these on-costs to assist users in calculating the total employee expense. By implication the liability for these on-costs should not be included as part of the agency’s employee benefit liabilities.

**Presentation of unconditional leave entitlements in the Statement of Financial Position**

AASB 119 uses the terms ‘short-term’ and ‘long-term’ in the context of recognition and measurement of employee benefits and does not necessarily align with the distinction between ‘current’ and ‘non-current’ for presentation purposes under AASB 101. AASB 101 requires assets and liabilities to be classified as current and non-current subject to defined criteria. As a consequence, the terms ‘short-term’ and ‘long-term’ used in AASB 119 will not always be consistent with the terms ‘current’ and ‘non-current’ used in AASB 101. This means that under AASB 101, all unconditional leave entitlements (such as annual leave, deferred salary scheme and unconditional long-service leave) would be classified as current liabilities in the Statement of Financial Position as the agency does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period (see paragraph 69(d) of AASB 101). Deferred salary scheme is unconditional as employees can leave the scheme at any time through the agreement. Subject to materiality, this would also include pre-conditional and conditional long-service leave expected to become unconditional within 12 months of the end of the reporting period. However, under AASB 119, annual leave, deferred salary scheme and unconditional long-service leave are measured in terms of ‘short-term’ or ‘long-term’ benefits as appropriate, even though they would be classified as current liabilities in the Statement of Financial Position under AASB 101.

**Superannuation under AASB 119 ‘Employee Benefits’**

Post-employment benefits (particularly the recognition, measurement and disclosures concerning superannuation plans) are specifically covered under the scope of AASB 119.

AASB 119 distinguishes between two broad types of superannuation plan, which are required to be classified as either defined contribution plans or defined benefit plans. The classification of a superannuation plan determines whether defined benefit accounting or defined contribution accounting is to be used.

**Defined contribution plans**

Under AASB 119, defined contribution plans are defined as ‘post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.’ An accumulation type superannuation scheme, such as the West State Superannuation Scheme (WSS) and the GESB Superannuation Scheme (GESBS), is classified as a defined contribution plan as there is no further obligation to the agency once the contribution has been paid to the fund.
The Gold State Superannuation Scheme (GSS) is classified as a defined benefit plan at the overall plan and whole of government levels. However, at an agency level, the GSS possesses aspects of both defined contribution and defined benefit plans under the terms of the scheme. This ‘hybrid’ plan (from an agency perspective where applicable) can be divided into two components: the defined contribution component (i.e. concurrent contributions) and the defined benefit component (i.e. pre-transfer benefit). Apart from any pre-transfer obligation, agencies that concurrently fund the GSS have no further obligation to those employees (past and present) because any actuarial risk or investment risk is borne by the State Government centrally. Under this circumstance, agencies would classify that component of the GSS as a defined contribution plan.

**Defined benefit plans**

Under AASB 119, defined benefit plans are defined as, ‘post-employment benefit plans other than defined contribution plans.’ An example of a defined benefit plan is the Pension Scheme where there is an obligation on an agency and at whole of government level to fund any shortfall in meeting the employee benefits when they are due and payable.

The GSS is a defined benefit plan at the overall plan and whole of government levels. At an agency level, the GSS can be separated into two components (as discussed above). Agencies that carry GSS unfunded superannuation liabilities relating to the ‘pre-transfer benefit’ would classify that component of the GSS as a defined benefit plan.

The accounting treatment for defined benefit plans under AASB 119 requires the use of actuarial assumptions to measure the defined benefit obligation and the expense in addition to the possibility of actuarial gains and losses arising. These obligations are measured on a discounted basis because they may be settled many years after the employees render the related service.

The accounting treatment under AASB 119 for defined benefit plans ultimately depends on whether it is the agency’s obligations to provide the agreed benefits to current and former employees and whether the associated actuarial risk is borne by the agency.

As required by paragraph (7)(iv) of this instruction, agencies that have more than one defined benefit plan are required to make separate disclosures for each plan.

Apart from limited exceptions, all obligations (liabilities) under the Pension Scheme and the pre-transfer component with the GSS are unfunded.

Where the Treasurer meets unfunded obligations under the Pension Scheme and the pre-transfer component of the GSS, those agencies (departments and budget-funded statutory authorities) do not recognise liabilities or expenses in respect of those unfunded obligations.

Other agencies (statutory authorities that are not budget-funded) are required to recognise the unfunded superannuation liabilities for the Pension Scheme and the pre-transfer component of the GSS. There are no corresponding plan assets that are required to be valued with respect to these liabilities.

The Government Employees Superannuation Board (GESB) will provide those agencies affected with the necessary information relating to the defined benefit plans to comply with the defined benefit superannuation requirements of AASB 119.

Agencies should consult their actuary, the GESB or other relevant superannuation organisation to ensure that the required information is received to comply with the superannuation requirements under AASB 119.
AASB 128 ‘Investments in Associates and Joint Ventures’

AASB 128 deals with circumstances where an investor has either **joint control** over a joint venture or **significant influence** over an investee (the investee is known as a joint venturer or an associate respectively).

An investor that is required to prepare consolidated financial statements must recognise an investment in an associate or joint venture by applying the equity method in its consolidated financial statements.

**Capitalisation policy**

Capitalisation is the recognition of costs (expenditure) as an asset in the Statement of Financial Position as opposed to recognising costs as an expense in the Statement of Comprehensive Income. AASB 116 ‘Property, Plant and Equipment’ requires assets with physical substance that are expected to be used over more than one reporting period to be recognised when the asset recognition criteria are met. Similarly, AASB 138 ‘Intangible Assets’ requires identifiable non-monetary assets without physical substance to be recognised when the asset recognition criteria are met.

Asset recognition imposes ongoing costs to meet the recording, valuation, depreciation and reporting requirements. Where an agency controls a large amount of relatively low cost items, the cost of managing these items may exceed the benefits. In order to reduce these costs, expenditure on items of property, plant and equipment assets and intangible assets below the standard capitalisation threshold of $5,000 is to be expensed in the period in which the expenditure occurs. Where the total cost of an item of property, plant and equipment is $5,000 or more, an asset must be recognised. For intangible assets, agencies may set an asset capitalisation threshold of more than $5,000 subject to materiality.

Given the nature of internally generated intangible assets, it is considered that the capitalisation of costs for relatively small projects would result in administrative burden in ensuring that all the criteria are met under AASB 138 (particularly paragraphs 52 to 67) whenever there is an outlay of expenditure relating to a particular project. Therefore, it may be appropriate for agencies to establish a capitalisation threshold for internally generated intangible assets at a higher level than for separately acquired intangible assets.

Note that the recognition of right-of-use assets under AASB 16 ‘Leases’ is not subject to this instruction. The capitalisation threshold for right-of-use assets is set at $5,000 by Treasurer’s instruction (TI) 916 ‘Leases’. However, agencies (lessees) must recognise all right-of-use assets in relation to leases that are held with another wholly-owned public sector entity (refer to TI 955 ‘Contributions by Owners Made to Wholly Owned Public Sector Entities’) regardless of the amount. This is to facilitate the consolidation process on preparation of the Annual Report on State Finances. See TI 916 for further advice on accounting for leases.

The varying size and nature of operations of public sector agencies means that materiality between agencies can differ significantly. Agencies should consider their own individual circumstances in selecting an asset capitalisation threshold that may vary from the one mandated by this instruction. If this is the case, agencies should consult with the Financial Policy Division at Treasury in the first instance and subsequently consult with their auditor. If necessary, an agency will apply to the Treasurer for an exemption from the requirements of paragraph (14) of this instruction. Applications should be forwarded to the Under Treasurer providing reasons why an exemption should be granted.

There may be circumstances where agencies should apply the standard asset capitalisation threshold of $5,000 to the aggregate value of a group or network of assets.
(a group is a collection of similar assets and a network is a chain of interconnected but dissimilar assets for the provision of one simultaneous service, e.g. computer system or office furniture). That is, the cost of individual items (assets) may be below the threshold but collectively the cost of items in the group or network exceeds the threshold. Generally, aggregations of assets should only be considered where they have long useful lives and high aggregate values. It is also relevant to compare patterns of asset consumption (i.e. consumption of future economic benefits embodied in the asset or consumption of service potential) with patterns of asset replacement expenditure to identify whether there is a material periodic difference between depreciation expense and the on-going expensing of acquisitions. Where asset replacement expenditure is both lumpy and significant and depreciation expense is determined using the straight-line method, there may be a case for capitalising the assets. To aggregate assets, the impact must be material in the overall context of an agency’s financial statement. The cost benefit of capitalising expenditures in such circumstances must be considered. For example, a general fit-out may involve a material outlay and yield future economic benefits over a long period of time and consequently would generally be capitalised. Although the individual items may be below the capitalisation threshold, the fit-out can be considered a network for capitalisation purposes.

An example of a group of items (assets) is a library. Individual books would be below the capitalisation threshold but the collection will generally have a long useful life and may have a material value. AASB 116 does not prescribe the unit of measure for recognition of property, plant and equipment. The Standard states that judgement is required in applying recognition criteria to an agency’s specific circumstances (paragraph 9).

Agencies changing their asset capitalisation threshold to comply with paragraph (14) of this instruction or electing to change their asset capitalisation threshold must account for this as a voluntary change in accounting policy for the purposes of applying AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’. Guidance on accounting for voluntary changes in accounting policy is provided under the next heading below.

The asset capitalisation policy should be disclosed in the notes to the financial statements.

Agencies planning new asset capitalisation thresholds are encouraged to disclose in the notes to their financial statements the following:

(i) the fact that there will be a change in the agency’s asset capitalisation policy in the following financial year; and

(ii) where practicable, the impact on the financial statements of the change in the agency’s asset capitalisation policy in the period of initial application.

**Accounting for voluntary changes in accounting policy**

Where an agency decides to make a voluntary change in accounting policy (e.g. an increase in capitalisation threshold), this shall be accounted for under AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ and is to be applied retrospectively.
The change in accounting policy is applied retrospectively by adjusting the opening balance of accumulated surplus/(deficit) or retained earnings for the earliest prior period presented in the financial statements and by adjusting the relevant comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. For example, if an agency decides to increase its asset capitalisation threshold in the 20X1-2X2 financial year the assets to be written-off retrospectively will not be expensed in the Statement of Comprehensive Income for 20X1-2X2 (except for those assets acquired in 20X1-2X2 that were below the new threshold). In applying AASB 108, the agency would need to expense the assets acquired between 1 July 20X0 and 30 June 20X1 that were below the new threshold in the Statement of Comprehensive Income comparatives for 20X0-2X1. In addition, the 20X0-2X1 comparatives for depreciation expense in the Statement of Comprehensive Income and accumulated depreciation in the Statement of Financial Position will also be adjusted by writing back the depreciation expense that was applied in 20X0-2X1 to those assets that are now below the threshold. Also, the 20X0-2X1 comparatives for any relevant note disclosures such as the reconciliation of property, plant and equipment will need to be adjusted. Where it is practicable for the agency to determine the cumulative effect of the change for the financial years preceding 20X0-2X1, it will need to reflect this cumulative adjustment in the opening balance of accumulated surplus/(deficit) or retained earnings as at 1 July 20X0.

AASB 108 also requires a one-off disclosure in the financial statements explaining the nature, reasons and adjustment amounts, both for the current year and the comparative period reported, pertaining to a voluntary change in accounting policy.

**AASB 1050 ‘Administered Items’ – departments only**

In classifying transactions or items as either ‘controlled’ or ‘administered’, departments should apply the fundamental concept of ‘control’ as detailed for assets in the Framework and in AASB 1050. The principles embodied in the concept of control are able to be used in determining whether assets, liabilities, income and expenses are controlled or administered.

Controlled items – controlled transactions and balances relate to activities that assist a department to achieve its outcomes through the delivery of services. A department controls an asset where it has the capacity to benefit from the asset in the pursuit of the department's objectives and can deny or regulate the access of others to that benefit. Controlled transactions and balances must be reported in the financial statements.

Administered items – administered transactions and balances relate to activities and functions that a department manages on behalf of Government and do not contribute to the department's services or objectives. The collection of taxes and the payment of benefits would generally be classified as administered items.

AASB 1050 provides for the separate disclosure of administered income, expenses, assets and liabilities which may be in the financial statements in a manner that differentiates them from controlled elements. However, this can be confusing to users and it is considered more appropriate that the schedules of administered items be presented as notes to the financial statements as illustrated in the model financial statements.

Disclosures required by other Accounting Standards (e.g. AASB 7 ‘Financial Instruments: Disclosures’) are not required for administered income, expenses, assets and liabilities.
**Controlled and administered transactions**

Where a department has discretion over how it utilises its financial resources (i.e. assets, liabilities, income and expenses) in pursuing its own objectives, these transactions would *prima facie* be classified as controlled transactions. Departments need to exercise professional judgement as to whether a transaction is controlled or administered. Departments should also be mindful in assessing the economic substance over legal form in determining whether a transaction or item is controlled or administered.

Other factors that may be of assistance include:

(i) whether the department has the discretion to negotiate, deal or enter into agreements with external parties in providing or receiving goods and services relating to the achievement of departmental objectives;

(ii) whether the department is able to set parameters or conditions on the use and the amount of financial resources for both internal and external recipients; and

(iii) whether the department has discretion over the dollar amount and timing in the utilisation of its financial resources.

In those instances where an item or transaction is borderline, the department should classify the item as controlled. Treasury should be consulted in those circumstances where the distinction is less clear.

**Controlled and administered income**

Where a department is required to apply resources in order to generate income for its own purposes, the income should be recognised as controlled income. Note that the definition of income under the Framework encompasses both revenue and gains. This is so notwithstanding the fact that the revenue may be prescribed by Regulation. Examples of such controlled revenues are plant inspection fees, marine examination and conservancy fees, motor vehicle inspection fees and mine inspection fees where the department applies resources and the fee is set with reference to partial or full cost recovery.

Where a department collects revenue that is required to be paid into the Consolidated Account, although resources are applied in that collection process, the revenue should be reported as administered income.

In instances where the proceeds from the sale of controlled assets are required to be paid to the Consolidated Account, the guidance provided in TI 955 ‘Contributions by Owners Made to Wholly Owned Public Sector Entities’ should be followed.

Confusion has arisen over the meaning of the term ‘regulatory’. The term ‘regulatory’ does not refer to Regulations made in terms of any Act. *Regulatory revenues* are intended to include those that are similar to receipts excluded from the term ‘prescribed receipts’ in section 23 of the Act (i.e. receipts which may not be the subject of a net appropriation determination). Section 23 defines ‘prescribed receipts’ as any money lawfully received by the agency other than money received:

(i) by way of taxes or fines under any written law; or

(ii) by way of royalty in respect of fauna or forest produce or in respect of minerals, petroleum, water or other natural resources of the State; or

(iii) from the Commonwealth in the form of a general purpose grant; or

(iv) from any other source prescribed by the regulations for the purposes of this definition.

Income retained by a department pursuant to the *Financial Management (Net Appropriations) Determination 2015* is to be classified as controlled income.
Examples of income (revenues and gains) that would normally be considered as controlled and administered are given below:

**Controlled**

(i) Commonwealth specific purpose grants
(ii) Sale of controlled assets
(iii) Inspection fees
(iv) Registration fees
(v) Licence fees
(vi) Saleable publications
(vii) Recording fees
(viii) Industry contributions
(ix) Trading activities

**Administered**

(i) Taxes and fees
(ii) Royalties
(iii) Commonwealth general purpose grants
(iv) Commonwealth specific purpose grants
(v) Revenues – when the department acts as conduits
(vi) Sale of administered assets
(vii) Registration fees
(viii) Licence fees
(ix) Recording fees

**Controlled and administered expenses**

Where a department incurs costs (i.e. direct and indirect) in producing and delivering services as part of achieving its objectives, these expenses should be recognised as controlled expenses. These costs include expenses such as employee expenses,

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1 **Commonwealth specific purpose grants**

The classification of this type of revenue as ‘controlled’ or ‘administered’ would depend on the intended use of the funds. If it is integral to the pursuit of the agency’s objectives, it would be classified as ‘controlled’, e.g. reimbursement of salaries. If the agency is acting as a conduit for the transfer of the funds to another agency, then it would be classified as ‘administered’.

2 **Registration and licence fees**

Where a department applies resources that are additional to the collection process, the revenue collected would be classified as ‘controlled’. If this is not the case then the classification would be ‘administered’.

3 **Recording fees**

If the fee is calculated on the basis of full or partial recovery of the cost of the resources applied in carrying out the function, this type of revenue would be recognised as ‘controlled’.

If the fee set is substantially greater than the cost of carrying out the function and represents a significant revenue base to the Government, it would be recognised as ‘administered’.
supplies and services expenses, depreciation expenses relating to controlled assets, other operating expenses and overhead used in delivering services.

Expenses incurred in managing administered activities, items or transactions are to be recognised as controlled expenses.

Where a department acts as a conduit for and on behalf of the Government and makes payments that do not contribute to the operations and pursuit of its objectives it shall classify these as administered expenses. This would be the case where a department has no discretion as to how funds are to be transferred or disbursed and to whom. For example, expenses relating to Commonwealth and State government grants, subsidies and other assistance for the benefit of eligible recipients where the department is acting as an agent and does not have the capacity to regulate or deny the payment would be classified as administered expenses.

**Controlled and administered assets**

Assets that are able to be deployed, redeployed or disposed of at the department's discretion in order to achieve its objectives would be treated as controlled assets. This includes those assets that are used by the department in managing and undertaking administered activities for and on behalf of the Government (e.g. assets used in collecting taxes).

The assets of a department would be classified as administered where it is probable that the future economic benefits embodied in the asset will not flow to the department (i.e. control of the asset and the benefits from it will flow directly to the Government). This means that the department does not have the discretion in utilising the assets in furthering its objectives.

**Controlled and administered liabilities**

Liabilities that are directly incurred by the department in order to maintain and run its operations in pursuing its objectives would be treated as controlled liabilities.

Liabilities incurred on behalf of the Government that are not directly involved in the department's activities would be classified as administered liabilities. Administered contingent liabilities (and assets) should be disclosed separately.

**Disclosure of administered income and expenses by service**

AASB 1050 paragraph 7 requires the disclosure of administered income and expenses for amounts reliably attributable to each of the Tier 1 department’s activities and amounts not attributable to the Tier 1 department’s activities. AASB 1050 paragraph 8 requires that the principles in AASB 1052 be used in disclosing administered income and expenses reliably attributable to the department's activities. AASB 1052 requires the major activities of a department to be identified for the purposes of the disclosures under AASB 1050. In this context, a major activity equates to a service as defined in Treasurer’s instruction (TI) 904 ‘Key Performance Indicators’. Disclosure of administered income and expenses by service is not required for Tier 2 departments.

**AASB 1052 ‘Disaggregated Disclosures’ – Tier 1 departments only**

This Australian Accounting Standard requires the disclosure of income, expenses, assets deployed and liabilities incurred that are reliably attributable to each major activity undertaken by a department. In this context, a major activity equates to a service as defined in TI 904 ‘Key Performance Indicators’. The disclosure of disaggregated information as per the requirements of AASB 1052 are not required for Tier 2 departments.
BACKGROUND

This instruction applies to **both departments and statutory authorities** (except where otherwise specified). To maintain consistency in application of requirements to both departments and statutory authorities, certain requirements specified in this instruction effectively duplicate requirements in accounting standards that apply specifically to government departments.

The ‘Framework for the Preparation and Presentation of Financial Statements’ (the Framework) describes the concepts that underlie the preparation and presentation of the elements of the Statement of Comprehensive Income while AASB 101 ‘Presentation of Financial Statements’ provides overall requirements and guidelines for the presentation, structure and content of those elements. This instruction prescribes additional and/or complementary information and disclosures.

AASB 101 distinguishes between profit and loss items and ‘other comprehensive income’. Other comprehensive income is comprised of items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Australian Accounting Standards. Other comprehensive income includes changes in revaluation surplus, gains and losses arising from translating the financial statements of a foreign operation, gains and losses on remeasuring financial assets and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

**Reporting formats**

*General*

AASB 101 paragraph 10A allows for the presentation of all items of income and expense recognised in a period in either a single statement of comprehensive income or in two statements, one displaying components of profit and loss and a second statement displaying components of other comprehensive income. However, this instruction requires the single statement format to be used for presenting the Statement of Comprehensive Income.

There are two alternative formats for presenting the Statement of Comprehensive Income – the cost of service format and the commercial format.

The cost of service format Statement of Comprehensive Income focuses on the gross and net cost of services and funding provided by the State. This facilitates the assessment of performance by showing the full cost of resources consumed and the extent to which those costs were recovered through user charges and from other independent sources, and the net cost of services. It also enables an assessment of the extent to which State government funding is covering these costs. Value for money assessments can be made by relating services and outcomes to the cost of resources consumed in their achievement.

The commercial format Statement of Comprehensive Income is used where an agency conducts mainly commercial activities.

Public sector accountability requires that Statements of Comprehensive Income provide more comprehensive disclosures than is required of entities operating in the private sector. In the public sector, entities are not only accountable in terms of the operating result they achieve but also for the manner in which they conduct their affairs. Consistent with this broader accountability, the Statements of Comprehensive Income are required to detail their income and expenses for the financial year.

**Departments**

Departments are segments of the Crown, rather than separate legal entities in their own right. Consistent with SAC 1 ‘Definition of the Reporting Entity’, and Appendix A of AASB 3 ‘Business Combinations’, departments are reporting entities.

Departments normally exist to implement Government policy through providing services or performing functions rather than operating on a commercial basis. Departments should use a cost of service format Statement of Comprehensive Income. However, the commercial format Statement of Comprehensive Income may be more appropriate if a department were wholly or largely engaged in business or trading or providing goods and services with the intention of recovering all or a substantial proportion of its operating costs independent of State parliamentary appropriation. While this instruction mandates the cost of service format Statement of Comprehensive Income, if a department considers that the commercial format Statement of Comprehensive Income is more appropriate an exemption from this instruction will be required.

**Statutory authorities**

In the Western Australian public sector, statutory authorities’ Statements of Comprehensive Income are to be presented either in a commercial or a cost of service format in order to appropriately reflect the operations and funding of a statutory authority, according to the following:

(i) statutory authorities wholly or largely engaged in business or trading, or which provide goods or services and recover all or a significant proportion of their operating costs independent of State parliamentary appropriation, are to prepare a commercial format Statement of Comprehensive Income. This principally covers authorities that are classified as Public Non-Financial Corporations by the Australian Bureau of Statistics. It also covers those classified as Public Financial Corporations that do not report in terms of industry specific Australian Accounting Standards (such as the insurance and superannuation Standards); and

(ii) statutory authorities not wholly or largely engaged in business or trading and predominantly funded by State parliamentary appropriation, are to prepare a cost of service format Statement of Comprehensive Income. This principally covers statutory authorities mainly engaged in the provision of services and goods outside the normal market mechanism for consumption by governments and the general public, whose costs of production are mainly financed from State public revenues, thus being classified as General Government by the Australian Bureau of Statistics.

In view of statutory authorities’ mandates being established through legislation, and in the absence of change to that mandate or a fundamental and enduring change in the essential nature of their services, operations or activities, it would generally be expected that the Statement of Comprehensive Income format selected as appropriate should not require change in subsequent financial years.
AASB 101 'Presentation of Financial Statements’

The Australian Accounting Standard AASB 101 provides guidance on the determination of the total comprehensive income for the period and the disclosures to be made in the Statement of Comprehensive Income. AASB 101 is applied to the preparation of both commercial and cost of service format Statements of Comprehensive Income by Treasurer’s instruction 1101 ‘Application of Australian Accounting Standards and Other Pronouncements’.

AASB 101 allows for the presentation of the categories of income, expense and other comprehensive income in arriving at the total comprehensive income either in total or disaggregated in the Statement of Comprehensive Income. However, consistent with the broader accountability obligations of public sector agencies, paragraph (5)(i) of this instruction modifies the application of AASB 101 requiring Statements of Comprehensive Income to detail the elements of income and expenses in arriving at the total comprehensive income for the financial year.

AASB 101 paragraph 99 allows expenses recognised in profit or loss to be classified based on either their nature or their function within the entity. This instruction requires the disclosure of expenses by nature in the Statement of Comprehensive Income. This instruction does permit disclosures by function where it is considered that this will provide more relevant information, subject to the requirement to disclose expenses by nature in the notes.

Other presentation and disclosure requirements

The following presentation and disclosure requirements will apply where material:

(i) Trading result [paragraph (9)]

Where agencies are engaged in trading operations, the trading result (profit or loss on sales) is to be disclosed in the notes detailing the sales revenue and the cost of sales including opening stock, purchases and closing stock.

(ii) Liability assumption [paragraph (11)(i)]

In some cases certain agencies may have their liability associated with resources consumed by them assumed by the Treasurer or by another party.

In these cases the recognition of an amount of income equivalent to the liability assumed by the other party is required.

(iii) Assets and/or services received free of charge or for nominal cost [paragraph (11)(ii)]

Where assets and/or services have been provided to an agency free of charge or for nominal cost, they are to be recognised as assets or expenses at their fair value, together with income equivalent thereto. However, in relation to services, this requirement is subject to a value thereof being reliably determinable and the service being of a type that would otherwise have been purchased (i.e. such services must be relevant to the delivery of the agency’s services).
Treasurer's Instruction

(1) This instruction applies to all accountable authorities except the accountable authorities of universities that are listed in Schedule 1 of the Act.

(2) For the purposes of this instruction:
   (i) ‘Operating subsidy’ means a payment by the State Government, on behalf of the community, to a commercial entity for the provision of a good or service that would otherwise not be supplied, or would only be supplied at higher prices, had the supply of the goods or services been assessed by the entity on purely commercial grounds;
   (ii) ‘Income tax equivalent’ means the amount required to be accounted for by a statutory authority obliged to make such payment to the State government as if it was a private sector entity subject to Commonwealth income tax legislation; and
   (iii) ‘Note’ means a note included in the notes to the financial statements.

(3) An accountable authority of a department shall prepare a cost of service format Statement of Comprehensive Income.

(4) An accountable authority of a statutory authority shall prepare either:
   (i) a commercial format Statement of Comprehensive Income where the statutory authority is wholly or largely engaged in business or trading or providing goods or services with the intention of recovering all or a significant proportion of its operating costs independent of State parliamentary appropriation; or
   (ii) a cost of service format Statement of Comprehensive Income;
       as determined to be appropriate by the accountable authority of a statutory authority, by having regard to the relevant guidance on reporting formats provided in the Background to this instruction.

(5) The application of the Australian Accounting Standard AASB 101 ‘Presentation of Financial Statements’ is modified as follows:
   (i) the Statement of Comprehensive Income shall detail the categories of income and expenses in arriving at the profit/(loss) or surplus/(deficit) and each component of other comprehensive income in arriving at the total comprehensive income for the financial year;
   (ii) where there is a difference in the term used to describe a figure in the Statement of Comprehensive Income in this instruction and the term used to describe the corresponding figure in the Statement of Comprehensive Income in AASB 101, then the term used in this instruction shall be used in the Statement of Comprehensive Income; and
   (iii) items shall be presented in a single statement of comprehensive income.
COMMERCIAL FORMAT STATEMENTS OF COMPREHENSIVE INCOME

(6) Where an accountable authority of a statutory authority prepares a commercial format Statement of Comprehensive Income, the following shall be presented where applicable:

(i) under the heading INCOME and the sub-headings Revenue and Gains where material:
   (a) sales revenue in relation to trading operations shall be presented either in the Statement of Comprehensive Income or by way of note. Where sales revenue includes operating subsidies, the amount thereof shall be presented either in the Statement of Comprehensive Income or by way of note;
   (b) revenues from the provision of goods and/or services, other than those relating to trading operations. Where such revenues include operating subsidies, the amount thereof shall be presented either in the Statement of Comprehensive Income or by way of note;
   (c) non-repayable grants and/or contributions from the Commonwealth Government;
   (d) interest revenue;
   (e) share dividend revenue;
   (f) gain on disposal of non-current assets;
   (g) developers’ contributions revenue; and
   (h) other revenues and other gains, not included as disclosures in paragraph (6)(i)(a) to (g) of this instruction, either presented by appropriate classifications where material, or presented as other revenues and other gains.

(ii) under the heading EXPENSES where material:
   (a) cost of sales shall be presented either in the Statement of Comprehensive Income or by way of note;
   (b) employee benefits expense;
   (c) depreciation and amortisation expense;
   (d) finance costs;
   (e) loss on disposal of non-current assets;
   (f) other expenses, not included as disclosures in paragraph (6)(ii)(a) to (e) of this instruction, either presented by appropriate classifications where the expenses are material, or presented as other expenses; and
   (g) where the accountable authority of a statutory authority considers that it would provide more relevant information, expenses can be presented by function under the option in paragraph 99 of AASB 101 provided that the disclosure requirements of paragraph (6)(ii)(a) to (c), (e) and (f) are met by way of note;

(iii) the profit (loss) before grants and subsidies from State Government;
(iv) under appropriate headings:

(a) grants and subsidies from State government:

(aa) the amount of non-repayable State Government appropriations, grants and subsidies (including those received from other State agencies), other than amounts provided as specific owners’ contributions to equity, or as operating subsidies or revenues relating to trading operations or the provision of goods and/or services on a charge out basis included in paragraph (6)(i)(a) or (b) of this instruction. Details and the respective amounts of different appropriations, grants and subsidies are to be provided by way of note;

(bb) the amount of liabilities assumed by the Treasurer, recognised in terms of paragraph (11)(i) of this instruction; and

(cc) the amount of resources received free of charge or for nominal consideration from State government agencies, recognised in terms of paragraph (11)(ii) of this instruction;

(v) profit (loss) before income tax equivalent expense;

(vi) income tax equivalent expense;

(vii) profit (loss) after income tax equivalent expense;

(viii) profit (loss) for the period;

(ix) under the heading OTHER COMPREHENSIVE INCOME:

(a) each component of other comprehensive income classified by nature;

(b) the amount of income tax relating to each component of other comprehensive income; and

(x) total comprehensive income for the period.

COST OF SERVICE FORMAT STATEMENTS OF COMPREHENSIVE INCOME

(7) Where an accountable authority prepares a cost of service format Statement of Comprehensive Income, the following disclosures shall be made where applicable:

(i) under the heading COST OF SERVICES, and the sub-heading Expenses where material:

(a) employee benefits expense;

(b) depreciation and amortisation expense;

(c) finance costs;

(d) cost of sales shall be presented either in the Statement of Comprehensive Income or by way of note;

(e) loss on disposal of non-current assets;
(f) other expenses, not included as disclosures in paragraph (7)(i)(a) to (e) of this instruction, either presented by appropriate classifications where the expenses are material, or presented as other expenses;

(g) where the accountable authority considers that it would provide more relevant information, expenses can be presented by function under the option in AASB 101 paragraph 99 provided that the disclosure requirements of paragraphs (7)(i)(a), (b) and (d) to (f) are met by way of note; and

(h) total cost of services;

(ii) further under the heading COST OF SERVICES, and under the sub-headings of Revenues and Gains where material:

(a) revenues from the provision of goods and/or services, other than those relating to trading operations. Where such revenues include operating subsidies, the amount thereof shall be presented either in the Statement of Comprehensive Income or by way of note;

(b) non-repayable grants and/or contributions from the Commonwealth Government;

(c) interest revenue;

(d) share dividend revenue;

(e) gain on disposal of non-current assets;

(f) other grants and subsidies;

(g) sales revenue in relation to trading operations shall be presented either in the Statement of Comprehensive Income or by way of note. Where sales revenue includes operating subsidies, the amount thereof shall be presented either in the Statement of Comprehensive Income or by way of note;

(h) other revenues and other gains, not included as disclosures in paragraph (7)(ii)(a) to (g) of this instruction, either presented by appropriate classifications where material, or presented as other revenues and other gains;

(iii) further under the heading COST OF SERVICES, the Net Cost of Services, being the difference between Total Cost of Services and Total Income other than income from State Government;

(iv) under the heading INCOME FROM STATE GOVERNMENT:

(a) the amount of non-repayable State government appropriations, grants and subsidies (including those received from other State agencies), other than amounts provided as specific owners' contributions to equity, or as operating subsidies or revenues relating to trading operations or the provision of goods and/or services on a charge out basis included in paragraph (7)(ii)(a) or (g) of this instruction. Details and the respective amounts of different appropriations, grants and subsidies are to be disclosed by way of note;
(b) the amount of liabilities assumed by the Treasurer, recognised in terms of paragraph (11)(i) of this instruction;

(c) the amount of resources received free of charge or for nominal consideration from State government agencies, recognised in terms of paragraph (11)(ii) of this instruction; and

(d) the total amount of Income from State Government;

(v) (a) where there is an income tax equivalent expense:
   (aa) the surplus/(deficit) before income tax equivalent expense;
   (bb) income tax equivalent expense; and
   (cc) the surplus/(deficit) after income tax equivalent expense;

(vi) surplus/(deficit) for the period;

(vii) under the heading OTHER COMPREHENSIVE INCOME:
   (a) each component of other comprehensive income classified by nature;
   (b) the amount of income tax relating to each component of other comprehensive income; and

(viii) total comprehensive income for the period.

OTHER DISCLOSURES

(8) [deleted by Treasury]

(9) Where applicable, the trading result (profit or loss on sales) in relation to trading operations shall be disclosed by way of note. This note shall disclose sales revenue and the cost of sales including opening stock, purchases and closing stock.

(10) [deleted by Treasury]

REPORTING OF ASSETS AND SERVICES RECEIVED FREE OF CHARGE OR FOR NOMINAL COST, AND LIABILITIES ASSUMED BY OTHER PARTIES

(11) Where assets or services have been received free of charge or for nominal cost, or liabilities have been extinguished without directly giving value in exchange to the other party or parties to the transaction or transactions:

   (i) where a liability has been assumed by the Treasurer or other entity, income equivalent to the amount of the liability assumed shall be recognised, except where the assumption of the liability is in the nature of a contribution by owners, in which event there shall be a direct adjustment to equity; and

   (ii) where assets or services have been received free of charge or for nominal cost, income shall be recognised (except where the contribution of assets or services is in the nature of contribution by owners, in which event there shall be a direct adjustment to equity) equivalent to the fair value of the assets that qualify for recognition.
and/or the fair value of those services that can be reliably
determined and which would have been purchased if not donated,
and those fair values shall be recognised as assets or expenses, as
applicable.

(12) [deleted by Treasury]

GUIDELINES

Superannuation liabilities assumed by the Treasurer

For the majority of departments, prior to 1 July 2001, superannuation liability was
assumed by the Treasurer in respect of employee membership of the various schemes
administered by the Government Employees Superannuation Board (GESB). With the
introduction of accrual appropriations from 1 July 2001, all departments are now funded
for concurrent contributions to the GESB in respect of the Gold State and the West State
Superannuation Schemes. Although the payments made to the GESB in respect of the
Gold State Scheme are paid back into the Consolidated Account by the GESB, they
should be recognised as superannuation expense by departments.

For those superannuation liabilities that were assumed by the Treasurer prior to
1 July 2001 in respect of pensions and pre-transfer benefits, departments are not
required to recoup the Treasurer for pensions and pre-transfer liabilities paid after that
date. Consequently, departments are not required to recognise these liabilities in their
Statements of Financial Position.

On 30 June 2004, budget-funded statutory authorities had their unfunded
superannuation liabilities relating to the Pension Scheme and the pre-transfer benefit of
the Gold State Superannuation Scheme administered by GESB assumed by the
Treasurer.

These statutory authorities are not required to recoup the Treasurer for pensions and
pre-transfer liabilities paid after that date and consequently are not required to recognise
these liabilities in their Statements of Financial Position.

Until 30 June 2008 reporting, departments and budget-funded statutory authorities were
required to recognise a notional expense to reflect the annual movement of these
liabilities assumed by the Treasurer (for current employees) and an equivalent notional
revenue. Commencing with the annual reporting period ending on 31 December 2008,
this requirement was discontinued. Consistent with this decision, the GESB no longer
provides this information to departments and budget-funded statutory authorities.

Calculation of superannuation liability and expense where the liability has not
been assumed by the Treasurer

Where the superannuation liability has not been assumed by the Treasurer, the liability
and expense are to be recognised in accordance with AASB 119.

Net profit/(loss) from the disposal of non-current assets

Paragraph 71 of AASB 116 ‘Property, Plant and Equipment’ requires that gains or losses
arising from the derecognition of an item of property, plant and equipment shall be
determined as the difference between the net disposal proceeds and the carrying amount
of the asset (i.e. net basis). Subject to materiality, gains and losses arising from a group
of similar transactions may be reported on a net basis with detailed disclosure in the
notes. Where material, such gains and losses must be reported separately.
BACKGROUND

This instruction applies to both departments and statutory authorities, except where otherwise specified.

There are certain requirements specified under this instruction that effectively duplicate the same or substantively the same requirements in accounting standards that apply specifically to government departments. This has been done to maintain consistency in application and reporting under this instruction to both departments and statutory authorities where considered necessary.

The ‘Framework for the Preparation and Presentation of Financial Statements’ (the Framework) describes the concepts that underlie the preparation and presentation of the elements of the Statement of Financial Position while AASB 101 ‘Presentation of Financial Statements’ provides overall requirements and guidelines for the presentation, structure and content of those elements. This instruction prescribes additional and/or complementary information and disclosures.

Requirements and disclosures

Restricted assets [paragraph (7)]

Where the use of assets is limited through specific legal or externally imposed requirements, separate disclosure of the amounts is required in the Statement of Financial Position together with note disclosure highlighting the extent to which assets are reserved for particular uses and are not available in relation to the general activities of the agency.

Amounts provided from State government sources as equity contributions by owners [paragraph (13)(i)]

AASB Interpretation 1038 ‘Contributions by Owners Made to Wholly-Owned Public Sector Entities’ requires designation by the owner as contributions by owners before transfers can be recognised directly in equity. Capital contributions (non-repayable capital appropriations) and non-reciprocal non-discretionary transfers between State government agencies (except transfers that occur as a consequence of a restructure of administrative arrangements) are designated as contributions by owners by Treasurer’s instruction (TI) 955 ‘Contributions by Owners Made to Wholly Owned Public Sector Entities’. AASB 1004 ‘Contributions’ requires transfers that occur as a consequence of a restructure of administrative arrangements to be recognised directly in equity.

Disclosures in respect of other money (money held in trust) and specific purpose money [paragraphs (15)(ii) and (iii)]

To provide full accountability to Parliament, this instruction requires agencies to disclose by way of note a statement of purpose, the opening and closing cash balances, and the total cash receipts and cash payments for each section 16(1)(b), (c) and (d) special purpose account.

A statutory authority’s operating account is generally a section 16(1)(b) special purpose account. Therefore, statutory authorities are only required to report the information for statutory accounts other than their operating accounts established under their enabling legislation.

Section 16(1)(c) special purpose accounts hold other money (money held in trust). Other money, which is defined in the Act, is not consolidated into the financial statements.
Specific purpose money may be held in an agency’s operating account or in a separate section 16(1)(d) special purpose account. Specific purpose money, which is defined in Treasurer’s instruction (TI) 806 ‘Accounting for Specific Purpose and Other Money (Money held in Trust)’, is consolidated into the financial statements. The additional note disclosures are only required where the money is held in a separate special purpose account (section 16(1)(d)).

Refer to TI 806 for further information on the accounting requirements for other money and specific purpose money.

TREASURER’S INSTRUCTION

(1) This instruction applies to all accountable authorities except the accountable authorities of universities that are listed in Schedule 1 of the Act.

(2) For the purposes of this instruction:

(i) ‘Note’ means a note included in the notes to the financial statements; and

(ii) ‘Restricted assets’ means assets the uses of which are restricted, wholly or partially, by regulations or other externally imposed requirements where information about those restrictions is relevant to assessments of the performance or financial position of the agency.

(3) AASB 101 ‘Presentation of Financial Statements’ prescribes minimum information to be presented in a Statement of Financial Position. The paragraphs below prescribe additional and/or complementary information and disclosures.

(4) Statements of Financial Position are to be structured to present current assets, non-current assets, total assets, current liabilities, non-current liabilities, total liabilities, net assets and equity, as applicable, at the end of the reporting period, except where a liquidity presentation provides information that is reliable and more relevant.

(5) Current assets shall be presented under the heading ASSETS and the sub-heading Current Assets and include the following where applicable:

(i) cash and cash equivalents, including bank accounts which includes funds held at Treasury in accounts which are of the nature of a banking account, cash advances and cash on hand or in transit, with details to be disclosed in the notes;

(ii) the current portion of investments shall be presented as other financial assets, with details of the nature thereof as required by paragraph (6)(i) to be disclosed by way of note. This note disclosure may be in conjunction with the disclosure required by that paragraph;

(iii) right-of-use assets that are expected to be realised within 12 months after the reporting period, except those that meet the definition of investment property in AASB 140 ‘Investment Property’, with details to be disclosed in the notes. This note disclosure may be in conjunction with the disclosure required by paragraph (6)(ii); and

(iv) the total amount of current assets.
(6) Non-current assets shall be presented under the heading ASSETS and the sub-heading Non-Current Assets and include the following where applicable:

(i) the non-current portion of investments shall be presented as other financial assets, with details of the nature thereof disclosed by way of note together with the current market value where applicable;

(ii) right-of-use assets that are expected to be realised beyond 12 months after the reporting period, except those that meet the definition of investment property in AASB 140 ‘Investment Property’, with details to be disclosed in the notes; and

(iii) the total amount of non-current assets.

(7) The aggregate amount of restricted assets shall be presented in the Statement of Financial Position for each class and the nature of the restrictions disclosed by way of note. Where restricted assets are a class required to be presented separately by paragraphs (5) and (6) of this instruction, the restricted and unrestricted aggregate amounts are also to be shown separately.

(8) The total of current assets and non-current assets shall be presented under the heading TOTAL ASSETS.

(9) Current liabilities shall be presented under the heading LIABILITIES and the sub-heading Current Liabilities and include the following where applicable:

(i) Interest-bearing borrowings and non interest-bearing borrowings shall be presented separately, with details of the components thereof as required by paragraph (10)(i) to be disclosed by way of note. This note disclosure may be in conjunction with the disclosure required by that paragraph;

(ii) lease liabilities that are due to be settled within 12 months after the reporting period, with details to be disclosed in the notes. This note disclosure may be in conjunction with the disclosure required by paragraph (10)(ii); and

(iii) the total amount of current liabilities.

(10) Non-current liabilities shall be presented under the heading LIABILITIES and the sub-heading Non-Current Liabilities and include the following where applicable:

(i) Interest-bearing borrowings and non interest-bearing borrowings shall be disclosed separately, with the following components being shown by way of note:

(a) amounts provided from various sources by way of repayable advances and private and public loans guaranteed by the State. These shall be classified as:

(aa) Consolidated Account advances;

(bb) private and public loans guaranteed by the Treasurer;

(cc) Commonwealth advances;

(dd) advances provided from other State funds, with funding sources being identified; and
(ee) other repayable funds with funding sources being identified;
Details of any security given is to be disclosed; and
(b) private and public loan raisings not guaranteed by the State and borrowings by way of mortgage.
Details of any security given is to be disclosed;
(ii) lease liabilities that are due to be settled beyond 12 months after the reporting period, with details to be disclosed in the notes; and
(iii) the total amount of non-current liabilities.

(11) The total amount of current liabilities and non-current liabilities shall be presented under the heading TOTAL LIABILITIES.

(12) The difference between the amounts of total assets and total liabilities, as applicable, shall be presented under the heading NET ASSETS or NET LIABILITIES.

(13) Under the heading EQUITY the following sub-headings shall be presented where applicable:
(i) Contributed equity;
(ii) Reserves; and
(iii) Accumulated surplus/(deficit) or Retained earnings/Accumulated losses, as appropriate.

(14) The total amount of equity shall be presented under the heading TOTAL EQUITY.

(15) The following requirements apply where applicable:
(i) Valuations of land and buildings applied in accordance with AASB 116 ‘Property, Plant and Equipment’ paragraph 31 shall be performed by a professionally qualified valuer and the name of the valuer(s) shall be disclosed in addition to the requirements of paragraph 77 of AASB 116 ‘Property, Plant and Equipment’;
(ii) For each section 10(a), (e) and (f) special purpose account, there shall be disclosed:
(a) the purpose of the special purpose account;
(b) the balance of the special purpose account at the beginning of the financial year;
(c) total receipts;
(d) total payments;
(e) the balance of the special purpose account at the end of the financial year; and
(iii) Agencies shall disclose the information specified in paragraph 15(ii) of this instruction for each section 16(1)(b), (c) and (d) special purpose account.
GUIDELINES

Dividends

For the purposes of AASB 101 ‘Presentation of Financial Statements’ and AASB 110 ‘Events after the Reporting Period’, dividends mean distributions of the whole or part of operating surpluses or profits to the Consolidated Account.

Amounts transferred to the Consolidated Account in accordance with section 20 of the Act are not dividends and should be accounted for under TI 955 as a distribution to owner.

Disclosure of Unrecognised Commitments

Financial transparency of financial statements is enhanced where users can evaluate the effects of future cashflow commitments on the agency’s net asset position. As a minimum, disclosures of unrecognised capital commitments and other expenditure commitments required under Australian Accounting Standards shall be reported in the following time bands, according to the time expected to elapse from the reporting date to expected date of settlement:

(a) within twelve months;
(b) twelve months or longer but not longer than five years; and
(c) longer than five years.

Restricted assets

Information about restrictions imposed by legislation or other authority on the manner in which an agency can deploy its assets is relevant in assessing the agency’s capacity to provide a greater volume of particular types of services in the short-term, and in assessing the performance and financial position of the agency.

Restricted assets include certain specific purpose money (assets that may only be used for specific purposes, e.g. Commonwealth grants and advances accounts and Royalties for Regions funding), accrued salary suspense accounts and amounts receivable for services (holding accounts).

The Australian Accounting Standards also require disclosures of certain restricted assets as follows:

- Disclosure of significant cash and cash equivalents held by an entity that is not available for use, including commentary by management, is required under AASB 107 ‘Statement of Cash Flows’ (paragraphs 48 and 49);
- Disclosure of the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities under AASB 116 ‘Property, Plant and Equipment’ (paragraph 74(a)); and
- Disclosure of the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities under AASB 138 ‘Intangible Assets’ (paragraph 122(d)).

Where liabilities exceed assets

Equity is defined in the Framework as ‘the residual interest in the assets of the entity after deducting all its liabilities’. If liabilities exceed assets, instead of the term ‘Total Equity’, the term ‘Equity Deficit’ should be used and the total shown in brackets.
Accounting for recoups and reimbursements

The accounting treatment for recoups and reimbursements receivable or received by agencies needs to be considered on its merits by having regard to the circumstances under which the recoup or reimbursement arose. Where a recoup or reimbursement meets the definition of an asset (i.e. receivable) and the recognition criteria are met, an invoice (i.e. sundry debtor) should be raised. Common examples in the public sector include:

(i) **Non-monetary benefits provided to employees**

An agency (employer) may provide employee benefits in the form of non-monetary benefits. Such benefits may take the form of payment for housing or motor vehicles. In most circumstances, employees’ rights to non-monetary benefits do not accrue in proportion to their periods of service and do not accumulate. Usually, the right to receive those benefits in each period exists irrespective of the duration of service provided by employees. In such circumstances, an employer recognises the cost incurred in providing the benefits in the period during which the benefits are taken by employees. The amount of cost is determined on a gross basis, i.e. total cost of providing the benefits (excluding employee contributions). Employee contributions will be recognised as income to the agency (employer). A liability is not recognised for any non-accumulating benefits that employees do not take during the period.

Where non-monetary benefits provided to employees are subject to leases capitalised in the Statement of Financial Position (e.g. housing and motor vehicles), the total cost of providing these benefits is interest and depreciation expenses recognised in accordance with AASB 16 ‘Leases’. A notional adjustment will be required to enable the employee benefits expenses note to the financial statements which shows the total cost of employee benefits incurred by the agency (employer) and the net benefits provided to employees. Refer to Treasurer’s instruction 916 ‘Leases’ for further advice on accounting for leases.

For example, where an agency (employer) leases properties to provide housing or motor vehicles to its employees and the employees are required to make a contribution, the expense to the agency is the sum of interest and depreciation expenses recognised by the agency under AASB 16. Employee contributions will be recognised separately as income. Therefore, if an interest expense of $80 and a depreciation expense of $150 are incurred by the agency and $160 will be contributed (recouped) from the employee, then a total expense of $230 and a receivable of $160 are to be recognised.

However, the employee benefits expenses note to the financial statements should show both the total cost of employee benefits incurred by the agency (employer) and the net benefits provided to employees:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee benefits expenses (recognised under AASB 16)</td>
<td>$230</td>
</tr>
<tr>
<td>less: Employee contributions</td>
<td>$160</td>
</tr>
<tr>
<td>Net benefits provided to employees</td>
<td>$ 70</td>
</tr>
</tbody>
</table>

(ii) **Salary recoups – secondments and other temporary transfers**

Where an employee is on secondment and the salary is being paid by the host agency (employer) directly to the employee and the amount is subsequently recouped from the recipient agency, this should be accounted for initially as a receivable by the host agency with the corresponding amount credited to either the salaries and wages expense account or a salary recoup suspense clearing account as appropriate (depending on agencies’ internal financial policy and payroll systems requirements), and as a payable...
by the recipient agency when the salary is paid every fortnight. The recipient agency using the services of the seconded employee should record an expense in the period the services are rendered. When the salary is subsequently recouped, the host agency (employer) receives the money against the receivable and the recipient agency extinguishes their liability to the host agency. Note that salary recoups are not revenue to the host agency.

(iii) Salary recoups – overpayment to employee

Where an employee is overpaid salary by an agency, and the amount is recognised in the following financial year, the amount of the overpayment should be accounted for initially by recognising a receivable and crediting income. However, if the overpayment is recovered within the same financial year as the overpayment was made, then the overpayment should be credited to salaries expense rather than income. When the overpaid salary is recouped from the employee, the agency receives the money against the receivable.

(iv) Provision of services funded ultimately by other parties

Where an agency is recouped or reimbursed for the cost of providing a service that is ultimately funded by another party such as the Commonwealth Government, other agencies or persons, and this is integral to the pursuit of the agency’s objectives, then the recoup or reimbursement is to be accounted for by the agency as income (i.e. no offset against the expense). Offsetting against the expense is not appropriate because this does not reflect the cost of providing the service.

If the agency is merely acting as a conduit for the transfer of funds to another agency or persons, then the payment made by the agency is to be accounted for as a receivable and the subsequent recoup or reimbursement is to be receipted by the agency against the receivable. An example of this is where disbursements are made by Agency A for and on behalf of Agency B and these disbursements are not made in Agency A’s own right. In this instance, there is no impact on Agency A’s Statement of Comprehensive Income.

(v) Other

In limited circumstances that a receivable (debtor) is not recognised because the original transaction was expensed, and a cash recoup or refund is subsequently received within the same financial year as the transaction occurred, this should be offset against the original expense account, otherwise it should be recognised as income. For example, an agency shall credit workers’ compensation insurance recoups to salaries or wages expense where the recoups and related expenditures occur within the same financial year. Insurance recoups received in a subsequent financial year shall be accounted for as revenue, where material.

Comparatives – three statements of financial position required in certain circumstances

If a Tier 1 agency (as listed in Schedule 1 of Treasurer’s instruction 1107 ‘Application of Tiered Reporting – Reduced Disclosure Requirements’) has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements, it must present a third statement of financial position as at the beginning of the preceding period as required by AASB 101 paragraph 40A. Tier 2 agencies are exempt from the requirements of AASB 101 paragraph 40A.
1105 CONSOLIDATED FINANCIAL STATEMENTS

BACKGROUND

Where an agency is exposed, or has rights, to variable returns from its involvement with another entity, and has the ability to affect those returns through its power over that other entity, the agency and the entities it controls can be considered a single economic entity.

This instruction requires consolidated financial statements to be prepared where an agency has had a subsidiary at any time during the reporting period. The consolidated financial statements are to be prepared in accordance with Australian Accounting Standard AASB 10 ‘Consolidated Financial Statements’, as modified by this instruction.

AASB 10 provides for consolidated financial statements to be prepared for a group of entities, which comprise a parent and its subsidiaries. However, the definitions of ‘control’, ‘parent’ and ‘subsidiary’ advanced by AASB 10 are modified by this instruction to reflect the accountability framework established under the Act and Treasurer's instructions, particularly with respect to related bodies and subsidiary bodies.

Broadly, section 60(1) of the Act defines related bodies as bodies which receive more than half their funding and resources from an agency and are subject to operational control by that agency. Generally, related bodies will be captured by the AASB 10 definition of subsidiary, being a body which is controlled by a parent, and should therefore be included within the consolidated financial statements as required by AASB 10.

Notwithstanding their separate entity status, related bodies of an agency will generally not have their own financial resources, relying instead upon resources of or controlled by the agency and consequently they have no separate accountability under the Act. The financial operations of related bodies are integrated with those of the agency and, as such, are incorporated within its (the parent’s) financial statements in the manner prescribed by Treasurer's instruction 951 ‘Related and Affiliated Bodies’.

Accordingly, this instruction broadens the definition of ‘parent’ to mean an entity comprising an agency together with its related bodies. As a corollary to their inclusion within the ‘parent’, this instruction specifically excludes related bodies from the definition of ‘subsidiary’. As the financial affairs of related bodies will be included within the parent's financial statements, they will also be included within the consolidated financial statements. The principal effect of these modifications is to avoid the possibility of bodies being reported upon as both a related body and as a subsidiary.

Section 60(1) of the Act defines a ‘subsidiary body’ as being:

(i) a company in respect of which the agency has the capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the body so as to enable the body to operate with the agency in pursuing the agency's objectives;

(ii) a body that is declared under an Act to be a subsidiary of an agency; or

(iii) a body that is determined by the Treasurer, by written notice given to the agency, to be a subsidiary of the agency.
Generally, subsidiary bodies of agencies will have a relationship with the agency which conforms to AASB 10 definitions of ‘control’ and ‘subsidiary’. However, it is conceivable that in some instances the relationship may not conform precisely to those definitions. The identification of a body as a subsidiary body of an agency recognises that it is intended to operate with that agency as part of a group. Accordingly, the AASB 10 definition of ‘subsidiary’ is modified by this instruction to apply to ‘subsidiary bodies’ as defined by the Act, regardless of the AASB 10 test of control, ensuring their inclusion within the consolidated financial statements.

Some agencies may have a ‘dormant’ subsidiary (or subsidiaries) without assets, liabilities, revenues or expenses, with any fees or charges in relation to its continued existence being met by the agency. Where there are no other active subsidiaries, the preparation of consolidated financial statements would not add any meaningful information. Accordingly paragraph (6) of this instruction does not require the preparation of consolidated financial statements in such circumstances provided that in the notes to the financial statements the situation is explained and the dormant subsidiary (or subsidiaries) named.

TREASURER’S INSTRUCTION

(1) This instruction applies to accountable authorities of not-for-profit agencies, for reporting periods ending on or after 31 December 2014, which:
   (i) had a subsidiary at any time during the reporting period; and
   (ii) prepare financial statements on an accrual basis.

(2) For the purpose of this instruction:
   (i) ‘Control’ means the capacity of an agency to dominate decision making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in pursuing the government desired outcomes of the agency;
   (ii) ‘Parent’ means an entity comprising an agency and its related bodies which:
        (a) has a subsidiary body, as defined in section 60(1) of the Act; or
        (b) controls an entity other than a subsidiary body or related body;
   (iii) ‘Subsidiary’ means:
        (a) a subsidiary body, as defined in section 60(1) of the Act; or
        (b) an entity, other than a subsidiary body or related body, which is controlled by a parent.
   (iv) ‘Financially dependent’, when used concerning the relationship of a body to an agency, means that the body receives more than half of its funding and resources from an agency that is obliged to provide funding and resources to the body.
(3) The financial statements of an agency which was a parent at any time during the reporting period shall comprise:

(i) financial statements for the parent entity prepared in accordance with Parts IX and XI of the Treasurer's instructions; and

(ii) consolidated financial statements for the group prepared in accordance with this instruction.

(4) The application of Australian Accounting Standard AASB 10 ‘Consolidated Financial Statements’ is modified as follows:

(i) the definitions of ‘control’, ‘parent’ and ‘subsidiary’ in paragraph (2) of this instruction shall be substituted for the definitions of ‘control’, ‘parent’ and ‘subsidiary’ in Appendix A of AASB 10;

(ii) where AASB 10 requires compliance with any other Australian Accounting Standards, the accountable authority shall comply with those Australian Accounting Standards to the extent and in the manner required by Treasurer's instructions;

(iii) the consolidated financial statements shall, unless the Treasurer approves otherwise, be prepared on an accrual basis and in the same form as for the parent, comprising:

(a) a Statement of Comprehensive Income prepared in the form required by Treasurer's instruction 1102 as appropriate;

(b) a Statement of Financial Position prepared in the form required by Treasurer's instruction 1103;

(c) a Statement of Changes in Equity prepared in accordance with Australian Accounting Standard AASB 101 ‘Presentation of Financial Statements’, as applied by Treasurer's instruction 1101;

(d) a Statement of Cash Flows prepared in accordance with Australian Accounting Standard AASB 107 ‘Statement of Cash Flows’, as applied by Treasurer's instruction 1101; and

(e) proper and adequate notes to the consolidated financial statements;

(iv) AASB 10 ‘Consolidated Financial Statements’ – the election under paragraph Aus4.1 of AASB 10 that provides for a parent to be exempted from presenting consolidated financial statements where certain conditions are met is disallowed.

(5) In addition to the information required by AASB 10, notes to the consolidated financial statements shall include:

(i) in respect of each subsidiary within the group at the end of the reporting period:

(a) the legal form of the subsidiary;
(b) the country of incorporation of the subsidiary, and the State or
Territory in which each Australian subsidiary was formed or
incorporated;

(c) the subsidiary's contribution to the operating result of the group
for the reporting period; and

(d) where the parent holds or held an ownership interest in the
subsidiary:
   (aa) the ownership interest held by the parent;
   (bb) where any part of the ownership interest referred to in
        paragraph (5)(d)(aa) is or was held by another subsidiary,
        the identity of that other subsidiary, the percentage of
        total ownership held by that subsidiary and the amount at
        which that ownership interest is recorded in the accounts
        of that other subsidiary; and
   (cc) details of any change in the parent's ownership interest in
        the subsidiary during the reporting period; and

(ii) in respect of each subsidiary which ceased to be part of the group
during the reporting period:
   (a) the legal form of the subsidiary;
   (b) the subsidiary's contribution to the operating result of the group
        for the reporting period; and
   (c) where the parent disposed of an ownership interest in the
        subsidiary, the profit (surplus) or loss (deficit) attributable to the
        group on disposal of that ownership interest.

(6) Where a subsidiary, or subsidiaries, of an agency did not have any assets,
liabilities, revenues or expenses during the current and previous reporting
period (other than any expenses for the maintenance of its statutory existence
met by the agency without recourse to the subsidiary), and the agency had no
other subsidiaries other than this subsidiary, or these subsidiaries, during the
reporting period, then the accountable authority shall not be required to
comply with paragraphs (3) to (5) of this instruction but shall disclose in the
notes to the financial statements the names of the subsidiary, or subsidiaries,
involved and the reason for consolidated financial statements not being
prepared.
GUIDELINES

Reporting period of subsidiaries

Although AASB 10 requires the financial statements of the parent and its subsidiaries used in the preparation of consolidated financial statements to have the same reporting date, the Standard makes provision for circumstances where the parent and its subsidiaries operate with differing end of reporting periods. Where the ends of reporting periods differ, the preparation of consolidated financial statements will require the preparation of interim financial statement in respect of each relevant subsidiary or such other adjustments as may be necessary to prepare consolidated financial statements as if the reporting periods were the same.

Presentation of consolidated financial statements

AASB 10 includes a provision that allows a parent to be exempted from presenting consolidated financial statements where certain conditions are met (refer to AASB 10, paragraph Aus4.1). This instruction disallows such an election from being made. This means that a parent must present consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with AASB 10.
BACKGROUND

Where an agency is exposed, or has rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its power over that other entity, the agency and the entities it controls can be considered a single economic entity.

This instruction requires consolidated financial statements to be prepared where an agency has had a subsidiary at any time during the reporting period. The consolidated financial statements are to be prepared in accordance with Australian Accounting Standard AASB 10 ‘Consolidated Financial Statements’, as modified by this instruction.

AASB 10 provides for consolidated financial statements to be prepared for a group of entities which comprise a parent and its subsidiaries. However, the definitions of ‘control’, ‘parent’ and ‘subsidiary’ advanced by AASB 10 are modified by this instruction to reflect the accountability framework established under the Act and Treasurer's instructions, particularly with respect to related bodies and subsidiary bodies.

Broadly, section 60(1) of the Act defines related bodies as bodies which receive more than half their funding and resources from an agency and are subject to operational control by that agency. Generally, related bodies will be captured by the AASB 10 definition of subsidiary, being a body which is controlled by a parent, and should therefore be included within the consolidated financial statements as required by AASB 10.

Notwithstanding their separate entity status, related bodies of an agency will generally not have their own financial resources, relying instead upon resources of or controlled by the agency and consequently they have no separate accountability under the Act. The financial operations of related bodies are integrated with those of the agency and, as such, are incorporated within its (the parent’s) financial statements in the manner prescribed by Treasurer's instruction 951 ‘Related and Affiliated Bodies’.

Accordingly, this instruction broadens the definition of ‘parent’ to mean an entity comprising an agency together with its related bodies. As a corollary to their inclusion within the ‘parent’, this instruction specifically excludes related bodies from the definition of ‘subsidiary’. As the financial affairs of related bodies will be included within the parent’s financial statements, they will also be included within the consolidated financial statements. The principal effect of these modifications is to avoid the possibility of bodies being reported upon as both a related body and as a subsidiary.

Section 60(1) of the Act defines a ‘subsidiary body’ as being:

(i) a company in respect of which the agency has the capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the body so as to enable the body to operate with the agency in pursuing the agency’s objectives;

(ii) a body that is declared under an Act to be a subsidiary of an agency; or

(iii) a body that is determined by the Treasurer, by written notice given to the agency, to be a subsidiary of the agency.
Generally, subsidiary bodies of agencies will have a relationship with the agency which conforms to AASB 10 definitions of ‘control’ and ‘subsidiary’. However, it is conceivable that in some instances the relationship may not conform precisely to those definitions. The identification of a body as a subsidiary body of an agency recognises that it is intended to operate with that agency as part of a group. Accordingly, the AASB 10 definition of ‘subsidiary’ is modified by this instruction to apply to ‘subsidiary bodies’ as defined by the Act, regardless of the AASB 10 test of control, ensuring their inclusion within the consolidated financial statements.

Some agencies may have a ‘dormant’ subsidiary (or subsidiaries) without assets, liabilities, revenues or expenses with any fees or charges in relation to its continued existence being met by the agency. Where there are no other active subsidiaries, the preparation of consolidated financial statements would not add any meaningful information. Accordingly paragraph (5) of this instruction does not require the preparation of consolidated financial statements in such circumstances provided that in the notes to the financial statements the situation is explained and the dormant subsidiary (or subsidiaries) named.

**TREASURER’S INSTRUCTION**

1. This instruction applies to accountable authorities of for-profit agencies, which:
   (i) had a subsidiary at any time during the reporting period; and
   (ii) prepare financial statements on an accrual basis.

2. For the purpose of this instruction:
   (i) ‘Control’ means the capacity of an agency to dominate decision making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to operate with it in pursuing the government desired outcomes of the agency;
   (ii) ‘Parent’ means an entity comprising an agency and its related bodies which:
       (a) has a subsidiary body, as defined in section 60(1) of the Act; or
       (b) controls an entity other than a subsidiary body or related body;
   (iii) ‘Subsidiary’ means:
       (a) a subsidiary body, as defined in section 60(1) of the Act; or
       (b) an entity, other than a subsidiary body or related body, which is controlled by a parent.
   (iv) ‘Financially dependent’, when used concerning the relationship of a body to an agency, means that the body receives more than half of its funding and resources from an agency that is obliged to provide funding and resources to the body.
The application of Australian Accounting Standard AASB 10 ‘Consolidated Financial Statements’ is modified as follows:

(i) the definitions of ‘control’, ‘parent’ and ‘subsidiary’ in paragraph (2) of this instruction shall be substituted for the definitions of ‘control’, ‘parent’ and ‘subsidiary’ in Appendix A of AASB 10;

(ii) where AASB 10 requires compliance with any other Australian Accounting Standards, the accountable authority shall comply with those Australian Accounting Standards to the extent and in the manner required by Treasurer's instructions;

(iii) the consolidated financial statements shall, unless the Treasurer approves otherwise, be prepared on an accrual basis comprising:

(a) a Statement of Comprehensive Income prepared in the form required by Treasurer's instruction 1102 as appropriate;

(b) a Statement of Financial Position prepared in the form required by Treasurer's instruction 1103;

(c) a Statement of Changes in Equity prepared in accordance with Australian Accounting Standard AASB 101 ‘Presentation of Financial Statements’, as applied by Treasurer's instruction 1101;

(d) a Statement of Cash Flows prepared in accordance with Australian Accounting Standard AASB 107 ‘Statement of Cash Flows’, as applied by Treasurer's instruction 1101; and

(e) proper and adequate notes to the consolidated financial statements; and

(iv) AASB 10 ‘Consolidated Financial Statements’ – the election under paragraph Aus4.1 of AASB 10 that provides for a parent to be exempted from presenting consolidated financial statements where certain conditions are met is disallowed.

In addition to the information required by AASB 10, notes to the consolidated financial statements shall include:

(i) in respect of each subsidiary within the group at the end of the reporting period:

(a) the legal form of the subsidiary;

(b) the country of incorporation of the subsidiary, and the State or Territory in which each Australian subsidiary was formed or incorporated;

(c) the subsidiary's contribution to the operating result of the group for the reporting period; and

(d) where the parent holds or held an ownership interest in the subsidiary:

(aa) the ownership interest held by the parent;
(bb) where any part of the ownership interest referred to in paragraph (5)(d)(aa) is or was held by another subsidiary, the identity of that other subsidiary, the percentage of total ownership held by that subsidiary and the amount at which that ownership interest is recorded in the accounts of that other subsidiary; and

(cc) details of any change in the parent's ownership interest in the subsidiary during the reporting period; and

(ii) in respect of each subsidiary which ceased to be part of the group during the reporting period:

(a) the legal form of the subsidiary;

(b) the subsidiary's contribution to the operating result of the group for the reporting period; and

(c) where the parent disposed of an ownership interest in the subsidiary, the profit (surplus) or loss (deficit) attributable to the group on disposal of that ownership interest.

(5) Where a subsidiary, or subsidiaries, of an agency did not have any assets, liabilities, revenues or expenses during the current and previous reporting period (other than any expenses for the maintenance of its statutory existence met by the agency without recourse to the subsidiary) and the agency had no other subsidiaries other than this subsidiary, or these subsidiaries, during the reporting period, then the accountable authority shall not be required to comply with paragraphs (3) to (4) of this instruction but shall disclose in the notes to the financial statements the names of the subsidiary, or subsidiaries, involved and the reason for consolidated financial statements not being prepared.

GUIDELINES

Presentation of consolidated financial statements

AASB 10 includes a provision that allows a parent to be exempted from presenting consolidated financial statements where certain conditions are met (refer to AASB 10, paragraph Aus4.1). This instruction disallows such an election from being made. This means that a parent must present consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with AASB 10.

Differences between this instruction and TI 1105 ‘Consolidated Financial Statements’

The effect of this instruction is to vary presentation requirements for consolidated financial statements for For-Profit agencies, as defined in paragraph 4 of TI 1101. Agencies subject to these requirements are required only to present consolidated financial statements for the economic entity, unless the agency’s enabling legislation requires presentation of the parent’s financial statements.
Reporting period of subsidiaries

Although AASB 10 requires the financial statements of the parent and its subsidiaries used in the preparation of consolidated financial statements to have the same reporting date, the Standard makes provision for circumstances where the parent and its subsidiaries operate with differing end of reporting periods. Where the ends of reporting periods differ, the preparation of consolidated financial statements will require the preparation of interim financial statement in respect of each relevant subsidiary or such other adjustments as may be necessary to prepare consolidated financial statements as if the reporting periods were the same.
1106 APPLICATION OF FINANCIAL REPORTING
CHANGES (TRANSITION)

BACKGROUND

Over time, new or revised accounting standards and Treasurer’s instructions (TIs) are introduced or amended.

Under the Financial Management Act 2006, public sector agencies must prepare financial statements in accordance with the accounting standards and other requirements issued by the Australian Accounting Standards Board. Early adoption of a published accounting standard is not permitted by TI 1101 ‘Application of Australian Accounting Standards and Other Pronouncements’, resulting in agencies adopting accounting standards in the first full reporting period stipulated by the application date imposed by the standard.

This instruction introduces provisions to facilitate the operation of a staggered adoption of accounting standards by agencies with different financial reporting periods, continuing existing legal requirements in Treasurer’s instructions until the relevant accounting standard becomes effective. Agencies adopting accounting standards in advance of the gazettal of Treasurer’s instructions amendments may refer to the hierarchy of pronouncements for transitional elections and other accounting elections contained in new or amended accounting standards.

TREASURER’S INSTRUCTION

(1) This instruction applies to all accountable authorities except:
   (i) accountable authorities of not-for-profit agencies listed in Schedule 1 of the Financial Management Act 2016 that are not consolidated in the Government of Western Australia Consolidated Financial Statements; or
   (ii) accountable authorities of for-profit agencies in respect of AASB 15 ‘Revenue from Contracts with Customers’.

(2) Accountable authorities shall apply paragraph (3) and paragraph (4) in relation to new or amended accounting standards, from the date of application relevant to that agency.

(3) For the purposes of this instruction, where an accounting standard permits various transitional provisions, an accountable authority shall apply the transitional provision stipulated in the following documents (in descending order of importance):
   (i) Treasurer’s instruction;
   (ii) Accounting Policy Guideline; or
   (iii) Treasury Circular.

In the absence of a stipulated election, it shall be construed as an election available for the accountable authority to determine as an accounting policy choice.
(4) For the purposes of this instruction, where an accounting standard permits various elections, an accountable authority shall apply any relevant election stipulated in the following documents (in descending order of importance):

(i) Treasurer's instruction;
(ii) Accounting Policy Guideline; or
(iii) Treasury Circular.

In the absence of a stipulated election, it shall be construed as an election available for the accountable authority to determine as an accounting policy choice.

GUIDELINES

Transitional provisions

Significant changes to accounting standards, affecting both reporting and process practices, often require the amendment of TIs to ensure that they remain contemporary. Moreover, these standards include transitional provisions.

Any transitional changes and accounting policy elections are usually contained in the relevant instructions. However, in the interests of implementing new or amended standards in a timely manner may require Treasury to issue Treasury Circulars and Accounting Policy Guidelines. Paragraphs (3) and (4) of the instruction provide a hierarchy of documentation for clarity of application. For instance, a Treasurer’s instruction takes precedence over a Treasury Circular and an Accounting Policy Guideline. A more recent Treasury Circular is taken to prevail over an earlier Circular to the extent of any inconsistency (e.g. where a policy position is changed or amended).

Accounting elections in new or amended accounting standards

Staggered adoption of accounting standards over time increases the complexity of the Treasurer’s instructions in dealing with the transitional period. To ease interpretation of Treasurer’s instructions whilst providing certainty to agencies applying the prescribed requirements, paragraph (4) prescribes a hierarchy of pronouncements directing required application for accounting elections applicable on, or after, transition to the new accounting standard.
APPLICATION OF TIERED REPORTING – REDUCED DISCLOSURE REQUIREMENTS

BACKGROUND

This instruction introduces two tiers of reporting requirements for preparing general purpose financial statements, as prescribed by AASB 1053 Application of Tiers of Australian Accounting Standards. A two tier reporting framework has been introduced to reduce the compliance costs and the burden of preparing annual reports whilst improving the relevance and meaning for users.

Tier 1 comprises the full range of recognition, measurement and disclosure requirements of all Australian Accounting Standards and Interpretations. Tier 2 includes the same recognition and measurement requirements as in Tier 1, but with less disclosure.

The Australian Government and State, Territory and Local Governments must comply with Tier 1 requirements for their general purpose financial statements (i.e. whole of government reporting). Public sector agencies may adopt Tier 2 requirements for their general purpose financial statements. The standard allows a regulator (Treasury) to determine whether Tier 1 or Tier 2 requirements should be adopted by selected public sector agencies.

Tier 2 agencies applying accounting standards that are specific to the industry they significantly operate in or significantly exposed to must apply Tier 1 reporting requirements in applying that Standard (refer to Schedule 2 below). For example, if a Tier 2 agency has significant operations involved in agriculture and that agency is required to apply AASB 141 Agriculture, the agency is to apply the Tier 1 reporting requirements of that Standard.

TREASURER’S INSTRUCTION

(1) This instruction applies to accountable authorities for financial reporting periods ending on or after 31 December 2018.

(2) For the purposes of this instruction, ‘agencies’ include departments and all statutory authorities listed in Schedule 1 of the Financial Management Act 2006 that are consolidated in the Annual Report on State Finances.

(3) AASB 1053 Application of Tiers of Australian Accounting Standards establishes two tiers of financial reporting requirements for agencies as follows:

(i) Tier 1 agencies are those agencies listed in Schedule 1 to this instruction, and must comply with all recognition, measurement and disclosure requirements of Australian Accounting Standards, including Australian Accounting Interpretations, the Financial Management Act 2006 and Treasurer’s instructions;

(ii) Tier 2 agencies are those agencies other than Tier 1 agencies;

(iii) Subject to paragraph (4) of this instruction, the Australian Accounting Standards sets out the disclosure requirements from which Tier 2 agencies are exempt. Tier 2 agencies must still comply with all other requirements of Australian Accounting Standards, including Australian Accounting Interpretations, the Financial Management Act 2006 and Treasurer’s instructions.
(4) Tier 2 agencies that are required to apply an accounting standard that is particularly specific to the industry in which they significantly operate in or are significantly exposed to must apply all the requirements in that Standard (refer to Schedule 2 for Tier 2 agencies required to apply Tier 1 disclosures).

GUIDELINES

Application of Tier 1 reporting requirements

Tier 1 agencies are to continue to apply the recognition, measurement and disclosure requirements of the Australian Accounting Standards and Interpretations, Financial Management Act 2006 (FMA) and Treasurer’s instructions (TIs) in full as outlined in the Tier 1 Illustrative Model Annual Report. The full list of Tier 1 reporting agencies can be found in Schedule 1 to this instruction.

Application of Tier 2 reporting requirements

Tier 2 reporting comprises the same recognition and measurement requirements of Tier 1, but with reduced disclosure requirements. Except for the presentation of a third statement of financial position for Tier 1 agencies (from which Tier 2 entities are exempt), the presentation requirements of the main financial statements under Tier 1 and Tier 2 are the same.

Disclosures of Tier 2 agencies are the minimum disclosures to be included in general purpose financial statements. Agencies may include additional disclosures, if in their judgement such additional disclosures are consistent with the objective of general purpose financial statements.

Each Accounting Standard specifies the entities to which it applies, and where necessary, sets out the disclosure requirements from which Tier 2 agencies are exempt. The Tier 2 reporting exemptions are characterised by shading of the relevant text within the Standard.

Tier 2 agencies should refer to the Illustrative Model Annual Report for Reduced Disclosure Reporting Requirements which has been issued as a guide to understand and meet the financial reporting requirements of Tier 2 agencies. The model illustrates the annual reporting requirements of the Australian Accounting Standards and Interpretations, FMA and TIs for Tier 2 agencies. The onus is on Tier 2 agencies to ensure compliance with all AASB Reduced Disclosure Requirements that are relevant to them.

Entities applying Tier 2 reporting requirements are not able to state compliance with IFRS and will require in the statement of accounting policies or other notes to the financial statements a modified general statement as outlined in TI 1101 paragraph 13.

The following TIs have been modified for Reduced Disclosure Reporting Requirements:

- TI 954 Revaluation of Non-Current Physical Assets
- TI 1101 Application of Australian Accounting Standards and Other Pronouncements
- TI 1103 Statements of Financial Position
Annual Report on State Finances

While most agencies are classified as Tier 2 reporters under AASB 1053, the Standard distinguishes that the Annual Report on State Finances (ARSF) is to apply Tier 1 reporting requirements. Consequently, Tier 2 reduced disclosure requirements are for agency financial reporting purposes only. Tier 2 agencies may be required by Treasury to provide supplementary disclosures and information where the ARSF is reliant upon them or for other whole of government reporting purposes.
Schedule 1 - Tier 1 Agencies

Biodiversity, Conservation and Attractions
Child and Adolescent Health Service Board
Commissioner of Main Roads
Communities
Disability Services Commission
East Metropolitan Health Service Board
Education
Finance
Fire and Emergency Services
Gold Corporation
Health
Housing Authority
Insurance Commission of WA
Justice
Local Government, Sport and Cultural Industries
Lotteries Commission
Mental Health Commission
North Metropolitan Health Service Board
Police Service
Primary Industries and Regional Development
Public Transport Authority
Racing and Wagering WA
South Metropolitan Health Service Board
Training and Workforce Development
Transport
WA Country Health Service Board
WA Sports Centre Trust
WA Treasury Corporation
Schedule 2 – Tier 2 Agencies to apply certain Tier 1 requirements

For the purposes of paragraph (4) of the instruction, Tier 2 agencies that need to apply Tier 1 disclosures for certain accounting standards are:

- Forest Products Commission – AASB 141 *Agriculture* (Biological Assets Note);
- Western Australian Land Information Authority (Landgate) – AASB 128 *Investments in Associates and Joint Ventures* and AASB 7 *Financial Instruments: Disclosures* (Shareholdings & Other Investments Note);
- Metropolitan Cemeteries Board – AASB 7 *Financial Instruments: Disclosures* (Other Investments, Financial Instruments Notes).
PART XII - INTERNAL AUDIT

INTRODUCTION

The Act requires the accountable authority to establish and maintain an effective internal audit function.

The Institute of Internal Auditors’ Professional Practice Framework (PPF) defines Internal Audit as:

“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

It is essential for agencies to implement and maintain effective governance processes, systems and controls to enhance risk management and increase the likelihood that established objectives and goals will be achieved. Internal audit, and the utilisation of an Audit Committee, can help an agency accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Part XII provides the basic requirements for an effective internal audit function as prescribed by the Institute of Internal Auditors’ PPF.

The Framework includes:

(i) Definition of Internal Audit;
(ii) Code of Ethics;
(iii) Standards for the Professional Practice of Internal Auditing; and
(iv) Practice Advisories.

The Framework is a coherent system that facilitates consistent development, interpretation and application of concepts, methodologies, and techniques useful to the internal audit profession.

The accountable authority has the prerogative to extend the role and scope of the internal audit function.
1201 INTERNAL AUDIT

BACKGROUND

Accountable authorities are required to develop and maintain an effective internal audit function under section 53 of the Act. Internal audit is critical to good governance and performance. Therefore, consideration of the structure of the internal audit function and composition of the Internal Audit Committee is imperative to ensuring that the independent, objective and effective exercise of the role is achieved.

TREASURER’S INSTRUCTION

(1) The accountable authority of an agency shall ensure that the objectives, independence, accountability, reporting arrangements, and role of the agency’s internal audit function are defined in a charter (internal audit charter).

(2) The role of the internal audit function shall be defined in accordance with the Professional Practices Framework of The Institute of Internal Auditors, as modified by the Act and Treasurer’s instructions.

(3) The accountable authority of an agency shall ensure that the agency has an Internal Audit Committee which is independently chaired by a suitably qualified person who is not employed within the agency.

(4) The internal audit function of an agency shall have independent status within the agency. The officer in charge of the internal audit function (head of internal audit) must:

   (i) be responsible to the Internal Audit Committee of the agency;

   (ii) be suitably qualified;

   (iii) have no executive or managerial powers, authorities, functions or duties, except those relating to the management of the internal audit function;

   (iv) not be involved in the agency’s daily operational business and administrative activities, including the internal checking system, except those relating to the administration of the internal audit function; and

   (v) not be responsible for the detailed development or implementation of new or changed systems.

(5) The Internal Audit Committee of an agency:

   (i) shall be responsible to the agency’s accountable authority;

   (ii) shall determine the internal audit program in consultation with the agency’s accountable authority; and
(iii) may oversee the internal audit function of another WA public sector agency, provided that each of the Committee members demonstrates a sound understanding of the other agency's operations, culture and goals.

(6) The accountable authority shall ensure, through the internal audit charter, that processes are in place for the internal audit function to regularly, and in a timely manner, report on its progress and performance relative to its plan, authority, and responsibility, including key operational and strategic matters affecting the internal audit function and its purpose.

(7) When the internal audit function is performed by an entity that is not within the Public Service, the accountable authority shall ensure regular rotation of the entity performing the internal audit function. The maximum term for engaging the entity to perform the internal audit function shall not exceed three years.

GUIDELINES

Role of Internal Audit

The role of the internal audit function is largely determined by the effectiveness of the corporate governance structures and processes in place. Internal audit evaluates and contributes to the improvement of risk management, internal controls, compliance and governance processes.

The role is defined in accordance with the Professional Practices Framework of The Institute of Internal Auditors, as modified by the Act and Treasurer's instructions, and takes into consideration the type of audit activity, subject matter, elements of the internal control structure and nature of the audit activity undertaken.

Internal Audit Charter

The accountable authority is responsible for ensuring that the organisational context of the internal audit role is reflected in an up-to-date written charter. The Internal Audit Committee should endorse the charter within the agency and the charter should be approved by the accountable authority.

The charter should contain the mission and objectives of the internal audit function and define its purpose, authority, accountability and responsibility, consistent with the ‘Standards for the Professional Practice of Internal Auditing’ contained in the Professional Practices Framework.

Independence and Objectivity

The internal audit function must be independent from the rest of the agency and internal auditors must be objective in performing their work.

In order to promote organisational independence, the internal audit function should be answerable directly to the Internal Audit Committee through the head of internal audit.

The accountable authority has responsibility for appointment of the staff of the internal audit function and members of the Internal Audit Committee.
Prior to appointing members of the Internal Audit Committee, the head of the internal audit function or external providers (whether outsourced or co-sourced), appropriate 'due diligence' should be undertaken. The engagement of internal audit staff with the relevant skills and attributes goes directly to discharging the accountable authority’s duties under section 53(1)(d) of the Act and assists in meeting the other duties in that section.

In applying subparagraphs (4)(iii), (4)(iv) and (4)(v) of this instruction, there may be extenuating circumstances where the internal audit team has involvement in executive decision making, or administrative activities, and the development of new systems. This may arise due to a number of factors such as size, skill levels and composition of an agency in the context of its operating environment. Where this is the case, it may be appropriate for an exemption to be granted from the requirements of the abovementioned subparagraphs. These matters should be discussed with the Financial Policy Division at Department of Treasury before applying for an exemption. Applications should be forwarded to the Under Treasurer.

**Internal Audit Committee**

Establishment of an Internal Audit Committee strengthens the effectiveness of the internal audit function, with the function reporting to the Internal Audit Committee through the head of internal audit. The accountable authority has responsibility for the Internal Audit Committee’s decisions, performance and outcomes. Thus, it is imperative that the accountable authority makes arrangements for the regular monitoring of the Internal Audit Committee's activities.

The Internal Audit Committee of any agency should be comprised of at least three members, who should have an appropriate mix of skills and experience relevant to the agency’s responsibilities and objectives. The appointment of the Internal Audit Committee members must be undertaken with a view to achieving independence from the day-to-day management of the agency. As a result, the Director General, Chief Finance Officer and Chief Executive Officer (if applicable) are not to be members of the Internal Audit Committee. (They may, however, attend meetings of the Internal Audit Committee, if requested to do so by the Committee). Maintaining the independence of the Committee vastly improves its overall effectiveness.

To facilitate the independent status of an Internal Audit Committee, an agency should:

- appoint Committee members who are independent in their deliberations;
- ensure that the majority of Committee members have no management responsibility or oversight; and
- have policies and procedures in place to identify events and circumstances that may give rise to potential conflicts of interest.

Paragraph (3) of this instruction mandates that the Chair of the Internal Audit Committee shall be a person external to the agency. Consideration should also be given to appointing other members external to the agency. This will allow the agency to gain an insight into ‘best practice’ procedures adopted by other agencies.

All members of the Internal Audit Committee should be formally appointed by the accountable authority with an initial term of not more than three years and a maximum total period of service of not more than six years.
Where practicable, it is permissible for an Internal Audit Committee to oversee more than one agency. However, its effectiveness is greatest where the Committee is restricted to overseeing the internal audit function of agencies similar in nature or where they are naturally grouped. Consideration of the relative complexity and risks inherent in an agency may preclude an Internal Audit Committee from overseeing additional agency internal audit functions.

**Independent Internal Audit Committee Chair**

An independent Chair must perform his/her role without any management responsibilities and provide the opportunity for the accountable authority to receive advice and assurance from an independent perspective.

In paragraph (3) of this instruction, the Chair of the Internal Audit Committee is permitted to be either an independent board member, a person from another Western Australian government agency, or a person external to government.

Where an accountable authority wishes to appoint a Chair who is not a Public Service officer, the accountable authority should request a quote for performance of the role on the terms of the ‘Independent Audit Committee Chair Services Agreement’ (Agreement) below. Standard procurement requirements apply to the engagement of an independent Chair using the Agreement. These include, without limitation, compliance with all relevant state supply policies, including in particular relevant minimum competitive requirement thresholds.

Note that the Agreement has been developed by the State Solicitor’s Office (SSO) as a template for use by all agencies with respect to the engagement of a person outside of the Public Service. In this regard, agencies should not use any other form of agreement for the engagement of an independent Chair, and the Agreement should not be amended or departed from without further advice from the SSO.

**Suitably Qualified**

Subparagraphs (3) and (4)(ii) of this instruction require the Chair of the Audit Committee and the head of internal audit to be ‘suitably qualified’. Before appointing an individual to either position, the accountable authority must be satisfied that the individual is 'suitably qualified' for the position on the basis that the individual:

(i) has current membership of CPA Australia as a CPA; or

(ii) has current membership of Chartered Accountants Australia and New Zealand as a Chartered Accountant; or

(iii) has current membership of the Institute of Public Accountants as a Member of the Institute of Public Accountants; or

(iv) has current membership of the Institute of Internal Auditors as a Professional Member; or

(v) has appropriate membership of an overseas accounting body that is approved in writing by any two of the aforementioned bodies as having requirements for membership equivalent to those of the approving body; or
(vi) possesses relevant experience, skills and knowledge as determined by the accountable authority appropriate for the size, complexity and type of agency.

**Resourcing and Management of the Internal Audit Function**

The internal audit function requires sufficient resources to enable it to effectively carry out its mission and objectives. It is to operate within the context of the agency’s risk, control and corporate governance framework, and the internal audit charter.

The accountable authority of an agency should consult the agency's head of internal audit and the agency's Internal Audit Committee before appointing internal audit staff.

The head of internal audit should report on a timely basis to the Internal Audit Committee; and the Internal Audit Committee should report to the accountable authority on the internal audit function’s purpose, authority, responsibility, progress and performance relative to the internal audit plan.

The internal audit function should establish benchmarks that measure its performance. These should be linked to the audit mission and objectives that are contained in the internal audit charter. These benchmarks should be endorsed by the Internal Audit Committee and approved by the accountable authority.

**Further Information**

Further information in relation to the independence, composition, roles and responsibilities of an Internal Audit Committee can be obtained from:

*Internal Audit Committees: A Guide To Good Practice*

*Corporate Governance Principles and Recommendations (the Fourth Edition)*
INDEPENDENT AUDIT COMMITTEE CHAIR

SERVICES AGREEMENT

[##ACCOUNTABLE AUTHORITY, ##AGENCY NAME]

- and -

[##NAME OF CHAIR (ABN ##)]
This Agreement dated [                                ] between

The person whose name and address is set out in Item 1 of the Schedule ("Agency")

- and –

The person whose name and address is set out in Item 2 of the Schedule ("Chair")

**RECITALS**

A. The Treasurer's Instruction requires that each Accountable Authority ensure that the agency has an Internal Audit Committee which is independently chaired by a suitably qualified person who is not employed within the agency.

B. In accordance with the requirements of the Treasurer's Instruction, the Agency has agreed to appoint the Chair to the Committee, and the Chair has agreed to such appointment on the provisions of this Agreement.

C. The Chair is not a current employee of the State's public sector.

**OPERATIVE PART**

The Parties agree as follows -

1. **DEFINITIONS AND INTERPRETATION**

1.1 Definitions

In this Agreement, unless the context otherwise requires:

**Accountable Authority** has the meaning in the *Financial Management Act 2006 (WA).*

**Agreement** means this Agreement between the Parties.

**Appointment** means the appointment and continued appointment of the Chair as the chair of the Committee under this Agreement.

**Auditor General** has the meaning in the *Auditor General Act 2006 (WA).*
**Business Day** means a day other than a Saturday, Sunday or public holiday in Western Australia.

**Charter** means the Committee Charter, a copy of which is annexed to this Agreement.

**Committee or Audit Committee** means the Agency's Internal Audit Committee.

**Confidential Information** means:

(a) all documentation and information (including advice) disclosed, or made known, to the Chair under, or in connection with, the Chair's appointment to the Committee;

(b) all documentation and information (including advice) developed by the Chair during the time the Chair is a member of the Committee; and

(c) all information (including advice) and material pertaining to the documentation and information described in paragraphs (a) and (b).

**Correctly Rendered Invoice** means an invoice that:

(a) is correctly addressed and calculated in accordance with this Agreement;

(b) relates only to services accepted by the Agency in accordance with this Agreement;

(c) includes any required reference from the Agency; and

(d) is a valid tax invoice in accordance with the GST Act.

**Deliverables** means the deliverables set out in Item 3 of the Schedule (if any).

**Existing Material** means a work (as defined in the *Copyright Act 1968 (Cth)*), a product or any other material, which satisfies all of the following criteria:

(a) the work, product or other material:

   (i) was created prior to the commencement of the Term; or
(ii) is to be created during the Term outside the scope of this Agreement, including any subsequent modifications to such work, product or other material;

(b) the Intellectual Property Rights in the work, product or other material are not owned by the State or the Agency; and

(c) the work, product or other material is required specifically for, or in connection with, this Agreement or the Appointment.

**Fee** means the fee specified in Item 6 of the Schedule, payable monthly in arrears unless specified otherwise.

**GST** means the tax payable on a taxable supply under the GST Act and any related legislation.

**GST Act** means *A New Tax System (Goods and Services Tax) Act 1999 (Cth).*

**Insolvency Event** means that the Chair is:

(d) unable, or is statutorily deemed unable, to pay all its debts as and when they become due;

(e) if incorporated – has a liquidator, receiver, administrator or other controller appointed under the Corporations Act 2001 (Cth) or an equivalent appointment is made;

(f) if an individual – becomes bankrupt or enters into an arrangement under Part IX or Part X of the *Bankruptcy Act 1966 (Cth)*; or

(g) anything analogous to, or having a similar effect to, any of the events specified above.

**Intellectual Property Rights** means all intellectual property rights which may subsist in Australia or elsewhere, whether or not they are registered or capable of being registered.
Law means any rule or requirement of a statute, subsidiary legislation, the common law or equity.

Material means any material brought into existence as a part of, or for a purpose of this Agreement, and includes, but is not limited to documents, equipment, information or data stored by any means.

Party and Parties means a party or the parties to this Agreement.

Schedule means the schedule to this Agreement.

Specified Personnel means the specified personnel identified in Item 2 of the Schedule (if applicable).

State means the State of Western Australia and includes all government departments and agencies (including the Agency), agents, officers, instrumentalities and emanations of the State.

Term has the meaning in clause 3, as extended pursuant to the exercise of any further term in clause 4.

Treasurer's Instruction means Treasurer's Instruction 1201 'Internal Audit' including the associated guidelines, issued under section 78 of the Financial Management Act 2006 (WA) as amended from time to time, a copy of which is annexed to this Agreement.

1.2 Interpretation

In this Agreement, unless the context otherwise requires:

(a) the clause headings are for convenient reference only and have no effect in limiting or extending the language of the provisions to which they refer;

(b) a cross reference to a clause number is a reference to all its subclauses;

(c) words in the singular number include the plural and vice versa;
(d) a reference to a person includes a partnership and a body, whether corporate or otherwise;

(e) a reference to a clause or subclause is a reference to a clause or subclause of this Agreement as the case may be;

(f) a reference to a schedule, attachment or annexure is a reference to a schedule, attachment or annexure to this Agreement as the case may be;

(g) a reference to any document or agreement shall be deemed to include references to such document or agreement as amended, novated, supplemented, varied or replaced from time to time;

(h) a reference to any legislation or to any provision of any legislation shall include any modification or re-enactment of such legislation or any legislative provision substituted for, and all legislation and statutory instruments issued under such legislation;

(i) all schedules, annexures and attachments to this Agreement form part of this Agreement;

(j) reference to a thing means a part of that thing but nothing herein means that part performance of an obligation equals full performance thereof; and

(k) all monetary amounts referred to in this Agreement are in Australian currency.

2. APPOINTMENT

2.1 The Chair is appointed, and agrees to act, as the chair of the Committee for the Term.

2.2 The tasks of the Chair are listed in Item 3 of the Schedule and otherwise ascertainable from the Treasurer's Instruction and the Charter. Without limitation, the Chair must attend all meetings and briefings as the Agency reasonably requests from time to time.
and provide to the Agency any information and prepare any reports as the Agency may reasonably request for any meeting.

2.3 The Chair has fully informed itself on all aspects of the Agency's requirements for the Appointment and represents that it is able to meet those requirements.

3. TERM OF APPOINTMENT

3.1 Subject to clause 3.2, the term of the Appointment is set out in Item 4 of the Schedule commencing on the commencement date specified in the Schedule.

3.2 The initial term of the Appointment must not exceed 3 years.

4. EXTENSION

4.1 Subject to clause 4.2, the Appointment may be extended for the further term or terms set out in Item 5 of the Schedule by written notice from the Agency to the Chair, with any such extension being on the provisions of this Agreement (except to the extent that the further term has already been exercised under this clause 4).

4.2 The total term of the Appointment must not exceed 6 years.

5. FEE, INVOICING AND PAYMENT

5.1 The Agency will pay the Chair the Fee in accordance with Item 6 of the Schedule. If the Fee is stated to be GST exclusive, the Agency must pay the fee plus the applicable GST.

5.2 The Chair agrees that the Fee is sufficient for all activities and disbursements required for compliance with its obligations under this Agreement.

5.3 The Fee will be adjusted on the dates and in the manner set out in Item 6 of the Schedule.
5.4 The Chair is required to submit a Correctly Rendered Invoice and such supporting documentation and other evidence reasonably required by the Agency to substantiate performance of the Chair's obligations under this Agreement.

5.5 Payment of any invoice is not evidence that the Chair's performance of their obligations under this Agreement are accepted, evidence of the value of the obligations performed by the Chair, or an admission of liability, but is payment on account only.

5.6 The Agency must pay the amount of a Correctly Rendered Invoice within twenty (20) Business Days after receiving it.

6. RELATIONSHIP OF THE PARTIES

6.1 Neither Party is the employee, agent or partner of the other Party nor, by virtue of this Agreement is authorised to bind or represent the other party. The Chair must not represent itself, and must ensure that any Specified Personnel, officers, employees, agents or subcontractors do not represent themselves as being an employee, partner or agent of the Agency.

6.2 To the maximum extent permitted by Law, nothing in this Agreement gives rise to any duty on the part of the Agency to consider interests other than the Agency's or the State's own interest (which may include the public interest) when exercising any of its rights or performing any of its obligations.

7. SPECIFIED PERSONNEL

7.1 The Chair acknowledges that the Agency has engaged the Chair on the basis that the Chair will either personally perform the Chair's obligations under this Agreement or that the Specified Personnel will personally perform the Chair's obligations under this Agreement.
7.2 If the Chair is a corporation:

(a) the Chair must employ or engage the Specified Personnel set out in Item 2 of the Schedule and must ensure that the Specified Personnel:

(i) possess the appropriate skill, capability, experience, authority and qualifications;

(ii) act in good faith in the exercise of their functions; and

(iii) comply with all of the Chair’s obligations in this Agreement.

(b) A reference in this Agreement to the Chair shall be read to include the Specified Personnel (unless the context requires otherwise).

(c) The Chair must immediately notify the Agency if the Specified Personnel resigns or is dismissed or is otherwise unable to perform the obligations of the Chair under this Agreement. On receipt of notice under this clause, the Agency may elect in its absolute discretion to terminate the Appointment, or agree to the replacement of the Specified Personnel with another suitably qualified person engaged by the Chair.

(d) The Chair must not, without the prior approval of the Agency, replace the Specified Personnel, which approval may be given or withheld by the Agency in its absolute discretion.

7.3 The Chair must ensure that the remuneration and terms of all employment of all of the Chair’s employees for the duration of this Agreement reflect the industry standard as expressed in awards and agreements and any code of practice that may apply to a particular industry.

7.4 The Agency may require that the Chair, at any time and from time to time, obtain and provide it with an Australia wide police clearance in respect of the Chair, the Specified
Personnel or any person engaged or proposed to be engaged by the Chair. The Chair must comply with that request within 20 Business Days of the request and:

(a) if any police clearance evidences that the relevant person has committed a criminal offence punishable by imprisonment or detention, then the Agency may, without prejudice to their other rights under this Agreement, terminate this Agreement or request that the Chair promptly remove that person from involvement in this Agreement; and

(b) if the Chair is requested to remove any person under this clause, the Chair must, at its own cost, promptly remove and replace that person (subject to the terms of this Agreement).

8. ASSIGNMENT AND SUBCONTRACTING

The Chair must not assign, transfer or subcontract its rights or obligations under this Agreement without the prior written approval of the Agency, which approval may be given or withheld by the Agency in its absolute discretion.

9. STANDARDS, LAWS AND POLICIES

9.1 The Chair must perform its obligations under this Agreement in accordance with the standard of skill, care and diligence expected of a skilled and competent professional practicing in the particular fields relevant to those obligations.

9.2 The Chair must ensure that, when delivered to the Agency, any Deliverables are suitable, appropriate and adequate for the purposes stated in this Agreement and are in accordance with all industry standards that are reasonably applicable to those Deliverables.

9.3 The Chair must at all times in connection with their Appointment act efficiently, professionally, honestly, diligently, lawfully and ethically and in the best interests of the State and the Agency.
9.4 The Chair must under or in connection with this Agreement comply with all Laws and relevant Agency or State policies, including without limitation those policies listed in Item 7 of the Schedule.

9.5 The Chair (or any Specified Personnel if applicable) must at all times during the Term be suitably qualified as specified in the Treasurer's Instruction and each Party is otherwise bound by, and will adhere to and comply with, the requirements, stipulations and provisions of the Treasurer's Instruction.

9.6 Each Party is bound by and will adhere to and comply with the requirements, stipulations and provisions of the Charter. Without limitation, the Chair must act at all times in a manner which achieves and is consistent with the rules, functions, powers and duties of the Committee as set out in or ascertainable from the Charter. The Chair acknowledges and agrees that the Agency may amend or replace the Charter from time to time.

10. ACCESS TO PREMISES

10.1 When accessing any premises owned or occupied by the Agency or any other government agency, the Chair must comply with any security and safety requirements notified to the Chair by the Agency or of which the Chair is, or should reasonably be, aware.

10.2 The Chair must ensure that its Specified Personnel, officers, employees, agents and subcontractors are aware of, and comply with, such security and safety requirements.

10.3 The Chair must ensure that any material and property (including security-related devices and clearances) provided by the Agency for the purpose of this Agreement are protected at all times from unauthorised access, use by a third party, misuse, damage and destruction, and are returned in good condition as directed by the Agency.
11. **CHAIR TO FOLLOW DIRECTIONS**

The Chair must promptly follow all lawful and reasonable directions given to them by the Agency in relation to the Chair's role and participation in the Committee.

12. **COOPERATION WITH OTHERS**

The Chair must use reasonable endeavours to liaise, cooperate and confer with all officers, employees, agents and contractors of the Agency in order to coordinate its delivery of services and performance of obligations under this Agreement with the services of those officers, employees, agents and contractors.

13. **ADVERSE EVENT**

Each Party must, as soon as practicable after becoming aware of any matter or circumstance which may adversely affect or has adversely affected the performance of that Party's obligations under this Agreement, notify the other Party. The notice must include reasonable detail describing the matter or circumstance and its anticipated effect on that Party's obligations.

14. **RECORDS**

The Chair must keep true and correct, complete and current written records of their Committee related attendance, activities and time taken in respect to their duties on the Committee. The Chair must allow the Agency on request to inspect and make and take copies of such records from time to time.

15. **INFORMATION**

If the Agency requests from the Chair any information or documentation relating in any way to this Agreement, including the Appointment, the Chair must promptly comply, ensuring that all information and documentation so provided is true and correct, complete and current.
16. INTELLECTUAL PROPERTY

16.1 The Agency owns all Intellectual Property Rights in the Material created under this Agreement.

16.2 To the extent that the Chair or a third party holds any Intellectual Property Rights in any Existing Material, the Chair agrees to licence, or will procure that the third party licenses the Agency to enable the Agency to exercise full rights and interests in the Intellectual Property Rights in any Existing Material provided under this Agreement. The Chair agrees to create, execute or sign any documents and perform all acts, and will ensure that any third party does likewise, which may be necessary to allow the use of those rights by the Agency for any purpose.

16.3 The Agency grants to the Chair a non-exclusive, non-transferrable, irrevocable, royalty-free licence for the Term to exercise the Intellectual Property Rights in the Material for the sole purpose of fulfilling its obligations under this Agreement. The licence in this clause is subject to any conditions or limitations of third parties that the Agency notifies the Chair.

17. WARRANTY

The Chair warrants that all information (including documentation) provided by it to the Agency in relation to, in anticipation of, or for the purposes of this Agreement and the Appointment are true and correct, complete and current. Such warranty is repeated every day during this Agreement. The Chair acknowledges that the Agency has relied on this clause 17 in entering into this Agreement.
18. IF CHAIR OR SPECIFIED PERSONNEL BECOMES AN EMPLOYEE

If the Chair or the Specified Personnel becomes –

(a) an employee of the State's public sector; or

(b) (other than by this Agreement) a contractor of the State,

the Chair shall promptly notify the Agency in writing, giving the Agency all particulars considered relevant, and sought, by the Agency.

19. CONFLICT OF INTEREST

19.1 The Chair and the Specified Personnel have either declared any perceived, potential or actual conflict of interest that might arise in respect of this Agreement, or warranted that no conflict of interest exists or is anticipated, relevant to the performance of the Chair's obligations under this Agreement.

19.2 The Chair shall ensure that if at any time during the Term the Chair or the Specified Personnel, in respect to their Appointment, has, or is likely to have, or is or is likely to be perceived to have, a conflict of interest, they shall notify the Agency in writing immediately, and at all times follow the Agency's written directions in that regard.

19.3 For the avoidance of doubt, the Chair and the Specified Personnel must not perform any other role in the internal audit function of the Agency.

20. INSURANCE

20.1 The Chair will take out and maintain insurance in relation to all insurable liabilities of the Chair under this Agreement as follows:

(a) **Public liability insurance** covering the legal liability of the Chair and the Specified Personnel arising out of this Agreement for an amount of not less than $20 million for any one occurrence and unlimited in the number of occurrences happening in the period of insurance;

(b) **Professional indemnity insurance** covering the legal liability of the Chair and the Specified Personnel under this Agreement, arising out of any act,
negligence, error or omission made or done by or on behalf of the Chair in connection with this Agreement for a sum of $5 million for any one claim and in the annual aggregate, with a provision of one automatic reinstatement of the full sum insured in any one period of insurance. Professional indemnity insurance must include:

(i) fraud and dishonesty;

(ii) defamation;

(iii) infringement of intellectual property rights;

(iv) loss of or damage to documents and data; and

(v) breach of the Australian Consumer Law.

(c) **Workers compensation insurance** in accordance with the provisions of the *Workers’ Compensation and Injury Management Act 1981 (WA)* (unless exempt), including cover for common law liability for an amount of not less than $50 million for any one occurrence in respect of workers of the Chair. The insurance policy must be extended to cover any claims or liability that may arise with an indemnity under section 175(2) of the *Workers’ Compensation and Injury Management Act 1981 (WA)*.

20.2 The Agency shall take out and maintain such additional insurance as identified in Item 8 of the Schedule (if any).

20.3 Any policy of insurance taken out under this clause must be taken out with a reputable and solvent insurer acceptable to the Agency which carries on insurance business in Australia and is authorised in Australia to operate as an insurance company.

20.4 Each Party must give to the other Party sufficient evidence of the insurances required by this clause (including, if requested, a copy of any policy) and provide a certificate of currency of insurance as required by the other Party at any time.
20.5 If the Chair does not comply with this clause 20, then without limiting any other available remedy, the Agency may withhold payment of any money due under this Agreement to the Chair until the Chair has complied.

20.6 If the Agency or the Chair becomes aware of any event or incident occurring which give rise or is likely to give rise to a claim under any insurance required under this clause, it must as soon as reasonably practicable notify the other Party (as applicable) in writing of that event or incident. Failure to comply with this clause will not invalidate or otherwise affect any indemnities or liabilities under this Agreement.

20.7 The insurances required under clauses 20.1(a) and 20.1(c) are to be maintained throughout the Term and the professional indemnity insurance required under clause 20.1(b) is to be maintained throughout the Term and for a period of 6 years after the expiration or termination of this Agreement. The additional insurances (if any) required under clause 20.2 are to be maintained for the period specified in Item 8 of the Schedule.

20.8 For the avoidance of doubt:

(a) the obligations under this clause 20 are continuing obligations and survive expiration or termination of this Agreement for so long as the obligations under clause 20.7 continue; and

(b) Nothing in this clause 20 limits a Party's other liabilities under this Agreement or restricts that Party from insuring for sums or risks greater than those required under this Agreement.

21. CONFIDENTIALITY

21.1 The Chair must treat as confidential the Confidential Information and must not use the Confidential Information for any purpose other than in connection with the performance of the Chair's obligations under this Agreement.

21.2 The Chair must not, at any time, directly or indirectly record, disclose to any person, use, copy, transmit or exploit the Confidential Information for any purpose, without the prior written consent of the Agency.
21.3 The obligations of the Chair under clauses 21.1 and 21.2 will not be taken to have been breached where the information referred to in those clauses:

(a) is or becomes generally available other than by breach of this Agreement by the Chair or any breach of any legal or equitable obligation by anyone else; or

(b) is required to be disclosed by the Chair by any Law or valid court order; and

(c) is in the possession of the Chair other than by breach of this Agreement by the Chair or any breach of any legal or equitable obligation by anyone else prior to the receipt of the information from the Agency.

21.4 If the Chair must make a disclosure as described in clause 21.3(b), it must:

(a) disclose only the minimum of that Confidential Information that is required to comply with the applicable Law;

(b) disclose the information to the person that the Chair must disclose it to, and no one else; and

(c) provide the Agency with prior written notice of the disclosure, and the extent of the proposed disclosure.

21.5 The Chair must immediately notify the Agency of any unauthorised record, disclosure, use, copying, transmission or exploitation of the Confidential Information of which the Chair becomes aware, and must take all reasonable steps which the Chair may reasonably require in relation to such unauthorised record, disclosure, use, copying, transmission or exploitation.
21.6 Immediately upon the written request of the Agency the Chair must:

(a) deliver up to the Agency, or destroy, as the Agency directs, the Confidential Information and all copies of the Confidential Information, which is in the possession of:

(i) the Chair; or

(ii) any other person to whom the Chair has disclosed the Confidential Information or copies of the Confidential Information;

(b) erase the Confidential Information from any system in which any of the Confidential Information has been stored in electronic form; and

(c) provide the Agency with written confirmation that all of the documents referred to in paragraph (a) have either been destroyed or returned to the Agency, and all of the Confidential Information has been erased in accordance with paragraph (b).

21.7 Without prejudice to the foregoing, the Chair shall not be required to delete Confidential Information from any computer, word processor or other similar device storing Confidential Information in electronic format, provided that the confidentiality of such electronically stored Confidential Information continues to be maintained by the Chair in accordance with the terms of this Agreement and is not at any time copied, reproduced or summarised.

21.8 The State's rights to confidentiality under any Law are preserved and in addition to its rights under the preceding provisions of this clause 21.
21.9 The Chair acknowledges that the Agency and the State may disclose this Agreement and any matter in respect of this Agreement or the Appointment for any purpose, including without limitation:

(a) to any Minister;

(b) to satisfy the requirements of parliamentary accountability or any other reporting or recognised public obligation of the State; or

(c) in accordance with all Laws, including the Freedom of Information Act 1992 (WA), Financial Management Act 2006 (WA) and the Auditor General Act 2006 (WA).

22. PUBLICITY

22.1 Unless the Agency gives its prior written consent or the Chair is required by Law to do so, the Chair must not:

(a) use this Agreement or the Agency’s name or logo;

(b) refer to the Chair’s association with the State or the State government which results from this Agreement; or

(c) make any statement concerning this Agreement or the Agency,

in any publication, advertisement or media release.

22.2 The Agency may use this Agreement and the Chair’s name and logo for reasonable promotional or publicity purposes at the Agency's discretion, but if the Agency uses the Chair's name or logo for such purposes, then the Agency must acknowledge the role of the Chair to the extent that is reasonable in the circumstances.
23. **TERMINATION**

23.1 The Agency may terminate this Agreement by notice to the Chair if:

(a) the Chair does not remediate a breach of this Agreement which is capable of remedy, within 10 Business Days after the Agency gives a notice of default to the Chair requiring the breach to be remedied;

(b) the Chair commits three (3) breaches of its obligations under this Agreement over any twelve (12) month period, whether or not the Agency has given the Chair notice of any such breaches and whether or not the Chair has rectified such breaches;

(c) the Chair breaches this Agreement and the breach is not capable of remedy;

(d) the Chair notifies the Agency that it will be unable to comply with its obligations under this Agreement;

(e) a representation or warranty made by the Chair under this Agreement is or becomes untrue or is breached;

(f) an Insolvency Event occurs in respect of the Chair, except to the extent that the right to terminate is stayed by operation of section 415D, 434J or 451E of the *Corporations Act 2001* (Cth);

(g) the Chair ceases, or threatens to cease, to carry on business;

(h) the Chair or a Specified Person is convicted of a criminal offence that is punishable by imprisonment or detention;

(i) the Chair is a body corporate, the Chair is convicted of a criminal or statutory offence that is punishable by a fine or penalty of, or exceeding, $10,000; or
(j) in the reasonable opinion of the Agency, the reputation of the Agency, the State or the State government is, or is likely to be damaged by any act or omission of the Chair.

23.2 Nothing will release the Chair from any of the Chair's obligations that are expressed to survive, or by their nature or under any Law, would survive termination of this Agreement, including all warranties and obligations of indemnity or confidentiality.

24. DISPUTE RESOLUTION

24.1 For any dispute arising under this Agreement, the Parties agree to comply with clauses (a) to (c) of this clause sequentially:

(a) the Party claiming that there is a dispute will give the other Party notice setting out details of the dispute and proposing a solution;

(b) the Parties will try to settle the dispute by direct negotiation;

(c) if the Parties have not settled the dispute within twenty (20) Business Days, either Party may commence legal proceedings.

24.2 Despite the existence of a dispute, the Chair will (unless requested in writing by the Agency not to do so) continue their performance under this Agreement.

24.3 This procedure for dispute resolution does not apply to legal proceedings for urgent interlocutory, injunctive or declaratory relief.
25. NOTICES

25.1 Each notice or other communication that may or must be given under this Agreement, to be valid and effective, must:

(a) be in writing; and

(b) be signed by the party making it or (on that party’s behalf) by the solicitor for, or any attorney, director, secretary or authorised officer or agent of that Party.

25.2 All notices or other communications must be:

(a) delivered by post or prepaid post to the address; or

(b) sent by email in the form of a PDF file letter to the email address,

of that Party stated in the Schedule or as notified by that Party to the other Party from time to time.

25.3 Subject to clause 25.4, a notice or other communication is taken to be received by the addressee:

(a) in the case of prepaid post, on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting by airmail to an address outside of Australia;

(b) in the case of email, at the time in the place to which it is sent equivalent to the time shown on the automatic receipt notification received by the party sending the email;

(c) in the case of delivery by hand, on delivery.

25.4 If a notice or other communication is taken to be received on a day which is not a Business Day or after 5.00pm, it is taken to be received at 9.00am on the next Business Day.
25.5 In connection with notices or other communications sent by email:

(a) only the letter in PDF format attached to the email and any attachments to such letter which are referred to in the letter, will form part of the notice or other communication in accordance with this clause. Any text in the body of the email or the subject line will not form part of the notice or other communication; and

(b) the Chair must ensure that, in connection with any notices or other communications in respect of this Agreement:

(i) their firewall and/or mail server (as applicable);

(A) allows messages of up to 10MB to be received;

(B) does not trap any messages in the spam filter which have been sent from the State of Western Australia domain; and

(C) automatically sends a receipt of notification to the sender upon receipt of a message; and

(ii) its systems automatically send a notification message to each of the sender and the recipient when a message is received by the recipient's domain but cannot or will not be delivered to the recipient.

26. GENERAL

26.1 Waiver

(a) Any waiver must be in writing and signed by the Party waiving the right.

(b) Any waiver does not affect a Party's rights in respect of any other breach of this Agreement by the other Party.
(c) Any failure by the State to enforce any right under this Agreement will not be construed as a waiver of, or to prevent further exercise of, that or any other right.

26.2 **Entire Agreement**

Subject to clause 17, this Agreement supersedes all prior negotiations, understandings and agreements between the parties about its subject matter and embodies the entire agreement between the Parties about its subject matter.

26.3 **Variation**

No variation of this Agreement is effective unless made in writing and signed by each Party.

26.4 **Counterparts**

This Agreement may be executed in counterparts.

26.5 **Applicable Law**

The Laws of the State govern this Agreement. This Agreement, if litigated, can only be litigated in courts of the State.

26.6 **Auditor General**

The powers and duties of the Auditor General are not limited or otherwise affected by the terms and conditions of this Agreement. The Chair must allow the Auditor General, or an authorised representative of the Auditor General, to have access to and examine all records and information concerning this Agreement.

26.7 **Further Assurance**

Each Party must do everything reasonably necessary, including signing further documents, to give full effect to this Agreement.
26.8 **Right of Set Off**

The Agency may set off or deduct any amount claimed by the Chair from any amount owing by the Chair to the Agency on any account under this Agreement or any other agreement between the Chair and the Agency.

26.9 **Costs**

Unless otherwise stated, the Chair must comply with all obligations of the Chair under this Agreement at the Chair’s cost. The Parties must pay their own legal and other costs in connection with the preparation and signing of this Agreement.

26.10 **Trusts**

If the Chair has entered into this Agreement in the capacity of a trustee, whether or not the Agency has notice of the trust, the Chair:

(a) is taken to enter into this Agreement both as trustee and in their personal capacity and acknowledges that the Chair is personally liable for the performance of the Chair’s obligations under this Agreement;

(b) will take any action necessary to ensure that the assets of the trust are available to satisfy any claim by the Agency for any default by the Chair; and

(c) warrants that:

(i) the Chair has a right to be fully indemnified out of the assets of the trust in respect of obligations incurred under this Agreement;

(ii) the assets of the trust are sufficient to satisfy that right of indemnity and all other obligations in respect of which the Chair has a right to be indemnified out of those assets; and

(iii) the Chair has the power and authority under the terms of the trust to enter into this Agreement.
SCHEDULE 1

Item 1  Name and address of Agency:

Name: [##]
Attention: [##]
Address: [##]
Email: [##]

Item 2  Name and address of Chair:

Name: [##] (ABN[##])
Attention: [##]
Address: [##]
Email: [##]

Specified Personnel (if applicable): [##]

Item 3  Tasks of the Chair:

Scope of Services: Performance of the role of Internal Audit Committee Chair as outlined in the Charter and contemplated in the Treasurer's Instruction, including:

(a) chairing the Audit Committee meetings every second month;
(b) preparation for Audit Committee meetings, including meetings/discussions with the Agency's Internal Audit Manager as necessary;
(c) briefing the Accountable Authority and other members of the Agency's executive as required;
(d) any other task incidental to the performance of the Chair's obligations under this Agreement or as directed by the Agency.
Deliverables:  

<table>
<thead>
<tr>
<th>Item</th>
<th>Timing</th>
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<td>[##]</td>
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Item 4  Term:

[## years] commencing on [##date]

Item 5  Further Term/s

[## years]

Item 6  Fee:

Fees: [## Specify hourly rate and any maximum hours for certain tasks, or refer to an annexure if a detailed fee proposal is agreed]

Disbursements:

Review Dates and Mechanism:

Item 7  Policies:

[##]

Item 8  Additional Insurance:

<table>
<thead>
<tr>
<th>Insurance Details</th>
<th>Duration</th>
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<tr>
<td>[## eg Directors and Officers Liability Insurance]</td>
<td>[##Term]</td>
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</table>
EXECUTED

Signed by the
[## Accountable Authority/Delegate]  
[## Agency]  
in the presence of:  
[##Name of Accountable Authority/delegate]

Witness Signature

Witness Name

Witness Address

Witness Occupation

Chair

Signed by
[## (ABN)]

in the presence of:

Witness Signature

Witness Name

Witness Address

Witness Occupation

OR
[Note: use execution panel below if Chair is a corporation signing under s 127(1) of the
Corporations Act 2001 (Cth) (i.e. by two directors, a director and a company secretary, or a
sole director).]

Executed by                                )
[##Chair] (ACN [##insert])              )
pursuant to Section 127(1) of the )
Corporations Act 2001 (Cth):              )

____________________________  __________________________
Director                  Director/Secretary

____________________________  __________________________
Full name of Director Full name of Director/Secretary

[Note: use execution panel below if Agreement is going to be signed by an officer of a company
who has a power of attorney or other authority to do so on behalf of the Chair.]

Executed for and on behalf of                                )
[##Chair] (ACN [##insert])              )
by its duly authorised officer                     )
in the presence of:  )  [## Name]          

____________________________
Witness signature

____________________________
Witness Name

____________________________
Witness Address

____________________________
Witness Occupation
Annexure 1

Treasurer's Instruction
Annexure 2

Charter
CONDUCT OF AUDITS AND CONSULTANCY

BACKGROUND

Accountable authorities are required to maintain an effective internal audit function under section 53 of the Act. Maintaining independence and objectivity in conducting internal audits are essential to an effective internal audit function.

The internal audit function may be run fully in-house, outsourced, partially run by external professional service providers, or as part of a co-source arrangement with a professional service provider.

TREASURER'S INSTRUCTION

(1) The accountable authority shall ensure that the internal audit charter includes requirements for planning and timely reporting on the performance of the internal audit function.

(2) Where internal audit is conducted fully in-house, fully outsourced or partially outsourced to another agency or to an external professional services firm, the audits shall be carried out in accordance with the most recent Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors (IIA Standards) from time to time, except:

(i) to the extent that the IIA Standards are inconsistent with relevant legislation or Treasurer's instructions; or

(ii) where agreed between the head of internal audit (and/or the Audit Committee, where applicable) and an external professional services firm, to the extent the firm's internal audit methodologies differ in their application from IIA Standards.

(3) In exercising its functions, internal audit shall have complete and timely access at all reasonable times to all public money, other money, statutory authority money, public property and other property, in addition to the accounts, information, documentation and records of the agency.

(4) Every officer and employee of the agency shall on a timely basis, furnish internal audit with information, advice or explanation on such matters as may be requested, and shall render any assistance necessary for audit purposes.

(5) External audit activities are the prerogative of the Auditor General. Internal audit's activity is to be conducted independently of external audit. Internal auditors are to liaise with the Office of the Auditor General to reduce duplication of audit activity if warranted by the risk profile of the process audited.
GUIDELINES

Appropriate Standards for the Conduct of Internal Audit

Agencies who conduct their internal audit function fully in-house, fully outsourced or partially outsourced to another agency, are to comply with the most recent IIA Standards, except where they are inconsistent with legislation and Treasurer’s instructions. These IIA Standards are available at https://na.theiia.org/Pages/IIAHome.aspx under the Standards and Guidance tab.

Where an agency engages or proposes to engage an external professional services firm to carry out any internal audit activities for the agency, it is often the case that the firm will have their own internal audit methodologies in place. The compliance of external professional services firm’s methodologies with the IIA standards shall be clearly stated in the internal audit engagement letter. As part of this process, the head of internal audit and/or the Audit Committee should be informed of any differences or inconsistencies between the IIA Standards and the external service provider’s internal audit methodologies. This will enable the head of internal audit and/or the Audit Committee to make an informed decision on whether the IIA Standards or the external service provider’s internal audit methodologies should apply before gaining approval from the accountable authority.

Many professional services firms adopt internal audit methodologies (including quality assurance and review standards) that are not necessarily incompatible with the IIA Standards but may differ in their application. Where an external professional services firm has been engaged to perform internal audit work, paragraph (2) of this instruction allows the necessary flexibility for the head of internal audit and/or the Audit Committee to decide on which standards are the most appropriate to follow taking into account the agency’s individual circumstances.

Where in-house methodologies are relied upon by external service providers, these should be in compliance with the latest IIA Standards.

Internal Audit Plan

The head of internal audit should establish and maintain a risk-based internal audit plan to determine the priorities and resources required that align with the organisation’s goals.

The audit plan should be drawn up annually based on the risk profile of the agency and may include longer term strategic elements.

The head of internal audit should submit the internal audit function’s plans and resource requirements for the year, including any significant changes occurring throughout the year, to the Audit Committee (if one exists) for endorsement and to the accountable authority for approval. The head of internal audit should also inform the Audit Committee (if one exists) and/or the accountable authority the impacts of any resource limitations.
Coordination

The internal audit function should share information with other internal and external providers (i.e. service providers where in a co-source arrangement) of relevant assurance and consulting services. This information sharing is expected to focus internal audit on higher level risk exposures, whilst leveraging coverage and reducing duplication of effort. The internal audit team are to liaise with the external audit team to ensure risks and controls are aligned and also to provide sufficient coverage for the external audit procedures.

Communication of Audit Results

A system should be established and maintained to communicate effectively audit findings and recommendations to management at the finalisation of an internal audit engagement. This is typically performed by the internal audit team, whereby management should be provided with an opportunity to comment on findings and recommendations before they are accepted.

A follow-up process should also be established to monitor and ensure that management actions have been effectively implemented, or that senior management has accepted the risk of not taking action. If the head of internal audit believes that the risks being accepted are too high, these risks should be discussed with senior management and, if unresolved, be referred to the accountable authority and the Audit Committee (if one exists). This risk management protocol should be consistent with the risk appetite and risk management framework adopted by the agency. It is up to the head of internal audit and the Audit Committee (if one exists) to follow up on the status of recommendations and new implementations by management.
1203 MANAGEMENT OF THE INTERNAL AUDIT FUNCTION (DELETED)
<table>
<thead>
<tr>
<th>Code</th>
<th>Title</th>
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<tr>
<td>904U</td>
<td>Key Performance Indicators for Universities</td>
</tr>
<tr>
<td>945P</td>
<td>Explanatory Statement For Non-GGS Agencies</td>
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<tr>
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<td>1105G</td>
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MODEL ANNUAL REPORTS

Introduction

Agencies – 30 June

Agencies – 31 December
Introduction

Public sector agencies fund, deliver and regulate a wide range of services on behalf of the Government. These services are funded through grants from the Commonwealth Government, royalties, taxes, levies and fees from the sale of goods and services. Annual reports are prepared by public sector agencies to inform Parliament, citizens and other interested parties about their financial plans, outcomes and position. They are useful tools for agencies to demonstrate good governance, transparency and accountability.

Purpose and scope

In accordance with section 64(1) of the FMA, the Minister is required to table in Parliament the accountable authority’s annual report within the prescribed period after the end of a financial year of an agency. To enhance the consistency and quality of these annual reports, the Department of Treasury produces model annual reports (the Models) to guide agencies.

The Models have been prepared in accordance with:

- the Financial Management Act 2006 (FMA);
- the Financial Management Regulations 2007 (FMR);
- Treasurer’s instructions (TIs);
- the AASB’s Framework for Preparation and Presentation of Financial Statements (Framework) and the Statements of Accounting Concepts SAC 1;
- Australian Accounting Standards (AAS); and
- Australian Accounting Interpretations, this includes interpretations of both the Australian Accounting Standards Board (AASB) and the former Urgent Issues Group (UIG).

The focus of the Models is to assist agencies with the preparation of financial statements. For guidance on preparation of other sections of the annual reports, agencies should refer to Treasurer’s instruction 903 Agency Annual Reports and to the Public Sector Commission’s Annual Reporting Framework for other reporting requirements. While the Models aim to meet most of the needs of agencies in complying with general reporting requirements of the FMA, TIs, FMRs and AASBs, agencies should be aware that the Models are for general use and are not intended to cover every potential circumstance. Other methods of presenting financial statements may also be suitable.

The Models are based on fictitious agencies to highlight and illustrate disclosure requirements. They include:

- guidance and commentaries highlighting the disclosure requirements;
- references and interpretations of relevant authoritative pronouncements; and
- illustrative disclosures related to common agency activities.

How to use the models

In accordance with the Treasurer’s instruction 903 Agency Annual Reports (paragraph 3) and the Public Sector Commission’s Annual Reporting Framework, annual reports are divided into the following 4 sections:

- Overview
- Agency Performance
- Significant Issues Impacting the Agency; and
- Disclosures and Legal Compliance.

The Models should be used as a guide and not be as a substitute for referring to the legislation and standards themselves. Agencies should identify the applicable legislative and accounting reporting requirements and observe their related illustrative examples in the Models.

The references and commentaries that are included throughout the Models would not normally be included in published reports. References to the relevant requirements are provided in the left hand column of the Models. Where doubt exists in respect of a treatment or disclosure, refer to the source reference of the requirement.

Commentaries in the Models provide guidance, legislative and documented references and highlight the minimum disclosure requirements. Agencies should ensure they are familiar with the details of the original sources. These commentaries are provided in a commentary box following each related part.
Additional commentaries are also located within the main body or table as italicised text enclosed in brackets.

**Example**

The Annual Report has been prepared in accordance with the provisions of the Financial Management Act 2006 and [any other relevant written law].

Electronic copies of the Models are available on Treasury’s website in word or pdf versions.

**Legislative background**

**Financial Management Act 2006**

Section 61(1) of the FMA requires the accountable authorities of an agency to prepare an annual report that contains:

- financial statements for the financial year;
- key performance indicators;
- a report on the operations of the agency during the financial year;
- any information prescribed by the Treasurer’s instructions;
- if applicable, the reports referred to in subsections (2) and (3); and
- any other information required by a written direction given by the Minister.

The Treasurer’s instruction 903 *Agency Annual Reports* prescribes a standard layout for agencies to adopt when preparing their annual reports. This standardised layout will enable readers of annual reports to more easily find information.

In accordance with section 61(2) of the FMA, where an agency is covered by a resource agreement, the accountable authority is to include in the annual report for the financial year covered by a resource agreement a report on the extent to which the agency achieved its objectives described in the resource agreement. This is reinforced in the Treasurer’s instruction 808 *Resource Agreements* (paragraph 3).

Section 61(5) of the FMA requires an agency that has a subsidiary body to exercise its control over that subsidiary body so as to ensure that the accountable authority is provided with all the information relating to the subsidiary body in order for the accountable authority to comply with sections 61 and 62 of the FMA and the Treasurer’s instructions.

Unless the Treasurer approves otherwise, section 62(1) of the FMA requires the financial statements to be prepared in accordance with the accounting standards and other requirements issued by the Australian Accounting Standards Board.

Section 64(1) of the FMA requires the Minister to table the agency’s annual report within the prescribed period after the end of a financial year of an agency.

**Australian Accounting Standards**

The FMA (and TIs) are legislative provisions that take precedence over accounting standards and other pronouncements. For example, a legislated reporting requirement may override a materiality judgement under AASB 1031 *Materiality*.

Chief Finance Officers should also have regard to the Framework and SACs for guidance if there is no applicable Australian Accounting Standard. However, any interpretation of these pronouncements must not be inconsistent with the FMA and TIs.
Exclusions

The Australian Accounting Standards shown below have not been applied due to their limited application to the public sector. Agencies should assess their own individual circumstances as to whether any of these Australian Standards listed below apply.

AASB 2  Share-based Payment
AASB 3  Business Combinations
AASB 4  Insurance Contracts
AASB 5  Non-current Assets Held for Sale and Discontinued Operations to the extent that discontinued operations have not been applied. However, application and guidance is provided in respect of non-current assets held for sale.
AASB 6  Exploration for and Evaluation of Mineral Resources
AASB 111  Construction Contracts
AASB 129  Financial Reporting in Hyperinflationary Economies
AASB 133  Earnings per Share
AASB 134  Interim Financial Reporting
AASB 141  Agriculture
AASB 1023  General Insurance Contracts
AASB 1038  Life Insurance Contracts
AASB 1039  Concise Financial Reports
Int 2  Members’ Shares in Co-operative Entities and Similar Instruments
Int 5  Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
Int 6  Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
Int 7  Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
Int 9  Reassessment of Embedded Derivatives
Int 10  Interim Financial Reporting and Impairment
Int 12  Service Concession Arrangements
Int 13  Customer Loyalty Programmes
Int 14  AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Int 15  Agreements for the Construction of Real Estate
Int 16  Hedges of a Net Investment in a Foreign Operation
Int 20  Stripping Costs in the Production Phase of a Surface Mine
Int 129  Service Concession Arrangements: Disclosures
Int 1042  Subscriber Acquisition Costs in the Telecommunications Industry
Int 1047  Professional Indemnity Claims Liabilities in Medical Defence Organisations
Abbreviations

Abbreviations to the relevant requirements are provided in the left hand column of each page of the models. Where doubt exists as to the appropriate treatment, examination of the source of the disclosure requirement is recommended.

Abbreviations used in the models are as follows:

- **AASB**: Accounting standards issued by the Australian Accounting Standards Board
- **APG**: Accounting Policy Guidelines published by Treasury
- **FMA**: *Financial Management Act 2006*
- **FMR**: Financial Management Regulations 2007
- **Framework**: Accounting framework issued by the Australian Accounting Standards Board
- **Int**: Interpretations issued by the Australian Accounting Standards Board
- **TI**: Treasurer’s instruction issued by Treasury
Illustrative Model Annual Report

Tier 1

Agency

For the year ended 30 June 2019
Setting the Scene

Foreword

This Model Annual Report (the Model) has been prepared as a guide and incorporates annual reporting requirements of the Financial Management Act 2006 and the Treasurer’s Instructions pertinent to the modelled agency.

Agencies should be aware that the Model is for general use and is not intended to cover every potential circumstance. This model is suitable for use by public sector agencies and streamlines financial statements by grouping notes in a functional structure. Agencies are encouraged to streamline their financial statements and this may entail following a more appropriate structuring methodology that is more relevant to their financial statements. Streamlining reduces the costs and burdens of preparing the annual report whilst improving the relevance and meaning for users.

Agencies are encouraged to consider materiality in preparing their financial statements. Agencies should determine which disclosures could be omitted on the basis that they are not quantitatively or qualitatively material. Any omissions should be documented and retained as part of preparation for the annual audit process.

Further reporting requirements are specified in the Public Sector Commission’s Annual Reporting Framework available at: http://www.publicsector.wa.gov.au/

Instructions for using the Model

Set out below are instructions for using the Model including some key things to consider when preparing your annual financial statements:

- Highlighted disclosures must be included in agency annual reports where required by legislation or are material under accounting standards.

- Apply critical judgements in determining if the model needs to be modified to meet specific circumstances that are material to the understanding of the financial results of the agency.

- Apply operative Australian Accounting Standards (AAS) and Treasurer’s Instructions (TIs), issued between publication of this model report and balance date.

- Set an appropriate materiality limit and exclude disclosures that are not material to the understanding of the financial statements.

The Model is not designed to be used as a template. Entities need to apply their judgement and understanding of their own financial results to determine the appropriate level of disclosures that need to be made. In addition, the Model is also not designed as a replacement for referring to AAS and TIs.

Significant changes to this Model Annual Report

Following the trend globally to consider the best approach for presenting financial statements, Treasury has made significant amendments to the presentation of this model report. The amended approach is commonly referred to as streamlined financial reporting. The objective of streamlined financial statements is to present shorter financial statements that whilst including all of the mandatory disclosures, are easier to use and understand. This is achieved by:

- Amendments to the structure of the report by grouping relevant notes together to depict the financial narrative of the agency;

- Grouping the policy notes, key estimates and judgements with the quantitative disclosures;

- Eliminating duplicate and unnecessary disclosures that are not relevant to the agency; and

- Applying materiality considerations to present only disclosures that are relevant to the understanding of the financial results.

In undertaking the streamlining exercise, agencies need to consider their financial narrative and the story that they wish their financial statements to tell. Treasury has grouped notes in a manner that should be fit for purpose for most agencies.

Streamlining is a process of continuous improvement. This Model Annual Report represents a marked change on previous model reports. Further instructions on using the Model are included on the next page.
Setting out the disclosures and guidance

The reporting requirements as set out in the Model are presented as follows:

1) **Illustrative disclosures**: Presented first – predominantly in black text and for a fictitious agency.

These disclosures have been designed to demonstrate compliance with Australian Accounting Standards and Treasurer’s Instructions for a model agency.

Treasury encourages agencies to streamline their financial reporting. Accordingly, agencies should be considering their own reporting requirements and applying materiality considerations to determine disclosures that are relevant to the users of the financial statements.

2) **Guidance (or commentary)**: Provided on the illustrative disclosures. Guidance has been set out as follows:

   In italics and with a call out border around the guidance.

In some instances the Model may present illustrative examples that fit for a certain set of circumstances. In such instances the guidance may call out alternative disclosures where an agency may be faced with alternative disclosures. These are demonstrated as follows:

   In plain text and with a call out border around the guidance.

3) **References**: Highlighted throughout the illustrative disclosures and the guidance and are prefixed by AASB..., Int..., TI..., and/or FMA...

4) **Consideration points**: Throughout the Model markers are used to indicate where additional consideration and application of materiality and factors specific to the agency should be applied.

   Indicates ‘stop and consider’. Do you need to include this disclosure?

   Indicates ‘items for attention’. These disclosures may be non-standard.

5) **Key judgements**: These statements include key judgements and estimates within the note disclosing the quantitative impact of the estimate and or judgement. Where a sample judgement or estimate is disclosed it is marked with the icon as shown below. Agencies should ensure they consider throughout the need to disclose estimates and judgements and make the appropriate disclosures.

   Sample key judgement or estimate disclosure.

Where to go for additional information

Treasury seeks to provide users of the Model with relevant and sufficient guidance to be able to apply the requirements included within the Model.

A guide to streamlining a set of financial statements is included on the following page.
A guide to continuously streamlining financial statements

**USE MODEL ACCOUNTS AS YOUR BASE**
- Consider reporting requirements illustrated in the Model Annual Report
- Demonstrate minimum compliance with Financial Management Act 2006, Accounting Standards, and Treasurer’s Instructions

**SHRINK**
- Group / move relevant notes together
- Move layout for ease of reading
- Creative use of tables and graphs
- Eliminate duplicate and unnecessary disclosures that are not relevant / material
- Remove immaterial disclosures

**REPORTING CONSIDERATIONS**
- Is there a paper trail to support changes to disclosures including any omitted disclosures?
- Are there paper trails to support decisions to exclude notes based on materiality?
- Have the revised financial statements been tested with users to ensure the desired objective of streamlining has been achieved?
- Are all notes relevant, have we excluded immaterial notes?

**STRATEGISE**
- Determine level of disclosure by:
  - Applying critical judgements
  - Understanding financial results
  - Applying materiality consideration
  - Considering the needs of your primary users

**STRUCTURE**
- Assess carried forward disclosure - is it useful or relevant this year?
- Identify and remove duplication and repetition
- Use legend and footnotes to de-clutter
- Introduce each note section for better understanding

**SHARPEN**
- Check logical flow
- Are they presented in a meaningful manner?
- Is it short and sweet?
- Could your primary user tell what you consider to be your material financial reporting matters?
- Is all relevant discussion in one place?

**SENSE CHECK**
- Consider reporting requirements illustrated in the Model Annual Report
- Demonstrate minimum compliance with Financial Management Act 2006, Accounting Standards, and Treasurer’s Instructions

**STREAMLINED FINANCIALS**

**SETTING THE SCENE**
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Statement of compliance

For year ended 30 June 2019

HON MICHAEL JACKSON

MINISTER FOR INFORMATION TECHNOLOGY

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 Agency for the reporting period ended 30 June 2019.

The Annual Report has been prepared in accordance with the provisions of the Financial Management Act 2006 and [any other relevant written law].

(Signature)
B. King
Accountable Authority
1 September 2019

Guidance – statement of compliance

Where the accountable authority is a body, the statement shall be signed by two members of that body.
Overview

Executive summary

Performance highlights

- The Agency received a commendation from the State Government for its services in providing assistance to public sector agencies to complement the corporate services reforms.
- Customer surveys indicated that 95% of agencies rated the services provided for the implementation of corporate services reforms as exceptional.
- The Agency’s research and development project on software development for public sector accounting is on schedule and is expected to be completed in 2020.

Operational structure

The Agency delivers services through the following divisions:

- Information Technology;
- Customer Relations; and
- Corporate Services.

Enabling legislation

The Agency was established as an agency on 1 July 2007, under the Public Sector Management Act 1994.

Responsible minister

The Hon. Michael Jackson, BCom MLA, Minister for Information Technology.

Guidance – overview

Executive summary

Each agency has to include a statement from the accountable authority that includes performance highlights and/or other significant events impacting on the agency. In the above example, this has been included under executive summary.

Operational structure

Under this section, agencies are required to disclose a summary of activities and responsibilities for each division or its equivalent. In the above example, this has been included under operational structure.
Organisational structure

**Mission**

To provide leadership, support and services necessary to ensure that Western Australians have easy and affordable access to a diverse range of information technology.

**Organisational chart**

![Organisational Chart]

**Senior officers**

**Dr Bill King PhD** (Chief Executive Officer)

Mr King has extensive experience in corporate management and public sector information technology.

**Elliot Ng BCom CA** (Director Information Technology)

Mr James has 7 years' public sector management experience and 15 years corporate advisory experience in the private sector.

**Christy Fleming BCom FCPA** (Director Corporate Services, Chief Finance Officer)

Ms Fleming has 17 years' experience in public sector finance, in addition to experience in the private sector.

**Delia Smith BA (Hons)** (Director Customer Relations)

Ms Smith has 10 years' experience in public sector customer relations.

**Guidance - overview**

Statutory Authorities shall include information about the appointment of Board members and a short biographical summary for each member of the Board whose term of appointment is pertinent to the reporting period.
Administered legislation

The Agency assists the Minister for Information Technology in administration of the following Acts:

- Information Technology Act 1951-1983; and
- Information Protection Act 1959.

Other key legislation impacting on the Agency’s activities

In the performance of its functions, the Agency complies with the following relevant written laws:

- Auditor General Act 2006;
- Contaminated Sites Act 2003;
- Disability Services Act 1993;
- Equal Opportunity Act 1984;
- Financial Management Act 2006;
- Freedom of Information Act 1992;
- Industrial Relations Act 1979;
- Minimum Conditions of Employment Act 1993;
- Occupational Safety and Health Act 1984;
- Public Sector Management Act 1994;
- Salaries and Allowances Act 1975;
- State Records Act 2000; and
**Performance management framework**

**Outcome-based management framework**

- **Outcome 1**: Sustainability of the provision of information technology
  - **Key Effectiveness Indicators**
    - The proportion (%) of government agencies using sustainable information technology plans
  - **Service 1**: Information Technology
  - **Key Efficiency Indicator**
    - Cost per sustainable IT plan

- **Outcome 2**: The improvement to the level of information technology for the public sector
  - **Key Effectiveness Indicators**
    - The proportion (%) of government agencies upgrading their information technology
  - **Service 2**: Training and Assistance
  - **Key Efficiency Indicator**
    - (a) Clients assisted per staff member (client/staff ratio)
    - (b) Cost per hour of service delivered

- **Outcome 3**: Improvement to the competitiveness of the Western Australian technology industry
  - **Key Effectiveness Indicators**
    - (a) Gross value of goods and services produced
    - (b) Uptake of new technology (%)
  - **Service 3**: Competition Policy
  - **Key Efficiency Indicator**
    - (a) Cost per advisory program
    - (b) Cost per hour of service delivered

**Changes to outcome-based management framework**

The Agency’s outcome-based management framework did not change during 2018-19.

**Shared responsibilities with other agencies**

The Agency did not share any responsibilities with other agencies in 2018-19.

---

**Reference**

TI 904(2), 903(7)

**Guidance – performance management framework**

**Outcome-based management framework**

Include a description of the links between the relevant government goals, agency level desired outcomes and services.

**Changes to outcome-based management framework**

Include a discussion of any changes to agency level desired outcomes, services and key performance indicators from the previous year. This segment should be included even if there is a nil return.

**Shared responsibilities with other agencies**

Include a statement of which services are being delivered jointly with other agencies and how the agency is contributing to other agencies’ desired outcomes. This segment should be included even if there is a nil return.
### Agency performance

#### Report on operations

#### Actual results versus budget targets

##### Financial targets

<table>
<thead>
<tr>
<th></th>
<th>2019 Target ($000)</th>
<th>2019 Actual ($000)</th>
<th>Variation ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of services (expense limit) (sourced from Statement of Comprehensive Income)</td>
<td>804,482</td>
<td>799,879</td>
<td>(4,603)(^{(a)})</td>
</tr>
<tr>
<td>Net cost of services (sourced from Statement of Comprehensive Income)</td>
<td>773,708</td>
<td>766,778</td>
<td>(6,930)(^{(b)})</td>
</tr>
<tr>
<td>Total equity (sourced from Statement of Financial Position)</td>
<td>1,363,158</td>
<td>1,464,351</td>
<td>101,193(^{(c)})</td>
</tr>
<tr>
<td>Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)</td>
<td>5,336</td>
<td>5,523</td>
<td>187</td>
</tr>
<tr>
<td>Approved salary expense level (where applicable)</td>
<td>639,000</td>
<td>636,757</td>
<td>(2,243)(^{(d)})</td>
</tr>
<tr>
<td>Agreed borrowing limit (where applicable)</td>
<td>5,250</td>
<td>5,205</td>
<td>(45)</td>
</tr>
</tbody>
</table>

1. As specified in the Budget Statements.
2. Further explanations are contained in Notes 2.2, 2.3, 3.1, 7.5 ‘Explanatory statement’ to the financial statements.
   
   a. The variation is mainly due to implementing tighter cost controls ($14,593,000), which was partially offset by additional costs ($11,220,000) in hiring consultants to deliver services.
   
   b. In addition to the explanation above regarding expenses, the variation was mainly due to an increase in user charges and fees, and sales revenue ($2,050,000) as a result of better than expected demand.
   
   c. The variation is mainly due to a greater than expected asset revaluation increments for land and buildings ($60,000,000) and infrastructure ($40,000,000).
   
   d. The variation arose because of a number of vacancies occurring through secondment and attrition occurring throughout the second half of the reporting period ($2,243,000).
Guidance – agency performance

Report on operations

The report must include a brief discussion of agency performance, including references to key achievements and other key highlights about agency performance during the year. This can include both financial and non-financial performances as well as the agency’s vision and mission.

Include any narrative necessary to explain the results and describe the agency’s performance, including any material variations and the impact of any external factors.

Reporting actual performance compared to resource agreement targets

Agencies are required to adopt a format similar to that shown in the Guidelines to TI 808(4).

Borrowing limits

The agreed borrowing limit is the total borrowings authorised by the Treasurer during, or subsequent to, the budget process due to impact on the State’s Net Debt. Accountable authorities should refer to TI 822, which provides background on borrowing limits and provides guidance on amounts included in the agency borrowing limit.

Guidance – working cash targets

Working cash targets

The Target Working Cash Limit at Budget is calculated by multiplying budgeted recurrent payments by 5% (total operating and financing). Further information on the Working Cash Target may be found in the Cash Management Policy (2007) at:


More detailed information on agency performance, including long term trends and supporting footnotes, may be disclosed either in this section or in the section ‘Disclosures and Legal Compliance’. If further information is disclosed elsewhere, a cross reference to the page number would be required.

Working cash targets

<table>
<thead>
<tr>
<th></th>
<th>2019 Agreed limit ($000)</th>
<th>2019 Target(1)/Actual(2) ($000)</th>
<th>Variation ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreed working cash limit (at Budget)</td>
<td>39,934</td>
<td>39,934</td>
<td>N/A</td>
</tr>
<tr>
<td>Agreed working cash limit (at Actuals)</td>
<td>38,074</td>
<td>6,808(e)</td>
<td>(31,266)(f)</td>
</tr>
</tbody>
</table>

(e) The Actual working cash held totals $8,308,000, which includes an amount of $1,500,000 for Asset Investment Program milestone payments due early in the first month of the successive reporting period. Cash held for milestone payments is excluded from this target.

(f) The variation is mainly due to [insert narrative].
### Summary of key performance indicators

<table>
<thead>
<tr>
<th>Outcome</th>
<th>2019 Target(1)</th>
<th>2019 Actual</th>
<th>Variation(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome 1: Sustainability of the provision of information technology</strong>&lt;br&gt;Key effectiveness indicator(s): <strong>The proportion (%) of government agencies using sustainable information technology plans</strong>&lt;br&gt;<strong>Service 1: Information technology</strong>&lt;br&gt;Key efficiency indicator(s): <strong>Cost per sustainable IT plan</strong></td>
<td>85%</td>
<td>86%</td>
<td>1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome</th>
<th>2019 Target(1)</th>
<th>2019 Actual</th>
<th>Variation(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome 2: The improvement to the level of information technology for the public sector</strong>&lt;br&gt;Key effectiveness indicator(s): <strong>The proportion (%) of government agencies upgrading their information technology</strong>&lt;br&gt;<strong>Service 2: Training and assistance</strong>&lt;br&gt;Key efficiency indicator(s): <strong>Clients assisted per staff member (client/staff ratio)</strong>&lt;br&gt;<strong>Cost per hour of service delivered</strong></td>
<td>75%</td>
<td>76%</td>
<td>1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome</th>
<th>2019 Target(1)</th>
<th>2019 Actual</th>
<th>Variation(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome 3: Improvement to the competitiveness of the Western Australian technology industry</strong>&lt;br&gt;Key effectiveness indicator(s): <strong>Gross value of goods and services produced</strong>&lt;br&gt;<strong>Uptake of new technology (%)</strong>&lt;br&gt;<strong>Service 3: Competition policy</strong>&lt;br&gt;Key efficiency indicator(s): <strong>Cost per advisory program</strong>&lt;br&gt;<strong>Cost per hour of service delivered</strong></td>
<td>$200m</td>
<td>$206m</td>
<td>$6m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome</th>
<th>2019 Target(1)</th>
<th>2019 Actual</th>
<th>Variation(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome 2: The improvement to the level of information technology for the public sector</strong>&lt;br&gt;Key effectiveness indicator(s): <strong>The proportion (%) of government agencies upgrading their information technology</strong>&lt;br&gt;<strong>Service 2: Training and assistance</strong>&lt;br&gt;Key efficiency indicator(s): <strong>Clients assisted per staff member (client/staff ratio)</strong>&lt;br&gt;<strong>Cost per hour of service delivered</strong></td>
<td>75%</td>
<td>76%</td>
<td>1%</td>
</tr>
</tbody>
</table>

(1) As specified in the Budget Statements.<br>(2) Explanations for the variations between target and actual results are presented in Note 10.1 ‘Explanatory statement’ to the financial statements.
Reference

Significant Issues Impacting the Agency

Current and emerging issues and trends

The rapid pace of technological advancements are leading to a reduction in the Agency costs and creates opportunities to deliver enhanced services.

Economic and social trends

There is an expectation in society that services delivered by the Agency will be enhanced to take advantage of technological advances.

Changes in written law

There were no changes in any written law that affected the Agency during the reporting period.

Likely developments and forecast results of operations

It is likely that the Agency operations will undergo a period of consolidation during 2020 as a result of the full impact of changes made during the 2018-19 reporting period. The most significant areas for change will be in relation to:

- The continuation of the research and development project on software development for public sector accounting. This project is expected to deliver significant cost savings to the public sector; and

- The measures taken in the current period with respect to information technology services, which should begin to deliver significant cost savings and greater sales growth.

Guidance – significant issues impacting the agency

Include a brief description of current and emerging issues and trends impacting on the agency’s operations, as well as the operations of any subsidiary and/or related bodies, and how the agency and bodies intend to address them. This may include economic and social trends and changes in any written law and significant judicial decisions affecting the agency or bodies.

Any likely developments in the operations of the agency or bodies and the forecast results of those developments should also be disclosed, unless the disclosure is likely to be prejudicial to the agency.
Disclosures and legal compliance

Financial statements

Certification of financial statements

For the reporting period ended 30 June 2019

The accompanying financial statements of the Agency 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 reporting period ended 30 June 2019 and the financial position as at 30 June 2019.

AASB 110.17

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

(Signature)  (Signature)
C. Fleming  B. King
Chief Finance Officer  Accountable Authority
1 September 2019  1 September 2019

Guidance – disclosures and legal compliance

Financial statements are to be prepared in accordance with the accounting standards and other requirements issued by the AASB.

Financial statements include any financial statements and information prescribed by the Treasurer’s instructions and any other financial information required by a written direction given by the Minister.

Disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the agency’s owners or others have the power to amend the financial statements after issue, the agency shall disclose that fact.

Where the accountable authority is a body, the statement shall be signed by two members of that body.
Financial report for the year ended 30 June 2019

The Agency has pleasure in presenting its audited general purpose financial statements for the financial reporting period ended 30 June 2019 which provides users with the information about the Agency’s stewardship of resource entrusted to it. The financial information is presented in the following structure:

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<td>10.3 Administered assets and liabilities</td>
<td>132</td>
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</table>
Guidance – financial report structure

A complete set of financial statements comprises the following:

- A statement of comprehensive income;
- A statement of financial position;
- A statement of changes in equity;
- A statement of cash flows;
- Notes, comprising a summary of significant accounting policies and other explanatory information; and
- Comparative information in respect of the preceding period.

Contents of the Notes to the Financial Statements

The notes to the financial statements of an agency shall:

- Present information about the basis of preparation;
- Disclose the information required by Australian Accounting Standards (AASs) that is not presented in the face of the financial statements;
- Provide additional information that is relevant to an understanding of the financial statements and that is not disclosed elsewhere;
- Be presented in a systematic manner with cross references to the financial statements or any related information in the notes;
- Include a statement of compliance with AASs; and
- Include a summary of significant accounting policies relevant to understanding the information presented in the financial statements, including the measurement bases used in preparing the financial statements.

The FMA, TIs and accounting standards require agencies to include additional financial information:

Statutory authorities and departments

- Schedule of income and expenses by Service;
- Schedule of assets and liabilities by Service;
- Explanatory statements disclosing budgets versus actual results for the agency; and
- Explanatory statements disclosing current year actual results versus prior year comparative results for the agency.

Departments

- Summary of Consolidated Account Appropriations and Income Estimates;
- Schedules for Administered Income, Expenses, Assets and Liabilities; and
- Explanatory statements for Administered Income and Expenses.

Without these, an agency will not have a complete set of financial statements.
Statement of comprehensive income

For the year ended 30 June 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>COST OF SERVICES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 101.85, 88, 89, 99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>3.1</td>
<td>669,757</td>
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<tr>
<td>Supplies and services</td>
<td>3.3</td>
<td>61,980</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td>5.1, 5.2</td>
<td>33,330</td>
</tr>
<tr>
<td>AASB 101.82(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td>7.4</td>
<td>263</td>
</tr>
<tr>
<td>AASB 101.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodation expenses</td>
<td>3.3</td>
<td>6,963</td>
</tr>
<tr>
<td>AASB 101.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>3.2</td>
<td>9,801</td>
</tr>
<tr>
<td>AASB 101.98(c)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on disposal of non-current assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>4.3</td>
<td>5,560</td>
</tr>
<tr>
<td>AASB 101.99</td>
<td></td>
<td></td>
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<tr>
<td>Other expenses</td>
<td>3.3</td>
<td>12,225</td>
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<tr>
<td>Total cost of services</td>
<td></td>
<td>799,879</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
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<tr>
<td>AASB 101.88, 89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 118.35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>User charges and fees</td>
<td>4.2</td>
<td>16,497</td>
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<tr>
<td>AASB 118.35(b)(l)</td>
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<tr>
<td>Sales</td>
<td>4.3</td>
<td>14,267</td>
</tr>
<tr>
<td>AASB 1004.18</td>
<td></td>
<td></td>
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<tr>
<td>Commonwealth grants and contributions</td>
<td>4.4</td>
<td>1,100</td>
</tr>
<tr>
<td>AASB 118.35(b)(iii)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest revenue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other revenue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total revenue</td>
<td></td>
<td>31,864</td>
</tr>
<tr>
<td>Gains</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 101.98(c)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on disposal of non-current assets</td>
<td>4.5</td>
<td>170</td>
</tr>
<tr>
<td>Other gains</td>
<td>4.5</td>
<td>1,067</td>
</tr>
<tr>
<td>Total gains</td>
<td></td>
<td>1,237</td>
</tr>
<tr>
<td>Total income other than income from State Government</td>
<td></td>
<td>33,101</td>
</tr>
<tr>
<td>NET COST OF SERVICES</td>
<td></td>
<td>766,778</td>
</tr>
<tr>
<td>Income from State Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 101.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service appropriation</td>
<td>4.1</td>
<td>803,846</td>
</tr>
<tr>
<td>AASB 1004.63(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities assumed</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AASB 1004.63(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets transferred</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AASB 1004.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services received free of charge</td>
<td>4.1</td>
<td>1,595</td>
</tr>
<tr>
<td>Royalties for Regions Fund</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AASB 101.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income from State Government</td>
<td></td>
<td>805,441</td>
</tr>
<tr>
<td>AASB 101.81A(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SURPLUS/(DEFICIT) FOR THE PERIOD</td>
<td></td>
<td>38,663</td>
</tr>
<tr>
<td>AASB 101.81A(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER COMPREHENSIVE INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items not reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in asset revaluation surplus</td>
<td></td>
<td>100,000</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td></td>
<td>100,000</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</td>
<td></td>
<td>138,663</td>
</tr>
</tbody>
</table>

See also the ‘Schedule of Income and Expenses by Service’.

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.
**Guidance – Presentation of the statement of comprehensive income**

Income and expense items are classified within the statement of comprehensive income depending on whether they arise from ‘transactions’ or ‘other comprehensive income’. In addition, the statement of comprehensive income also presents movements due to changes in non-owner equity under ‘other comprehensive income’. All owner changes in equity in their capacity as owners can be found in the statement of changes in equity.

<table>
<thead>
<tr>
<th>In ‘Total cost of services’ and ‘Total revenue’ section:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transactions</strong> are those economic flows that arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an agency. Transactions can be in cash or in kind. In simple terms, transactions arise from the policy decisions of the government.</td>
</tr>
<tr>
<td>Please note the following:</td>
</tr>
<tr>
<td>- Supplies and services - include administrative expenses.</td>
</tr>
<tr>
<td>- Finance costs - include borrowing costs, including costs incurred in the borrowing of funds (AASB 123.5), and the effect of unwinding of discounting of items measured at present value (AASB 5.17 and AASB 137.).</td>
</tr>
<tr>
<td>- The discounting of employee benefits should be recognised under employee benefits expense rather than separately as a finance cost.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In the ‘Net cost of services’ section:</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section includes changes in the volume or value of an asset or liability that do not result from transactions. It includes:</td>
</tr>
<tr>
<td>- Gains and losses from disposals;</td>
</tr>
<tr>
<td>- Revaluations and impairments of non-financial physical and intangible assets;</td>
</tr>
<tr>
<td>- Fair value changes of financial instruments;</td>
</tr>
<tr>
<td>- Gains and losses attributable to agricultural assets (AASB 141.26-29);</td>
</tr>
<tr>
<td>- Share of the profit or loss of equity accounted investments;</td>
</tr>
<tr>
<td>- A single amount for the total of discontinued operations; and</td>
</tr>
<tr>
<td>- Other gains</td>
</tr>
<tr>
<td>Please note the following:</td>
</tr>
<tr>
<td>- Losses or gains on disposal of assets - may be disclosed separately. Groups of similar transactions would normally be reported on a net basis. Immaterial losses or gains can be included in other expenses or other gains.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In ‘Total income from State Government’ section:</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section includes:</td>
</tr>
<tr>
<td>- Service appropriation;</td>
</tr>
<tr>
<td>- Liabilities assumed;</td>
</tr>
<tr>
<td>- Assets transferred;</td>
</tr>
<tr>
<td>- Services received free of charge; and</td>
</tr>
<tr>
<td>- Royalties for Regions Fund.</td>
</tr>
<tr>
<td>Please note the following:</td>
</tr>
<tr>
<td>- Assets transferred - This is for transfers made at the transferor agency’s discretion and represents an expense to the transferor and revenue to the transferee.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In ‘Other comprehensive income’ section:</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section presents line items for amounts classified by nature. These items are then grouped into those that:</td>
</tr>
<tr>
<td>- Will not be reclassified subsequently to profit or loss; or</td>
</tr>
<tr>
<td>- Will be reclassified subsequently to profit or loss when specific conditions are met.</td>
</tr>
<tr>
<td>It includes:</td>
</tr>
<tr>
<td>- Changes in physical asset revaluation surpluses;</td>
</tr>
<tr>
<td>- Share of movements of other comprehensive income of equity accounted investments; and</td>
</tr>
<tr>
<td>- Changes in available for sale revaluation surplus.</td>
</tr>
<tr>
<td>This model illustrates only items that will not be subsequently reclassified to the profit and loss. Certain items do get re-classified to profit or loss and appropriate disclosures would need to be made if agencies hold such items as listed below:</td>
</tr>
<tr>
<td>- Exchange differences reserves.</td>
</tr>
<tr>
<td>- Financial assets classified as ‘available for sale’.</td>
</tr>
</tbody>
</table>
**Guidance – Presentation of the statement of comprehensive income**

**Classification of expenses by nature or function:**

Expenses must be classified and presented (either in the statement of comprehensive income or in the related notes) based on either their nature or their function, whichever provides information that is reliable and more relevant. Regardless of whether expenses are classified by nature or by function, each material class is separately disclosed.

**Material items of income and expense:**

When items of income and expense are material, their nature and amount shall be disclosed separately either in the statement of comprehensive income or in the notes to the financial statements.

Further, an agency shall disclose, either in the statement of comprehensive income or in the notes, any amounts related to components of other comprehensive income that are reclassified to net result in the current period, that were previously recognised in other comprehensive income in the current or previous periods.

Additional disclosures such as additional line items, headings and subtotals shall be presented on the face when it is relevant to an understanding of the financial performance of the agency, subject to those disclosures being consistent with requirements of AASB 101.
**Statement of financial position**

**As at 30 June 2019**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 101.60, 66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 101.54(i)</td>
<td>Current Assets</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7.5</td>
<td>8,308</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>7.5</td>
<td>50</td>
</tr>
<tr>
<td>Inventories</td>
<td>4.3</td>
<td>18,310</td>
</tr>
<tr>
<td>Receivables</td>
<td>6.1</td>
<td>9,097</td>
</tr>
<tr>
<td>Amounts receivable for services</td>
<td>6.2</td>
<td>14,239</td>
</tr>
<tr>
<td>Other current assets</td>
<td>6.3</td>
<td>550</td>
</tr>
<tr>
<td>Non-current assets classified as held for sale</td>
<td>9.11</td>
<td>2,900</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 101.60</td>
<td>Non-Current Assets</td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>7.5</td>
<td>60</td>
</tr>
<tr>
<td>Inventories</td>
<td>4.3</td>
<td>-</td>
</tr>
<tr>
<td>Receivables</td>
<td>6.1</td>
<td>-</td>
</tr>
<tr>
<td>Amounts receivable for services</td>
<td>6.2</td>
<td>75,933</td>
</tr>
<tr>
<td>Infrastructure, property, plant and equipment</td>
<td>5.1</td>
<td>1,372,423</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>5.2</td>
<td>455</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>6.3</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 101.60, 69</td>
<td>Current Liabilities</td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>6.4</td>
<td>2,787</td>
</tr>
<tr>
<td>Borrowings</td>
<td>7.1</td>
<td>600</td>
</tr>
<tr>
<td>Amounts due to the Treasurer</td>
<td>6.5</td>
<td>2,400</td>
</tr>
<tr>
<td>Employee related provisions</td>
<td>3.1</td>
<td>20,095</td>
</tr>
<tr>
<td>Other provisions</td>
<td>6.6</td>
<td>20</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>6.7</td>
<td>-</td>
</tr>
<tr>
<td>Liabilities directly associated with non-current assets classified as held for sale</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 101.60</td>
<td>Non-Current Liabilities</td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>6.4</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings</td>
<td>7.1</td>
<td>2,205</td>
</tr>
<tr>
<td>Employee related provisions</td>
<td>3.1</td>
<td>9,275</td>
</tr>
<tr>
<td>Other provisions</td>
<td>6.6</td>
<td>592</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>6.7</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 101.54(r)</td>
<td>Equity</td>
<td></td>
</tr>
<tr>
<td>Contributed equity</td>
<td>9.12</td>
<td>100,960</td>
</tr>
<tr>
<td>Reserves</td>
<td>9.12</td>
<td>305,500</td>
</tr>
<tr>
<td>Accumulated surplus/(deficit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See also the ‘Schedule of Assets and Liabilities by Service’. The Statement of Financial Position should be read in conjunction with the accompanying notes.
Guidance – statement of financial position

Sub-classification of line items

Depending on the size, nature and function of the amounts involved and requirements of AAS, the statement of financial position line items must be sub-classified in a manner appropriate to the agency’s operations (either in the statement of financial position or in the related notes).

Refinancing liabilities – classification

Financial liabilities shall be categorised as current when they are due to be settled within 12 months of the reporting period, even if:

(a) The original term was for a period longer than 12 months; and
(b) An agreement to refinance, or to reschedule payments, beyond 12 months, is completed after the reporting period and before the financial statements are authorised for issue.

Where material, information to be presented includes:

Assets:

- Cash and cash equivalents;
- Trade and other receivables;
- Inventories;
- Investment property;
- Biological assets;
- Deferred tax assets;
- Investments accounted for using the equity method;
- Financial assets (not elsewhere presented);
- The total assets classified as held for sale and assets included in disposal groups classified as held for sale (AASB 5);
- Property, plant and equipment; and
- Intangible assets.

Liabilities:

- Trade and other payables;
- Current tax liabilities;
- Deferred tax liabilities;
- Liabilities included in disposal groups classified as held for sale (AASB 5);
- Financial liabilities (not elsewhere presented); and
- Provisions.

It must be noted that the line items need only be presented where the agency recognises such an asset or liability. This model includes additional line items as examples only.

If an agency holds additional assets/liabilities and the presentation of these is important for the understanding of the financial results they must be disclosed on the face of the statement of financial position.
## Statement of changes in equity

For the year ended 30 June 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>Contributed equity ($000)</th>
<th>Reserves ($000)</th>
<th>Accumulated surplus/(deficit) ($000)</th>
<th>Total equity ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 July 2017</strong></td>
<td>AASB 10.106(b), AASB 10.106(b)</td>
<td>Changes in accounting policy or correction of prior period errors</td>
<td>- - - -</td>
<td>- - - -</td>
</tr>
<tr>
<td><strong>Restated balance at 1 July 2017</strong></td>
<td></td>
<td></td>
<td>33,650 180,000 990,886 1,204,536</td>
<td>- - - -</td>
</tr>
<tr>
<td><strong>AASB 10.106(d)(i)</strong></td>
<td>Surplus/(deficit)</td>
<td></td>
<td>- - 28,352 28,352</td>
<td>28,352 28,352</td>
</tr>
<tr>
<td><strong>AASB 10.106(d)(ii)</strong></td>
<td>Other comprehensive income</td>
<td></td>
<td>9.12 - 25,500 - 25,500</td>
<td>- 25,500 28,352 53,852</td>
</tr>
<tr>
<td><strong>AASB 10.106(a)</strong></td>
<td>Total comprehensive income for the period</td>
<td></td>
<td>9.12 - 25,500 - 25,500</td>
<td>- 25,500 28,352 53,852</td>
</tr>
<tr>
<td><strong>AASB 10.106(d)(iii)</strong></td>
<td>Transactions with owners in their capacity as owners:</td>
<td></td>
<td>9.12 Capital appropriations 65,000 - - 65,000</td>
<td>65,000 - - 65,000</td>
</tr>
<tr>
<td></td>
<td>Other contributions by owners 1,500 - - 1,500</td>
<td></td>
<td>1,500 - - 1,500</td>
<td>1,500 - - 1,500</td>
</tr>
<tr>
<td></td>
<td>Distributions to owners (11,190) - - (11,190)</td>
<td></td>
<td>(11,190) - - (11,190)</td>
<td>- - (11,190) (11,190)</td>
</tr>
<tr>
<td></td>
<td>Total 55,310 - - 55,310</td>
<td></td>
<td>55,310 - - 55,310</td>
<td>- - 55,310 55,310</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2018</strong></td>
<td>AASB 10.106(b), AASB 10.106(b)</td>
<td>Changes in accounting policy or correction of prior period errors</td>
<td>88,960 205,500 1,019,238 1,313,698</td>
<td>88,960 205,500 1,019,238 1,313,698</td>
</tr>
<tr>
<td><strong>Balance at 1 July 2018</strong></td>
<td>AASB 10.106(b), AASB 10.106(b)</td>
<td>Changes in accounting policy or correction of prior period errors</td>
<td>88,960 205,500 1,019,228 1,313,688</td>
<td>88,960 205,500 1,019,228 1,313,688</td>
</tr>
<tr>
<td><strong>Restated balance at 1 July 2018</strong></td>
<td></td>
<td></td>
<td>88,960 205,500 1,019,228 1,313,688</td>
<td>88,960 205,500 1,019,228 1,313,688</td>
</tr>
<tr>
<td><strong>AASB 10.106(d)(i)</strong></td>
<td>Surplus/(deficit)</td>
<td></td>
<td>9.12 - 100,000 - 100,000</td>
<td>- 100,000 38,663 138,663</td>
</tr>
<tr>
<td><strong>AASB 10.106(d)(ii)</strong></td>
<td>Other comprehensive income</td>
<td></td>
<td>9.12 - 100,000 - 100,000</td>
<td>- 100,000 38,663 138,663</td>
</tr>
<tr>
<td><strong>AASB 10.106(a)</strong></td>
<td>Total comprehensive income for the period</td>
<td></td>
<td>9.12 - 100,000 - 100,000</td>
<td>- 100,000 38,663 138,663</td>
</tr>
<tr>
<td><strong>AASB 10.106(d)(iii)</strong></td>
<td>Transactions with owners in their capacity as owners:</td>
<td></td>
<td>9.12 Capital appropriations 12,000 - - 12,000</td>
<td>12,000 - - 12,000</td>
</tr>
<tr>
<td></td>
<td>Other contributions by owners - - - -</td>
<td></td>
<td>- - - -</td>
<td>- - - -</td>
</tr>
<tr>
<td></td>
<td>Distributions to owners - - - -</td>
<td></td>
<td>- - - -</td>
<td>- - - -</td>
</tr>
<tr>
<td></td>
<td>Total 12,000 - - 12,000</td>
<td></td>
<td>12,000 - - 12,000</td>
<td>- - 12,000 12,000</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2019</strong></td>
<td>AASB 10.106(b), AASB 10.106(b)</td>
<td>Changes in accounting policy or correction of prior period errors</td>
<td>100,960 305,500 1,057,891 1,464,351</td>
<td>100,960 305,500 1,057,891 1,464,351</td>
</tr>
</tbody>
</table>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.
Guidance – statement of changes in equity

This statement is included to present:

- A reconciliation between the various classes of equity at the beginning of the period to the end of the period.

Where material, the following information must be disclosed:

(a) Total comprehensive result for the period, showing separately the total amounts attributable to owners of the parent and to minority interest;

(b) For each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and

(c) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) Profit or loss;

(ii) Other comprehensive income; and/or

(iii) Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

Changes in accounting policy or correction of prior period errors

An example of a voluntary change in accounting policy is an increase in the asset capitalisation threshold.

Under AASB 108, voluntary changes in accounting policy and correction of prior period errors are adjusted against the opening balances of each affected component of equity in the comparatives. Note that changes in accounting policy under AASB 116 and AASB 138 in respect of the revaluation of assets are not accounted for under AASB 108. Changes to the revaluation model under these Standards are not applied retrospectively.

In accordance with AASB 108.24, under limited circumstances the current period may be the beginning of the earliest period for which retrospective application is practicable for a change in accounting policy.

Additional guidance on disclosures regarding changes in accounting policy has been included in note 9 ‘other disclosures’.
Statement of cash flows
For the year ended 30 June 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM STATE GOVERNMENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service appropriation</td>
<td>761,659</td>
<td>673,242</td>
</tr>
<tr>
<td>Capital appropriations</td>
<td>12,000</td>
<td>65,000</td>
</tr>
<tr>
<td>Holding account drawdown</td>
<td>18,137</td>
<td>7,688</td>
</tr>
<tr>
<td>Non-retained revenue distributed to owner</td>
<td>-</td>
<td>(10,100)</td>
</tr>
<tr>
<td>Royalties for Regions Fund</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by State Government</strong></td>
<td><strong>791,796</strong></td>
<td><strong>735,830</strong></td>
</tr>
</tbody>
</table>

Utilised as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>AASB 107.18</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>(663,874)</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>(66,677)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(175)</td>
</tr>
<tr>
<td>Accommodation</td>
<td>(6,292)</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>(9,801)</td>
</tr>
<tr>
<td>GST payments on purchases</td>
<td>(7,336)</td>
</tr>
<tr>
<td>GST payments to taxation authority</td>
<td>-</td>
</tr>
<tr>
<td>Other payments</td>
<td>(6,618)</td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
</tr>
<tr>
<td>Sale of goods and services</td>
<td>9,989</td>
</tr>
<tr>
<td>User charges and fees</td>
<td>16,497</td>
</tr>
<tr>
<td>Commonwealth grants and contributions</td>
<td>1,100</td>
</tr>
<tr>
<td>Interest received</td>
<td>-</td>
</tr>
<tr>
<td>GST receipts on sales</td>
<td>2,345</td>
</tr>
<tr>
<td>GST receipts from taxation authority</td>
<td>5,056</td>
</tr>
<tr>
<td>Other receipts</td>
<td>1,067</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) operating activities</strong></td>
<td><strong>(724,719)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>AASB 20.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 107.21</td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td></td>
</tr>
<tr>
<td>Purchase of non-current assets</td>
<td>(58,727)</td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of non-current assets</td>
<td>2,798</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) investing activities</strong></td>
<td><strong>(55,929)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>AASB 107.21</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 107.21</td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS FROM FINANCING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td></td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(8,035)</td>
</tr>
<tr>
<td>Other repayments</td>
<td>-</td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>2,400</td>
</tr>
<tr>
<td>Other proceeds</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) financing activities</strong></td>
<td><strong>(5,635)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>AASB 107.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 107.7</td>
<td></td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td>5,523</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>2,895</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</strong></td>
<td><strong>8,418</strong></td>
</tr>
</tbody>
</table>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.
**Guidance – statement of cash flows**

*Purchase of non-current assets – due to the capitalisation threshold where assets below $5,000 are to be expensed, the cash flows under investing activities represent the extent to which expenditure has been made for resources that are initially recognised as an asset in the Statement of Financial Position. Therefore, expenditure on items below $5,000 is to be accounted for under operating activities.*

*Cash and cash equivalent assets transferred to/from an agency as part of a distribution to/contribution by owners should be reported under ‘Cash flows from State Government’.*

Where finance costs represent leasing or interest expenses, agencies have a policy choice as to where to present these. In the model above they are shown as operating activities as the model assumes the costs are in relation to the operations of the agency as opposed to financing or investing matters of the agency.

These models have highlighted common cash flow line items. In some instances, such as interest received, these line items are not populated. Where an agency does not have values to populate against line items, these line items should not be shown.
### Summary of consolidated account appropriations and income estimates

**For the year ended 30 June 2019**

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 Estimate ($000)</th>
<th>2019 Actual ($000)</th>
<th>Variance ($000)</th>
<th>2019 Actual ($000)</th>
<th>2018 Actual ($000)</th>
<th>Variance ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Delivery of Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item X Net amount appropriated to deliver services</td>
<td>802,950</td>
<td>803,646</td>
<td>696</td>
<td>803,646</td>
<td>713,501</td>
<td>90,145</td>
</tr>
<tr>
<td>Section 25 Transfer of service appropriation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amount Authorised by Other Statutes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Salaries and Allowances Act 1975</td>
<td>150</td>
<td>200</td>
<td>50</td>
<td>200</td>
<td>200</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total appropriations provided to deliver services</strong></td>
<td>803,100</td>
<td>803,846</td>
<td>746</td>
<td>803,846</td>
<td>713,701</td>
<td>90,145</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item Y Capital appropriations</td>
<td>11,000</td>
<td>12,000</td>
<td>1,000</td>
<td>12,000</td>
<td>65,000</td>
<td>(53,000)</td>
</tr>
<tr>
<td><strong>Administered Transactions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item XX Administered grants, subsidies and other transfer payments</td>
<td>1,085</td>
<td>1,085</td>
<td>-</td>
<td>1,085</td>
<td>998</td>
<td>87</td>
</tr>
<tr>
<td>Item YY Administered capital appropriations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total administered transactions</strong></td>
<td>1,085</td>
<td>1,085</td>
<td>-</td>
<td>1,085</td>
<td>998</td>
<td>87</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>815,185</td>
<td>816,931</td>
<td>1,746</td>
<td>816,931</td>
<td>779,699</td>
<td>37,232</td>
</tr>
<tr>
<td><strong>Details of Expenses by Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td>363,774</td>
<td>354,924</td>
<td>(8,850)</td>
<td>354,924</td>
<td>320,103</td>
<td>34,821</td>
</tr>
<tr>
<td>Training and Assistance</td>
<td>261,790</td>
<td>254,415</td>
<td>(7,375)</td>
<td>254,415</td>
<td>229,207</td>
<td>25,208</td>
</tr>
<tr>
<td>Competition Policy</td>
<td>178,918</td>
<td>190,540</td>
<td>11,622</td>
<td>190,540</td>
<td>172,126</td>
<td>18,414</td>
</tr>
<tr>
<td><strong>Total Cost of Services</strong></td>
<td>804,482</td>
<td>799,879</td>
<td>(4,603)</td>
<td>799,879</td>
<td>721,436</td>
<td>78,443</td>
</tr>
<tr>
<td><strong>Less Total Income</strong></td>
<td>(30,774)</td>
<td>(33,101)</td>
<td>(2,327)</td>
<td>(33,101)</td>
<td>(34,637)</td>
<td>(1,536)</td>
</tr>
<tr>
<td><strong>Net Cost of Services</strong></td>
<td>773,708</td>
<td>766,778</td>
<td>(6,930)</td>
<td>766,778</td>
<td>686,799</td>
<td>79,979</td>
</tr>
<tr>
<td>Adjustments</td>
<td>29,392</td>
<td>37,068</td>
<td>7,676</td>
<td>37,068</td>
<td>26,902</td>
<td>10,166</td>
</tr>
<tr>
<td><strong>Total appropriations provided to deliver services</strong></td>
<td>803,100</td>
<td>803,846</td>
<td>746</td>
<td>803,846</td>
<td>713,701</td>
<td>90,145</td>
</tr>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of non-current assets</td>
<td>48,000</td>
<td>58,727</td>
<td>10,727</td>
<td>58,727</td>
<td>96,992</td>
<td>(38,265)</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>8,035</td>
<td>8,035</td>
<td>-</td>
<td>8,035</td>
<td>1,090</td>
<td>6,945</td>
</tr>
<tr>
<td>Adjustments for other funding sources</td>
<td>(45,035)</td>
<td>(54,762)</td>
<td>(9,727)</td>
<td>(54,762)</td>
<td>(33,082)</td>
<td>(21,680)</td>
</tr>
<tr>
<td><strong>Capital appropriations</strong></td>
<td>11,000</td>
<td>12,000</td>
<td>1,000</td>
<td>12,000</td>
<td>65,000</td>
<td>(53,000)</td>
</tr>
<tr>
<td><strong>Details of Income Estimates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income disclosed as Administered Income</td>
<td>5,929</td>
<td>5,995</td>
<td>66</td>
<td>5,995</td>
<td>5,130</td>
<td>865</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,929</td>
<td>5,995</td>
<td>66</td>
<td>5,995</td>
<td>5,130</td>
<td>865</td>
</tr>
</tbody>
</table>

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 10.1 ‘Disclosure of administered income and expenses by service’ and Note 10.2 ‘Explanatory statement for Administered Income and Expenses’ provide details of any significant variations between estimates and actual results for 2019 and between the actual results for 2019 and 2018.
Guidance – summary of consolidated account appropriations and income estimates

Departments will need to adapt the summary of consolidated account appropriations and income estimates where activities are transferred to/from government departments or not-for-profit statutory authorities as a result of a restructure of administrative arrangements.

Transferee government departments must disclose in the notes to the financial statements the expenses and revenues attributable to the transferred activities for the reporting period, showing separately those expenses and revenues recognised by the transferor agency during the reporting period.

Alternately, not-for-profit statutory authorities do not prepare a summary of consolidated account appropriations and income estimates, and must therefore make alternate disclosures in the notes to the statements for expenses and revenues attributable to the transferred activities for the reporting period, showing separately those expenses and revenues recognised by the transferor agency during the reporting period.

This disclosure requirement applies to all agencies except Gold Corporation.
Notes to the financial statements

1. Basis of preparation

The Agency is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The Agency is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the ‘Overview’ which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the Agency on 1 September 2019.

Statement of compliance

These general purpose financial statements are prepared in accordance with:

1. The Financial Management Act 2006 (FMA)
2. The Treasurer’s Instructions (the Instructions or TI)
3. Australian Accounting Standards (AAS) including applicable interpretations
4. Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The Financial Management Act 2006 and the Treasurer’s Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had 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.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars ($’000).

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Contributed equity

AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 Contributions by Owners made to Wholly Owned Public Sector Entities and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.
Guidance – basis of preparation and reporting entity

Judgements, estimates and assumptions:
In preparing financial statements, the nature of significant judgements, estimates and assumptions made by management need to be disclosed. The following disclosures are required:

- The fact that significant assumptions, judgements and estimates were made;
- The nature of the significant assumptions, judgements and estimates;
- How these were made (the method used).

Examples include operating lease commitments, valuation of investments, and impairment of infrastructure, property, plant and equipment etc.

In these financial statements where judgements have been made they have been included in the relevant note along with the policy description.

Agencies should consider carefully where there are material judgements and estimates they are making in the recognition and measurement of financial statement items. Agencies may have more judgements and estimates than are disclosed in these model statements.

Key sources of estimation uncertainty
An agency shall disclose in the notes information about the key assumptions 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. In respect of those assets and liabilities, the notes shall include details of:

(a) Their nature; and
(b) Their carrying amount at the end of the reporting period.

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period.

These disclosures are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on recently observed market prices.

Other significant judgements:
In addition, significant judgements and assumptions made (and changes to those judgements and assumptions) need to be disclosed in determining:

- That it controls another entity;
- That it has joint control of an arrangement or significant influence over another entity;
- The type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle;
- Whether financial assets are held to maturity investments;
- When substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;
- Whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to income; and
- Whether the substance of the relationship between the agency and a special purpose entity indicates that the special purpose entity is controlled by the agency.
2. Agency outputs

How the Agency operates

This section includes information regarding the nature of funding the Agency receives and how this funding is utilised to achieve the Agency’s objectives. This note also provides the distinction between controlled funding and administered funding:

<table>
<thead>
<tr>
<th>Note</th>
<th>Agency objectives</th>
<th>Schedule of Income and Expenses by Service</th>
<th>Schedule of Assets and Liability by Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Agency objectives</td>
<td>Schedule of Income and Expenses by Service</td>
<td>Schedule of Assets and Liability by Service</td>
</tr>
</tbody>
</table>

2.1 Agency objectives

AASB 1052.15(b)

Mission

The Agency’s mission is to provide leadership, support and services to ensure that Western Australians have easy and affordable access to a diverse range of information technology.

The Agency is predominantly funded by Parliamentary appropriations. It also provides information technology services on a fee-for-service basis. The fees charged are determined by prevailing market forces.

AASB 1052.15(a)

Services

The Agency provides the following services:

Service 1: Information Technology

Comprises various information technology services to the public sector.

Service 2: Training and Assistance

Comprises various training and assistance activities relating to information technology, including seminars and training courses.

Service 3: Competition Policy

Ensures that the competitiveness of the technology industry in the public sector is maintained and improved continuously.

Alternative disclosure (departments only)

AASB 1050.7

- The agency administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to, the function of the agency.
- These administered balances and transactions are not recognised in the principal financial statements of the agency but schedules are prepared using the same basis as the financial statements and are presented at Note 10.1 ‘Disclosure of administered income and expenses by service’ and Note 10.3 ‘Administered assets and liabilities’.
Guidance – disaggregated disclosures (background)

AASB 1052 Disaggregated Disclosures requires agencies to make disclosures that allow users to understand and assess the performance of an agency in utilising funds made available to it.

A complete set of financial statements includes:

(a) In summarised form, the identity and purpose of each major activity undertaken by the government agency during the reporting period;

(b) If not otherwise disclosed in, or in conjunction with, the government agency’s complete set of financial statements, a summary of the government agency’s objectives;

(c) Expenses reliably attributable to each of the activities identified in (a) above, showing separately each major class of expenses; and

(d) Income reliably attributable to each of the activities identified in (a) above, showing separately user charges, income from government and other income by major class of income.

Agencies are required to demonstrate their achievement of service delivery objectives as well as financial objectives. Throughout the annual report, information must be presented in a manner that allows for the assessment of the agency’s achievement of their objectives.

The agency output note includes a summary of the services and the mission of the agency. The language used should be simple and clearly articulate the objectives of the agency.

Each activity of the agency should be summarised and set out in the ‘Services’ section.

The objectives of the agency should be articulated in the ‘Mission’ section of the annual report.

These messages may be included in other sections of the annual report, as such agencies should take care to ensure a consistent message is conveyed throughout the entire annual report.
### 2.2 Schedule of income and expenses by service

**For the year ended 30 June 2019**

<table>
<thead>
<tr>
<th>Service</th>
<th>Information Technology</th>
<th>Training &amp; Assistance</th>
<th>Competition Policy</th>
<th>General-Not Attributed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019 ($000)</td>
<td>2018 ($000)</td>
<td>2019 ($000)</td>
<td>2018 ($000)</td>
<td>2019 ($000)</td>
</tr>
<tr>
<td><strong>COST OF SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>294,693</td>
<td>263,585</td>
<td>214,322</td>
<td>191,753</td>
<td>160,742</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td>12,595</td>
<td>12,780</td>
<td>12,060</td>
<td>12,237</td>
<td>8,675</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>4,028</td>
<td>3,662</td>
<td>3,806</td>
<td>3,460</td>
<td>1,967</td>
</tr>
<tr>
<td>Other</td>
<td>43,608</td>
<td>40,076</td>
<td>24,227</td>
<td>21,757</td>
<td>19,156</td>
</tr>
<tr>
<td><strong>Total cost of services</strong></td>
<td>354,924</td>
<td>320,103</td>
<td>254,415</td>
<td>229,207</td>
<td>190,540</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>User charges and fees</td>
<td>8,973</td>
<td>8,157</td>
<td>4,994</td>
<td>4,540</td>
<td>2,530</td>
</tr>
<tr>
<td>Sales</td>
<td>7,117</td>
<td>6,470</td>
<td>4,180</td>
<td>3,800</td>
<td>2,970</td>
</tr>
<tr>
<td>Commonwealth grants and contributions</td>
<td>1,100</td>
<td>1,000</td>
<td>-</td>
<td>-</td>
<td>1,100</td>
</tr>
<tr>
<td>Other revenue</td>
<td>448</td>
<td>407</td>
<td>394</td>
<td>358</td>
<td>225</td>
</tr>
<tr>
<td>Gain on disposal of non-current assets</td>
<td>170</td>
<td>4,700</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total income other than income from State Government</strong></td>
<td>17,808</td>
<td>20,734</td>
<td>9,568</td>
<td>8,698</td>
<td>5,725</td>
</tr>
<tr>
<td><strong>NET COST OF SERVICES</strong></td>
<td>337,116</td>
<td>299,369</td>
<td>244,847</td>
<td>220,509</td>
<td>184,815</td>
</tr>
<tr>
<td><strong>INCOME FROM STATE GOVT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service appropriation</td>
<td>364,812</td>
<td>323,901</td>
<td>299,156</td>
<td>265,608</td>
<td>139,878</td>
</tr>
<tr>
<td>Liabilities assumed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>124,192</td>
</tr>
<tr>
<td>Assets transferred</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Services received free of charge</td>
<td>660</td>
<td>600</td>
<td>594</td>
<td>540</td>
<td>341</td>
</tr>
<tr>
<td>Royalties for Regions Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total income from State Government</strong></td>
<td>365,472</td>
<td>324,501</td>
<td>299,750</td>
<td>266,148</td>
<td>140,219</td>
</tr>
<tr>
<td><strong>SURPLUS/DEFICIT FOR THE PERIOD</strong></td>
<td>28,356</td>
<td>25,132</td>
<td>54,903</td>
<td>45,639</td>
<td>-</td>
</tr>
</tbody>
</table>

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.
**Guidance – schedule of income and expenses by service**

AASB 1052.15

Agencies should disclose income and expenses reliably attributable to each of the activities, showing separately each major class of income and expenses.

*Income and expenses should only be attributed to the extent that they can be reliably attributed. The model report has assumed that all items could be reliably attributed, however a column has been included for demonstration purposes for where an agency cannot identify all income and expenditure to be allocated to the relevant services.*

**Alternative disclosure**

- Where there is only one service it is not necessary to prepare these tables. Instead, agencies should disclose:
- Our agency is only responsible for delivering one service as set out above. All income, expenditure, assets and liabilities are in relation to the delivery of this service.
### 2.3 Schedule of assets and liabilities by service

**As at 30 June 2019**

<table>
<thead>
<tr>
<th>Information Technology</th>
<th>Training &amp; Assistance</th>
<th>Competition Policy</th>
<th>General–Not Attributed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong> ($000)</td>
<td><strong>2018</strong> ($000)</td>
<td><strong>2019</strong> ($000)</td>
<td><strong>2018</strong> ($000)</td>
<td><strong>2019</strong> ($000)</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>587,475</td>
<td>521,488</td>
<td>516,867</td>
<td>461,187</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>607,690</strong></td>
<td><strong>538,172</strong></td>
<td><strong>535,991</strong></td>
<td><strong>476,884</strong></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>8,948</td>
<td>10,256</td>
<td>7,116</td>
<td>8,789</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>5,086</td>
<td>1,381</td>
<td>5,764</td>
<td>1,407</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>14,034</strong></td>
<td><strong>11,637</strong></td>
<td><strong>12,880</strong></td>
<td><strong>10,196</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td><strong>593,656</strong></td>
<td><strong>526,535</strong></td>
<td><strong>523,111</strong></td>
<td><strong>466,688</strong></td>
</tr>
</tbody>
</table>

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.

**Guidance – schedule of assets and liabilities by service**

AASB 1052.16

Departments should disclose assets and liabilities reliably attributable to each of the activities, showing separately each major class of assets and liabilities. Statutory Authorities may elect to present this information, but the minimum reporting obligation is imposed on Departments.

Assets and liabilities should only be attributed to the extent that they can be reliably attributed. The model report has assumed that all items could be reliably attributed, however a column has been included for demonstration purposes for where an agency cannot identify all income and expenditure to be allocated to the relevant services.

**Alternative disclosure**

Where there is only one service it is not necessary to prepare these tables. Instead, agencies should disclose:

- Our agency is only responsible for delivering one service as set out above. All income, expenditure, assets and liabilities are in relation to the delivery of this service.
3. Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how the Agency’s funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Agency in achieving its objectives and the relevant notes are:

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1(a)</td>
<td>Employee benefits expenses</td>
<td>669,757</td>
<td>599,002</td>
</tr>
<tr>
<td>3.1(b)</td>
<td>Employee related provisions</td>
<td>29,370</td>
<td>14,965</td>
</tr>
<tr>
<td>3.2</td>
<td>Grants and subsidies</td>
<td>9,801</td>
<td>8,910</td>
</tr>
<tr>
<td>3.3</td>
<td>Other expenditure</td>
<td>81,168</td>
<td>75,657</td>
</tr>
</tbody>
</table>

Guidance – expenditure

When items included in ‘Expenses’ are material, their nature and amounts need to be disclosed separately, either in the statement of comprehensive income or in the notes to the financial statements. Expenses can be classified by either ‘nature’ or ‘function’ depending on which classification provides more reliable and relevant information.

In the illustrative disclosures, the agency classifies its expenses by nature. Expenses are recorded on the face of the statement of comprehensive income and further disaggregated in the notes.

Note that ‘Other expenditure’, for which no description of the nature is disclosed, cannot exceed 10% of total expenses. Agencies should review their categories of expenses and ensure that they are providing users with the appropriate level of detail to understand how the agency is utilising its funding.
3.1(a) Employee benefits expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>636,757</td>
<td>569,002</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Superannuation – defined contribution plans(a)</td>
<td>33,000</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Total employee benefits expenses</strong></td>
<td><strong>669,757</strong></td>
<td><strong>599,002</strong></td>
</tr>
</tbody>
</table>

(a) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

**Wages and salaries:** Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, and leave entitlements.

**Termination benefits:** Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Agency is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

**Superannuation:** The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole-of-government reporting. It is however a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Agency to GESB extinguishes the Agency’s obligations to the related superannuation liability.

The Agency does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The Liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Agency to the GESB.

The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Termination benefits have been included as a line item, and the associated policy note has also been included above. If the agency does not have such expenses in a given financial period these should be excluded from the annual report.
3.1(b) Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are *delivered*.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employee benefits provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual leave(^a)</td>
<td>11,136</td>
<td>10,124</td>
</tr>
<tr>
<td>Long service leave(^b)</td>
<td>2,614</td>
<td>2,376</td>
</tr>
<tr>
<td>Deferred salary scheme(^c)</td>
<td>4,828</td>
<td>52</td>
</tr>
<tr>
<td><strong>Total current employee related provisions</strong></td>
<td><strong>18,578</strong></td>
<td><strong>12,552</strong></td>
</tr>
<tr>
<td><strong>Other provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment on-costs(^d)</td>
<td>1,517</td>
<td>1,505</td>
</tr>
<tr>
<td><strong>Total current employee related provisions</strong></td>
<td><strong>20,095</strong></td>
<td><strong>14,057</strong></td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employee benefits provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long service leave(^b)</td>
<td>8,333</td>
<td>666</td>
</tr>
<tr>
<td><strong>Other provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment on-costs(^d)</td>
<td>942</td>
<td>242</td>
</tr>
<tr>
<td><strong>Total non-current employee related provisions</strong></td>
<td><strong>9,275</strong></td>
<td><strong>908</strong></td>
</tr>
<tr>
<td><strong>Total employee related provisions</strong></td>
<td><strong>29,370</strong></td>
<td><strong>14,965</strong></td>
</tr>
</tbody>
</table>

\(^a\) **Annual leave liabilities**: Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 12 months of the end of the reporting period</td>
<td>10,746</td>
<td>9,820</td>
</tr>
<tr>
<td>More than 12 months after the end of the reporting period</td>
<td>390</td>
<td>304</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,136</strong></td>
<td><strong>10,124</strong></td>
</tr>
</tbody>
</table>

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

*This model is prepared on the expectation that it is unlikely for annual leave to be settled wholly within 12 months after the end of the reporting period.*

Therefore, the model characterises annual leave as ‘other long-term employee benefits’, recognising and measuring the liability for employee benefits at present value.

Where annual leave is expected to be settled wholly within 12 months after the end of the reporting period, the liability may be recognised and measured at nominal amounts.
(b) Long service leave liabilities: Unconditional long service leave provisions are classified as current liabilities as the Agency does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 12 months of the end of the reporting period</td>
<td>2,614</td>
<td>2,376</td>
</tr>
<tr>
<td>More than 12 months after the end of the reporting period</td>
<td>8,333</td>
<td>666</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,947</strong></td>
<td><strong>3,042</strong></td>
</tr>
</tbody>
</table>

The provision for long service leave are calculated at present value as the Agency does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(c) Deferred salary scheme liabilities: Classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 12 months of the end of the reporting period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>More than 12 months after the end of the reporting period</td>
<td>4,828</td>
<td>52</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,828</strong></td>
<td><strong>52</strong></td>
</tr>
</tbody>
</table>

(d) Employment on-costs: The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers’ compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers’ compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of ‘Other expenses, Note 3.3 (apart from the unwinding of the discount (finance cost))’ and are not included as part of the Agency’s ‘employee benefits expense’. The related liability is included in ‘Employment on-costs provision’.

Employment on-costs provision

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at start of period</td>
<td>242</td>
<td>892</td>
</tr>
<tr>
<td>Additional/(reversals of) provisions recognised</td>
<td>6,040</td>
<td>5,491</td>
</tr>
<tr>
<td>Payments/other sacrifices of economic benefits</td>
<td>(5,400)</td>
<td>(6,191)</td>
</tr>
<tr>
<td>Unwinding of the discount</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td><strong>Carrying amount at end of period</strong></td>
<td><strong>942</strong></td>
<td><strong>242</strong></td>
</tr>
</tbody>
</table>
Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the Agency’s long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

---

Guidance – deferred salary

Deferred salary schemes represent agreements between the agency and individual employees, whereby the employee sacrifices salary in order to purchase additional leave. The liability for leave is measured on a discounted basis by calculating the present value of estimated future cash outflows.

Disclose any 48/52 leave arrangements in place as a separate line item similar to the Deferred salary scheme.

Recognised sick leave provisions should be disclosed as a separate line item.

---

Guidance – employee benefits

Entities classifying expenses by function shall disclose additional information on the nature of expenses, including employee benefits expense.

**Distinction between short-term and long-term employee benefits**

Employee benefits are classified as short-term when they are expected to be settled wholly within 12 months after the employees render the related services. For instance, the characterisation of annual leave benefit is mutually exclusive and it cannot be apportioned to ‘short-term benefits’ and ‘other long-term benefits’.

Government agencies should review their current short-term employee benefits to ensure their classification remains appropriate.

**Measurement of short-term and long-term employee benefits**

Short-term employee benefits are accounted for on an undiscounted basis in the period in which the related service is rendered. For employee benefits that are classified as long-term, the obligations are measured at present value (discounted basis). The decision tree below highlights the process considering the ‘short-term/long-term’ classification and measurement. It is generally expected that accrued annual leave will not be wholly settled before the end of the next annual reporting period, so that the provisions will need to be measured at present value (on a discounted basis).
NOTES TO THE FINANCIAL STATEMENTS

**Guidance – employee benefits**

AASB 101.78

AASB 101.69(d)

**Unit of account**

The definition of short-term employee benefits introduces the notion of ‘wholly’. The expectation of the timing of settlement is based on the agency level, not at the individual employee level.

It is unnecessary for agencies to obtain detailed information of each employee’s anticipated timing for their leave settlement. However, they should form their own reasonable expectations and document the timing of expected annual leave settlement. Expectations of characterisation of annual leave benefits being construed as ‘short-term employee benefits’ requires a greater onus of evidence to justify the calculation of the benefit at nominal values without discounting.

This Model Report assumes the annual leave accrued by the agency as at 30 June 2019 is not expected to be settled wholly within 12 months thereafter. Accordingly, the provision for annual leave is classified as ‘other long-term benefits’ for measurement purposes, and is discounted to its present value.

The Model Report assumes the discounting method is done on an annual basis, and entities are encouraged to adopt similar assumptions to ensure the consistency of agency reports.

**Provision for on-costs**

On-costs, such as payroll tax and workers’ compensation insurance, are recognised as liabilities when the employment to which they relate has occurred. They are not employee benefits and are to be disclosed separately from provisions for employee benefits.

**Current/non-current classification of employee benefits**

All annual leave and unconditional vested long service leave are disclosed as a current liabilities. This is based on the assumption that the agency cannot avoid settling these liabilities within 12 months.

Conditional long service leave (less than seven years of continuous service) is disclosed as a non-current liability.

In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated timing of benefit payments.
3.2 Grants and subsidies

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recurrent</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Function A</td>
<td>6,095</td>
<td>5,544</td>
</tr>
<tr>
<td>Agency A</td>
<td>164</td>
<td>146</td>
</tr>
<tr>
<td>Royalties for Regions Fund – Regional Infrastructure and Headworks Account</td>
<td>77</td>
<td>70</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Function B</td>
<td>935</td>
<td>850</td>
</tr>
<tr>
<td>Industry group</td>
<td>2,530</td>
<td>2,300</td>
</tr>
<tr>
<td><strong>Total grants and subsidies</strong></td>
<td><strong>9,801</strong></td>
<td><strong>8,910</strong></td>
</tr>
</tbody>
</table>

Transactions in which the Agency provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as ‘Grant expenses’. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

Guidance – grants and subsidies

Broad categories of recipients must be disclosed in the notes to the Financial Statements under ‘Grants and Subsidies’, where material. Presentation of grants and subsidies expenditures should be tailored to the needs of users reliant on general purpose financial statements and reflect discharge of accountability requirements. To achieve this, a mixture of classifications may be required. These classifications can be based on sector, function, project, destination/recipient or a combination of these classifications, as appropriate.

Classification by sector may entail distinguishing public sector, private sector, private sector NFP recipients. Alternatively, the profile of the sector might be significant for transparency purposes (e.g. schools, households or sporting clubs).

Functional classification may incorporate differentiation between grants for research, targeted subsidy schemes, donations and sponsorships. Grants for research can be further disaggregated by area of research, distinguishing differences in the funding of aquaculture research, environmental research or digital system research.
This model is presented on the basis that the names of the agencies to which services or contributions have been provided free of charge and the aggregate fair value of such services or contributions have been identified as required by TI 1102(10).

Where grants and subsidies are presented on a different basis, agencies are required to disclose the names of the agencies and the aggregate fair value of the services or contributions provided free of charge in a separate note.

Have you identified and disclosed all grants and subsidies? Previous year model reports have highlighted example disclosures material grants. Agencies should ensure adequate line item disclosure is made for material grants on issue by the government. As an example:

* Royalties for Regions Funds – Regional Community Services Account

### Reference

#### 3.3 Other expenditure

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplies and services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>16,302</td>
<td>14,820</td>
</tr>
<tr>
<td>Consultants and contractors</td>
<td>15,318</td>
<td>13,925</td>
</tr>
<tr>
<td>Consumables</td>
<td>8,910</td>
<td>8,100</td>
</tr>
<tr>
<td>Materials</td>
<td>19,591</td>
<td>17,810</td>
</tr>
<tr>
<td>Travel</td>
<td>1,489</td>
<td>1,390</td>
</tr>
<tr>
<td>Other</td>
<td>370</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total supplies and services expenses</strong></td>
<td><strong>61,980</strong></td>
<td><strong>56,345</strong></td>
</tr>
<tr>
<td>Accommodation expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease rentals</td>
<td>5,214</td>
<td>4,740</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>1,452</td>
<td>1,320</td>
</tr>
<tr>
<td>Cleaning</td>
<td>297</td>
<td>270</td>
</tr>
<tr>
<td><strong>Total accommodation expenses</strong></td>
<td><strong>6,963</strong></td>
<td><strong>6,330</strong></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restoration costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Building and infrastructure maintenance</td>
<td>1,040</td>
<td>945</td>
</tr>
<tr>
<td>Equipment repairs and maintenance</td>
<td>3,933</td>
<td>3,575</td>
</tr>
<tr>
<td>Doubtful debts expense</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td><strong>AASB 7.20(a)(vi)</strong> Expected credit losses expense(a)</td>
<td>90</td>
<td>-</td>
</tr>
<tr>
<td>Australian Accounting Standards software modification costs</td>
<td>550</td>
<td>500</td>
</tr>
<tr>
<td>Warranties expense</td>
<td>42</td>
<td>38</td>
</tr>
<tr>
<td>Employment on-costs</td>
<td>6,040</td>
<td>5,491</td>
</tr>
<tr>
<td>Loss from earthquake(b)</td>
<td>-</td>
<td>1,250</td>
</tr>
<tr>
<td><strong>AASB 5.15</strong> Write-down of non-current assets classified as held for sale</td>
<td>470</td>
<td>1,100</td>
</tr>
<tr>
<td><strong>AASB 138.126</strong> Research and development costs expensed</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Other [List type of other expenses]</td>
<td>60</td>
<td>55</td>
</tr>
<tr>
<td><strong>Total other expenses</strong></td>
<td><strong>12,225</strong></td>
<td><strong>12,982</strong></td>
</tr>
<tr>
<td><strong>Total other expenditure</strong></td>
<td><strong>81,168</strong></td>
<td><strong>75,657</strong></td>
</tr>
</tbody>
</table>

(a) Expected credit losses were not required to be measured in 2017-18.
(b) Plant and Equipment (2018:$370,000), Other (2018:$880,000).
Supplies and services:
Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Accommodation expenses:
Operating lease payments are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. [AASB 117.33]

Repairs, maintenance and cleaning costs are recognised as expenses as incurred.

Other:
Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Building and infrastructure maintenance and equipment repairs and maintenance: Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

Doubtful debts expense was recognised as the movement in the allowance for doubtful debts. From 2018-19, expected credit losses expense is recognised as the movement in the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The Agency has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Refer to note 6.1.1 Movement in the allowance for impairment of receivables.

Australian Accounting Standards software modification costs are recognised as expenses as incurred.

Warranties expenses are recognised as the movement in the provision for warranty claims. Please refer to note 6.6.1 Provisions for warranty claims for more detail.

Employee on-cost includes workers’ compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at Note 3.1(b) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

Write-down of non-current assets classified as held for sale to the lower of carrying amount and fair value less selling costs.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Guidance – other expenditure
Material income or expenses should be disclosed separately.
For example, include notes on impairment losses and revaluation decrements, where they are material enough to warrant disclosure.
4. Our funding sources

How we obtain our funding

This section provides additional information about how the Agency obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Agency and the relevant notes are:

<table>
<thead>
<tr>
<th>Reference</th>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 1004.63</td>
<td>Income from State Government</td>
<td>4.1</td>
<td>805,441</td>
</tr>
<tr>
<td>AASB 118. 35(b)</td>
<td>User charges and fees</td>
<td>4.2</td>
<td>16,497</td>
</tr>
<tr>
<td></td>
<td>Sales</td>
<td>4.3</td>
<td>14,267</td>
</tr>
<tr>
<td></td>
<td>Commonwealth grants and</td>
<td>4.4</td>
<td>1,100</td>
</tr>
<tr>
<td></td>
<td>contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 1004.18</td>
<td>Gains</td>
<td>4.5</td>
<td>1,237</td>
</tr>
</tbody>
</table>
4.1 Income from State Government

<table>
<thead>
<tr>
<th>Reference</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 1004.18</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Appropriation received during the period:</td>
<td>($000)</td>
<td>($000)</td>
</tr>
<tr>
<td>Service appropriation(a)</td>
<td>803,846</td>
<td>713,701</td>
</tr>
<tr>
<td>Liabilities assumed by other State government agencies during the period:(b)</td>
<td>803,846</td>
<td>713,701</td>
</tr>
<tr>
<td>Detail</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities assumed</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assets transferred from/(to) other State government agencies during the period:(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total assets transferred</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AASB 1004.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services received free of charge from other State government agencies during the period:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Technology Commission</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Finance - Building and Management Works</td>
<td>595</td>
<td>450</td>
</tr>
<tr>
<td>Total services received</td>
<td>1,595</td>
<td>1,450</td>
</tr>
<tr>
<td>Royalties for Regions Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Infrastructure and Headworks Account(c)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Regional Community Services Account(c)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Royalties for Regions Fund</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total income from State Government</td>
<td>805,441</td>
<td>715,151</td>
</tr>
</tbody>
</table>

(a) **Service Appropriations** are recognised as revenues at fair value in the period in which the Agency gains control of the appropriated funds. The Agency gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the ‘Amounts receivable for services’ (holding account) held at Treasury.

(b) **Transfer of assets:** Discretionary transfers of assets (including grants) and liabilities between State government agencies are reported under Income from State Government. Transfers of assets and liabilities in relation to a restructure of administrative arrangements are recognised as distribution to owners by the transferor and contribution by owners by the transferee under AASB 1004. Other non-discretionary non-reciprocal transfers of assets and liabilities designated as contributions by owners under TI 955 are also recognised directly to equity.

(c) **The Regional Infrastructure and Headworks Account, and, Regional Community Services Accounts** are sub-funds within the over-arching ‘Royalties for Regions Fund’. The recurrent funds are committed to projects and programs in WA regional areas and are recognised as revenue when the Agency gains control on receipt of the funds.
**Guidance – income from State Government**

Where another State government agency has assumed a liability, the agency recognises revenue equivalent to the amount of the liability assumed and an expense relating to the nature of the event or events that initially gave rise to the liability in order to disclose the true cost of services.

Where assets or services have been received free of charge or for nominal cost, the agency recognises revenue (and assets or expenses) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated.

**Agencies receiving capital works project management services free of charge from Finance** are required to recognise the revenue at fair value.

---

**Reference**

**4.2 User charges and fees**

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>User charges</td>
<td>9,677</td>
<td>8,797</td>
</tr>
<tr>
<td>Fees</td>
<td>6,820</td>
<td>6,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,497</strong></td>
<td><strong>14,997</strong></td>
</tr>
</tbody>
</table>

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

Revenue is recognised by reference to the stage of completion of the transaction [for relevant services].

Please note that the accounting policy for user charges and fees, as noted above, is a generic accounting policy and should be tailored to suit your relevant agency.

Fees and charges in subsidiary legislation are generally set at a level that is authorised by statute under which the subsidiary legislation is made.

Agencies should ensure that their fees and charges are a reasonable reflection of costs, though factors such as competitive neutrality and government policy objectives may alter this situation.

---

**Guidance – user charges and fees**

Fees and charges in subsidiary legislation are generally set annually at a level that is authorised by statute under which the subsidiary legislation is made.

Agencies should ensure that their fees and charges are a reasonable reflection of costs, though factors such as competitive neutrality and government policy objectives may alter this situation.

**Net Appropriation Determination (Departments only)**

Net Appropriation Determinations published by the Treasurer may allow a department to retain prescribed receipts.

Where relevant, user charges and fees retained by departments under authority of a Net Appropriation Determination should be described in the accounting policy note accompanying this section.
4.3 Trading profit

<table>
<thead>
<tr>
<th>Reference</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 101.82(a), 103</td>
<td>Sales</td>
<td>14,267</td>
</tr>
<tr>
<td>AASB 118.35(b)</td>
<td>Cost of Sales:</td>
<td></td>
</tr>
<tr>
<td>AASB 102.36</td>
<td>Opening Inventory</td>
<td>(16,375)</td>
</tr>
<tr>
<td>AASB 102.38</td>
<td>Purchases</td>
<td>(7,495)</td>
</tr>
<tr>
<td>AASB 102.36</td>
<td>Closing Inventory</td>
<td>18,310</td>
</tr>
<tr>
<td>AASB 102.36(d)</td>
<td>Cost of Goods Sold</td>
<td>(5,560)</td>
</tr>
<tr>
<td></td>
<td>Trading Profit</td>
<td>8,707</td>
</tr>
</tbody>
</table>

Closing Inventory comprises:

Current Inventories
- Raw materials & stores (at cost) 9,100 6,365
- Work in progress (at cost) 2,510 3,495

Finished goods
- At cost 4,570 4,545
- At net realisable value 2,130 1,970

Total current inventories 18,310 16,375

Non-current Inventories
[List classes of inventories] - -

Total non-current inventories - -

Total Inventories 18,310 16,375

Sales

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate for each particular class of inventory, with the majority being measured on a first in first out basis [specify other cost methods used].

Inventories not held for resale are measured at cost unless they are no longer required, in which case they are measured at net realisable value.

Please note that the accounting policy for sales, as noted above, is a generic accounting policy and should be tailored to suit your relevant agency.

This model presents a detailed trading profit note for illustration purposes to assist agencies determining their Total Cost of Services.

Agencies should consider the materiality of the line items and make appropriate disclosures, where sales is represented by multiple line items. As an example, a trading profit note may not be necessary for financial reporting purposes.
Guidance – inventories

The financial statements shall disclose:
(a) The accounting policies adopted in measuring inventories, including the cost formula used;
(b) The total carrying amount of inventories and the carrying amount in classifications appropriate to the agency;
(c) The carrying amount of inventories carried at fair value less costs to sell;
(d) The amount of inventories recognised as an expense during the period;
(e) The amount of any write down of inventories recognised as an expense in the period;
(f) The amount of any reversal of any write down that is recognised as a reduction in the amount of inventories recognised as expense in the period;
(g) The circumstances or events that led to the reversal of a write down of inventories; and
(h) The carrying amount of inventories pledged as security for liabilities.

Other considerations:
Inventories ‘held for distribution’ by not-for-profit entities must be disclosed separately in the notes and measured at cost, adjusted when applicable for any loss of service potential.

Note that these models do not include inventory write down. Agencies should ensure they consider their inventory valuations and make the appropriate disclosures should a write down be required.
4.4 Commonwealth grants and contributions

<table>
<thead>
<tr>
<th>Reference</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 1004.11</td>
<td>Capital grants</td>
<td>1,100</td>
</tr>
</tbody>
</table>

Capital grants for 2019 include a non-reciprocal grant of $500,000 from the Commonwealth Department of Information Technology. The terms of the grant specify that it must be used to fund the research and development project on software development for public sector accounting. The grant has been recognised in its entirety upon receipt as the only condition applying to its use is how it can be expended and it is not subject to performance measures in terms of service delivery. At 30 June 2019, $450,000 of the grant has been spent.

For **non-reciprocal grants**, the Agency recognises revenue when the grant is receivable at its fair value as and when its fair value can be reliably measured. Contributions of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

**Guidance – grants**

- **AASB 1004.60(b), (d)**: Where contributions have been recognised as income during the reporting period and were provided specifically for the provisions of goods and services over a future reporting period, the nature, amounts and the periods to which they relate must be disclosed.

- **AASB 1004.60(e)**: Where contributions have been recognised as income in a previous reporting period that were obtained in respect of the current reporting period, the nature and amounts must be disclosed.
### 4.5 Gains

<table>
<thead>
<tr>
<th>Net proceeds from disposal of non-current assets</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>990</td>
<td>-</td>
</tr>
<tr>
<td>Plant, equipment and vehicles</td>
<td>1,808</td>
<td>11,190</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Carrying amount of non-current assets disposed</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>(690)</td>
<td>-</td>
</tr>
<tr>
<td>Plant, equipment and vehicles</td>
<td>(1,938)</td>
<td>(6,490)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net gain/(loss)</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>170</td>
<td>4,700</td>
</tr>
</tbody>
</table>

**Realised and unrealised gains** are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the statement of comprehensive income (from the proceeds of sale).

---

**Guidance – other income**

- Net disposal proceeds are gross proceeds less costs to sell. Costs to sell (e.g. sales commissions netted from agency receipts) are ordinarily immaterial. Where the amounts are material, additional disclosure is warranted.

- Insured non-current assets written-off as a result of an insurable event should be treated as other expenses (write-off of assets destroyed by fire/storm/earthquake etc.). The subsequent insurance recovery is to be treated as other revenue when it is received or receivable.

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Did you have instances of:
- Material reversals of impairments; and
- Revaluation increments (offsetting decrements).

These will need to be disclosed as other gains.
5. Key assets

Assets the Agency utilises for economic benefit or service potential

This section includes information regarding the key assets the Agency utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure, property, plant and equipment</td>
<td>1,372,423</td>
<td>1,249,843</td>
</tr>
<tr>
<td>Intangibles</td>
<td>455</td>
<td>1,008</td>
</tr>
<tr>
<td><strong>Total key assets</strong></td>
<td><strong>1,372,878</strong></td>
<td><strong>1,250,851</strong></td>
</tr>
</tbody>
</table>
## 5.1 Infrastructure, property, plant and equipment

<table>
<thead>
<tr>
<th>Year ended 30 June 2018</th>
<th>Land ($000)</th>
<th>Buildings ($000)</th>
<th>Buildings under construction ($000)</th>
<th>Plant, equipment and vehicles ($000)</th>
<th>Office equipment ($000)</th>
<th>Infrastructure equipment ($000)</th>
<th>Leased plant, equipment and vehicles ($000)</th>
<th>Leased office equipment ($000)</th>
<th>Works of art ($000)</th>
<th>Total ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>93,500</td>
<td>418,925</td>
<td>70,000</td>
<td>18,344</td>
<td>800</td>
<td>612,079</td>
<td>10,580</td>
<td>2,097</td>
<td>150</td>
<td>1,226,475</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>(38,032)</td>
<td>-</td>
<td>(2,486)</td>
<td>(44)</td>
<td>(14,202)</td>
<td>(2,116)</td>
<td>(400)</td>
<td>-</td>
<td>(57,280)</td>
</tr>
<tr>
<td>Accumulated impairment loss</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Carrying amount at start of period</strong></td>
<td><strong>93,500</strong></td>
<td><strong>380,893</strong></td>
<td><strong>70,000</strong></td>
<td><strong>15,858</strong></td>
<td><strong>756</strong></td>
<td><strong>597,877</strong></td>
<td><strong>8,464</strong></td>
<td><strong>1,697</strong></td>
<td><strong>150</strong></td>
<td><strong>1,169,195</strong></td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>57,239</td>
<td>26,090</td>
<td>2,155</td>
<td>-</td>
<td>10,000</td>
<td>-</td>
<td>1,508</td>
<td>-</td>
<td>96,992</td>
</tr>
<tr>
<td>Transfers(a)</td>
<td>(1,090)</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,090)</td>
</tr>
<tr>
<td>Other disposals</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revaluation increments/(decrements)</td>
<td>5,500</td>
<td>18,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25,500</td>
</tr>
<tr>
<td>Impairment losses(b)</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment losses reversed(b)</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>(17,422)</td>
<td>-</td>
<td>(4,097)</td>
<td>(50)</td>
<td>(8,800)</td>
<td>(2,703)</td>
<td>(354)</td>
<td>-</td>
<td>(33,426)</td>
</tr>
<tr>
<td>Write-off of assets destroyed by earthquake</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>(370)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(370)</td>
</tr>
<tr>
<td>Classified as held for sale</td>
<td>-</td>
<td></td>
<td>-</td>
<td>(6,958)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6,958)</td>
</tr>
<tr>
<td><strong>Carrying amount at 30 June 2018</strong></td>
<td><strong>97,910</strong></td>
<td><strong>438,710</strong></td>
<td><strong>96,090</strong></td>
<td><strong>6,588</strong></td>
<td><strong>706</strong></td>
<td><strong>601,077</strong></td>
<td><strong>5,761</strong></td>
<td><strong>2,851</strong></td>
<td><strong>150</strong></td>
<td><strong>1,249,843</strong></td>
</tr>
</tbody>
</table>

(a) The Department of Planning, Lands and Heritage (DPLH) is the only agency with the power to sell Crown land. The land is transferred to DPLH for sale and the agency accounts for the transfer as a distribution to owner.

(b) Impairment losses are recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written-down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

Information on fair value measurements is provided in Note 8.3.
### 5.1 Infrastructure, property, plant and equipment (cont)

<table>
<thead>
<tr>
<th>Year ended 30 June 2019</th>
<th>Land ($000)</th>
<th>Buildings ($000)</th>
<th>Buildings under construction ($000)</th>
<th>Plant, equipment and vehicles ($000)</th>
<th>Office equipment ($000)</th>
<th>Infrastructure ($000)</th>
<th>Leased plant, equipment and vehicles ($000)</th>
<th>Leased office equipment ($000)</th>
<th>Works of art ($000)</th>
<th>Total ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>97,910</td>
<td>494,164</td>
<td>96,090</td>
<td>13,171</td>
<td>800</td>
<td>624,079</td>
<td>10,580</td>
<td>3,605</td>
<td>150</td>
<td>1,340,549</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>(55,454)</td>
<td>-</td>
<td>(6,583)</td>
<td>(94)</td>
<td>(23,002)</td>
<td>(4,819)</td>
<td>(754)</td>
<td></td>
<td>(90,706)</td>
</tr>
<tr>
<td>Accumulated impairment loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at start of period</td>
<td>97,910</td>
<td>438,710</td>
<td>96,090</td>
<td>6,588</td>
<td>706</td>
<td>601,077</td>
<td>5,761</td>
<td>2,851</td>
<td>150</td>
<td>1,249,843</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>22,400</td>
<td>20,000</td>
<td>16,327</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>58,727</td>
</tr>
<tr>
<td>Transfers(a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(3,370)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(3,370)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation increments/(decrements)</td>
<td>15,000</td>
<td>45,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40,000</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>Impairment losses(b)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment losses reversed(b)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>(17,939)</td>
<td>-</td>
<td>(2,667)</td>
<td>(160)</td>
<td>(8,587)</td>
<td>(2,703)</td>
<td>(721)</td>
<td></td>
<td>(32,777)</td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>112,910</td>
<td>568,564</td>
<td>116,090</td>
<td>24,748</td>
<td>800</td>
<td>666,079</td>
<td>10,580</td>
<td>3,605</td>
<td>150</td>
<td>1,503,526</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>(80,393)</td>
<td>-</td>
<td>(7,870)</td>
<td>(254)</td>
<td>(33,589)</td>
<td>(7,522)</td>
<td>(1,475)</td>
<td></td>
<td>(131,103)</td>
</tr>
<tr>
<td>Accumulated impairment loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) The Department of Planning, Lands and Heritage (DPLH) is the only Department with the power to sell Crown land. The land is transferred to DPLH for sale and the agency accounts for the transfer as a distribution to owner.

(b) Recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written-down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

Information on fair value measurements is provided in Note 8.3
Initial recognition

Items of property, plant and equipment and infrastructure, costing $5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment and infrastructure costing less than $5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Assets transferred as part of a machinery of government change are transferred at their fair value.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

The initial cost for a non-financial physical asset under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of:

- land;
- buildings; and
- infrastructure.

Land is carried at fair value.

Buildings and infrastructure are carried at fair value less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

**Land and buildings** are independently valued annually by the Western Australian Land Information Authority (Valuations and Property Analytics) 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.

Land and buildings were revalued as at 1 July 2018 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2019 and recognised at 30 June 2019. In undertaking the revaluation, fair value was determined by reference to market values for land: $108,000,000 (2018: $93,640,000) and buildings: $348,821,000 (2018: $320,969,000). For the remaining balance, fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).
Infrastructure is independently valued every 3 to 5 years by [identify valuation service]. Infrastructure assets were independently revalued by [state name of valuer] as at [date of valuation]. The valuations were recognised at 1 July 2018.

Fair value for infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

Revaluation model:

(a) Fair Value where market-based evidence is available:

The fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions [or other basis, describe]. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

(b) Fair value in the absence of market-based evidence:

Buildings and infrastructure are specialised or where land is restricted: Fair value of land, buildings and infrastructure is determined on the basis of existing use.

Existing use buildings and infrastructure: Fair value is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Where the fair value of buildings and infrastructure is determined on the current replacement cost basis, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

Restricted use land: Fair value is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

Significant assumptions and judgements: The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

The above wording is provided on an example basis only. Agencies should be tailoring these disclosures to meet their facts and circumstances.
Guidance – infrastructure, property, plant and equipment

**Initial recognition:**
The following guidance is relevant in relation to the initial recognition and measurement of assets:

- Assets acquired for nil or nominal consideration should be initially recognised at their fair value.
- Leased assets under finance leases should be initially recognised at the lower of the fair value of the asset and the present value of the minimum lease payments.
- All other assets are initially measured at cost. AASB 116 provides guidance around the elements of cost. Agencies should make reference to this guidance when acquiring and or developing new assets.

Agencies should consider their capitalisation thresholds when recognising new assets and/or elements of cost that make up new assets.

**Subsequent measurement:**
Land and buildings are mandated by **TI 954** to be subsequently measured at fair value. In addition, land and buildings measured where AASB 117 Leases or AASB 140 Investment properties applies must also subsequently be measured at fair value.

The adoption of the fair value basis for plant, equipment, and infrastructure is at the agency’s discretion. This model reports plant and equipment at cost net of depreciation.

All assets within a class (i.e. Buildings) must have the same measurement principles applied to it.

In this model, the agency has recognised revaluations annually. However, AASB 116 only requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

**On revaluation:**
Agencies may elect to either:

- Restate the gross carrying amount by reference to observable market data (gross method; or
- Eliminate accumulated depreciation against the gross carrying amount of the asset and restate the net carrying amount to the revalued amount (net method).

**TI 954** prefers the gross method for asset values determined on the basis of current replacement cost. This model is prepared on the **gross basis** and the disclosure above reflects this election.
5.1.1 Depreciation and impairment

Charge for the period

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant, equipment and vehicles</td>
<td>2,827</td>
<td>4,147</td>
</tr>
<tr>
<td>Buildings</td>
<td>17,939</td>
<td>17,422</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>8,587</td>
<td>8,800</td>
</tr>
<tr>
<td>Leased plant, equipment and vehicles</td>
<td>3,424</td>
<td>3,057</td>
</tr>
<tr>
<td><strong>Total depreciation for the period</strong></td>
<td><strong>32,777</strong></td>
<td><strong>33,426</strong></td>
</tr>
</tbody>
</table>

As at 30 June 2019 there were no indications of impairment to property, plant and equipment or infrastructure.

All surplus assets at 30 June 2019 have either been classified as assets held for sale or have been written-off.

Please refer to note 5.2 for guidance in relation to the impairment assessment that has been performed for intangible assets.

This model assumes that no impairment charge has been recognised. Additional tables will need to be included to make the necessary impairment disclosures.

**Finite useful lives**

All infrastructure, property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset’s value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful life: years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>20 to 40 years</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>10 to 15 years</td>
</tr>
<tr>
<td>Office equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Software (a)</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>3 to 7 years</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>55 to 80 years</td>
</tr>
</tbody>
</table>

(a) Software that is integral to the operation of related hardware.
The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Land and works of art, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

The useful lives illustrated in the Model Report are for illustrative purposes only. Agencies should determine appropriate useful lives for asset classes.

Other agencies may comment on indefinite lives of earthworks, land under roads, and core cultural assets where those assets are germane to their Statement of Financial Position.

**Impairment**

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. 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.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the Agency is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset’s carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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 accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset’s future economic benefits and to evaluate any impairment risk from declining replacement costs.

Consider the policy wording above. It includes policy descriptions for impairment reversals. Agencies should ensure they tailor policies to their circumstances.
Guidance – depreciation and impairment

Depreciation

AASB 116 and 138 require that the consumption of physical or intangible assets by wear over time is classified as either depreciation or amortisation expense.

Agencies should be electing depreciation policies and useful lives that best reflect the pattern of use.

Agencies should ensure they are reviewing at least annually:
- Depreciation methods;
- Useful lives; and
- Residual values.

Where adjustments are required, these should be treated as adjustments to an estimate. The change in depreciation only affects prospective statements of comprehensive income. Changes to previously recognised depreciation expenses are expressly prohibited.

Impairment

Steps to follow to determine whether an asset is impaired:
- Each agency shall apply AASB 136 Impairment of Assets to determine whether an asset is impaired and to account for any impairment loss identified.
- Each agency shall assess at the end of each reporting period whether there is any indication that an asset may be impaired.
- AASB 136.12 sets out potential indicators of impairment.
- Indicators can be external and internal to the organisation and include factors such as:
  - Evidence of obsolescence or damage
  - Changes in Government policy
  - Technological changes

Agencies should consider all factors and evidence available to them when assessing for indicators of impairment.

If any such indication exists, the agency shall estimate the recoverable amount of the asset.
- Recoverable amount is the higher of fair value less costs of disposal and value in use.
- For not-for-profit agencies regularly revaluing specialised assets, the recoverable amount is anticipated to be materially the same as fair value.

Please note that the above is generic and each agency should refer to AASB 136 and their individual circumstances to determine if impairment exists.

Steps to follow after it was concluded that the asset is impaired:
- If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.
- An impairment loss is recognised immediately in profit or loss for items carried at historical cost.
- If the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and accounted for in other comprehensive income.
Steps to follow if there is a reversal in an impairment loss previously recognised:

- When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.
- A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.
- If the above is the case, please refer to AASB 136 for further guidance.

Reference

5.2 Intangible assets

<table>
<thead>
<tr>
<th>Year ended 30 June 2018</th>
<th>Licences ($000)</th>
<th>Computer Software ($000)</th>
<th>Total ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 138.118</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 July 2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>200</td>
<td>1,600</td>
<td>1,800</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(10)</td>
<td>(388)</td>
<td>(398)</td>
</tr>
<tr>
<td>Carrying amount at start of period</td>
<td>190</td>
<td>1,212</td>
<td>1,402</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Classified as held for sale</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment losses reversed</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>(10)</td>
<td>(384)</td>
<td>(394)</td>
</tr>
<tr>
<td>Carrying amount at 30 June 2018</td>
<td>180</td>
<td>828</td>
<td>1,008</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended 30 June 2019</th>
<th>Licences ($000)</th>
<th>Computer Software ($000)</th>
<th>Total ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 138.118</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 July 2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>200</td>
<td>1,600</td>
<td>1,800</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(20)</td>
<td>(772)</td>
<td>(792)</td>
</tr>
<tr>
<td>Carrying amount at start of period</td>
<td>180</td>
<td>828</td>
<td>1,008</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Classified as held for sale</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment losses reversed</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>(20)</td>
<td>(533)</td>
<td>(394)</td>
</tr>
<tr>
<td>Carrying amount at 30 June 2019</td>
<td>160</td>
<td>295</td>
<td>455</td>
</tr>
</tbody>
</table>
**Initial recognition**

Acquisitions of intangible assets costing $5,000 or more and internally generated intangible assets costing $50,000 or more that comply with the recognition criteria as per AASB 138.57 (as noted below), are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) an intention to complete the intangible asset, and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) the intangible asset will generate probable future economic benefit;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs incurred in the research phase of a project are immediately expensed.

**Subsequent measurement**

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

This note should be tailored to meet the requirements of the agency. There may be elements of the policy wording that can be omitted or summarised depending on the agency’s circumstances.
5.2.1 Amortisation and impairment

Charge for the period

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licences</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Computer software</td>
<td>533</td>
<td>384</td>
</tr>
<tr>
<td><strong>Total amortisation for the period</strong></td>
<td><strong>553</strong></td>
<td><strong>394</strong></td>
</tr>
</tbody>
</table>

AASB 136.9
AASB 136.10

As at 30 June 2019 there were no indications of impairment to intangible assets.

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

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset’s value over its estimated useful life. All intangible assets controlled by the Agency have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The estimated useful lives for each class of intangible asset are:

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licences</td>
<td>up to 10 years</td>
</tr>
<tr>
<td>Development Costs</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Software (a)</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Website Costs</td>
<td>3 to 5 years</td>
</tr>
</tbody>
</table>

(a) Software that is not integral to the operation of any related hardware.

Impairment of intangible assets

AASB 138.108
AASB 136.10(a)

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in note 5.1.1.
Guidance – intangibles

The following is relevant for the recognition and measurement of intangibles:

- Agencies should assess their own circumstances in determining capitalisation thresholds for intangible assets (TI 1101 requires a minimum threshold of $5,000).
- Intangible assets can only be revalued to fair value where an active market exists. Please note that it is exceptionally rare that an active market exists for intangible assets and it is therefore unlikely that intangible assets will be revalued to fair value.
- Intangible assets that have an indefinite useful life are not subject to amortisation but must be tested annually for impairment.
- Amortisation commences when the intangible asset is available for use and ceases when the asset is classified as held-for-sale or where the asset has been fully amortised.

Disclosure of amortisation

An agency shall disclose the line item(s) of the statement of comprehensive income in which any amortisation of intangible assets is included.

An agency shall also disclose a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements.

Additional disclosures for indefinite life Intangible assets

An agency shall disclose, for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the agency shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

Impairment of intangible assets

An agency discloses information on impaired intangible assets in accordance with Accounting Standard AASB 136 Impairment of Assets in addition to the information required by Accounting Standard AASB 138 Intangible Assets.

Amortisation policies

Agencies should be electing amortisation policies and useful lives that best reflect the pattern of use.
Additional disclosures - intangibles

The following are examples of policy notes that may be applicable for some agencies:

**Licences**

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

**Website Costs**

Website costs are expensed when incurred unless they directly relate to the acquisition or development of an intangible asset. In this instance they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

**Development Costs**

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can be reasonably regarded as assured and the total project costs are likely to exceed $50,000. Other development costs are expensed as incurred.

**Computer Software**

Software that is an integral part of the related hardware is recognised as part of the tangible asset. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than $5,000 is expensed in the year of acquisition.
6. Other assets and liabilities

This section sets out those assets and liabilities that arose from the Agency’s controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>6.1</td>
<td>9,097</td>
</tr>
<tr>
<td>Amounts receivable for services</td>
<td>6.2</td>
<td>90,172</td>
</tr>
<tr>
<td>Other current assets</td>
<td>6.3</td>
<td>550</td>
</tr>
<tr>
<td>Payables</td>
<td>6.4</td>
<td>(2,787)</td>
</tr>
<tr>
<td>Amounts due to Treasurer</td>
<td>6.5</td>
<td>(2,400)</td>
</tr>
<tr>
<td>Other provisions</td>
<td>6.6</td>
<td>(612)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>6.7</td>
<td>-</td>
</tr>
</tbody>
</table>
6.1 Receivables

<table>
<thead>
<tr>
<th>Reference</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 7.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 9.5.1.3, 5.2.1</td>
<td>Trade receivables</td>
<td>8,794</td>
</tr>
<tr>
<td>AASB 9.5.5.1</td>
<td>Allowance for impairment of trade receivables</td>
<td>(118)</td>
</tr>
<tr>
<td></td>
<td>Accrued revenue</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>GST receivable</td>
<td>421</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>9,097</strong></td>
</tr>
<tr>
<td>AASB 9.5.1.1, 5.2.1</td>
<td>Loans and advances:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other debtors</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total current</strong></td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 9.5.1.1, 5.2.1</td>
<td>Loans and advances:</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Other debtors</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Bills of exchange:</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Bills accepted or endorsed by banks</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Other bills</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total non-current</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total receivables</strong></td>
<td><strong>9,097</strong></td>
</tr>
</tbody>
</table>

AASB 7.21, B5

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

**Guidance – receivables**

AASB 7.25

An agency shall disclose the fair value of each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount.

AASB 7.42D

An agency shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety:

(a) the nature of the transferred assets.
(b) the nature of the risks and rewards of ownership to which the agency is exposed.
(c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the agency’s use of the transferred assets.
(e) when the agency continues to recognise all of the transferred assets, the carrying amount of the transferred assets and the associated liabilities.
(f) when the agency continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the agency continues to recognise, and the carrying amount of the associated liabilities.
6.1.1 Movement in the allowance for impairment of trade receivables

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
</tr>
<tr>
<td>Balance at start of period</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Remeasurement under AASB 9</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Restated balance at start of period</td>
<td>28</td>
<td>15</td>
</tr>
<tr>
<td>Doubtful debts expense</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Expected credit losses expense</td>
<td>90</td>
<td>-</td>
</tr>
<tr>
<td>Amounts written off during the period</td>
<td>-</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td><strong>118</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>

The maximum exposure to credit risk at the end of the reporting period for trade receivables is the carrying amount of the asset inclusive of any allowance for impairment as shown in the table at Note 8.1(c) 'Financial instruments disclosures'.

The Agency does not hold any collateral as security or other credit enhancements for trade receivables.

**Guidance – expected credit losses**

AASB 9.5.5.17 An agency shall measure expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

AASB 9.B5.35 An agency would use its historical credit loss experience (adjusted as appropriate) for trade receivables to estimate the lifetime expected credit losses. A provision matrix might, for example, specify fixed provision rates depending on the number of days that a trade receivable is past due (for example, 1 per cent if not past due, 2 per cent if less than 30 days past due, 3 per cent if more than 30 days but less than 90 days past due, 20 per cent if 90-180 days past due etc.). Depending on the diversity of its customer base, the agency would use appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. Examples of criteria that might be used to group assets include geographical region, product type, customer rating, collateral or trade credit insurance and type of customer (such as wholesale or retail).

The above are included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a receivable balance is not material, the agency should consider whether disclosure is necessary.
6.2 Amounts receivable for services (Holding Account)

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>14,239</td>
<td>18,137</td>
</tr>
<tr>
<td>Non-current</td>
<td>75,933</td>
<td>47,925</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td><strong>90,172</strong></td>
<td><strong>66,062</strong></td>
</tr>
</tbody>
</table>

Amounts receivable for services represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

Amounts receivable for services are not considered to be impaired (i.e. there is no expected credit loss of the holding accounts).

6.3 Other assets

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepayments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other [describe]</td>
<td>550</td>
<td>560</td>
</tr>
<tr>
<td><strong>Total current</strong></td>
<td><strong>550</strong></td>
<td><strong>560</strong></td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>60</td>
</tr>
<tr>
<td><strong>Total non-current</strong></td>
<td><strong>-</strong></td>
<td><strong>60</strong></td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td><strong>550</strong></td>
<td><strong>620</strong></td>
</tr>
</tbody>
</table>

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

In this model, the example of prepayments has been used to demonstrate ‘other assets’. Entities should be applying materiality to all note disclosures to determine if their disclosure is relevant for the understanding of the financial statements.
## 6.4 Payables

<table>
<thead>
<tr>
<th>Reference</th>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><a href="#">AASB 7.6</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><a href="#">AASB 9.5.1.1, 5.3.1</a></td>
<td>Current trade payables</td>
<td>2,028</td>
<td>1,350</td>
</tr>
<tr>
<td><a href="#">AASB 119.11,153</a></td>
<td>Other payables</td>
<td>528</td>
<td>480</td>
</tr>
<tr>
<td></td>
<td>Accrued expenses</td>
<td>201</td>
<td>160</td>
</tr>
<tr>
<td></td>
<td>Accrued salaries</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Total current</strong></td>
<td><strong>2,787</strong></td>
<td><strong>2,040</strong></td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><a href="#">AASB 9.5.1.1, 5.3.1</a></td>
<td>Trade payables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Total non-current</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Balance at end of period</strong></td>
<td><strong>2,787</strong></td>
<td><strong>2,040</strong></td>
</tr>
</tbody>
</table>

Payables are recognised at the amounts payable when the Agency becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as settlement is generally within 30 days.

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The Agency considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (See Note 7.5.1 ‘Restricted cash and cash equivalents’) consists of amounts paid annually, from agency appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

The above are included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a payable balance is not material, the agency should consider whether disclosure is necessary.

## 6.5 Amounts due to Treasurer

<table>
<thead>
<tr>
<th>Reference</th>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="#">FMA sec 9</a></td>
<td>Amount due to the Treasurer</td>
<td>2,400</td>
<td>7,970</td>
</tr>
</tbody>
</table>

The amount due to the Treasurer is in respect of a Treasurer’s Advance. This amount is payable within 12 months after the reporting period. Although no interest is charged on the outstanding amount, the carrying amount is equivalent to fair value.
### 6.6 Other provisions

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warranties(a)</td>
<td>6.6.1</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Remediation costs(f)</td>
<td>6.6.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total current</strong></td>
<td></td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warranties(a)</td>
<td>6.6.1</td>
<td>42</td>
<td>25</td>
</tr>
<tr>
<td>Remediation costs(f)</td>
<td>6.6.2</td>
<td>550</td>
<td>525</td>
</tr>
<tr>
<td><strong>Total non-current</strong></td>
<td></td>
<td>592</td>
<td>550</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td></td>
<td>612</td>
<td>570</td>
</tr>
</tbody>
</table>

#### 6.6.1 Provision for warranty claims

AASB 137.85(a) The provision for warranty claims represents the present value of the directors’ best estimate of the future outflow of economic benefits that will be required under the Agency’s obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled within two reporting periods, but this may be extended if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective.

#### 6.6.2 Provision for remediation

Under [detail circumstances] the Agency has a legal or constructive obligation to dismantle [detail the property] and restore the site.

A provision for remediation is recognised when:

- there is a present obligation as a result of [exploration, development, production, transportation or storage] activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

The estimated future obligations include the costs of [removing facilities, abandoning sites/wells and restoring the affected areas].

The provision for future remediation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date [based on current legal and other requirements and technology]. Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

Agencies should also detail expected timing of payments, any significant uncertainties regarding the timing and amounts of payments required to settle the obligations.
6.6.3 Movement in provisions

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Warranty provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at start of period</td>
<td>45</td>
<td>30</td>
</tr>
<tr>
<td>Additional/(reversals of) provisions recognised</td>
<td>42</td>
<td>38</td>
</tr>
<tr>
<td>Payments</td>
<td>(28)</td>
<td>(25)</td>
</tr>
<tr>
<td>Unwinding of discount</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td><strong>Carrying amount at end of period</strong></td>
<td>62</td>
<td>45</td>
</tr>
<tr>
<td><strong>Remediation costs provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at start of period</td>
<td>525</td>
<td>500</td>
</tr>
<tr>
<td>Additional/(reversals of) provisions recognised</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unwinding of the discount</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td><strong>Carrying amount at end of period</strong></td>
<td>550</td>
<td>525</td>
</tr>
</tbody>
</table>

Guidance – provisions (Recognition)

A provision shall be recognised when:

(a) An agency has a present obligation (legal or constructive) as a result of a past event;

(b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) A reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

In rare cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period.

For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation. For the purpose of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, that is, the probability that the event will occur is greater than the probability that it will not. Where it is not probable that a present obligation exists, an agency discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.
Guidance – provisions (Disclosures)

For each class of provision, an agency shall disclose:

(a) The carrying amount at the beginning and end of the period;
(b) Additional provisions made in the period, including increases to existing provisions;
(c) Amounts used (that is, incurred and charged against the provision) during the period;
(d) Unused amounts reversed during the period; and
(e) The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

Comparative information is not required.

An agency shall disclose the following for each class of provision:

(a) A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits; and
(b) An indication of the uncertainties about the amount or timing of those outflows.

Where necessary to provide adequate information, an agency shall disclose the major assumptions made concerning future events.

Exemptions: in extremely rare cases, disclosure of some or all of the information required by AASB 137 can be expected to prejudice seriously the position of the agency in a dispute with other parties on the subject matter of the provision. In such cases, an agency need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Regardless of how sensitive certain information about provisions may be, this exemption from disclosure does not affect the requirement to recognise provisions that satisfy the criteria for recognition set out in AASB 137.

Contingent Liabilities

Where a provision and a contingent liability arise from the same set of circumstances, the disclosures in the financial statements should be made in a way that shows the link between the provision and the contingent liability.

6.7 Other liabilities

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total current</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total non-current</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above table is included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a balance is not material, the agency should consider whether disclosure is necessary.
## 7. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the Agency.

<table>
<thead>
<tr>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
</tr>
<tr>
<td>Finance Leases</td>
</tr>
<tr>
<td>Assets pledged as security</td>
</tr>
<tr>
<td>Finance costs</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
</tr>
<tr>
<td>Reconciliation of cash</td>
</tr>
<tr>
<td>Reconciliation of operating activities</td>
</tr>
<tr>
<td>Commitments</td>
</tr>
<tr>
<td>Non-cancellable operating lease commitments</td>
</tr>
<tr>
<td>Capital commitments</td>
</tr>
<tr>
<td>Other expenditure commitments</td>
</tr>
</tbody>
</table>
AASB 7.7

7.1 Borrowings

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease liabilities (secured)(a)</td>
<td>600</td>
<td>650</td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current</strong></td>
<td>600</td>
<td>650</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease liabilities (secured)(a)</td>
<td>2,205</td>
<td>2,220</td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-current</strong></td>
<td>2,205</td>
<td>2,220</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td>2,805</td>
<td>2,870</td>
</tr>
</tbody>
</table>

AASB 7.14(b)

(a) Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

---

Additional disclosures - borrowings

- If your agency has borrowings other than finance leases (e.g. bank overdraft, advances from Government etc.) consider the below example disclosure:
  - 'Borrowings' refer to interest bearing liabilities mainly raised from public borrowings raised through [detail where these borrowings have been obtained], finance leases and other interest bearing arrangements.
  - Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the agency has categorised its interest bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest bearing liabilities. The agency determines the classification of its interest bearing liabilities at initial recognition.

---

Guidance – borrowings

AASB 132.AG12

**Statutory borrowings**: liabilities that are not contractual (such as liabilities that arise as a result of statutory requirements) are not financial instruments. Therefore, although these liabilities are similar to financial instruments, they are in fact not in the scope of AASB 7. However, entities who wish to apply disclosure requirements similar to those from AASB 7 to such liabilities may do so at their own discretion.

**Classification of financial instruments**: when the statement of financial position presentation of a financial instrument differs from the instrument’s legal form, it is desirable for an agency to explain in the notes the nature of the financial instrument.
Additional disclosures – Defaults and breaches

AASB 7.18-19
- If your agency has defaults and breaches for loans payable recognised at the end of the reporting period, an agency shall disclose:
  - (i) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;
  - (ii) the carrying amount of the loans payable in default at the end of the reporting period; and
  - (iii) whether the default was remedied, or the terms of the loans payable was renegotiated, before the financial statements was authorised for issue.

Reference

7.2 Finance Leases

AASB 117.31(d)

Finance lease commitments

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum finance lease payments</td>
<td>2,945</td>
<td>3,170</td>
</tr>
<tr>
<td>Less future finance charges</td>
<td>(140)</td>
<td>(300)</td>
</tr>
<tr>
<td>Present value of finance lease liabilities</td>
<td>2,805</td>
<td>2,870</td>
</tr>
</tbody>
</table>

The present value of finance leases payable is as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>640</td>
<td>700</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>2,160</td>
<td>2,050</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>5</td>
<td>120</td>
</tr>
<tr>
<td>Present value of finance lease liabilities</td>
<td>2,805</td>
<td>2,870</td>
</tr>
</tbody>
</table>

Included in the financial statements as:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>7.1</td>
<td>600</td>
</tr>
<tr>
<td>Non-current</td>
<td>7.1</td>
<td>2,205</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>2,805</td>
</tr>
</tbody>
</table>

The Agency has the option to purchase leased assets at their agreed fair value on expiry of the lease. These leasing arrangements do not have escalation clauses, other than in the event of payment default. There are no restrictions imposed by these leasing arrangements on other financing transactions. Certain finance leases have a contingent rental obligation; however these are not material when compared to the total lease payments made.

Finance lease rights and obligations are initially recognised, at the commencement of the lease term, as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments, determined at the inception of the lease.
The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated over the period during which the Agency is expected to benefit from their use. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

**Guidance – leases**

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

(a) Fulfilment of the arrangement is dependent on the use of a specific asset or assets; and

(b) The arrangement conveys a right to use the asset(s).

**Contingent rentals:** if there are future contingent rentals or future rentals relating to executory costs to be met by the lessees which are payable over the remainder of the lease term, they shall not be included as part of the minimum lease payments.

**Classification of land and buildings leases:** the amendment of AASB 117 by AASB 2009-5 removed the specific guidance on classifying land as an operating lease so that only the general guidance remains. The previous specific guidance resulted in a number of land and building leases being classified as operating and finance leases respectively. The removal of the specific guidance and assessment of land leases based on the general criteria may result in more land leases being classified as finance leases.

**Subleases:** for non-cancellable sub leases, the total of future minimum leases payments expected to be received shall be disclosed.

**Disclosure requirements:** general description of the lessee’s material leasing arrangements, including:

(a) The basis on which contingent rent payable is determined;

(b) The existence and terms of renewal or purchase options and escalation clauses; and

(c) Restrictions imposed by lease arrangements such as those concerning dividends, additional debt and further leasing.

**Other disclosures:**

AASB Interpretation 4 Determining whether an Arrangement Contains a Lease requires the lessee to treat all payments under operating lease arrangement as lease payments for the purposes of complying with the disclosure requirements of AASB 117 where it is impracticable to separate the payments reliably, but:

(a) Disclose those payments separately from minimum lease payments of other arrangements that do not include payments for non-lease elements; and

(b) State that the disclosed payments also include payments for non-lease elements in the arrangement.

Disclosure requirements specified by the relevant standards in relation to property, plant and equipment, intangible assets, impairment of assets, investment property and agriculture apply to the lessor for assets provided under operating leases.
7.3 Assets pledged as security

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leased plant, equipment and vehicles</td>
<td>3,058</td>
<td>5,761</td>
</tr>
<tr>
<td>Leased office equipment</td>
<td>2,130</td>
<td>2,851</td>
</tr>
<tr>
<td><strong>Total assets pledged as security</strong></td>
<td><strong>5,188</strong></td>
<td><strong>8,612</strong></td>
</tr>
</tbody>
</table>

The Agency has secured the leased assets against the related finance lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor.

Agencies should ensure they tailor this note to fit their circumstances and delete if not relevant to the facts and circumstances of the agency.

### Guidance – assets pledged as security

- **AASB 102.36(h)**: The financial statements shall disclose the following for assets pledged as security:
  - The carrying amount of inventories pledged as security for liabilities;
  - The existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities;
  - The carrying amount of the infrastructure, property, plant and equipment pledged and the related existence and amounts of restrictions on title;
  - The existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and
  - The carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities and any material terms and conditions relating to assets pledged as collateral.
7.4 Finance costs

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB 137.60</td>
<td>Unwinding of discounts applied to provisions</td>
<td>88</td>
</tr>
<tr>
<td>AASB 117.25</td>
<td>Finance lease charges</td>
<td>105</td>
</tr>
<tr>
<td>AASB 7.20(b)</td>
<td>Interest expense</td>
<td>70</td>
</tr>
<tr>
<td><strong>Borrowing costs capitalised [show amounts as applicable]</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Finance costs expensed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

'Finance cost' includes [make applicable to your agency, example includes: costs incurred in connection with the borrowing of funds and includes interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings] the interest component of finance lease repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

The agency may elect to recognise borrowing costs as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where they do so the policy should reflect that this is the case. (AASB 123.Aus8.1)

**Guidance – borrowing costs**

Borrowing costs are interest and other costs incurred by an agency in connection with the borrowing of funds and may include:

(a) Interest expense calculated using the effective interest method as described in AASB 9 ‘Financial Instruments’;

(b) Finance charges in respect of finance leases recognised in accordance with AASB 117 ‘Leases’; and

(c) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.
### 7.5 Cash and cash equivalents

#### 7.5.1 Reconciliation of cash

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>8,308</td>
<td>2,795</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>8.1</td>
<td></td>
</tr>
<tr>
<td>– Capital grant from Commonwealth Department of Information(^{(a)})</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>– Accrued salaries suspense account(^{(b)})</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td><strong>8,418</strong></td>
<td><strong>2,895</strong></td>
</tr>
</tbody>
</table>

\(^{(a)}\) Funds held for the research and development project on software development for public sector accounting.

\(^{(b)}\) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non-current for 10 out of 11 years.

For the purpose of the statement of cash flows, cash and cash equivalent (and restricted 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.
### 7.5.2 Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cost of services</strong></td>
<td>(766,778)</td>
<td>(686,799)</td>
</tr>
<tr>
<td><strong>Non-cash items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td>5.1</td>
<td>33,330</td>
</tr>
<tr>
<td>Doubtful debts expense</td>
<td>3.3</td>
<td>-</td>
</tr>
<tr>
<td>Expected credit losses expense</td>
<td>3.3</td>
<td>90</td>
</tr>
<tr>
<td>Superannuation expense</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Services received free of charge</td>
<td>4.1</td>
<td>1,595</td>
</tr>
<tr>
<td>Finance costs – unwinding of discounts</td>
<td>7.4</td>
<td>88</td>
</tr>
<tr>
<td>Net (gain)/loss on disposal of property, plant and equipment</td>
<td>4.3</td>
<td>(170)</td>
</tr>
<tr>
<td>Write down of non-current assets classified as held for sale</td>
<td>3.3</td>
<td>470</td>
</tr>
<tr>
<td>Loss from earthquake</td>
<td>3.3</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment for other non-cash items</td>
<td></td>
<td>(88)</td>
</tr>
<tr>
<td>(Profit)/loss on sale of investment</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>(Increase)/decrease in assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current receivables&lt;sup&gt;a&lt;/sup&gt;</td>
<td>(6,508)</td>
<td>(266)</td>
</tr>
<tr>
<td>Current inventories</td>
<td>(1,935)</td>
<td>(3,625)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>Non-current receivables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-current inventories</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current payables&lt;sup&gt;a&lt;/sup&gt;</td>
<td>726</td>
<td>780</td>
</tr>
<tr>
<td>Current provisions</td>
<td>1,262</td>
<td>6,208</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>21</td>
<td>20</td>
</tr>
<tr>
<td>Non-current provisions</td>
<td>13,185</td>
<td>15</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net GST receipts/(payments)&lt;sup&gt;b&lt;/sup&gt;</td>
<td>65</td>
<td>(65)</td>
</tr>
<tr>
<td>Change in GST in receivables/payables&lt;sup&gt;c&lt;/sup&gt;</td>
<td>(72)</td>
<td>256</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) operating activities</strong></td>
<td>(724,719)</td>
<td>(650,253)</td>
</tr>
</tbody>
</table>

<sup>a</sup> Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

<sup>b</sup> This is the net GST paid/received, i.e. cash transactions.

<sup>c</sup> This reverses out the GST in receivables and payables.
NOTES TO THE FINANCIAL STATEMENTS

Guidance – cash flow

Non-cash financing and investing activities

Information about transactions and other events which do not result in any cash flows during the reporting period, but affect assets and liabilities that are recognised, must be disclosed in the general purpose financial statements where they:

(a) Involve external parties; and
(b) Relate to the financing, investing and other non-operating activities of the agency.

The following are examples of non-cash financing and investing transactions and other events:

(a) Acquisition of assets by entering into finance leases; and
(b) Exchange of non-cash assets or liabilities for other non-cash assets or liabilities.

7.6 Commitments

7.6.1 Non-cancellable operating lease commitments

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments for minimum lease payments are payable as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within 1 year</td>
<td>5,400</td>
<td>5,000</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>22,126</td>
<td>20,000</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>27,526</td>
<td>25,000</td>
</tr>
</tbody>
</table>

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.

The Agency has entered into a property lease which is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require that the minimum lease payments shall be increased by the lower of CPI or 3% per annum. An option exists to renew the lease at the end of the five year term for an additional term of five years.

Guidance – commitments for non-cancellable operating lease

Non-cancellable operating lease commitments

Agencies are likely exposed to lease commitments for Government Office Accommodation, Vehicle Leases and the Government Regional Officer Housing program. Other exposures will be dependent on the agency’s operation.

Contingent Rents

Where material, contingent rents shall be charged as expenses in the periods in which they are incurred and must be disclosed separately.
7.6.2 Capital commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>27,000</td>
<td>55,000</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>61,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>88,000</td>
<td>130,000</td>
</tr>
</tbody>
</table>

The totals presented for capital commitments are GST inclusive.

7.6.3 Other expenditure commitments

Other expenditure commitments [describe] contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The totals presented for other expenditure commitments are GST inclusive.

AASB 101.122

Judgements made by management in applying accounting policies – operating lease commitments

The Agency has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

Guidance – commitments for expenditure

Contracted capital commitments

Capital commitments and other expenditure commitments contracted for as at the end of the reporting period do not require disclosure where the commitments have been recognised as liabilities in the statement of financial position.

GST

The purpose of the commitment note disclosure is to inform users of the commitments for payments from a cash flow perspective and consequently includes GST as appropriate.

Where the invoices for commitment related payments separately identify a financing component, GST is not required to be added to this component. However, where invoices do not separate the finance component, GST should be included on all components for the purposes of the commitment disclosure except commitments for minimum lease payments.

Aggregation

If there are groups that are immaterial for agencies, then they could be aggregated into ‘total other commitments payable’ and deleted from the above table format.
8. Risks and Contingencies

This note sets out the key risk management policies and measurement techniques of the Agency.

<table>
<thead>
<tr>
<th>Note</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial risk management</td>
<td>8.1</td>
</tr>
<tr>
<td>Contingent assets</td>
<td>8.2.1</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>8.2.2</td>
</tr>
<tr>
<td>Fair value measurements</td>
<td>8.3</td>
</tr>
</tbody>
</table>
8.1 Financial risk management

Financial instruments held by the Agency are cash and cash equivalents, restricted cash and cash equivalents, receivables, payables, Western Australian Treasury Corporation (WATC)/bank borrowings, finance leases, and Treasurer's advances. The Agency has limited exposure to financial risks. The Agency's overall risk management program focuses on managing the risks identified below.

(a) Summary of risks and risk management

Credit risk

Credit risk arises when there is the possibility of the Agency's receivables defaulting on their contractual obligations resulting in financial loss to the Agency.

Credit risk associated with the Agency's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than Government, the Agency trades only with recognised, creditworthy third parties. The Agency has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Agency's exposure to bad debts is minimal. Debt will be written-off against the allowance account when it is improbable or uneconomical to recover the debt. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

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

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

The Agency has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Agency's income or the value of its holdings of financial instruments. The Agency does not trade in foreign currency and is not materially exposed to other price risks [for example, equity securities or commodity prices changes]. The Agency's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations.

All borrowings are due to the WATC and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at Note 8.1(e), the Agency is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the Treasurer's advance (non-interest bearing), WATC borrowings and finance leases (fixed interest rate).
Guidance – financial risk management objectives and policies

AASB 7 sets out detailed requirements regarding the agency’s obligations to report the identification and management of financial risks.

The note included in this model report includes minimum disclosures by way of example only. Each agency needs to consider their financial instruments and risk management processes and modify the wording accordingly. The standard requires:

- the qualitative and quantitative disclosures for each type of risk (e.g. credit risk, liquidity risk, and market risk) that the agency is exposed to;
- qualitative disclosures concerning:
  - the exposures to risk and how they arise;
  - the objectives, policies and processes for managing the risk and the methods used to measure the risk; and
  - any changes in these from the previous period.
- quantitative disclosures in relation to:
  - summary quantitative data about the agency’s exposure to a particular risk at the end of the reporting period, including concentrations of risk.

An agency should also include disclosures that enable financial statement users to understand the relationship between transferred financial assets not derecognised in their entirety and associated liabilities, and, evaluate the nature and risks associated with continuing involvement in derecognised financial assets.

Each agency shall consider the appropriate level of disclosures to make based on their facts and circumstances. Only risks that the agency faces and manages need to be disclosed.

(b) Categories of financial instruments

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>8,418</td>
<td>2,895</td>
</tr>
<tr>
<td>Loans and receivables(a)</td>
<td>-</td>
<td>68,330</td>
</tr>
<tr>
<td>Financial assets at amortised cost(a)</td>
<td>98,848</td>
<td>-</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>107,266</td>
<td>71,225</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td>7,992</td>
<td>12,880</td>
</tr>
<tr>
<td>Total financial liability</td>
<td>7,992</td>
<td>12,880</td>
</tr>
</tbody>
</table>

(a) The amount of Loans and receivables/Financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).
(c) Credit risk exposure

The following table details the credit risk exposure on the Agency’s trade receivables using a provision matrix.

<table>
<thead>
<tr>
<th>Days past due</th>
<th>Total ($000)</th>
<th>Current &lt;30 days ($000)</th>
<th>31-60 days ($000)</th>
<th>61-90 days ($000)</th>
<th>&gt;91 days ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected credit loss rate</td>
<td>0.12%</td>
<td>1.5%</td>
<td>4%</td>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>Estimated total gross carrying amount at default</td>
<td>8,794</td>
<td>5,669</td>
<td>1,600</td>
<td>950</td>
<td>400</td>
</tr>
<tr>
<td>Expected credit losses</td>
<td>(118)</td>
<td>(7)</td>
<td>(24)</td>
<td>(38)</td>
<td>(28)</td>
</tr>
<tr>
<td>1 July 2018 (Remeasurement)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected credit loss rate</td>
<td>0.10%</td>
<td>1.2%</td>
<td>3%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Estimated total gross carrying amount at default</td>
<td>2,286</td>
<td>1,046</td>
<td>750</td>
<td>400</td>
<td>60</td>
</tr>
<tr>
<td>Expected credit losses</td>
<td>(28)</td>
<td>(1)</td>
<td>(9)</td>
<td>(12)</td>
<td>(3)</td>
</tr>
</tbody>
</table>
(d) Liquidity risk and Interest rate exposure

The following table details the Agency’s interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

<table>
<thead>
<tr>
<th>Interest rate exposure and maturity analysis of financial assets and financial liabilities</th>
<th>Weighted average effective interest rate %</th>
<th>Carrying amount ($000)</th>
<th>Fixed interest rate ($000)</th>
<th>Variable interest rate ($000)</th>
<th>Non-interest bearing ($000)</th>
<th>Nominal amount ($000)</th>
<th>Maturity dates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 month</td>
<td>1-3 months</td>
</tr>
<tr>
<td>2019</td>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>8,308</td>
<td>-</td>
<td>-</td>
<td>8,308</td>
<td>8,308</td>
<td>-</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>4.6</td>
<td>110</td>
<td>-</td>
<td>50</td>
<td>60</td>
<td>110</td>
<td>30</td>
</tr>
<tr>
<td>Receivables(a)</td>
<td>-</td>
<td>8,676</td>
<td>-</td>
<td>-</td>
<td>8,676</td>
<td>8,676</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amounts receivable for services</td>
<td>-</td>
<td>90,172</td>
<td>-</td>
<td>-</td>
<td>90,172</td>
<td>90,172</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>107,266</td>
<td>-</td>
<td>50</td>
<td>107,216</td>
<td>107,266</td>
<td>17,014</td>
<td>9,027</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>-</td>
<td>2,787</td>
<td>-</td>
<td>-</td>
<td>2,787</td>
<td>2,787</td>
<td>-</td>
</tr>
<tr>
<td>WATC/Bank borrowings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>7.1</td>
<td>2,805</td>
<td>2,805</td>
<td>-</td>
<td>-</td>
<td>2,945</td>
<td>-</td>
</tr>
<tr>
<td>Amounts due to the Treasurer</td>
<td>-</td>
<td>2,400</td>
<td>-</td>
<td>-</td>
<td>2,400</td>
<td>2,400</td>
<td>240</td>
</tr>
<tr>
<td></td>
<td>7,992</td>
<td>2,805</td>
<td>-</td>
<td>5,187</td>
<td>8,132</td>
<td>3,027</td>
<td>1,110</td>
</tr>
</tbody>
</table>

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).
### (d) Liquidity risk and interest rate exposure (cont.)

Interest rate exposure and maturity analysis of financial assets and financial liabilities

<table>
<thead>
<tr>
<th>Weighted Average Effective Interest Rate %</th>
<th>Carrying Amount ($000)</th>
<th>Fixed interest rate ($000)</th>
<th>Variable interest rate ($000)</th>
<th>Non-interest bearing ($000)</th>
<th>Nominal Amount ($000)</th>
<th>1 month ($000)</th>
<th>1-3 months ($000)</th>
<th>3 months to 1 year ($000)</th>
<th>1-5 years ($000)</th>
<th>More than 5 years ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>2,795</td>
<td>-</td>
<td>2,795</td>
<td>2,795</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>4.6</td>
<td>100</td>
<td>-</td>
<td>50</td>
<td>50</td>
<td>100</td>
<td>10</td>
<td>10</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Receivables(a)</td>
<td>-</td>
<td>2,268</td>
<td>-</td>
<td>2,268</td>
<td>2,268</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Loans and advances</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Amounts receivable for services</td>
<td>-</td>
<td>66,062</td>
<td>-</td>
<td>66,062</td>
<td>66,062</td>
<td>-</td>
<td>6,606</td>
<td>13,212</td>
<td>19,818</td>
<td>26,426</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>71,225</td>
<td></td>
<td></td>
<td>50</td>
<td>71,175</td>
<td>71,225</td>
<td>5,093</td>
<td>6,616</td>
<td>13,222</td>
<td>19,868</td>
<td>26,426</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>-</td>
<td>2,040</td>
<td>-</td>
<td>2,040</td>
<td>2,040</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>WATC/Bank borrowings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>7.1</td>
<td>2,870</td>
<td>2,870</td>
<td>-</td>
<td>3,170</td>
<td>-</td>
<td>200</td>
<td>600</td>
<td>2,250</td>
<td>120</td>
</tr>
<tr>
<td>Amounts due to the Treasurer</td>
<td>-</td>
<td>7,970</td>
<td>-</td>
<td>7,970</td>
<td>7,970</td>
<td>797</td>
<td>3,188</td>
<td>3,985</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12,880</td>
<td>2,870</td>
<td>-</td>
<td>10,010</td>
<td>13,180</td>
<td>2,837</td>
<td>3,388</td>
<td>4,585</td>
<td>2,250</td>
<td>120</td>
<td></td>
</tr>
</tbody>
</table>

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Disclose a maturity analysis for derivative financial liabilities where applicable. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows.
### (e) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Agency’s financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount ($000)</th>
<th>Surplus ($000)</th>
<th>Equity ($000)</th>
<th>Surplus ($000)</th>
<th>Equity ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>50</td>
<td>(0.5)</td>
<td>(0.5)</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>[List details]</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total increase/(decrease)</strong></td>
<td></td>
<td>(0.5)</td>
<td>(0.5)</td>
<td>0.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount ($000)</th>
<th>Surplus ($000)</th>
<th>Equity ($000)</th>
<th>Surplus ($000)</th>
<th>Equity ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>50</td>
<td>(0.5)</td>
<td>(0.5)</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>[List details]</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total increase/(decrease)</strong></td>
<td></td>
<td>(0.5)</td>
<td>(0.5)</td>
<td>0.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

### Guidance – interest rate sensitivity analysis

AASB 7.40(c) 
*Take account of past performance, future explanations, economic forecasts, and management’s knowledge and experience of the financial markets to determine the possible movements that are reasonably likely over the next 12 months.*

*Disclose any changes in the methods and assumptions used in the previous period.*

If applicable, a sensitivity analysis for currency risk and other price risks should be disclosed.
8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

8.2.1 Contingent assets

The following contingent assets are excluded from the assets included in the financial statements:

Litigation in progress

A negligence claim has been filed against a supplier for faulty materials. The potential financial effect of the success of the claim cannot be reliably measured at this time.

8.2.2 Contingent liabilities

The following contingent liabilities are excluded from the liabilities included in the financial statements:

Litigation in progress

A plaintiff has made a claim for $50,000 in relation to an alleged breach of copyright. Liability has been denied and any legal claim will be defended.

Native title claims

The Agency’s land is subject to a number of native title claims that have yet to be assessed by the National Native Title Tribunal. The financial effect should these claims be successful cannot be estimated at this time.

Contaminated sites

Under the Contaminated Sites Act 2003, the Agency is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER 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 Agency may have a liability in respect of investigation or remediation expenses.

During the year the Agency reported three suspected contaminated sites to DWER. These have yet to be classified. The Agency is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the Agency may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.
Guidance – contingent assets and liabilities

A contingent asset is disclosed where an inflow of economic benefits is probable. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. If it becomes probable that an outflow of future economic benefits will be required, a provision is recognised in the period in which the change in probability occurs.

Agencies that entered into contracts or arrangements as the issuer of ‘financial guarantee contracts’ shall recognise and measure the contracts in accordance with AASB 9. Disclosures for these contracts are required under AASB 7.

8.3 Fair value measurements

<table>
<thead>
<tr>
<th>Assets measured at fair value:</th>
<th>2019</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1 ($000)</td>
<td>Level 2 ($000)</td>
<td>Level 3 ($000)</td>
<td>Fair value at end of period ($000)</td>
</tr>
<tr>
<td>Non-current assets classified as held for sale (Note 9.11)</td>
<td>-</td>
<td>2,900</td>
<td>-</td>
<td>2,900</td>
</tr>
<tr>
<td>Land (Note 5.1)</td>
<td>-</td>
<td>108,000</td>
<td>4,910</td>
<td>112,910</td>
</tr>
<tr>
<td>Buildings (Note 5.1)</td>
<td>-</td>
<td>348,821</td>
<td>139,350</td>
<td>488,171</td>
</tr>
<tr>
<td>Infrastructure (Note 5.1)</td>
<td>-</td>
<td>-</td>
<td>632,490</td>
<td>632,490</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>459,721</td>
<td>776,750</td>
<td>1,236,471</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets measured at fair value:</th>
<th>2018</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1 ($000)</td>
<td>Level 2 ($000)</td>
<td>Level 3 ($000)</td>
<td>Fair Value At end of period ($000)</td>
</tr>
<tr>
<td>Non-current assets classified as held for sale (Note 9.11)</td>
<td>-</td>
<td>2,628</td>
<td>-</td>
<td>2,628</td>
</tr>
<tr>
<td>Land (Note 5.1)</td>
<td>-</td>
<td>93,640</td>
<td>4,270</td>
<td>97,910</td>
</tr>
<tr>
<td>Buildings (Note 5.1)</td>
<td>-</td>
<td>320,969</td>
<td>117,741</td>
<td>438,710</td>
</tr>
<tr>
<td>Infrastructure (Note 5.1)</td>
<td>-</td>
<td>-</td>
<td>601,077</td>
<td>601,077</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>417,237</td>
<td>723,088</td>
<td>1,140,325</td>
</tr>
</tbody>
</table>

There were no transfers between Levels 1, 2 or 3 during the current and previous periods.

Valuation techniques to derive Level 2 fair values

Level 2 fair values of Non-current assets held for sale, Land and Buildings (office accommodation) are derived using the market approach. Market evidence of sales prices of comparable land and buildings (office accommodation) in close proximity is used to determine price per square metre.

Non-current assets held for sale have been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.
### Guidance – Transfers in fair value hierarchy

Additional consequential narrative disclosures are required when assets transfer levels in the fair value hierarchy. An asset deemed surplus and in the process of preparation for disposal may change levels in the fair value hierarchy.

The narrative disclosure for changes in this circumstance will include a reference to the relevant assets being prepared for sale subsequent to being deemed surplus to requirement and the agency’s policy for determining when transfers between levels are deemed to have occurred.

### Fair value measurements using significant unobservable inputs (Level 3)

<table>
<thead>
<tr>
<th></th>
<th>Land ($000)</th>
<th>Buildings ($000)</th>
<th>Infrastructure ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair Value at start of period</td>
<td>4,270</td>
<td>117,741</td>
<td>601,077</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>22,400</td>
<td>-</td>
</tr>
<tr>
<td>Revaluation increments/(decrements) recognised in Profit or Loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>AASB 13.93 (e)(ii)</strong></td>
<td>Revaluation increments/(decrements) recognised in Other Comprehensive Income</td>
<td>640</td>
<td>4,026</td>
</tr>
<tr>
<td>Transfers from/(to) Level 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>-</td>
<td>(4,817)</td>
<td>(8,587)</td>
</tr>
<tr>
<td><strong>Fair Value at end of period</strong></td>
<td>4,910</td>
<td>139,350</td>
<td>632,490</td>
</tr>
<tr>
<td>AASB 13.93 (e)(i)</td>
<td><strong>Total gains or losses for the period included in profit or loss, under ‘Other Gains’</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Land ($000)</th>
<th>Buildings ($000)</th>
<th>Infrastructure ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair Value at start of period</td>
<td>4,040</td>
<td>113,166</td>
<td>597,877</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>7,239</td>
<td>10,000</td>
</tr>
<tr>
<td>Revaluation increments/(decrements) recognised in Profit or Loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>AASB 13.93 (e)(ii)</strong></td>
<td>Revaluation increments/(decrements) recognised in Other Comprehensive Income</td>
<td>230</td>
<td>2,015</td>
</tr>
<tr>
<td>Transfers from/(to) Level 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>-</td>
<td>(4,679)</td>
<td>(8,800)</td>
</tr>
<tr>
<td><strong>Fair Value at end of period</strong></td>
<td>4,270</td>
<td>117,741</td>
<td>601,077</td>
</tr>
<tr>
<td>AASB 13.93 (e)(i)</td>
<td><strong>Total gains or losses for the period included in profit or loss, under ‘Other Gains’</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
The reconciliation for the comparative period includes a parcel of land which moved from ‘existing use’ basis (Level 3) to market value basis (Level 2) as the restrictions on the use of the land were removed by the Government of Western Australia prior to marketing the asset to the public. At the end of the comparative reporting period, the transferred land parcel was classified as Non-current assets classified as held for sale.

Valuation processes

There were no changes in valuation techniques during the period.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer’s instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

Land (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (Valuations and Property Analytics) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

Guidance – Restricted use land

Level 3 estimated land values may be either: high restricted use, or low restricted use. The above illustration is for high restricted use land.

Low Restricted Use Land

Where the agency controls low restricted use land, the following wording is appropriate:

“Fair value for restricted use land is based on market value, using market evidence of sales of comparable land that is unrestricted less restoration costs to return the site to a vacant and marketable condition (low restricted use land). The estimate of restoration cost as provided by [state name of expert] as at [date of estimate] represents a significant Level 3 input, with higher restoration costs correlating with lower estimated fair values of land.”

Restoration costs are estimated for the purpose of returning the site to a vacant and marketable condition and include costs for: building demolition, clearing, re-zoning and an allowance for time factors.

Disclosures for Low Restricted Use Land and High Restricted Use Land

If the agency’s fair value estimates of land comprise both low restricted use and high restricted use land values, the relevant amounts and comparatives should be disclosed.
Buildings and Infrastructure (Level 3 fair values)

Fair value for existing use specialised buildings and infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

Valuation using current replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (Valuations and Property Analytics). The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings and infrastructure.

Guidance – Valuation approaches and disclosures

Cost Approach (Current Replacement Cost)

In applying the current replacement cost for valuing specialised assets (buildings and infrastructure assets), both observable and unobservable inputs may be utilised in determining fair value. For example, Valuations and Property Analytics may utilise replacement costs (per unit volume) that are observable in the market via the Cordell’s Publication or the Rawlinson’s Publication for constructing a similar asset. In contrast, the effective age and the consumed economic benefit of the asset is an asset specific value and unobservable to the market.

Where applicable to an agency’s specialised non-current assets, the following statement may be added to the above paragraph:

“For some specialised buildings and infrastructure assets, the current replacement cost is determined by reference to the historical cost adjusted by relevant indices. ‘Historical cost per square metre floor area (m²)’ and ‘Historical cost per cubic metre (m³)’ represent significant Level 3 inputs used in the valuations of these respective buildings (2019:[Insert value]; 2018:[Insert value]) and infrastructure assets respectively (2019:[Insert value]; 2018:[Insert value]), with higher historical costs per m² or m³ correlating with higher estimated fair values.”

Current replacement cost contains an implicit reference to asset optimisation, whereby the cost is determined by reference to obtaining the asset at the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. Consequently, assets are replaced with a modern equivalent with optimisation for obsolescence and relevant surplus capacity.

Income Approach

Whilst TI 954 generally considers the income approach irrelevant for valuing specialised assets in the public sector, agencies applying AASB 140 are more likely to be required to disclose inputs in this section. Where this occurs, the following example disclosure may be appropriate:

“The discounted cash flow approach takes into account the ability of the property to generate income over a 12 year period based on certain assumptions. Provision is made for leasing up periods upon the expiry of the various leases throughout the 12 year time horizon. Each year’s net operating income during the period is discounted to arrive at the present value of expected future cash flows.”
**Additional Disclosures**

Agencies may need to disclose additional information for liabilities where liabilities are measured at fair value. Liabilities of the agency are normally measured at amortised cost.

Where assets or liabilities are not measured at fair value, but fair value information is provided in the notes to the financial statements the AASB 13 disclosures are required.

**Basis of valuation**

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

Agencies will need to disclose the nature of the legal, natural or socio-political restrictions on the potential use of assets valued on an existing use basis.
Information about significant unobservable inputs (Level 3) in fair value measurements [where applicable]

<table>
<thead>
<tr>
<th>Description [insert class of asset or liability]</th>
<th>Fair value 2019 ($000)</th>
<th>Fair value 2018 ($000)</th>
<th>Valuation technique(s)</th>
<th>Unobservable inputs</th>
<th>Range of unobservable inputs (weighted average) 2019</th>
<th>Range of unobservable inputs (weighted average) 2018</th>
<th>Relationship of unobservable inputs to fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>[insert value]</td>
<td>[insert value]</td>
<td>Income approach</td>
<td>[insert description]</td>
<td>[insert data]</td>
<td>[insert data]</td>
<td>[insert data]</td>
<td>[insert narrative on relationship between input and fair value]</td>
</tr>
</tbody>
</table>

AASB 13.Aus93.1 These disclosure requirements are not required, in respect of not-for-profit public sector entities, for assets within the scope of AASB 116 for which the future economic benefits are not primarily dependent on the asset’s ability to generate net cash inflows.
9. Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 110.3, 19, 21</td>
<td>Events occurring after the end of the reporting period 9.1</td>
</tr>
<tr>
<td>AASB 108.30, 31</td>
<td>Correction of prior period errors / changes in accounting policy 9.2</td>
</tr>
<tr>
<td>AASB 124.17, 17A</td>
<td>Future impact of Australian standards issued not yet operative 9.3</td>
</tr>
<tr>
<td>AASB 124.18, 26</td>
<td>Key management personnel 9.4</td>
</tr>
<tr>
<td>TI 951(3), (4)</td>
<td>Related party transactions 9.5</td>
</tr>
<tr>
<td>TI 951(5), (6)</td>
<td>Related bodies 9.6</td>
</tr>
<tr>
<td>TI 1103(15)</td>
<td>Affiliated bodies 9.7</td>
</tr>
<tr>
<td>AASB 1054.10</td>
<td>Special purpose accounts 9.8</td>
</tr>
<tr>
<td>TI 319(5)</td>
<td>Remuneration of auditors 9.9</td>
</tr>
<tr>
<td>AASB 5.30</td>
<td>Act of grace (and ex gratia) payments 9.10</td>
</tr>
<tr>
<td>AASB 101.106</td>
<td>Non-current assets classified as assets held for sale 9.11</td>
</tr>
<tr>
<td>TI 952(6)</td>
<td>Equity 9.12</td>
</tr>
<tr>
<td>TI 945</td>
<td>Supplementary financial information 9.13</td>
</tr>
<tr>
<td></td>
<td>Explanatory statement 9.14</td>
</tr>
</tbody>
</table>
9.1 Events occurring after the end of the reporting period

The following table represents a summary of events occurring after the end of the reporting period:

- Provide details of the events that occurred after the end of the reporting period

### Guidance – events occurring after the end of the reporting period

Events after the end of the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the end of the reporting period); and
- Those that are indicative of conditions that arose after the end of the reporting period (non-adjusting events after the end of the reporting period).

#### Updating disclosure about conditions at the end of the reporting period

If an agency receives information after the end of the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to these conditions, in light of the new information.

#### Non-adjusting Events After the End of the Reporting Period

If non-adjusting events after the end of the reporting period are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial report. Accordingly, an agency shall disclose the following for each material category of non-adjusting event after the end of the reporting period:

- The nature of the event; and
- An estimate of its financial effect, or a statement that such an estimate cannot be made.
9.2 Initial application of Australian Accounting Standards

AASB 9 Financial instruments

AASB 9 Financial instruments replaces AASB 139 Financial instruments: Recognition and Measurements for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Agency applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Agency has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in Accumulated surplus/(deficit).

The effect of adopting AASB 9 as at 1 July 2018 was, as follows:

<table>
<thead>
<tr>
<th>Adjustments</th>
<th>1 July 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Trade receivables (a),(b)</td>
<td>(10)</td>
</tr>
<tr>
<td>Loans and advances (a)</td>
<td>-</td>
</tr>
<tr>
<td>Total Assets</td>
<td>(10)</td>
</tr>
<tr>
<td>Total adjustments on Equity</td>
<td></td>
</tr>
<tr>
<td>Accumulated surplus/(deficit) (a),(b)</td>
<td>(10)</td>
</tr>
</tbody>
</table>

The nature of these adjustments are described below:

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Agency’s business model for managing the assets; and whether the assets’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

The assessment of the Agency’s business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances at the time of initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Agency. The following are the changes in the classification of the Agency’s financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Agency did not designate any financial assets as at fair value through P/L.
In summary, upon the adoption of AASB 9, the Agency had the following reclassifications as at 1 July 2018:

<table>
<thead>
<tr>
<th>AASB 9 category</th>
<th>Amortised cost</th>
<th>Fair value through OCI</th>
<th>Fair value through P/L</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 139 category</td>
<td>($000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables*</td>
<td>2,268</td>
<td>2,258</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2,258</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

**AASB 7.42P**

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Agency’s accounting for impairment losses for financial assets by replacing AASB 139’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Agency to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

Upon adoption of AASB 9, the Agency recognised an additional impairment on the Agency’s Trade receivables of $10,000 which resulted in a decrease in Accumulated surplus/(deficit) of $10,000 as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined in accordance with AASB 9:

<table>
<thead>
<tr>
<th>Impairment under AASB 139 as at 30 June 2018</th>
<th>ECL under AASB 9 as at 1 July 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurement ($000)</td>
<td>Remeasurement ($000)</td>
</tr>
<tr>
<td>Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9</td>
<td>18</td>
</tr>
<tr>
<td>18</td>
<td>28</td>
</tr>
<tr>
<td>18</td>
<td>10</td>
</tr>
<tr>
<td>28</td>
<td></td>
</tr>
</tbody>
</table>
Guidance – correction of prior period errors

AASB 108.42, 49

Where an agency has identified material prior period errors, they should be retrospectively corrected in the first complete set of financial statements authorised for issue after their discovery by:

- Restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

That is to say that agencies need to disclose the effect on the opening date of the comparative period, thus agencies with material prior period errors will be disclosing three balance sheets.

Exemptions to this arise when it is impracticable to measure the effect of the prior period error. In such circumstances appropriate disclosures need to be made to describe the event.

Whether or not the impact is measured, agencies need to provide adequate narration to the financial statements to allow for users to understand the impact of the error on the financial results.

Guidance – changes in accounting policy

AASB 108.22, 29

Where an agency elects to make policy changes voluntarily that change should be applied retrospectively. Where the policy change is applied retrospectively, it needs to demonstrate the effect on the earliest period possible, i.e. the opening balance of the comparative period.

In such instances the agency would present balance sheets at:

- The end of the current period;
- The end of the previous period; and
- The beginning of the earliest comparative period.
### 9.3 Future impact of Australian Accounting Standards not yet operative

The Agency cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 ‘Application of Australian Accounting Standards and Other Pronouncements’ or by an exemption from TI 1101. Where applicable, the Agency plans to apply the following Australian Accounting Standards from their application date.

<table>
<thead>
<tr>
<th>Nature of Change</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 15</td>
<td><strong>Revenue from Contracts with Customers</strong></td>
</tr>
<tr>
<td><strong>This Standard establishes the principles that the Agency shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The mandatory effective date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>[The agency's income is primarily derived from appropriations which will be measured under AASB 1058, and thus will not be materially affected by this change. Although the recognition of 'user charges and fees' and 'sales' revenues will be deferred until the agency has discharged its performance obligations, these revenues are expected to be fully recognised at year-end and no contract liability will exist. The agency will adopt the modified retrospective approach on transition to AASB 15. No comparative information will be restated under this approach, and the agency will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.]</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Jan 2019</td>
</tr>
</tbody>
</table>
AASB 16  

Leases  

1 Jan 2019

Nature of Change

This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Impact

The recognition of additional assets and liabilities, mainly from operating leases, will increase the agency’s total assets by $xxx and total liabilities by $xxx. This will have an equity impact of $xxx on 1 July 2019. In addition, interest and depreciation expenses will increase, offset by a decrease in rental expense for the year ending 30 June 2020 and beyond.

The above assessment is based on the following accounting policy positions:

- Option 1/Option 2 of the modified retrospective approach on transition;
- the ‘low value asset’ threshold set at AUD $5,000 (unless GROH, GOA or State Fleet);
- For leases classified as ‘short term’ (12 months or less), these are not recognised under AASB 16 (unless GROH, GOA or State Fleet);
- Land, buildings and investment property ROU assets are measured under the fair value model, subsequent to initial recognition; and
- Discount rates are sourced from WA Treasury Corporation (WATC).

The agency will adopt the modified retrospective approach on transition to AASB 16. No comparative information will be restated under this approach, and the agency will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.

Transition
<table>
<thead>
<tr>
<th>Nature of Change</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AASB 1058</strong></td>
<td><strong>Income of Not-for-Profit Entities</strong></td>
</tr>
<tr>
<td><strong>Nature of Change</strong></td>
<td><strong>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an Agency.</strong></td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td><strong>AASB 1058 will have no impact on appropriations and recurrent grants received by the agency— they will continue to be recognised as income when funds are deposited in the bank account or credited to the holding account. The agency has determined that a portion of revenue from capital grants will be deferred into future reporting periods. This will result in an equity impact of $xxx on 1 July 2019.</strong></td>
</tr>
<tr>
<td><strong>Transition</strong></td>
<td><strong>The agency will adopt the modified retrospective approach on transition to AASB 1058. No comparative information will be restated under this approach, and the agency will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.</strong></td>
</tr>
<tr>
<td><strong>AASB 1059</strong></td>
<td><strong>Service Concession Arrangements: Grantors</strong></td>
</tr>
<tr>
<td><strong>Nature of Change</strong></td>
<td><strong>This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor’s perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided.</strong></td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td><strong>[The agency does not manage any public private partnership that is within the scope of the Standard.]</strong></td>
</tr>
<tr>
<td>Standard</td>
<td>Nature of Change</td>
</tr>
<tr>
<td>----------</td>
<td>------------------</td>
</tr>
<tr>
<td>AASB 2016-8</td>
<td>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</td>
</tr>
<tr>
<td>AASB 2018-4</td>
<td>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</td>
</tr>
<tr>
<td>AASB 2018-5</td>
<td>Amendments to Australian Accounting Standards – Deferral of AASB 1059</td>
</tr>
<tr>
<td>AASB 2018-7</td>
<td>Amendments to Australian Accounting Standards – Definition of Material</td>
</tr>
<tr>
<td>AASB 2018-8</td>
<td>Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities</td>
</tr>
</tbody>
</table>
Guidance – standards issued but not yet effective

Treasury considers the above standards as usually applicable to the public sector. However, it is the agency’s responsibility to confirm whether standards not listed apply to their own individual circumstances.

Agencies should ensure they:

- Identify standards with potentially material impact on the reported results of the agency;
- Put in place appropriate procedures to consider and measure the potential impact of the standard; and
- Provide appropriate disclosures around the expected impact of the standard.

Appropriate disclosures include:

- If the agency has undertaken an assessment of the standard;
- Conclusions of that assessment and materiality of the potential impact;
- Summary of expected impacts on statement of financial position and statement of comprehensive income; and
- If the changes are unlikely to effect the agency.

Treasury considers the following standards as either impacting a limited number of agencies or not usually applicable to the public sector:

- AASB 17 ‘Insurance Contracts’;
- AASB 2017-1 ‘Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments’;
- AASB 2017-4 ‘Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments’;
- AASB 2017-6 ‘Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation’;
- AASB 2017-7 ‘Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures’;
- AASB 2018-1 ‘Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle’;
- AASB 2018-2 ‘Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement’;
- AASB 2018-3 ‘Amendments to Australian Accounting Standards – Reduced Disclosure Requirements’; and
- AASB 2018-6 Amendments to Australian Standards – Definition of a Business

In the table above suggested wording has been included about the potential impacts these standards may have on the reported results of agencies in [italics]. This is suggested wording only. Agencies should ensure they undertake the appropriate assessment and make the appropriate disclosures.
9.4 Key management personnel

The Agency has determined key management personnel to include cabinet ministers and senior officers of the Agency. The Agency does not incur expenditures to compensate Ministers and those disclosures may be found in the Annual Report on State Finances.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the Agency for the reporting period are presented within the following bands:

<table>
<thead>
<tr>
<th>Compensation band ($)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>130,001 – 140,000</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>110,001 – 120,000</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>100,001 – 110,000</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>60,001 – 70,000</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>50,001 – 60,000</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>($000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term employee benefits</td>
<td>556</td>
<td>450</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>54</td>
<td>43</td>
</tr>
<tr>
<td>Other long-term benefits</td>
<td>(30)</td>
<td>47</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total compensation of senior officers</strong></td>
<td><strong>580</strong></td>
<td><strong>540</strong></td>
</tr>
</tbody>
</table>

Total compensation includes the superannuation expense incurred by the Agency in respect of senior officers.

Guidance – key management personnel

Statutory Authorities shall disclose the number of members of the accountable authority, whose total compensation for the financial year falls within each band of income of $10,000, separately from those for other senior officers.

Agencies should ensure they disclose the number of senior officers who are members of the Pension Scheme.

Compensation should be determined by applying the relevant requirements under AASB 119 ‘Employee Benefits’ as the basis for measuring the components of remuneration.

AASB 119 distinguishes employee benefits on the basis of when the benefits are expected to be settled and the employment status at the time of that settlement.
9.5 Related party transactions

The Agency is a wholly owned public sector entity that is controlled by of the State of Western Australia.

Related parties of the Agency include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities);
- associates and joint ventures of a wholly-owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

Significant Transactions with Government-related entities

In conducting its activities, the Agency is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- income from State Government (Note 4.1);
- equity contributions (Note 9.12);
- superannuation payments to GESB (Note 3.1(a));
- lease rentals payments to the Department of Finance (Government Office Accommodation and State Fleet) and the Housing Authority (Government Regional Officer Housing) (Note 3.3) and related outstanding balances (Note 7.6.1);
- amounts due to the Treasurer (Note 6.5);
- insurance payments to the Insurance Commission and Riskcover fund (Note 3.3);
- grants provided to TAFE colleges (Note 3.2) ; and
- remuneration for services provided by the Auditor General (Note 9.9).

Material transactions with other related parties

Outside of normal citizen type transactions with the Agency, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.
Example of specific disclosure note

During the year, a company controlled by a related party of a Minister, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm’s length transactions under the State’s procurement process. The transaction involved the provision of IT support services to support the migration of the agency’s financial management system and various databases to cloud-based platforms with a total value of $45 million spread evenly over four years. The contract imposes no further commitments.

All other transactions that have occurred with key management personnel and other related parties have been trivial or domestic in nature.
Guidance – related party transactions

The Western Australian Government is the parent of almost all agencies. However, agencies should note that there are a number of entities that are not regarded as being controlled (for example: universities, local governments, the Public Trustee and the Legal Contribution Trust).

The Government Employee Superannuation Board is a related party as it benefits the majority of the agency’s employees in accordance with paragraph 9(b)(v) of AASB 124, despite not being controlled by the Western Australian Government.

Refer to Note 8 ‘Composition of Sectors’ in Appendix 1 ‘Detailed Financial Projections’ of the Budget Paper No. 3 ‘Economic and Fiscal Outlook’ for a list of entities included in the State’s consolidated financial statements.

AASB 124 only require the disclosure of material related party transactions, outstanding balances and commitments.

- Materiality is subject to professional judgement and goes beyond the dollar value of the transaction or balance.
- Judgements should consider the objective of the Standard when determining whether quantitative or qualitative materiality justifies the disclosure, or non-disclosure, of transactions in the financial statements.

However, it is important to note that all key management personnel need to complete the mandated declaration form.

This information is necessary to enable agencies to prepare the financial statements and external auditors to conduct the necessary audit work according to Australian Auditing Standard ASA 550 Related Parties.

This provides evidence (subject to audit) that all relevant information has been made available for the assessment and also because a transaction that may appear immaterial on its own, may in combination with other like transactions have a material effect on the State’s or agency’s financial statements and warrants disclosure.
9.6 Related bodies

The Agency had two related bodies during the financial year and meet all operating expenses of these bodies as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TNT Agency</td>
<td>6,290</td>
<td>6,540</td>
</tr>
<tr>
<td>ABN Agency</td>
<td>75</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,365</strong></td>
<td><strong>6,610</strong></td>
</tr>
</tbody>
</table>

The transactions and results of the related bodies have been included in the financial statements.

9.7 Affiliated bodies

Excellent Board is a government affiliated body that received administrative support and a grant of $2,300,000 (2018: $1,200,000) from the Agency. The Excellent Board is not subject to operational control by the Agency.

**Guidance – related and affiliated bodies**

- ** Related body**: A body that receives more than half of its funding and resources from an agency and is subject to operational control by that agency.
- **Affiliated body**: A body that receives more than half its funding and resources from an agency but is not subject to operational control by that agency.
9.8 Special purpose accounts

The Prize Fund

The purpose of the account is to hold funds from donations and bequests in trust for the purpose of awarding prizes to schools and colleges in the information technology field.

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at start of period</td>
<td>-</td>
<td>560</td>
</tr>
<tr>
<td>Receipts</td>
<td>390</td>
<td>135</td>
</tr>
<tr>
<td>Payments</td>
<td>(305)</td>
<td>(695)</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>85</td>
<td>-</td>
</tr>
</tbody>
</table>

The Industry Fund

The purpose of the account is to hold funds appropriated by Parliament for the development of initiatives improving the competitiveness of the Western Australian technology industry.

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at start of period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Receipts</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>Payments</td>
<td>(50)</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>50</td>
<td>-</td>
</tr>
</tbody>
</table>

(a) Established under section 16(1)(c) of FMA.
(b) Established under section 16(1)(d) of FMA.

Guidance – special purpose accounts

Agencies are required to provide cash-based reporting for any special purpose accounts established under section 16(1)(b), (c) or (d) of the Act. The relevant disclosure requirements are:

- The purpose of the special purpose account;
- The balance of the account at the beginning of the financial year;
- Total receipts;
- Total payments; and
- The balance of the account at the end of the financial year.

The above information can be presented in a table format.
9.9 Remuneration of auditors

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

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing the accounts, financial statements, controls, and key performance indicators</td>
<td>55</td>
<td>50</td>
</tr>
</tbody>
</table>

Guidance – remuneration of auditors

AASB 1054.10-11 AASB 1054 requires agencies to disclose the amounts paid or payable to:

(a) The auditor of the entity for an audit or a review of the financial statements of the entity; and

(b) The auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.

9.10 Act of grace payments

FMA sec 80 Sample disclosure: This note header has been included as a placeholder for the disclosure of act of grace (and ex gratia) payments. Where an agency did not make the payments, this note should be omitted.

Guidance – act of grace payments

TI 319(5) The following information should be disclosed in relation to each act of grace (or ex gratia) payment:

- the payment date;
- the amount of the payment; and
- the purpose of the payment.

It may not be appropriate to disclose the recipient(s) of the payment. Legal advice should be sought before such a disclosure is made.
9.11 Non-current assets classified as assets held for sale

The following table represents a summary of assets held for sale:

<table>
<thead>
<tr>
<th></th>
<th>Land</th>
<th>Plant, equipment and vehicles</th>
<th>Less write-down from cost to fair value less selling costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance</td>
<td>-</td>
<td>2,170</td>
<td>-</td>
<td>2,170</td>
</tr>
<tr>
<td>Assets reclassified as held for sale</td>
<td>1,090</td>
<td>6,958</td>
<td>(1,100)</td>
<td>6,948</td>
</tr>
<tr>
<td><strong>Total assets classified as held for sale</strong></td>
<td>1,090</td>
<td>9,128</td>
<td>(1,100)</td>
<td>9,118</td>
</tr>
<tr>
<td>Less assets sold</td>
<td>-</td>
<td>7,090</td>
<td>(600)</td>
<td>6,490</td>
</tr>
<tr>
<td>Closing balance</td>
<td>1,090</td>
<td>2,038</td>
<td>(500)</td>
<td>2,628</td>
</tr>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance</td>
<td>1,090</td>
<td>2,038</td>
<td>(500)</td>
<td>2,628</td>
</tr>
<tr>
<td>Assets reclassified as held for sale</td>
<td>-</td>
<td>3,370</td>
<td>(470)</td>
<td>2,900</td>
</tr>
<tr>
<td><strong>Total assets classified as held for sale</strong></td>
<td>1,090</td>
<td>5,408</td>
<td>(970)</td>
<td>5,528</td>
</tr>
<tr>
<td>Less assets sold</td>
<td>1,090</td>
<td>2,038</td>
<td>(500)</td>
<td>2,628</td>
</tr>
<tr>
<td>Closing balance</td>
<td>-</td>
<td>3,370</td>
<td>(470)</td>
<td>2,900</td>
</tr>
</tbody>
</table>

AASB 5.Aus2.1 AASB 1004

This note may be extended to include discontinued operations where relevant. However, discontinued operations does not refer to restructuring of administrative arrangements. Restructuring of administrative arrangements is out of scope of AASB 5.
Guidance – assets held for sale

Discontinued operations are rare in the public sector and therefore are not addressed in this model.

Disclose any write-downs that occurred during the reporting period.

The above table is a long-hand disclosure and is included as guidance. The following remarks are provided for clarity:

(i) The contra amount under opening balance is equivalent to write-downs from prior financial years.

(ii) The contra amount under assets reclassified as held for sale is equivalent to the write-down in the current financial year.

(iii) The contra amount under total assets classified as held for sale is equal to the contra amount for (i) and (ii).

(iv) The contra amount under assets sold is the full amount of write-downs attributable to the assets sold. In this example, all assets in the opening balance were sold within the reporting period.

Describe the non-current asset, the facts and circumstances of the disposal, and the expected manner and timing of that disposal.

Where an agency decides to change its plan to sell an asset held for sale or the criteria for the classification of an asset held for sale is no longer met, the agency must reclassify it and adjust in accordance with AASB 5. Disclose a description of the facts and circumstances leading to the decision and its effect on the results of the operations for the period and any prior periods presented.
## 9.12 Equity

### Contributed equity

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at start of period</td>
<td>88,960</td>
<td>33,650</td>
</tr>
</tbody>
</table>

### Contributions by owners

**Capital appropriation**
- 2019: 12,000
- 2018: 65,000

### Other contributions by owners

- **Royalties for Regions Fund – Regional Infrastructure and Headworks Account**
  - 2019: -
  - 2018: -
- **Royalties for Regions Fund – Regional Community Services Account**
  - 2019: -
  - 2018: -

### Transfer of net assets from other agencies

[Provide details]
- 2019: -
- 2018: 1,500

### Total contributions by owners

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,000</td>
<td>66,500</td>
</tr>
</tbody>
</table>

### Distributions to owners

**Transfer of net assets to other agencies:**
- **Land for sale transferred to the DPLH**
  - 2019: -
  - 2018: (1,090)
- **Net assets transferred to Government:**
  - 2019: -
  - 2018: (10,100)

**Total distributions to owners**
- 2019: -
- 2018: (11,190)

### Balance at end of period

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100,960</td>
<td>88,960</td>
</tr>
</tbody>
</table>
Guidance – contributed equity

Capital appropriations

TI 955 ‘Contributions by Owners Made to Wholly-Owned Public Sector Entities’ designates capital appropriations as contributions by owners in accordance with AASB Interpretation 1038 ‘Contributions by Owners Made to Wholly-Owned Public Sector Entities’.

Transfer of net assets from other agencies

AASB 1004 ‘Contributions’ requires transfers of net assets as a result of a restructure of administrative arrangements to be accounted for as contributions by owners and distributions to owners.

Where activities are transferred from one agency to another agency as a result of a restructure of administrative arrangements, AASB 1004 (paragraph 57) requires the transferee agency to disclose the expenses and income attributable to the transferred activities for the reporting period, showing separately those expenses and income recognised by the transferor agency during the reporting period. Furthermore, AASB 1004 (paragraph 58) requires disclosures by class for each material transfer of assets and liabilities in relation to a restructure of administrative arrangements, together with the name of the counterparty transferor/transferee agency. In respect of transfers that are individually immaterial, the assets and liabilities are to be disclosed on an aggregate basis.

TI 955 designates non-discretionary and non-reciprocal transfers of net assets between state government agencies as contributions by owners in accordance with AASB Interpretation 1038. Where the transferee agency accounts for a non-discretionary and non-reciprocal transfer of net assets as a contribution by owners, the transferor agency accounts for the transfer as a distribution to owners.

Distribution to owners

TI 955 requires non-reciprocal transfers of net assets to Government to be accounted for as distribution to owners in accordance with AASB Interpretation 1038.

<table>
<thead>
<tr>
<th>AASB 101.106</th>
<th>2019 (000)</th>
<th>2018 (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset revaluation surplus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at start of period</td>
<td>205,500</td>
<td>180,000</td>
</tr>
<tr>
<td>Net revaluation increments/(decrements)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>15,000</td>
<td>5,500</td>
</tr>
<tr>
<td>Buildings</td>
<td>45,000</td>
<td>18,000</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>40,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Non-current assets classified as held for sale</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>305,500</td>
<td>205,500</td>
</tr>
</tbody>
</table>
9.13 Supplementary financial information

(a) Write-offs

During the financial year, nil (2018: $370,000) was written off the Agency’s asset register under the authority of:

<table>
<thead>
<tr>
<th>Authority</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The accountable authority</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>The Minister</td>
<td>-</td>
<td>105</td>
</tr>
<tr>
<td>Executive Council</td>
<td>-</td>
<td>255</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>370</td>
</tr>
</tbody>
</table>

(b) Losses through theft, defaults and other causes

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses of public money and public and other property</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>through theft or default</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amounts recovered</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(c) Gifts of public property

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts of public property provided by the Agency</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Guidance – supplementary financial information

Disclose details of any other write-offs during the financial year, such as bad debts and, revenue and debts due to the State, public and other property written off during the financial year.
9.14 Explanatory statement (Controlled Operations)

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key major variances, which are generally greater than:

- 5% and $14.4 million for the Statements of Comprehensive Income and Cash Flows, and
- 5% and $25.0 million for the Statement of Financial Position.

### 9.14.1 Statement of Comprehensive Income Variances

<table>
<thead>
<tr>
<th>Variance note</th>
<th>Estimate 2019 ($000)</th>
<th>Actual 2019 ($000)</th>
<th>Variance between estimate and actual ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>687,204</td>
<td>669,757</td>
<td>599,002</td>
<td>(17,447)</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>66,487</td>
<td>61,980</td>
<td>56,345</td>
<td>(4,507)</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td>34,530</td>
<td>33,330</td>
<td>33,820</td>
<td>(1,200)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>279</td>
<td>263</td>
<td>347</td>
<td>(16)</td>
</tr>
<tr>
<td>Accommodation expenses</td>
<td>6,843</td>
<td>6,963</td>
<td>6,330</td>
<td>120</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>9,904</td>
<td>9,801</td>
<td>8,910</td>
<td>(103)</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>5,156</td>
<td>5,560</td>
<td>3,700</td>
<td>404</td>
</tr>
<tr>
<td>Loss on disposal of non-current assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other expenses</td>
<td>12,945</td>
<td>12,225</td>
<td>12,982</td>
<td>(720)</td>
</tr>
<tr>
<td><strong>Total cost of services</strong></td>
<td>823,348</td>
<td>799,879</td>
<td>721,436</td>
<td>(23,469)</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>User charges and fees</td>
<td>14,654</td>
<td>16,497</td>
<td>14,997</td>
<td>1,493</td>
</tr>
<tr>
<td>Sales</td>
<td>13,748</td>
<td>14,267</td>
<td>12,970</td>
<td>519</td>
</tr>
<tr>
<td>Commonwealth grants and contributions</td>
<td>1,050</td>
<td>1,100</td>
<td>1,000</td>
<td>50</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>29,452</td>
<td>31,864</td>
<td>28,967</td>
<td>2,412</td>
</tr>
</tbody>
</table>
Gains
Gain on disposal of non-current assets  160  170  4,700  10  (4,530)
Other gains  1,000  1,067  970  67  97
Total Gains  1,160  1,237  5,670  77  (4,433)
Total income other than income from State Government  30,612  33,101  34,637  2,489  1,536
NET COST OF SERVICES  792,736  766,778  686,799  (25,958)  79,979

Income from State Government
Service appropriation  794,750  803,846  713,701  9,096  90,145
Liabilities assumed  -  -  -  -  -
Assets transferred  -  -  -  -  -
Services received free of charge  1,430  1,595  1,450  165  145
Royalties for Regions Fund  -  -  -  -  -
Total income from State Government  796,180  805,441  715,151  9,261  90,290
SURPLUS/(DEFICIT) FOR THE PERIOD  3,444  38,663  28,352  35,219  10,311

OTHER COMPREHENSIVE INCOME
Items not reclassified subsequently to profit or loss
Changes in asset revaluation surplus  95,000  100,000  25,500  5,000  74,500
Total other comprehensive income  95,000  100,000  25,500  5,000  74,500
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD  98,444  138,663  53,852  40,219  84,811

Major Estimate and Actual (2019) Variance Narratives
1) Employee benefits expense underspent by $17.5 million (2.5%) as the budget was based on all employees of the merging business unit would join the Agency. Instead, a number of employees were re-deployed elsewhere.

Major Actual (2019) and Comparative (2018) Variance Narratives
a) Employee benefits expense increased by $70.7 million (11.8%) due to a machinery of government merger, augmenting employee numbers in the Agency.
b) Service appropriations increased by $90.1 million (12.6%) due to a machinery of government merger of additional business units within the Agency.

The 2.5% Employee Benefits expense variance is not considered a major variance, however has been inserted here as a voluntary and illustrative disclosure that contrasts with the actual and comparative variance narrative.
### 9.14.2 Statement of Financial Position

#### Variance note

<table>
<thead>
<tr>
<th></th>
<th>Estimate 2019</th>
<th>Actual 2019</th>
<th>Actual 2018</th>
<th>Variance between estimate and actual</th>
<th>Variance between actual results for 2019 and 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
</tr>
</tbody>
</table>

#### ASSETS

**Current Assets**

- Cash and cash equivalents: $5,954, 8,308, 2,795, 2,355, 5,513
- Restricted cash and cash equivalents: 55, 50, 50, (5), -
- Inventories: 17,210, 18,310, 16,375, 1,100, 1,935
- Receivables: 7,844, 9,097, 2,682, 1,253, 6,415
- Amounts receivable for services: 15,260, 14,239, 18,137, (1,021), (3,898)
- Other current assets: 590, 550, 560, (40), (10)

**Non-current Assets**

- Restricted cash and cash equivalents: 65, 60, 50, (5), 10
- Inventories: - - - - -
- Receivables: - - - - -
- Amounts receivable for services: 69,037, 75,933, 47,925, 6,896, 28,008
- Infrastructure, property, plant and equipment: 1,374,690, 1,372,423, 1,249,843, (2,267), 122,580
- Intangible assets: 505, 455, 1,008, (50), (553)
- Other non-current assets: - - 60 - (60)

**Total Current Assets**

49,613 53,454 43,227 3,841 10,227

**Total Non-Current Assets**

1,444,297 1,448,871 1,298,886 4,574 149,985

**TOTAL ASSETS**

1,493,910 1,502,325 1,342,113 8,415 160,212
<table>
<thead>
<tr>
<th>Variance note</th>
<th>Estimate 2019 ($000)</th>
<th>Actual 2019 ($000)</th>
<th>Actual 2018 ($000)</th>
<th>Variance between estimate and actual ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>2,580</td>
<td>2,787</td>
<td>2,040</td>
<td>747</td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>660</td>
<td>600</td>
<td>650</td>
<td>(50)</td>
<td></td>
</tr>
<tr>
<td>Amounts due to the Treasurer</td>
<td>2,650</td>
<td>2,400</td>
<td>7,970</td>
<td>(5,570)</td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>18,417</td>
<td>20,115</td>
<td>14,077</td>
<td>6,038</td>
<td></td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Liabilities directly associated with non-current assets classified as held for sale</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>24,307</td>
<td>25,902</td>
<td>24,737</td>
<td>1,595</td>
<td>1,165</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>2,780</td>
<td>2,205</td>
<td>2,220</td>
<td>(15)</td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>9,029</td>
<td>9,867</td>
<td>1,458</td>
<td>8,409</td>
<td></td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td>11,809</td>
<td>12,072</td>
<td>3,678</td>
<td>263</td>
<td>8,394</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>36,116</td>
<td>37,974</td>
<td>28,415</td>
<td>1,858</td>
<td>9,559</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,457,794</td>
<td>1,464,351</td>
<td>1,313,698</td>
<td>6,557</td>
<td>150,653</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed equity</td>
<td>100,300</td>
<td>100,960</td>
<td>88,960</td>
<td>660</td>
<td>12,000</td>
</tr>
<tr>
<td>Reserves</td>
<td>296,700</td>
<td>305,500</td>
<td>205,500</td>
<td>8,800</td>
<td>100,000</td>
</tr>
<tr>
<td>Accumulated surplus/(deficit)</td>
<td>1,060,793</td>
<td>1,057,891</td>
<td>1,019,238</td>
<td>(3,444)</td>
<td>38,643</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>1,457,793</td>
<td>1,464,351</td>
<td>1,313,698</td>
<td>6,558</td>
<td>150,653</td>
</tr>
</tbody>
</table>

**Major Estimate and Actual (2019) Variance Narratives**
Nil

**Major Actual (2019) and Comparative (2018) Variance Narratives**
c) Infrastructure, property, plant and equipment increased by $122.6 million (9.8%) due to [insert narrative].
### 9.14.3 Statement of Cash Flows Variances

<table>
<thead>
<tr>
<th>Variance note</th>
<th>Estimate 2019</th>
<th>Actual 2019</th>
<th>Actual 2018</th>
<th>Variance between estimate and actual ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM STATE GOVERNMENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service appropriation e</td>
<td>763,234</td>
<td>761,659</td>
<td>673,242</td>
<td>(1,575)</td>
<td>88,417</td>
</tr>
<tr>
<td>Capital appropriations f</td>
<td>10,125</td>
<td>12,000</td>
<td>65,000</td>
<td>1,875</td>
<td>(53,000)</td>
</tr>
<tr>
<td>Holding account drawdown</td>
<td>16,502</td>
<td>18,137</td>
<td>7,688</td>
<td>1,635</td>
<td>10,449</td>
</tr>
<tr>
<td>Non-retained revenue distributed to owner</td>
<td>-</td>
<td>-</td>
<td>(10,100)</td>
<td>-</td>
<td>10,100</td>
</tr>
<tr>
<td>Royalties for Regions Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by State Government</strong></td>
<td>789,861</td>
<td>791,796</td>
<td>735,830</td>
<td>1,935</td>
<td>45,866</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Payments</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee benefits g</td>
<td>(696,960)</td>
<td>(663,874)</td>
<td>(593,654)</td>
<td>33,086</td>
<td>(70,220)</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>(72,766)</td>
<td>(66,677)</td>
<td>(61,666)</td>
<td>6,089</td>
<td>(5,011)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(191)</td>
<td>(175)</td>
<td>(270)</td>
<td>16</td>
<td>95</td>
</tr>
<tr>
<td>Accommodation</td>
<td>(6,843)</td>
<td>(6,292)</td>
<td>(5,720)</td>
<td>551</td>
<td>(572)</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>(9,904)</td>
<td>(9,801)</td>
<td>(8,910)</td>
<td>103</td>
<td>(891)</td>
</tr>
<tr>
<td>GST payments on purchases</td>
<td>(7,648)</td>
<td>(7,336)</td>
<td>(6,829)</td>
<td>312</td>
<td>(507)</td>
</tr>
<tr>
<td>GST payments to taxation authority</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other payments</td>
<td>(4,973)</td>
<td>(6,618)</td>
<td>(6,016)</td>
<td>(1,645)</td>
<td>(602)</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) operating activities</strong></td>
<td>(759,990)</td>
<td>(724,719)</td>
<td>(650,253)</td>
<td>36,261</td>
<td>(74,466)</td>
</tr>
</tbody>
</table>

#### Variance note

<table>
<thead>
<tr>
<th></th>
<th>Estimate 2019</th>
<th>Actual 2019</th>
<th>Actual 2018</th>
<th>Variance between estimate and actual</th>
<th>Variance between actual results for 2019 and 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
</tr>
</tbody>
</table>

**CASH FLOWS FROM INVESTING ACTIVITIES**

**Payments**
- Purchase of non-current assets: (29,783) to (58,727) (96,992) = 38,265
- Proceeds from sale of non-current assets: 7,800 to 2,798, 10,100 = (7,302)

**CASH FLOWS FROM INVESTING ACTIVITIES**

**CASH FLOWS FROM FINANCING ACTIVITIES**

**Payments**
- Repayment of borrowings: (7,400) to (8,035) (635) = (6,945)
- Other repayments: -

**Receipts**
- Proceeds from borrowings: 2,650 to 2,400, 1,160 = (250) 1,240
- Other proceeds: -

**Net cash provided by/(used in) financing activities**
- (4,750) to (5,635) 70 = (885) (5,705)

**Net increase/(decrease) in cash and cash equivalents**
- 3,139 to 5,523 (1,245) 2,385 = 6,768

**Cash and cash equivalents at the beginning of the period**
- 2,895 2,895 4,140 - = (1,245)

**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**
- 6,034 8,418 2,895 2,385 5,523

---

**Major Estimate and Actual (2019) Variance Narratives**
2) Employee benefits payments underspent by $33.1 million (2.5%) due to [insert narrative].

**Major Actual (2019) and Comparative (2018) Variance Narratives**
e) Service appropriation receipts increased by $88.4 million (13.1%) due to [insert narrative].
f) Capital appropriation receipts decreased by $53.0 million (81.5%) due to [insert narrative].
g) Employee benefits payments decreased by $33.1 million (11.8%) due to [insert narrative].
h) Purchases of non-current assets decreased by $38.3 million (39.5%) due to [insert narrative].
Guidance – explanatory statement for controlled items

Narratives are required for major variances between actuals versus comparatives, and, actuals versus original estimates and include commentary on:

- specified variances greater than 5% and greater than a dollar aggregate, being:
  - 2% of Total Cost of Services for the Statement of Comprehensive Income and Statement of Cash Flows; or
  - 2% of Total Assets for the Statement of Financial Position; or
  - $25 million.
- where qualitative evidence indicates omission of narrative information could potentially mislead readers of financial statements;
- each authorisation to expend in advance of appropriation approved in accordance with section 27 of the Act; or
- items requiring narrative disclosure under written laws.

In undertaking the calculation above, the lower of the budget estimate or the prior year actual (for Total Cost of Services or for Total Assets) is to be used for determining whether the variance is major for quantitative reasons (for example, the above illustration uses the prior year actual for calculating the threshold as it is the lower aggregate total for Total Cost of Services. This total is multiplied by 2% and used for the quantitative threshold for both variance analyses). This results in agencies applying the calculated aggregate based on the past year actual, or budget estimate, to comparisons of both actual to budget estimate and actual to past year’s actual. Not all variances that exceed this quantitative threshold have been deemed ‘major’ by the Treasurer’s instruction.

Agencies are also encouraged to incorporate variances lower than these thresholds where qualitative reasons exist.

Explanatory variance narratives are required to disclose details of, and the reasons for, all major variances in the elements comprising the total. This includes variances that offset each other.

This disclosure is based on an agency within scope of TI 945. Agencies within scope of TI 945P have differing reporting obligations and this example is not always appropriate.

- Agencies within the scope of TI 945 include the Public Transport Authority and any General Government Sector agency not exempted by the action of TI 945(1)(ii).
- TI 945P is applicable to other agencies not within the scope of TI 945, except universities which are exempted from both TI 945 and TI 945P.
10. Administered disclosures (Departments only)

This section sets out all of the statutory disclosures regarding the financial performance of the Department.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Description</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 1050.7</td>
<td>Disclosure of administered income and expenses by service</td>
<td>10.1</td>
</tr>
<tr>
<td>AASB 1055</td>
<td>Explanatory statement for administered income and expenses</td>
<td>10.2</td>
</tr>
<tr>
<td>AASB 1050.7</td>
<td>Administered assets and liabilities</td>
<td>10.3</td>
</tr>
</tbody>
</table>
### 10.1. Disclosure of administered income and expenses by service

<table>
<thead>
<tr>
<th>Information Technology</th>
<th>Training and assistance</th>
<th>Competition policy</th>
<th>General – not attributed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 ($000)</td>
<td>2018 ($000)</td>
<td>2019 ($000)</td>
<td>2018 ($000)</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory fees and charges</td>
<td>4,586</td>
<td>3,823</td>
<td>154</td>
<td>130</td>
</tr>
<tr>
<td>Other revenue</td>
<td>480</td>
<td>437</td>
<td>348</td>
<td>357</td>
</tr>
<tr>
<td><strong>Total administered income</strong></td>
<td><strong>5,066</strong></td>
<td><strong>4,240</strong></td>
<td><strong>502</strong></td>
<td><strong>487</strong></td>
</tr>
</tbody>
</table>

| Expenses               |                         |                    |                         |       |
| Supplies and services  | 248                     | 237                | 194                     | 179   | 118  | 104 | -  | -  | 560  | 520  |
| Grants and subsidies   | 2,207                   | 1,546              | 1,269                   | 901   | 94   | 83  | -  | -  | 3,570  | 2,530  |
| Transfer payments(a)   | 1,505                   | 250                | -                       | -     | -    | -   | -  | -  | 1,505  | 250  |
| **Total administered expenses** | **3,960** | **2,033** | **1,463** | **1,080** | **212** | **187** | - | -  | **5,635**  | **3,300**  |

(a) Transfer payments represent the transfer of non-retainable regulatory fees to the Consolidated Account.

---

**Guidance – disclosure of administered income and expenses by service (Departments only)**

When an administering department retains the capital appropriation and administers the funds on behalf of central government, i.e. the appropriation is not transferred to a department (controlled agency), the department administering the capital appropriations should disclose the administered item in the notes as administered revenue called ‘non-repayable capital appropriation’.

Each major class of administered income and administered expenses that are reliably attributable to each of the department’s activities and those not attributable to activities must be disclosed. Where a department is unable to reliably attribute administered income and administered expenses to the department’s activities after making every reasonable effort to do so, this fact should be disclosed together with a brief explanation.

In respect of administered payments to eligible beneficiaries, the details of the broad categories of recipients and the amounts transferred to those recipients to be disclosed.
10.2. Explanatory statement for administered income and expenses

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key major variances, which are generally greater than 5% and $102 thousand.

<table>
<thead>
<tr>
<th>Variance note</th>
<th>Estimate 2019 ($000)</th>
<th>Actual 2019 ($000)</th>
<th>Actual 2018 ($000)</th>
<th>Variance between estimate and actual ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from administered items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For transfer:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory fees and charges</td>
<td>a</td>
<td>4,750</td>
<td>4,855</td>
<td>4,050</td>
<td>105</td>
</tr>
<tr>
<td>Commonwealth grants and contributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other revenue</td>
<td>1,179</td>
<td>1,140</td>
<td>1,080</td>
<td>(39)</td>
<td>60</td>
</tr>
<tr>
<td>[Other items as required]</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total administered income</td>
<td></td>
<td>5,929</td>
<td>5,995</td>
<td>5,130</td>
<td>66</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies and services</td>
<td></td>
<td>539</td>
<td>560</td>
<td>520</td>
<td>21</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>1, b</td>
<td>4,125</td>
<td>3,570</td>
<td>2,530</td>
<td>(555)</td>
</tr>
<tr>
<td>Transfer payments</td>
<td>c</td>
<td>1,460</td>
<td>1,505</td>
<td>250</td>
<td>45</td>
</tr>
<tr>
<td>[Other items as required]</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total administered expenses</td>
<td></td>
<td>6,124</td>
<td>5,635</td>
<td>3,300</td>
<td>(489)</td>
</tr>
</tbody>
</table>

Major estimate and actual (2019) variance narratives
1) Grants and subsidies underspent by $0.6 million (or 13.5%) primarily due to delays in establishing a governance framework for administering grants and soliciting community bids for assistance.

Major actual (2019) and comparative (2018) variance narratives
(a) Regulatory fees and other charges increased by $0.8 million (20%) due to a licensing fee introduced by government in the first quarter of the 2019 financial year for users to access information systems maintained by the department.
(b) Grants and subsidies increased by $1.0 million (41%) owing to new grant programs targeting Information Technology programs (65% of increase) and Training & Assisting seniors to build computing literacy skills (35% of increase).
(c) Transfer payments increased by $1.3 million (502%) owing to increased non-retainable regulatory fees legally required to be remitted to the Consolidated Account.
Guidance – explanatory statement for administered income and expenses (Departments only)

Thresholds for providing narrative on major variances for items administered by departments in accordance with AASB 1055 are stipulated in TI 945 for departments. The monetary (quantitative) threshold is calculated by taking the lower of $25 million or the aggregate of 2% multiplied by Total administered income.

In undertaking the calculation above, the lower of the budget estimate or the prior year actual is to be used for determining whether the variance is major for quantitative reasons (for example, the above illustration uses the prior year actual for calculating the threshold as it is the lower aggregate total for Total Administered Income. This total is multiplied by 2% and used for the quantitative threshold for both variance analyses). This results in departments applying the calculated aggregate based on the past year actual, or budget estimate, to comparisons of both actual to budget estimate and actual to past year’s actual. Not all variances that exceed this quantitative threshold have been deemed ‘major’ by the Treasurer’s instruction.

Departments may also incorporate variances lower than these thresholds where:

- Qualitative evidence indicates omission of narrative information could potentially mislead readers of financial statements; or
- Items requiring narrative disclosure under written laws.

Explanatory variance narratives are required to disclose details of, and the reasons for, all major variances in the elements comprising the total. This includes variances that offset each other.
## 10.3 Administered assets and liabilities

### Current assets
- Cash and cash equivalents: $1,850 (2019), $1,490 (2018)
- Other items as required: $0 (2019), $0 (2018)

### Total administered current assets: $2,280 (2019), $1,810 (2018)

### Non-current assets
- Other items as required: $0 (2019), $0 (2018)

### Total administered non-current assets: $280 (2019), $260 (2018)

### TOTAL ADMINISTERED ASSETS

### Current liabilities
- Other items as required: $0 (2019), $0 (2018)

### Total administered current liabilities: $1,200 (2019), $950 (2018)

### Non-current liabilities
- Other items as required: $0 (2019), $0 (2018)

### Total administered non-current liabilities: $0 (2019), $0 (2018)

### TOTAL ADMINISTERED LIABILITIES

---

**Additional disclosures required for administered assets and liabilities**

- Disclose any administered contingent assets and/or liabilities here.
- In the rare circumstance that an administering department receives a repayable administered capital appropriation or an administered loan (e.g. an administered Treasurer’s Advance), these administered items should be classified as administered borrowings here.
### Audited key performance indicators for the year ended 30 June 2019

**Reference**

**Audited key performance indicators**

**Certification of key performance indicator**

TI 905

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Agency’s performance, and fairly represent the performance of the Agency for the financial year ended 30 June 2019.

(Signature)
B. King
Accountable Authority
1 September 2019

---

### Guidance – audited KPIs

<table>
<thead>
<tr>
<th>Reference</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>TI 903(8)</td>
<td>Agencies are required to include a discussion of actual results against budget targets for both financial and non-financial indicators in the agency performance section of the annual report. In addition to the summary information contained in the agency performance section, agencies may wish to disclose further details including long term trends, graphs and supporting explanatory notes, as part of this section.</td>
</tr>
<tr>
<td>FMA sec 61(1)(b)</td>
<td>As the key performance indicators are audited, the Auditor General’s opinion is usually inserted into this section.</td>
</tr>
<tr>
<td>TI 905(3)</td>
<td>Where the accountable authority is a body, the statement shall be signed by two members of that body.</td>
</tr>
</tbody>
</table>
### Detailed information in support of key performance indicators

**Agency level desired outcome:** sustainability of the provision of information technology

<table>
<thead>
<tr>
<th>Key effectiveness indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>The proportion (%) of government agencies using sustainable information technology plans</td>
<td>82</td>
<td>83</td>
<td>85</td>
<td>86</td>
</tr>
</tbody>
</table>

**Service 1: Information Technology**

<table>
<thead>
<tr>
<th>Key efficiency indicators</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per sustainable IT plan</td>
<td>24,000</td>
<td>23,500</td>
<td>22,700</td>
<td>21,950</td>
</tr>
<tr>
<td>Cost per hour of service delivered</td>
<td>6,032</td>
<td>6,000</td>
<td>6,000</td>
<td>5,957</td>
</tr>
</tbody>
</table>
**Guidance – additional KPIs**

An example of longer term trend data is shown above. This is also an appropriate place to provide graphs and charts.

Insert a brief description of the services provided and a statement of how each service contributes to the identified agency level government desired outcome.

**Key Performance Indicators** are to be disclosed in the annual report in accordance with TI 904.

In addition to the information disclosed on outcomes and services in the report on operations, all accountable authorities are required to disclose:

- the relationship between government goals, agency level government desired outcomes and services;
- Key performance indicators of effectiveness; and
- Key performance indicators of efficiency and cost effectiveness (if applicable).

Key effectiveness indicators provide information on the extent to which agency level government desired outcomes have been achieved through the funding and production of agreed services. For statutory authorities that are the subject of a separate division of the Consolidated Account Expenditure Estimates, the agency level government desired outcomes are those specified in the Budget Statements. For off-budget agencies, the government agency level government desired outcomes will need to be either identified within the relevant enabling legislation or specified/endorsed by the Minister.

Agencies are encouraged to supplement their reporting of effectiveness with narrative. This narrative may include comment on the projected timing of outcomes to be achieved in the long term. It is also appropriate for agencies to identify and discuss influences on achievement of outcomes other than their own services. These influences may include services provided by other agencies, or factors such as social or demographic trends.

Key efficiency indicators generally relate services to the level of resource inputs required to deliver them. In some cases ‘per unit cost’ information provided in the budget process may fulfil the key performance indicator reporting requirement. In other cases cost per unit information may need to be aggregated, or productivity indicators used.

Key cost effectiveness indicators are a type of key effectiveness indicator. They relate outcomes directly to inputs. In addition to providing key cost effectiveness indicators where there are no suitable key efficiency indicators, agencies are encouraged to also report cost effectiveness indicators where doing so adds value to reporting information.

Further information on, and discussion of, agency level government desired outcomes, services and key performance indicators are available in the Treasury publication ‘Outcome Based Management: Guidelines for Use in the Western Australian Public Sector’.
Other statutory information

Reference

Ministerial directions

TI 903(12)

No Ministerial directives were received during the financial year.

Guidance – ministerial directions

Disclose any Ministerial directives relevant to the setting of desired outcomes or operational objectives, the achievement of desired outcomes or operational objectives, investment activities, and financing activities.

Reference

Other financial disclosures

TI 903(13)(i)

Pricing Policies of Services Provided

The Agency charges for goods and services rendered on a full or partial cost recovery basis. These fees and charges were determined in accordance with Costing and Pricing Government Services: Guidelines for Use by Agencies in the Western Australian Public Sector published by Treasury.

The current list of fees and charges were published in the Gazette on 31 December 2018 and introduced/payable from 7 January 2019. Details are available on the Agency’s website at www.agency.wa.gov.au.

TI 903(13)(ii)

Capital Works

Capital project incomplete

The construction of a new building to accommodate the Agency’s increasing demand for additional seminars and training sessions will be completed by January 2020. The building will also be used as a display centre for new computer equipment, which will be open to the public for viewing. The estimated total cost of the project is $20,000,000 and the estimated remaining cost to complete the project at 30 June 2019 is $13,000,000.

Capital projects completed

No capital projects were completed during 2019.

TI 903(13)(iii)

Employment and Industrial Relations

<table>
<thead>
<tr>
<th>Staff Profile</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time permanent</td>
<td>260</td>
<td>255</td>
</tr>
<tr>
<td>Full-time contract</td>
<td>150</td>
<td>140</td>
</tr>
<tr>
<td>Part-time measured on a FTE basis</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>On secondment</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>423</td>
<td>405</td>
</tr>
</tbody>
</table>
Staff Development

The Agency 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.

During the financial year, our employees received training in excess of 3,000 hours of in-house and external training. As the result of our commitment to staff training and development, we are recognised as the industry leader in the information technology area in the public sector.

Workers Compensation

Five compensation claims of a minor nature were recorded during the financial year. This compares with seven compensation claims of a minor nature recorded in 2018.

Unauthorised use of credit cards

Officers of the Agency hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the Agency’s credit card policy, one employee inadvertently utilised the corporate credit card for parking at an event that they were not attending in an official capacity. The matter was not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, and, that the nature of the expenditure was immaterial and characteristic of an honest mistake.

<table>
<thead>
<tr>
<th>2019</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate amount of personal use expenditure for the reporting period</td>
<td>27</td>
</tr>
<tr>
<td>Aggregate amount of personal use expenditure settled by the due date (within 5 working days)</td>
<td>27</td>
</tr>
<tr>
<td>Aggregate amount of personal use expenditure settled after the period (after 5 working days)</td>
<td>-</td>
</tr>
<tr>
<td>Aggregate amount of personal use expenditure outstanding at balance date</td>
<td>-</td>
</tr>
</tbody>
</table>

The above disclosure is an example and agencies should consider their own circumstances in addressing the requirements of TI 903(13).

Governance disclosures

[TI 903(14)]

[populated by agencies in line with requirements]
**Other legal requirements**

**Annual Estimates**

TI 953 provides for the accountable authority of an agency to submit annual estimates of the annual operations of the agency to the Minister for approval.

The estimates are to be prepared and submitted to the Minister:

(a) at such times as determined by the Treasurer, or

(b) if the Treasurer directs the agency under section 41(1) of the FMA to submit a draft Resource Agreement and there is no day so fixed, concurrently with that submission; or

(c) if there is no day so fixed, no later than one week after the budget papers have been tabled in Legislative Assembly.

Agencies that are not separately identifiable as a Division of the Consolidated Account Expenditure Estimates should include the approved annual estimates for the relevant financial year in the annual report of the preceding financial year submitted to the responsible Minister under the provisions of section 63 of the Act.

**Information required under other legislation**

Section 175ZE(1) of the Electoral Act 1907, states ‘if a public agency is required to publish an annual report under Part 5 of the Financial Management Act 2006 or any other written law, the principal officer of the public agency shall ensure that a statement is included in the annual report setting out the details mentioned in subsection (2) of all expenditure incurred by or on behalf of the public agency during the reporting period in relation to the following:

(a) Advertising agencies

(b) Market research organisations

(c) Polling organisations

(d) Direct mail organisations

(e) Media advertising organisations

With subsection (2) stating that the details to be set out in the statement are

(a) The total amount of the expenditure; and

(b) In relation to each class of expenditure constituted by a paragraph of subsection (1)

I. The amount of the expenditure for the class; and

II. The name of each person, agency or organisation to whom an amount was paid.
The above example falls outside the scope of the FMA, FMA Regulations 2007 and the Treasurer’s instructions and as such where an agency is required to disclose in their annual report information required under other legislation is to be included as part of ‘other legal requirements’.


Other examples include Section 27(3) of the Public Transport Authority Act 2003 and Section 102 of the Health Services Act 2016.
**Government policy requirements**

**Government building contracts**

The Agency has a commitment to the Government Building Training Policy, having included appropriate clauses in tender documentation and monitored compliance of in scope building, construction or maintenance contractors for projects with a duration of greater than 3 months and a value of greater than $2 million.

**Number of contracts in scope of the Government Building Training Policy:**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Building and construction 2019</th>
<th>Maintenance projects 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awarded</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Reported on**

- Commenced reporting - -
- Continued reporting from previous reporting period - -

**Target training rate**

- Met or exceeded - -
- Did not meet - -
- Granted a variation - -

---

**Guidance – government policy requirements**

Public sector agencies must incorporate the above disclosures in their Annual Report as required by Premier’s Circular 2015/02 Government Building Training Policy.

The Chief Executive of the government contracting agency may approve a variation to the target training rate in exceptional circumstances. Where a variation to the target training rate has been approved by the Chief Executive of the government contracting agency, further disclosure is also required.

For further information please refer to the Government Building Training Policy or contact the Department of Training and Workforce Development on 6551 5607 or email policy.gbt@dtwd.wa.gov.au.

---

**Additional disclosures required for approved variations to the training target**

**Target Training Rate Variations in the reporting period:**

<table>
<thead>
<tr>
<th>Contract name/ Contract number</th>
<th>Amended target training rate %</th>
<th>Reason for the variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Contact information

Reference
AASB 101.138(a)

Postal Address Electronic
PO Box 9999 1 William Street Internet: www.agency.wa.gov.au
Perth WA 6000 Perth WA 6000 Email: customer.service@agency.wa.gov.au

Telephone: 61 8 6551 0000
Facsimile: 61 8 6551 1111

Guidance
AASB 101 requires the following disclosures:
• The domicile and legal form of the agency; and
• Its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office).
Illustrative Model Annual Report

Tier 2
(Reduced Disclosure Requirements)
Agency

For the year ended 31 December 2019
Foreword

This Model Annual Report (the Model) has been designed to provide you with a guide to understand and efficiently meet your financial reporting obligations, as a Tier 2 (Reduced Disclosure Requirements) reporting agency in the public sector. This model incorporates annual reporting requirements of the Financial Management Act 2006 (FMA) and the Treasurer’s instructions (TIs) pertinent to the modelled agency.

Agencies should be aware that the Model is for general use and is not intended to cover every potential circumstance. This model is suitable for use by public sector agencies and streamlines financial statements by grouping notes in a functional structure. Agencies are encouraged to streamline their financial statements and this may entail following a more appropriate structuring methodology that is more relevant to their financial statements. Streamlining reduces the costs and burdens of preparing the annual report whilst improving the relevance and meaning for users.

Agencies are encouraged to consider materiality in preparing their financial statements. Agencies should determine which disclosures could be omitted on the basis that they are not quantitatively or qualitatively material. Any omissions should be documented and retained as part of preparation for the annual audit process.

Further reporting requirements are specified in the Public Sector Commission’s Annual Report Checklist available at: https://publicsector.wa.gov.au/document/annual-report-checklist

Instructions for using the Model

Set out below are instructions for using the Model including some key things to consider when preparing your annual financial statements:

- Highlighted disclosures must be included in agency annual reports where required by legislation or are material under accounting standards.
- Apply critical judgements in determining if the model needs to be modified to meet specific circumstances that are material to the understanding of the financial results of the agency.
- Apply operative Australian Accounting Standards (AASs) and Treasurer’s instructions (TIs), issued between publication of this Model and balance date.
- Set an appropriate materiality limit and exclude disclosures that are not material to the understanding of the financial statements.

The Model is not designed to be used as a template. Entities need to apply their judgement and understanding of their own financial results to determine the appropriate level of disclosures that need to be made. In addition, the Model is also not designed as a replacement for referring to AASs and TIs.

Significant changes to this Model Annual Report

The 2019 Model Annual Report for the year ending 31 December reflects the initial adoption of AASB 16 Leases, AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities will take place. These standards increase the number of disclosures including the impact of their initial adoption.

A two-tier reporting framework is still in effect and was introduced to the public sector in an effort to reduce the compliance costs and burden of preparing annual reports whilst also improving the relevance and meaning for users.

Tier 2 reporting takes into consideration the reduced disclosure requirements as indicated within relevant Australian Accounting Standards (AASs) and the requirements of the FMA and TIs. Tier 2 reporting agencies have fewer disclosure requirements than Tier 1, however the recognition, measurement and presentation requirements are the same for both.

Which agencies does Tier 2 reporting apply to?

The Department of Treasury (Treasury) has the discretion as to which agencies will report as a Tier 2 reporting entity. Tier 2 reporting entities are those that are not included in Schedule 1 of TI 1107 Application of Tiered Reporting – Reduced Disclosure Requirements.
Additional information for Tier 2 Reporting

This model illustrates areas where disclosure is not required as a result of AASB 1053 Application of Tiers of Australian Accounting Standards. There are disclosures where Treasury requires information to be disclosed beyond AAS requirements. Those areas are:

- Note 8.8 ‘Remuneration of Auditors’; and
- Contact information.

Setting out the disclosures and guidance

The reporting requirements as set out in the Model are presented as follows:

1) Illustrative disclosures: Presented first – predominantly in black text and for a fictitious agency.
   
   These disclosures have been designed to demonstrate compliance with Australian Accounting Standards and Treasurer’s instructions for a model agency.

   Treasury encourages agencies to streamline their financial reporting. Accordingly, agencies should be considering their own reporting requirements and applying materiality considerations to determine disclosures that are relevant to the users of the financial statements.

2) Guidance (or commentary): Provided on the illustrative disclosures. Guidance has been set out as follows:

   In italics and with a call out border around the guidance.

   In some instances the Model may present illustrative examples that fit for a certain set of circumstances. In such instances the guidance may call out alternative disclosures where an agency may be faced with alternative disclosures. These are demonstrated as follows:

   In plain text and with a call out border around the guidance.

3) References: Highlighted throughout the illustrative disclosures and the guidance and are prefixed by AASB..., Int..., TI..., and/or FMA...

4) Consideration points: Throughout the Model, markers are used to indicate where additional consideration and application of materiality and factors specific to the agency should be applied.

   Indicates ‘stop and consider’. Do you need to include this disclosure?

   Indicates ‘items for attention’. These disclosures may be non-standard.

5) Key judgements: These statements include key judgements and estimates within the note disclosing the quantitative impact of the estimate and or judgement. Where a sample judgement or estimate is disclosed it is marked with the icon as shown below.

   Agencies should ensure they consider throughout the need to disclose estimates and judgements and make the appropriate disclosures.

   Sample key judgement or estimate disclosure.

Where to go for additional information

Treasury seeks to provide users of the Model with relevant and sufficient guidance to be able to apply the requirements included within the Model.

A guide to streamlining a set of financial statements is included on the following page.
A guide to continuously streamlining financial statements

**SETTLE THE SCENE**

**USE MODEL ACCOUNTS AS YOUR BASE**
- Consider reporting requirements illustrated in the Model Annual Report
- Demonstrate minimum compliance with Financial Management Act 2006, Accounting Standards, and Treasurer’s instructions

**STRATEGISE**
- Determine level of disclosure by:
  - Applying critical judgements
  - Understanding financial results
  - Applying materiality consideration
  - Considering the needs of your primary users

**SHRINK**
- Group / move relevant notes together
- Move layout for ease of reading
- Creative use of tables and graphs
- Eliminate duplicate and unnecessary disclosures that are not relevant / material
- Remove immaterial disclosures

**REPORTING CONSIDERATIONS**
- Is there a paper trail to support changes to disclosures including any omitted disclosures?
- Are there paper trails to support decisions to exclude notes based on materiality?
- Have the revised financial statements been tested with users to ensure the desired objective of streamlining has been achieved?
- Are all notes relevant, have we excluded immaterial notes?

**STRUCTURE**
- Assess carried forward disclosure - is it useful or relevant this year?
- Identify and remove duplication and repetition
- Use legend and footnotes to de-clutter
- Introduce each note section for better understanding

**SHARPEN**
- Check logical flow
- Are they presented in a meaningful manner?
- Is it short and sweet?
- Could your primary user tell what you consider to be your material financial reporting matters?
- Is all relevant discussion in one place?

**SENSE CHECK**
- Consider reporting requirements illustrated in the Model Annual Report
- Demonstrate minimum compliance with Financial Management Act 2006, Accounting Standards, and Treasurer’s instructions

**STREAMLINED FINANCIALS**

**USE MODEL ACCOUNTS AS YOUR BASE**
- Consider reporting requirements illustrated in the Model Annual Report
- Demonstrate minimum compliance with Financial Management Act 2006, Accounting Standards, and Treasurer’s instructions
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Statement of compliance

For year ended 31 December 2019

HON MICHAEL JACKSON

MINISTER FOR INFORMATION TECHNOLOGY

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 Agency for the reporting period ended 31 December 2019.

The Annual Report has been prepared in accordance with the provisions of the Financial Management Act 2006 and [any other relevant written law].

The financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board.

(Signature)

B. King

Accountable Authority

1 March 2020

Guidance – statement of compliance

Where the accountable authority is a body, the statement shall be signed by two members of that body.
Executive summary

Performance highlights

- The Agency received a commendation from the State Government for its services in providing assistance to public sector agencies to complement the corporate services reforms.
- Customer surveys indicated that 95% of agencies rated the services provided for the implementation of corporate services reforms as exceptional.
- The Agency’s research and development project on software development for public sector accounting is on schedule and is expected to be completed in 2019.

Operational structure

The Agency (the Agency) delivers services through the following divisions:

- Information Technology;
- Customer Relations; and
- Corporate Services.

Enabling legislation

The Agency was established as an agency on 1 July 2007, under the Public Sector Management Act 1994.

Responsible minister

The Hon. Michael Jackson, BCom MLA, Minister for Information Technology.
Organisational structure

Mission
To provide leadership, support and services necessary to ensure that Western Australians have easy and affordable access to a diverse range of information technology.

Organisational chart

Senior officers

**Dr Bill King** PhD (Chief Executive Officer)
Mr King has extensive experience in corporate management and public sector information technology.

**Elliot Ng** BCom CA (Director Information Technology)
Mr Ng has 7 years’ public sector management experience and 15 years corporate advisory experience in the private sector.

**Christy Fleming** BCom FCPA (Director Corporate Services, Chief Finance Officer)
Ms Fleming has 17 years’ experience in public sector finance, in addition to experience in the private sector.

**Delia Smith** BA (Hons) (Director Customer Relations)
Ms Smith has 10 years’ experience in public sector customer relations.

Guidance – overview

Statutory Authorities shall include information about the appointment of Board members and a short biographical summary for each member of the Board whose term of appointment is pertinent to the reporting period.
Administered legislation

The Agency assists the Minister for Information Technology in administration of the following Acts:

- Information Technology Act 1951-1983; and
- Information Protection Act 1959.

Other key legislation impacting on the Agency’s activities

In the performance of its functions, the Agency complies with the following relevant written laws:

- Auditor General Act 2006;
- Contaminated Sites Act 2003;
- Disability Services Act 1993;
- Equal Opportunity Act 1984;
- Financial Management Act 2006;
- Freedom of Information Act 1992;
- Industrial Relations Act 1979;
- Minimum Conditions of Employment Act 1993;
- Occupational Safety and Health Act 1984;
- Public Sector Management Act 1994;
- Salaries and Allowances Act 1975;
- State Records Act 2000; and

Guidance - overview

Administered legislation
Include the name of and authority for establishment of each subsidiary, related and affiliated body and information about the legislation administered pertaining to each subsidiary and related body.

Other key legislation impacting on the agency’s activities
In addition to the abovementioned legislation, where applicable, agencies may consider disclosing specialised legislation that impacts upon their area of operations. Although the above information is not mandatory, listing the key legislation impacting on the agency’s activities provides useful information to users.
Performance management framework

Outcome-based management framework

<table>
<thead>
<tr>
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<th>Key Effectiveness Indicators</th>
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<tr>
<td>Sustainability of the provision of information technology</td>
<td>The proportion (%) of government agencies using sustainable information technology plans</td>
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<td>Information Technology</td>
<td>Cost per sustainable IT plan</td>
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<th>Outcome 2</th>
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</tr>
</thead>
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<td>The improvement to the level of information technology for the public sector</td>
<td>The proportion (%) of government agencies upgrading their information technology</td>
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<tr>
<th>Service 2</th>
<th>Key Efficiency Indicator</th>
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</thead>
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<tr>
<td>Training and Assistance</td>
<td>(a) Clients assisted per staff member (client/staff ratio) (b) Cost per hour of service delivered</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome 3</th>
<th>Key Effectiveness Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement to the competitiveness of the Western Australian technology industry</td>
<td>(a) Gross value of goods and services produced (b) Uptake of new technology (%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service 3</th>
<th>Key Efficiency Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition Policy</td>
<td>(a) Cost per advisory program (b) Cost per hour of service delivered</td>
</tr>
</tbody>
</table>

Changes to outcome-based management framework

The Agency’s outcome-based management framework did not change during 2019.

Shared responsibilities with other agencies

The Agency did not share any responsibilities with other agencies in 2019.

Guidance – performance management framework

Outcome-based management framework

Include a description of the links between the relevant government goals, agency level desired outcomes and services.

Changes to outcome-based management framework

Include a discussion of any changes to agency level desired outcomes, services and key performance indicators from the previous year. This segment should be included even if there is a nil return.

Shared responsibilities with other agencies

Include a statement of which services are being delivered jointly with other agencies and how the agency is contributing to other agencies’ desired outcomes. This segment should be included even if there is a nil return.
Agency performance

Report on operations

Actual results versus budget targets

Financial targets

<table>
<thead>
<tr>
<th></th>
<th>2019 Target(^{(1)}) ($000)</th>
<th>2019 Actual ($000)</th>
<th>Variation(^{(2)}) ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of services (expense limit) (sourced from Statement of Comprehensive Income)</td>
<td>804,482</td>
<td>802,063</td>
<td>(2,419)(^{(a)})</td>
</tr>
<tr>
<td>Net cost of services (sourced from Statement of Comprehensive Income)</td>
<td>773,708</td>
<td>769,012</td>
<td>(4,696)(^{(b)})</td>
</tr>
<tr>
<td>Total equity (sourced from Statement of Financial Position)</td>
<td>1,363,158</td>
<td>1,459,489</td>
<td>96,331(^{(c)})</td>
</tr>
<tr>
<td>Net increase / (decrease) in cash held (sourced from Statement of Cash Flows)</td>
<td>5,336</td>
<td>5,523</td>
<td>187</td>
</tr>
<tr>
<td>Approved salary expense level</td>
<td>639,000</td>
<td>636,757</td>
<td>(2,243)(^{(d)})</td>
</tr>
<tr>
<td>Agreed borrowing limit (where applicable)</td>
<td>5,250</td>
<td>5,205</td>
<td>(45)</td>
</tr>
</tbody>
</table>

\(^{(1)}\) As specified in the Budget Statements.

\(^{(2)}\) Further explanations are contained in Notes 2.1, 8.12 'Explanatory statement' to the financial statements.

\(a\) The variation is mainly due to implementing tighter cost controls ($14,593,000), which was partially offset by additional costs ($11,220,000) in hiring consultants to deliver services.

\(b\) In addition to the explanation above regarding expenses, the variation was mainly due to an increase in user charges and fees, and sales revenue ($2,050,000) as a result of better than expected demand.

\(c\) The variation is mainly due to a greater than expected asset revaluation increments for land and buildings ($60,000,000) and infrastructure ($40,000,000).

\(d\) The variation arose because of a number of vacancies occurring through secondment and attrition occurring throughout the second half of the reporting period ($2,243,000).
Guidance – agency performance

Report on operations

The report must include a brief discussion of agency performance, including references to key achievements and other key highlights about agency performance during the year. This can include both financial and non-financial performances as well as the agency’s vision and mission.

Include any narrative necessary to explain the results and describe the agency’s performance, including any material variations and the impact of any external factors.

Reporting actual performance compared to resource agreement targets

Agencies are required to adopt a format similar to that shown in the Guidelines to TI 808(4).

Borrowing limits

The agreed borrowing limit is the total borrowings authorised by the Treasurer during, or subsequent to, the budget process due to impact on the State’s Net Debt. Accountable authorities should refer to TI 822, which provides background on borrowing limits and provides guidance on amounts included in the agency borrowing limit.

Working cash targets

<table>
<thead>
<tr>
<th></th>
<th>2019 Agreed limit ($000)</th>
<th>2019 Target(^1)/Actual(^2) ($000)</th>
<th>Variation ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreed working cash limit (at Budget)</td>
<td>39,934</td>
<td>39,934</td>
<td>-</td>
</tr>
<tr>
<td>Agreed working cash limit (at Actuals)</td>
<td>38,074</td>
<td>6,808(^e)</td>
<td>(31,266)(^f)</td>
</tr>
</tbody>
</table>

\(^e\) The Actual working cash held totals $8,308,000, which includes an amount of $1,500,000 for Asset Investment Program milestone payments due early in the first month of the successive reporting period. Cash held for milestone payments is excluded from this target.

\(^f\) The variation is mainly due to [insert narrative].

Guidance – working cash targets

Working cash targets

The Target Working Cash Limit at Budget is calculated by multiplying budgeted recurrent payments by 5% (total operating and financing). Further information on the Working Cash Target may be found in the Cash Management Policy (2007) at:


More detailed information on agency performance, including long term trends and supporting footnotes, may be disclosed either in this section or in the section ‘Disclosures and Legal Compliance’. If further information is disclosed elsewhere, a cross reference to the page number would be required.
## Summary of key performance indicators

<table>
<thead>
<tr>
<th>Outcome 1: Sustainability of the provision of information technology</th>
<th>2019 Target$^{(1)}$</th>
<th>2019 Actual</th>
<th>Variation$^{(2)}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>The proportion (%) of government agencies using sustainable information technology plans</td>
<td>85%</td>
<td>86%</td>
<td>1%</td>
</tr>
<tr>
<td>Service 1: Information technology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost per sustainable IT plan</td>
<td>$22,700</td>
<td>$21,950</td>
<td>$750</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome 2: The improvement to the level of information technology for the public sector</th>
<th>2019 Target$^{(1)}$</th>
<th>2019 Actual</th>
<th>Variation$^{(2)}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>The proportion (%) of government agencies upgrading their information technology</td>
<td>75%</td>
<td>76%</td>
<td>1%</td>
</tr>
<tr>
<td>Service 2: Training and assistance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clients assisted per staff member (client/staff ratio)</td>
<td>0.36</td>
<td>0.39</td>
<td>0.03</td>
</tr>
<tr>
<td>Cost per hour of service delivered</td>
<td>$5,000</td>
<td>$5,311</td>
<td>($311)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome 3: Improvement to the competitiveness of the Western Australian technology industry</th>
<th>2019 Target$^{(1)}$</th>
<th>2019 Actual</th>
<th>Variation$^{(2)}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross value of goods and services produced</td>
<td>$200m</td>
<td>$206m</td>
<td>$6m</td>
</tr>
<tr>
<td>Uptake of new technology (%)</td>
<td>66%</td>
<td>68%</td>
<td>2%</td>
</tr>
<tr>
<td>Service 3: Competition policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost per advisory program</td>
<td>$19,300</td>
<td>$18,900</td>
<td>$400</td>
</tr>
<tr>
<td>Cost per hour of service delivered</td>
<td>$5,000</td>
<td>$5,155</td>
<td>($155)</td>
</tr>
</tbody>
</table>

(1) As specified in the Budget Statements.
(2) Explanations for the variations between target and actual results are presented in Note 8.12 ‘Explanatory statement’ to the financial statements.

## Guidance – summary of key performance indicators

More detailed information, including long term trends and supporting footnotes, may be disclosed either in this section or in the section ‘Disclosures and Legal Compliance’. The report on operations shall include any narrative necessary to explain the results and describe the agency’s performance, including any material variations and the impact of any external factors.

If further information is disclosed elsewhere, a cross reference to the page number would be required.

Where there is no resource agreement, the key performance indicators approved under TI 904 are to be used in this reporting process by reporting, at a minimum, a summary assessment of actual performance relative to target performance as set in the budget statements, statement of corporate intent or any equivalent document in accordance with TI 903(8).
**Significant Issues Impacting the Agency**

**Current and emerging issues and trends**

The rapid pace of technological advancements are leading to a reduction in the Agency costs and creates opportunities to deliver enhanced services.

**Economic and social trends**

There is an expectation in society that services delivered by the Agency will be enhanced to take advantage of technological advances.

**Changes in written law**

There were no changes in any written law that affected the Agency during the reporting period.

**Likely developments and forecast results of operations**

It is likely that the Agency operations will undergo a period of consolidation during 2019 as a result of the full impact of changes made during the 2019 reporting period. The most significant areas for change will be in relation to:

- The continuation of the research and development project on software development for public sector accounting. This project is expected to deliver significant cost savings to the public sector; and
- The measures taken in the current period with respect to information technology services, which should begin to deliver significant cost savings and greater sales growth.

---

**Guidance – significant issues impacting the agency**

Include a brief description of current and emerging issues and trends impacting on the agency’s operations, as well as the operations of any subsidiary and/or related bodies, and how the agency and bodies intend to address them. This may include economic and social trends and changes in any written law and significant judicial decisions affecting the agency or bodies.

Any likely developments in the operations of the agency or bodies and the forecast results of those developments should also be disclosed, unless the disclosure is likely to be prejudicial to the agency.
Disclosures and legal compliance

Financial statements

Certification of financial statements

For the reporting period ended 31 December 2019

The accompanying financial statements of the Agency 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 reporting period ended 31 December 2019 and the financial position as at 31 December 2019.

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

(Signature)  (Signature)
C. Fleming        B. King
Chief Finance Officer  Accountable Authority
1 March 2020 1 March 2020

Guidance – disclosures and legal compliance

Financial statements are to be prepared in accordance with the accounting standards and other requirements issued by the AASB.

Financial statements include any financial statements and information prescribed by the Treasurer’s instructions and any other financial information required by a written direction given by the Minister.

Disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the agency’s owners or others have the power to amend the financial statements after issue, the agency shall disclose that fact.

Where the accountable authority is a body, the statement shall be signed by two members of that body.
Financial statements for the year ended 31 December 2019

The Agency has pleasure in presenting its audited general purpose financial statements for the financial reporting period ended 31 December 2019 which provides users with the information about the Agency’s stewardship of resource entrusted to it. The financial information is presented in the following structure:

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<td>9.1 Administered income and expenses</td>
<td>113</td>
</tr>
<tr>
<td>9.2 Explanatory statement for administered items</td>
<td>114</td>
</tr>
<tr>
<td>9.3 Administered assets and liabilities</td>
<td>116</td>
</tr>
</tbody>
</table>
A complete set of financial statements comprises the following:

- A statement of comprehensive income;
- A statement of financial position;
- A statement of changes in equity;
- A statement of cash flows;
- Notes, comprising a summary of significant accounting policies and other explanatory information; and
- Comparative information in respect of the preceding period.

Contents of the Notes to the Financial Statements

The notes to the financial statements of an agency shall:

- Present information about the basis of preparation;
- Disclose the information required by Australian Accounting Standards (AASs) that is not presented in the face of the financial statements;
- Provide additional information that is relevant to an understanding of the financial statements and that is not disclosed elsewhere;
- Be presented in a systematic manner with cross references to the financial statements or any related information in the notes;
- Include a statement of compliance with AASs; and
- Include a summary of significant accounting policies relevant to understanding the information presented in the financial statements, including the measurement bases used in preparing the financial statements.

The FMA, TIs and accounting standards require agencies to include additional financial information:

Statutory authorities and agencies

- Explanatory statements disclosing budgets versus actual results for the agency; and
- Explanatory statements disclosing current year actual results versus prior year comparative results for the agency.

Agencies

- Summary of Consolidated Account Appropriations and Income Estimates;
- Schedules for Administered Income, Expenses, Assets and Liabilities; and
- Explanatory statements for Administered items.

Without these, an agency will not have a complete set of financial statements.
## Statement of comprehensive income

For the year ended 31 December 2019

<table>
<thead>
<tr>
<th>COST OF SERVICES</th>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>2.1</td>
<td>669,757</td>
<td>599,002</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>2.3</td>
<td>65,047</td>
<td>55,951</td>
</tr>
<tr>
<td>Depreciation and amortisation expenses</td>
<td>4.1(d), 4.2.1</td>
<td>34,879</td>
<td>30,863</td>
</tr>
<tr>
<td>Finance costs</td>
<td>6.4</td>
<td>459</td>
<td>347</td>
</tr>
<tr>
<td>Accommodation expenses</td>
<td>2.3</td>
<td>6,963</td>
<td>6,330</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>2.2</td>
<td>9,801</td>
<td>8,910</td>
</tr>
<tr>
<td>Loss on disposal of non-current assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>3.3</td>
<td>5,560</td>
<td>3,700</td>
</tr>
<tr>
<td>Other expenses</td>
<td>2.3</td>
<td>9,597</td>
<td>12,982</td>
</tr>
<tr>
<td>Total cost of services</td>
<td></td>
<td>802,063</td>
<td>718,085</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue and Income</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>User charges and fees</td>
<td>3.2</td>
<td>16,497</td>
<td>14,997</td>
</tr>
<tr>
<td>Sales</td>
<td>3.3</td>
<td>14,267</td>
<td>12,970</td>
</tr>
<tr>
<td>Commonwealth grants and contributions</td>
<td>3.4</td>
<td>1,050</td>
<td>1,000</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total revenue</td>
<td></td>
<td>31,814</td>
<td>28,967</td>
</tr>
</tbody>
</table>

| Gain on disposal of non-current assets | 3.5  | 170         | 4,700       |
| Other gains | 3.5   | 1,067       | 970         |
| Total gains |       | 1,237       | 5,670       |
| Total income other than income from State Government |       | 33,051      | 34,637      |

| NET COST OF SERVICES |       | 769,012     | 683,448     |

<table>
<thead>
<tr>
<th>Income from State Government</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Service appropriation</td>
<td>3.1</td>
<td>803,846</td>
<td>713,701</td>
</tr>
<tr>
<td>Liabilities assumed</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assets transferred</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Services received free of charge</td>
<td>3.1</td>
<td>1,595</td>
<td>1,450</td>
</tr>
<tr>
<td>Royalties for Regions Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total income from State Government</td>
<td></td>
<td>805,441</td>
<td>715,151</td>
</tr>
</tbody>
</table>

| SURPLUS/(DEFICIT) FOR THE PERIOD |       | 36,429      | 31,703      |

| OTHER COMPREHENSIVE INCOME |       |             |             |
| Items not reclassified subsequently to profit or loss |       |             |             |
| Changes in asset revaluation surplus |       | 100,000     | 25,500      |
| Total other comprehensive income |       | 100,000     | 25,500      |

| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD |       | 136,429     | 57,203      |

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.
**Guidance – Presentation of the statement of comprehensive income**

Income and expense items are classified within the statement of comprehensive income depending on whether they arise from ‘transactions’ or ‘other comprehensive income’. In addition, the statement of comprehensive income also presents movements due to changes in non-owner equity under ‘other comprehensive income’. All owner changes in equity in their capacity as owners can be found in the statement of changes in equity.

### In ‘Total cost of services’ and ‘Total revenue’ section:

**Transactions** are those economic flows that arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an agency. Transactions can be in cash or in kind. In simple terms, transactions arise from the policy decisions of the government.

<table>
<thead>
<tr>
<th>In the ‘Net cost of services’ section:</th>
<th>In ‘Total income from State Government’ section:</th>
<th>In ‘Other comprehensive income’ section:</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section includes changes in the volume or value of an asset or liability that do not result from transactions. It includes:</td>
<td>This section includes:</td>
<td>This section presents line items for amounts classified by nature. These items are then grouped into those that:</td>
</tr>
<tr>
<td>• Gains and losses from disposals;</td>
<td>• Service appropriation;</td>
<td>• Will not be reclassified subsequently to profit or loss; or</td>
</tr>
<tr>
<td>• Revaluations and impairments of non-financial physical and intangible assets;</td>
<td>• Liabilities assumed;</td>
<td>• Will be reclassified subsequently to profit or loss when specific conditions are met.</td>
</tr>
<tr>
<td>• Fair value changes of financial instruments; share of the profit or loss of equity accounted investments;</td>
<td>• Assets transferred;</td>
<td>It includes:</td>
</tr>
<tr>
<td>• A single amount for the total of discontinued operations; and</td>
<td>• Services received free of charge; and</td>
<td>• Changes in physical asset revaluation surpluses;</td>
</tr>
<tr>
<td>• Other gains</td>
<td>• Royalties for Regions Fund.</td>
<td>• Share of movements of other comprehensive income of equity accounted investments; and</td>
</tr>
<tr>
<td>Please note the following:</td>
<td>Please note the following:</td>
<td>• Changes in available for sale revaluation surplus.</td>
</tr>
<tr>
<td>• Supplies and services - include administrative expenses.</td>
<td>• Losses or gains on disposal of assets - may be disclosed separately. Groups of similar transactions would normally be reported on a net basis. Immaterial losses or gains can be included in other expenses or other gains.</td>
<td>This model illustrates only items that will not be subsequently reclassified to the profit and loss. Certain items do get re-classified to profit or loss and appropriate disclosures would need to be made if agencies hold such items as listed below:</td>
</tr>
<tr>
<td>• Finance costs - include borrowing costs, including costs incurred in the borrowing of funds (AASB 123.5), and the effect of unwinding of discounting of items measured at present value (AASB 137.60) and includes the interest component of the lease liability repayments (AASB 16.49)</td>
<td>• Exchange differences reserves.</td>
<td></td>
</tr>
<tr>
<td>The discounting of employee benefits should be recognised under employee benefits expense rather than separately as a finance cost.</td>
<td>• Financial assets classified as ‘available for sale’.</td>
<td></td>
</tr>
</tbody>
</table>
Classification of expenses by nature or function:

Expenses must be classified and presented (either in the statement of comprehensive income or in the related notes) based on either their nature or their function, whichever provides information that is reliable and more relevant. Regardless of whether expenses are classified by nature or by function, each material class is separately disclosed.

Material items of income and expense:

When items of income and expense are material, their nature and amount shall be disclosed separately either in the statement of comprehensive income or in the notes to the financial statements.

Further, an agency shall disclose, either in the statement of comprehensive income or in the notes, any amounts related to components of other comprehensive income that are reclassified to net result in the current period, that were previously recognised in other comprehensive income in the current or previous periods.

Additional disclosures such as additional line items, headings and subtotals shall be presented on the face when it is relevant to an understanding of the financial performance of the agency, subject to those disclosures being consistent with requirements of AASB 101.
## Statement of financial position

**As at 31 December 2019**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.60, 66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.54(i)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6.5</td>
<td>8,308</td>
</tr>
<tr>
<td>Ti1103(7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>6.5</td>
<td>50</td>
</tr>
<tr>
<td>AASB 101.54(g)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>3.3</td>
<td>18,310</td>
</tr>
<tr>
<td>AASB101.54(h)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>5.1</td>
<td>9,097</td>
</tr>
<tr>
<td>Ti1103(7),</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts receivable for services</td>
<td>5.2</td>
<td>14,239</td>
</tr>
<tr>
<td>AASB101.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Assets</td>
<td>5.3</td>
<td>-</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>50,554</td>
<td>40,599</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.10(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>6.5</td>
<td>60</td>
</tr>
<tr>
<td>AASB 101.54(g)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>3.3</td>
<td>-</td>
</tr>
<tr>
<td>AASB101.54(h)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>5.1</td>
<td>-</td>
</tr>
<tr>
<td>Ti1103(7),</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts receivable for services</td>
<td>5.2</td>
<td>75,933</td>
</tr>
<tr>
<td>AASB101.54(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure, property, plant and equipment</td>
<td>4.1(a)</td>
<td>1,369,572</td>
</tr>
<tr>
<td>Ti1103(6)(ii)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>4.1(b)</td>
<td>11,882</td>
</tr>
<tr>
<td>AASB101.54(c)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>4.2</td>
<td>455</td>
</tr>
<tr>
<td>AASB101.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>5.3</td>
<td>-</td>
</tr>
<tr>
<td>Total Non-Current Assets</td>
<td>1,457,902</td>
<td>1,298,886</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>1,508,456</td>
<td>1,339,485</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.54(k)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>5.4</td>
<td>2,787</td>
</tr>
<tr>
<td>AASB101.54(m)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>6.1</td>
<td>600</td>
</tr>
<tr>
<td>Ti1103(9)(ii)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease Liabilities</td>
<td>6.2</td>
<td>3,298</td>
</tr>
<tr>
<td>AASB101.54(m)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts due to the Treasurer</td>
<td>5.5</td>
<td>2,400</td>
</tr>
<tr>
<td>AASB101.54(f)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee related provisions</td>
<td>2.1</td>
<td>20,095</td>
</tr>
<tr>
<td>AASB101.54(l)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other provisions</td>
<td>5.6</td>
<td>20</td>
</tr>
<tr>
<td>AASB101.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Liabilities</td>
<td>5.7</td>
<td>895</td>
</tr>
<tr>
<td>AASB101.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>5.8</td>
<td>-</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>30,095</td>
<td>24,737</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.60, 69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.54(k)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>5.4</td>
<td>-</td>
</tr>
<tr>
<td>AASB101.54(m)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>6.1</td>
<td>-</td>
</tr>
<tr>
<td>Ti1103(10)(ii)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>6.2</td>
<td>9,005</td>
</tr>
<tr>
<td>AASB101.54(f)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee related provisions</td>
<td>2.1</td>
<td>9,275</td>
</tr>
<tr>
<td>AASB101.54(l)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other provisions</td>
<td>5.6</td>
<td>592</td>
</tr>
<tr>
<td>AASB101.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract Liabilities</td>
<td>5.7</td>
<td>-</td>
</tr>
<tr>
<td>AASB101.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>5.8</td>
<td>-</td>
</tr>
<tr>
<td>Total Non-Current Liabilities</td>
<td>18,872</td>
<td>3,678</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>48,967</td>
<td>28,415</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>1,459,489</td>
<td>1,311,070</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.54(r)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed equity</td>
<td>8.10</td>
<td>100,960</td>
</tr>
<tr>
<td>AASB101.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>8.10</td>
<td>305,500</td>
</tr>
<tr>
<td>AASB101.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated surplus/(deficit)</td>
<td></td>
<td>1,053,029</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>1,459,489</td>
<td>1,311,070</td>
</tr>
</tbody>
</table>

The Statement of Financial Position should be read in conjunction with the accompanying notes.
Guidance – statement of financial position

Sub-classification of line items
Depending on the size, nature and function of the amounts involved and requirements of AASs, the statement of financial position line items must be sub-classified in a manner appropriate to the agency’s operations (either in the statement of financial position or in the related notes).

Refinancing liabilities – classification
Financial liabilities shall be categorised as current when they are due to be settled within 12 months of the reporting period, even if:

(a) The original term was for a period longer than 12 months; and
(b) An agreement to refinance, or to reschedule payments, beyond 12 months, is completed after the reporting period and before the financial statements are authorised for issue.

Where material, information to be presented includes:

Assets:
- Cash and cash equivalents;
- Trade and other receivables;
- Inventories;
- Investment property;
- Investments accounted for using the equity method;
- Financial assets (not elsewhere presented);
- The total assets classified as held for sale and assets included in disposal groups classified as held for sale (AASB 5);
- Right-of-use assets
- Property, plant and equipment; and
- Intangible assets.

Liabilities:
- Trade and other payables;
- Liabilities included in disposal groups classified as held for sale (AASB 5);
- Lease liabilities
- Financial liabilities (not elsewhere presented); and
- Provisions.

It must be noted that the line items need only be presented where the agency recognises such an asset or liability. This model includes additional line items as examples only.

If an agency holds additional assets/liabilities and the presentation of these is important for the understanding of the financial results they must be disclosed on the face of the statement of financial position.
Guidance – statement of financial position

Reduced disclosure requirements

Agencies applying Tier 2 reduced disclosure requirements are exempted from the requirement of preparing a third Statement of Financial Position (i.e. a third column) when they apply an accounting policy retrospectively, make a retrospective restatement of items in their financial statements or reclassify items in their financial statements.
### Statement of changes in equity

For the year ended 31 December 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>Contributed equity ($000)</th>
<th>Reserves ($000)</th>
<th>Accumulated surplus/(deficit) ($000)</th>
<th>Total equity ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>33,650</td>
<td>180,000</td>
<td>984,907</td>
<td>1,198,557</td>
</tr>
<tr>
<td>AASB108.19(b), 42(b), AASB101.106(b)</td>
<td>Changes in accounting policy or correction of prior period errors</td>
<td>8.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Restated balance at 1 January 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>33,650</td>
<td>180,000</td>
<td>984,907</td>
<td>1,198,557</td>
</tr>
<tr>
<td>AASB101.106(d)(i)</td>
<td>Surplus/(deficit)</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AASB101.106(d)(ii)</td>
<td>Other comprehensive income</td>
<td>8.10</td>
<td>-</td>
<td>25,500</td>
</tr>
<tr>
<td>AASB101.106(a)</td>
<td>Total comprehensive income for the period</td>
<td></td>
<td>-</td>
<td>25,500</td>
</tr>
<tr>
<td>AASB101.106(d)(iii)</td>
<td>Transactions with owners in their capacity as owners:</td>
<td>8.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TI955(3)(i)</td>
<td>Capital appropriations</td>
<td></td>
<td>65,000</td>
<td>-</td>
</tr>
<tr>
<td>AASB1004.48</td>
<td>Other contributions by owners</td>
<td></td>
<td>1,500</td>
<td>-</td>
</tr>
<tr>
<td>AASB1004.49</td>
<td>Distributions to owners</td>
<td></td>
<td>(11,190)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 31 December 2018</strong></td>
<td></td>
<td>88,960</td>
<td>205,500</td>
<td>1,016,610</td>
</tr>
<tr>
<td><strong>Balance at 1 January 2019</strong></td>
<td></td>
<td>88,960</td>
<td>205,500</td>
<td>1,016,610</td>
</tr>
<tr>
<td>AASB108.19(b), 42(b), AASB101.106(b)</td>
<td>Initial application of accounting policy and/or correction of prior period errors</td>
<td>8.2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Restated balance at 1 January 2019</strong></td>
<td></td>
<td>88,960</td>
<td>205,500</td>
<td>1,016,600</td>
</tr>
<tr>
<td>AASB101.106(d)(i)</td>
<td>Surplus/(deficit)</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AASB101.106(d)(ii)</td>
<td>Other comprehensive income</td>
<td>8.10</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>AASB101.106(a)</td>
<td>Total comprehensive income for the period</td>
<td></td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>AASB101.106(d)(iii)</td>
<td>Transactions with owners in their capacity as owners:</td>
<td>8.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TI955(3)(i)</td>
<td>Capital appropriations</td>
<td></td>
<td>12,000</td>
<td>-</td>
</tr>
<tr>
<td>AASB1004.48</td>
<td>Other contributions by owners</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AASB1004.49</td>
<td>Distributions to owners</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>12,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2019</strong></td>
<td></td>
<td>100,960</td>
<td>305,500</td>
<td>1,053,029</td>
</tr>
</tbody>
</table>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.
This statement is included to present:

- A reconciliation between the various classes of equity at the beginning of the period to the end of the period.

Where material, the following information must be disclosed:

(a) Total comprehensive result for the period, showing separately the total amounts attributable to owners of the parent and to minority interest;
(b) For each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and
(c) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) Profit or loss;
(ii) Other comprehensive income; and/or
(iii) Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

Changes in accounting policy or correction of prior period errors

An example of a voluntary change in accounting policy is an increase in the asset capitalisation threshold.

Under AASB 108, voluntary changes in accounting policy and correction of prior period errors are adjusted against the opening balances of each affected component of equity in the comparatives. Note that changes in accounting policy under AASB 116 and AASB 138 in respect of the revaluation of assets are not accounted for under AASB 108. Changes to the revaluation model under these Standards are not applied retrospectively.

In accordance with AASB 108.24, under limited circumstances the current period may be the beginning of the earliest period for which retrospective application is practicable for a change in accounting policy.

Additional guidance on disclosures regarding changes in accounting policy has been included in note 8 ‘other disclosures’. This covers the initial application of new accounting standards effective for the current financial year.
## Statement of cash flows

For the year ended 31 December 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM STATE GOVERNMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service appropriation</td>
<td>764,069</td>
<td>673,242</td>
</tr>
<tr>
<td>Capital appropriations</td>
<td>12,000</td>
<td>65,000</td>
</tr>
<tr>
<td>Holding account drawdown</td>
<td>18,137</td>
<td>7,688</td>
</tr>
<tr>
<td>Non-retained revenue distributed to owner</td>
<td>-</td>
<td>(10,100)</td>
</tr>
<tr>
<td>Royalties for Regions Fund</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by State Government</strong></td>
<td><strong>794,206</strong></td>
<td><strong>735,830</strong></td>
</tr>
</tbody>
</table>

Utilised as follows:

### CASH FLOWS FROM OPERATING ACTIVITIES

#### Payments

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>(666,501)</td>
<td>(593,654)</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>(64,000)</td>
<td>(61,666)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(175)</td>
<td>(270)</td>
</tr>
<tr>
<td>Accommodation</td>
<td>(6,292)</td>
<td>(5,720)</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>(9,801)</td>
<td>(8,910)</td>
</tr>
<tr>
<td>GST payments on purchases</td>
<td>(7,336)</td>
<td>(6,829)</td>
</tr>
<tr>
<td>GST payments to taxation authority</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other payments</td>
<td>(6,618)</td>
<td>(6,016)</td>
</tr>
</tbody>
</table>

#### Receipts

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of goods and services</td>
<td>9,989</td>
<td>9,081</td>
</tr>
<tr>
<td>User charges and fees</td>
<td>16,497</td>
<td>14,997</td>
</tr>
<tr>
<td>Commonwealth grants and contributions</td>
<td>1,050</td>
<td>1,000</td>
</tr>
<tr>
<td>Interest received</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GST receipts on sales</td>
<td>2,345</td>
<td>1,730</td>
</tr>
<tr>
<td>GST receipts from taxation authority</td>
<td>5,056</td>
<td>5,034</td>
</tr>
<tr>
<td>Other receipts</td>
<td>1,067</td>
<td>970</td>
</tr>
</tbody>
</table>

**Net cash provided by/(used in) operating activities** | (724,719) | (650,253) |

### CASH FLOWS FROM INVESTING ACTIVITIES

#### Payments

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of non-current assets</td>
<td>(58,727)</td>
<td>(96,992)</td>
</tr>
</tbody>
</table>

#### Receipts

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale of non-current assets</td>
<td>2,798</td>
<td>10,100</td>
</tr>
</tbody>
</table>

**Net cash provided by/(used in) investing activities** | (55,929) | (86,892) |

### CASH FLOWS FROM FINANCING ACTIVITIES

#### Payments

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal elements of lease (2018 – finance lease) payments</td>
<td>(8,035)</td>
<td>(1,090)</td>
</tr>
<tr>
<td>Other repayments</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Receipts

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from borrowings</td>
<td>-</td>
<td>1,160</td>
</tr>
<tr>
<td>Other proceeds</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Net cash provided by/(used in) financing activities** | (8,035) | 70 |

**Net increase/(decrease) in cash and cash equivalents** | 5,523 | (1,245) |

**Cash and cash equivalents at the beginning of the period** | 2,895 | 4,140 |

**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 8,418 | 2,895 |

The Statement of Cash Flows should be read in conjunction with the accompanying notes.
Guidance – statement of cash flows

Purchase of non-current assets – due to the capitalisation threshold where assets below $5,000 are to be expensed, the cash flows under investing activities represent the extent to which expenditure has been made for resources that are initially recognised as an asset in the Statement of Financial Position. Therefore, expenditure on items below $5,000 is to be accounted for under operating activities.

Principal elements of lease payments – due to the threshold where leases below $5,000 are to be expensed, the cash flows under financing activities represent the extent of amounts recognised as lease liabilities in the Statement of Financial Position. Therefore, expenditure on items below $5,000 is to be accounted for under operating activities.

Cash and cash equivalent assets transferred to/from an agency as part of a distribution to/contribution by owners should be reported under ‘Cash flows from State Government’.

While AASB 107 permits the use of either the direct or the indirect method for reporting cash flows from operating activities, it encourages entities to use the direct method, as it provides information which may be useful in estimating future cash flows and which is not available under indirect method. This model financial report therefore uses direct method. A statement of cash flows presented using the indirect method must be disclosed in this instance.

Where finance costs represent leasing interest expenses or borrowing interest expenses, agencies have a policy choice as to where to present these. In the model above they are shown as operating activities as the model assumes the costs are in relation to the operations of the agency as opposed to financing or investing matters of the agency.

These models have highlighted common cash flow line items. In some instances, such as interest received, these line items are not populated. Where an agency does not have values to populate against line items, these line items should not be shown.
Summary of consolidated account appropriations and income estimates

For the year ended 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th>2019 Estimate ($000)</th>
<th>2019 Actual ($000)</th>
<th>Variance ($000)</th>
<th>2019 Actual ($000)</th>
<th>2018 Actual ($000)</th>
<th>Variance ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Delivery of Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item X Net amount appropriated</td>
<td>802,950</td>
<td>803,646</td>
<td>696</td>
<td>803,646</td>
<td>713,501</td>
<td>90,145</td>
</tr>
<tr>
<td>Section 25 Transfer of service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amount Authorised by Other Statutes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Salaries and Allowances Act 1975</td>
<td>150</td>
<td>200</td>
<td>50</td>
<td>200</td>
<td>200</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total appropriations provided to deliver services</strong></td>
<td>803,100</td>
<td>803,846</td>
<td>746</td>
<td>803,846</td>
<td>713,701</td>
<td>90,145</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item Y Capital appropriations</td>
<td>11,000</td>
<td>12,000</td>
<td>1,000</td>
<td>12,000</td>
<td>65,000</td>
<td>(53,000)</td>
</tr>
<tr>
<td><strong>Administered Transactions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item XX Administered grants, subsidiaries and other transfer payments</td>
<td>1,085</td>
<td>1,085</td>
<td>-</td>
<td>1,085</td>
<td>998</td>
<td>87</td>
</tr>
<tr>
<td>Item YY Administered capital appropriations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total administered transactions</strong></td>
<td>1,085</td>
<td>1,085</td>
<td>-</td>
<td>1,085</td>
<td>998</td>
<td>87</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>815,185</td>
<td>816,931</td>
<td>1,746</td>
<td>816,931</td>
<td>779,699</td>
<td>37,232</td>
</tr>
<tr>
<td><strong>Details of Expenses by Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td>363,774</td>
<td>354,924</td>
<td>(8,850)</td>
<td>354,924</td>
<td>320,103</td>
<td>34,821</td>
</tr>
<tr>
<td>Training and Assistance</td>
<td>261,790</td>
<td>254,415</td>
<td>(7,375)</td>
<td>254,415</td>
<td>229,207</td>
<td>25,208</td>
</tr>
<tr>
<td>Competition Policy</td>
<td>178,918</td>
<td>190,540</td>
<td>11,622</td>
<td>190,540</td>
<td>172,126</td>
<td>18,414</td>
</tr>
<tr>
<td><strong>Total Cost of Services</strong></td>
<td>804,482</td>
<td>799,879</td>
<td>(4,603)</td>
<td>799,879</td>
<td>721,436</td>
<td>78,443</td>
</tr>
<tr>
<td>Less Total Income</td>
<td>(30,774)</td>
<td>(33,101)</td>
<td>(2,327)</td>
<td>(33,101)</td>
<td>(34,637)</td>
<td>1,536</td>
</tr>
<tr>
<td><strong>Net Cost of Services</strong></td>
<td>773,708</td>
<td>766,778</td>
<td>(6,930)</td>
<td>766,778</td>
<td>686,799</td>
<td>79,979</td>
</tr>
<tr>
<td>Adjustments</td>
<td>29,392</td>
<td>37,068</td>
<td>7,676</td>
<td>37,068</td>
<td>26,902</td>
<td>10,166</td>
</tr>
<tr>
<td><strong>Total appropriations provided to deliver services</strong></td>
<td>803,100</td>
<td>803,846</td>
<td>746</td>
<td>803,846</td>
<td>713,701</td>
<td>90,145</td>
</tr>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of non-current assets</td>
<td>48,000</td>
<td>58,727</td>
<td>10,727</td>
<td>58,727</td>
<td>96,992</td>
<td>(38,265)</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>8,035</td>
<td>8,035</td>
<td>-</td>
<td>8,035</td>
<td>1,090</td>
<td>6,945</td>
</tr>
<tr>
<td>Adjustments for other funding sources</td>
<td>(45,035)</td>
<td>(54,762)</td>
<td>(9,727)</td>
<td>(54,762)</td>
<td>(33,082)</td>
<td>(21,680)</td>
</tr>
<tr>
<td><strong>Capital appropriations</strong></td>
<td>11,000</td>
<td>12,000</td>
<td>1,000</td>
<td>12,000</td>
<td>65,000</td>
<td>(53,000)</td>
</tr>
<tr>
<td><strong>Details of Income Estimates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income disclosed as Administered</td>
<td>5,929</td>
<td>5,995</td>
<td>66</td>
<td>5,995</td>
<td>5,130</td>
<td>865</td>
</tr>
</tbody>
</table>

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 9.1 ‘Disclosure of administered income and expenses’ and Note 9.2 ‘Explanatory statement for Administered Items’ provide details of any significant variations between estimates and actual results for 2019 and between the actual results for 2019 and 2018.

No supplementary income was received by the agency.
**Guidance – summary of consolidated account appropriations and income estimates**

**AASB1004.57**

Agencies will need to adapt the summary of consolidated account appropriations and income estimates where activities are transferred to/from government agencies or not-for-profit statutory authorities as a result of a restructure of administrative arrangements.

Transferee government agencies must disclose in the notes to the financial statements the expenses and revenues attributable to the transferred activities for the reporting period, showing separately those expenses and revenues recognised by the transferor agency during the reporting period.

**Alternately, not-for-profit statutory authorities do not prepare a summary of consolidated account appropriations and income estimates** and must therefore make alternate disclosures in the notes to the statements for expenses and revenues attributable to the transferred activities for the reporting period, showing separately those expenses and revenues recognised by the transferor agency during the reporting period.

This disclosure requirement applies to all agencies except Gold Corporation.

**AASB 1058.39(a)(ii)**

The total of any supplementary amounts appropriated and amounts authorised other than by way of appropriation income received by the agency must be separately recorded. This can be disclosed as a note to the Summary of Consolidated Account Appropriations and Income Estimates. The expenditure relating to supplementary amounts is then also required to be disclosed.
Notes to the financial statements

1. Basis of preparation

The Agency is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The Agency is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the ‘Overview’ which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the Agency on 1 March 2020.

Statement of compliance

These general purpose financial statements are prepared in accordance with:

1) The Financial Management Act 2006 (FMA)
2) The Treasurer’s instructions (TIs)
3) Australian Accounting Standards (AASs) – Reduced Disclosure Requirements
4) Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The Financial Management Act 2006 and the Treasurer’s instructions take precedence over AASs. Several AASs are modified by TIs to vary application, disclosure format and wording. Where modification is required and has had 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.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars ($'000).

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Significant judgements and estimates have been made to meet the requirements of the new standards AASB 16, AASB 15 and AASB 1058.

AASB 16:

Key judgements to be made for AASB 16 include identifying leases within contracts, determination whether there is reasonable certainty around exercising extension and termination options, identifying whether payments are variable or fixed in substance and determining the stand-alone selling prices for lease and non-lease components.

Estimation uncertainty that may arise is the estimation of the lease term, determination of the appropriate discount rate to discount the lease payments and assessing whether the right-of-use asset needs to be impaired.
AASB 15:
Key judgements include determining the timing of revenue from contracts with customers in terms of timing of satisfaction of performance obligations and determining the transaction price and the amounts allocated to performance obligations.

Estimation uncertainty include determining the transaction prices (estimating variable consideration, adjusting the consideration for the time value of money and measuring non-cash considerations), allocating the transaction price, including estimating stand-alone selling prices and allocating discounts and variable consideration.

AASB 1058:
Key judgements include determining the timing in the satisfaction of obligations and judgements used in determining whether funds are restricted.

Refer to Note 8.2 for the impact of the initial adoption and the practical expedients applied in the initial recognition.

Contributed equity

AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 Contributions by Owners made to Wholly Owned Public Sector Entities and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

Guidance – basis of preparation and reporting entity

Judgements, estimates and assumptions:
In preparing financial statements, the nature of significant judgements, estimates and assumptions made by management need to be disclosed. The following disclosures are required:

- The fact that significant assumptions, judgements and estimates were made;
- The nature of the significant assumptions, judgements and estimates;
- How these were made (the method used).

Examples include operating lease commitments, valuation of investments, and impairment of Infrastructure, property, plant and equipment etc.

In these financial statements where judgements have been made they have been included in the relevant note along with the policy description.

Agencies should consider carefully where there are material judgements and estimates they are making in the recognition and measurement of financial statement items. Agencies may have more judgements and estimates than are disclosed in these model statements.

Key sources of estimation uncertainty
An agency shall disclose in the notes information about the key assumptions 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. In respect of those assets and liabilities, the notes shall include details of:

(a) Their nature; and

(b) Their carrying amount at the end of the reporting period.

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period.

These disclosures are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on recently observed market prices.

Other significant judgements:

In addition, significant judgements and assumptions made (and changes to those judgements and assumptions) need to be disclosed in determining:

- That it controls another entity;
- That it has joint control of an arrangement or significant influence over another entity;
- The type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle;
- Whether financial assets are held at amortised cost or fair value;
- When substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;
- Whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to income; and
- Whether the substance of the relationship between the agency and a special purpose entity indicates that the special purpose entity is controlled by the agency.
2. Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how the Agency’s funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Agency in achieving its objectives and the relevant notes are:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB101.99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB101.82(b) Employee benefits expenses</td>
<td>2.1(a)</td>
<td>669,757</td>
</tr>
<tr>
<td>AASB101.82(b) Employee related provisions</td>
<td>2.1(b)</td>
<td>29,370</td>
</tr>
<tr>
<td>AASB101.85 Grants and subsidies</td>
<td>2.2</td>
<td>9,801</td>
</tr>
<tr>
<td>AASB101.82(b) Other expenditure</td>
<td>2.3</td>
<td>82,160</td>
</tr>
</tbody>
</table>

Guidance – expenditure

When items included in ‘Expenses’ are material, their nature and amounts need to be disclosed separately, either in the statement of comprehensive income or in the notes to the financial statements. Expenses can be classified by either ‘nature’ or ‘function’ depending on which classification provides more reliable and relevant information.

In the illustrative disclosures, the agency classifies its expenses by nature. Expenses are recorded on the face of the statement of comprehensive income and further disaggregated in the notes.

Note that ‘Other expenditure’, for which no description of the nature is disclosed, cannot exceed 10% of total expenses. Agencies should review their categories of expenses and ensure that they are providing users with the appropriate level of detail to understand how the agency is utilising its funding.
## 2.1(a) Employee benefits expenses

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits(^{(a)})</td>
<td>636,757</td>
<td>569,002</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Superannuation – defined contribution plans(^{(b)})</td>
<td>33,000</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Total employee benefits expenses</strong></td>
<td><strong>669,757</strong></td>
<td><strong>599,002</strong></td>
</tr>
<tr>
<td>Add: AASB 16 Non-monetary benefits(^{(c)})</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td>Less: Employee Contributions</td>
<td>(2,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net employee benefits</strong></td>
<td><strong>672,757</strong></td>
<td><strong>599,002</strong></td>
</tr>
</tbody>
</table>

\(^{(a)}\) Include wages, salaries and social contributions, paid annual leave and paid sick leave, profit-sharing and bonuses; and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

\(^{(b)}\) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

\(^{(c)}\) Additional non-monetary benefits include the provision of vehicle and housing benefits measured at cost in accordance with the application of AASB 16.

### Wages and salaries:
Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, and leave entitlements.

### Termination benefits:
Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Agency is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### Superannuation:
The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole-of-government reporting. It is however a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Agency to GESB extinguishes the Agency’s obligations to the related superannuation liability.

The Agency does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The Liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Agency to the GSB.

The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.
Termination benefits have been included as a line item, and the associated policy note has also been included above. If the agency does not have such expenses in a given financial period these should be excluded from the annual report.

**AASB 16 Non-monetary benefits:** Non-monetary employee benefits, that are employee benefits expenses, predominantly relate to the provision of Vehicle and Housing benefits are measured at the cost incurred by the agency.

---

**Guidance – Non – monetary benefits provided to employees**

Where an agency (employer) leases properties to provide housing or motor vehicles that also fall under AASB 16 to its employees and the employees are required to make a contribution, the expense to the agency is the sum of interest and depreciation expenses recognised by the agency. Employee contributions will be recognised separately as income. Therefore, if an interest expense of $80 and a depreciation expense of $150 are incurred by the agency and $160 will be contributed (recouped) from the employee, then a total expense of $230 and a receivable of $160 are to be recognised.

However, the employee benefits expenses note to the financial statements should show both the total cost of employee benefits incurred by the agency (employer) and the net benefits provided to employees:

| Employee benefits expenses (non-monetary) | $230 |
| Less: Employee contributions | ($160) |
| **Net benefits provided to employees** | **$70** |
2.1(b) Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual leave(a)</td>
<td>11,136</td>
<td>10,124</td>
</tr>
<tr>
<td>Long service leave(b)</td>
<td>2,614</td>
<td>2,376</td>
</tr>
<tr>
<td>Deferred salary scheme(c)</td>
<td>4,828</td>
<td>52</td>
</tr>
<tr>
<td><strong>Total current employee related provisions</strong></td>
<td><strong>20,095</strong></td>
<td><strong>14,057</strong></td>
</tr>
<tr>
<td><strong>Other provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment on-costs(d)</td>
<td>1,517</td>
<td>1,505</td>
</tr>
<tr>
<td><strong>Total non-current employee related provisions</strong></td>
<td><strong>9,275</strong></td>
<td><strong>908</strong></td>
</tr>
<tr>
<td><strong>Total employee related provisions</strong></td>
<td><strong>29,370</strong></td>
<td><strong>14,965</strong></td>
</tr>
</tbody>
</table>

(a) **Annual leave liabilities**: Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

This model is prepared on the expectation that it is unlikely for annual leave to be settled wholly within 12 months after the end of the reporting period.

Therefore, the model characterises annual leave as ‘other long-term employee benefits’, recognising and measuring the liability for employee benefits at present value.

Where annual leave is expected to be settled wholly within 12 months after the end of the reporting period, the liability may be recognised and measured at nominal amounts.

(b) **Long service leave liabilities**: Unconditional long service leave provisions are classified as current liabilities as the Agency does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Unconditional long service leave provisions are classified as current liabilities as the Agency does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.
Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

The provision for long service leave is calculated at present value as the Agency does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Deferred salary scheme liabilities: Classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

Employment on-costs: The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers’ compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers’ compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of ‘Other expenses, Note 2.3 (apart from the unwinding of the discount (finance cost))’ and are not included as part of the Agency’s ‘employee benefits expense’. The related liability is included in ‘Employment on-costs provision’.

Key sources of estimation uncertainty – long service leave
Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the Agency’s long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision. Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.
Guidance – deferred salary

Deferred salary schemes represent agreements between the agency and individual employees, whereby the employee sacrifices salary in order to purchase additional leave. The liability for leave is measured on a discounted basis by calculating the present value of estimated future cash outflows.

Disclose any 48/52 leave arrangements in place as a separate line item similar to the Deferred salary scheme.

Recognised sick leave provisions should be disclosed as a separate line item.

Guidance – employee benefits

AASB119, 9, 153

Distinction between short-term and long-term employee benefits

Employee benefits are classified as short-term when they are expected to be settled wholly within 12 months after the employees render the related services. For instance, the characterisation of annual leave benefit is mutually exclusive and it cannot be apportioned to ‘short-term benefits’ and ‘other long-term benefits’.

Government agencies should review their current short-term employee benefits to ensure their classification remains appropriate.

Measurement of short-term and long-term employee benefits

Short-term employee benefits are accounted for on an undiscounted basis in the period in which the related service is rendered. For employee benefits that are classified as long-term, the obligations are measured at present value (discounted basis). The decision tree below highlights the process considering the ‘short-term/long-term’ classification and measurement. It is generally expected that accrued annual leave will not be wholly settled before the end of the next annual reporting period, so that the provisions will need to be measured at present value (on a discounted basis).
### Guidance – Employee benefits

#### Unit of account

The definition of short-term employee benefits introduces the notion of ‘wholly’. The expectation of the timing of settlement is based on the agency level, not at the individual employee level.

It is unnecessary for agencies to obtain detailed information of each employee’s anticipated timing for their leave settlement. However, they should form their own reasonable expectations and document the timing of expected annual leave settlement. Expectations of characterisation of annual leave benefits being construed as ‘short-term employee benefits’ requires a greater onus of evidence to justify the calculation of the benefit at nominal values without discounting.

This Model assumes the annual leave accrued by the agency as at 31 December 2019 is not expected to be settled wholly within 12 months thereafter. Accordingly, the provision for annual leave is classified as ‘other long-term benefits’ for measurement purposes, and is discounted to its present value.

The Model assumes the discounting method is done on an annual basis, and entities are encouraged to adopt similar assumptions to ensure the consistency of agency reports.

#### Provision for on-costs

On-costs, such as payroll tax and workers’ compensation insurance, are recognised as liabilities when the employment to which they relate has occurred. They are not employee benefits and are to be disclosed separately from provisions for employee benefits.

#### Current/non-current classification of employee benefits

All annual leave and unconditional vested long service leave are disclosed as a current liabilities. This is based on the assumption that the agency cannot avoid settling these liabilities within 12 months.

Conditional long service leave (less than seven years of continuous service) is disclosed as a non-current liability.

In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated timing of benefit payments.

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#### Guidance – Employee benefits

An amendment to AASB 119 Employee Benefits per AASB 2018-2 applies during the current financial year that clarifies the accounting for defined benefit plan amendments, curtailments and settlements. This applies in the event the agency is required to recognise and measure defined benefit liabilities.
2.2 Grants and subsidies

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurrent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Function A</td>
<td>6,095</td>
<td>5,544</td>
</tr>
<tr>
<td>Agency A</td>
<td>164</td>
<td>146</td>
</tr>
<tr>
<td>Royalties for Regions Fund – Regional Infrastructure and Headworks Account</td>
<td>77</td>
<td>70</td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Function B</td>
<td>935</td>
<td>850</td>
</tr>
<tr>
<td>Industry group</td>
<td>2,530</td>
<td>2,300</td>
</tr>
<tr>
<td><strong>Total grants and subsidies</strong></td>
<td><strong>9,801</strong></td>
<td><strong>8,910</strong></td>
</tr>
</tbody>
</table>

Transactions in which the Agency provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as ‘Grant expenses’. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

**Guidance – grants and subsidies**

*Broad categories of recipients must be disclosed in the notes to the Financial Statements under ‘Grants and Subsidies’, where material. Presentation of grants and subsidies expenditures should be tailored to the needs of users reliant on general purpose financial statements and reflect discharge of accountability requirements. To achieve this, a mixture of classifications may be required. These classifications can be based on sector, function, project, destination/recipient or a combination of these classifications, as appropriate.*

*Classification by sector may entail distinguishing public sector, private sector, private sector NFP recipients. Alternatively, the profile of the sector might be significant for transparency purposes (e.g. schools, households or sporting clubs).*

*Functional classification may incorporate differentiation between grants for research, targeted subsidy schemes, donations and sponsorships. Grants for research can be further disaggregated by area of research, distinguishing differences in the funding of aquaculture research, environmental research or digital system research.*
This model is presented on the basis that the names of the agencies to which services or contributions have been provided free of charge and the aggregate fair value of such services or contributions have been identified as required by TI 1102(10).

Where grants and subsidies are presented on a different basis, agencies are required to disclose the names of the agencies and the aggregate fair value of the services or contributions provided free of charge in a separate note.

Have you identified and disclosed all grants and subsidies? Previous year models have highlighted example disclosures material grants. Agencies should ensure adequate line item disclosure is made for material grants on issue by the government. As an example:

- Royalties for Regions Funds – Regional Community Services Account

### 2.3 Other expenditure

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supplies and services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>16,302</td>
<td>14,820</td>
</tr>
<tr>
<td>Consultants and contractors</td>
<td>18,938</td>
<td>13,531</td>
</tr>
<tr>
<td>Consumables</td>
<td>8,910</td>
<td>8,100</td>
</tr>
<tr>
<td>Materials</td>
<td>19,038</td>
<td>17,810</td>
</tr>
<tr>
<td>Travel</td>
<td>1,489</td>
<td>1,390</td>
</tr>
<tr>
<td>Other</td>
<td>370</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total supplies and services expenses</strong></td>
<td>65,047</td>
<td>55,951</td>
</tr>
<tr>
<td><strong>Accommodation expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental (a)</td>
<td>122</td>
<td>4,740</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>6,544</td>
<td>1,320</td>
</tr>
<tr>
<td>Cleaning</td>
<td>297</td>
<td>270</td>
</tr>
<tr>
<td><strong>Total accommodation expenses</strong></td>
<td>6,963</td>
<td>6,330</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restoration costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Building and infrastructure maintenance</td>
<td>1,040</td>
<td>945</td>
</tr>
<tr>
<td>Equipment repairs and maintenance</td>
<td>3,933</td>
<td>3,575</td>
</tr>
<tr>
<td><strong>Total other expenses</strong></td>
<td>9,597</td>
<td>12,982</td>
</tr>
<tr>
<td><strong>Total other expenditure</strong></td>
<td>81,607</td>
<td>75,657</td>
</tr>
</tbody>
</table>

(a) Included within rental costs are short-term and low value leases of up to $5,000. This excludes leases with another wholly-owned public sector entity lessor agency. Refer to note 6.2 for aggregate short-term and low value leases expense.

(b) Plant and Equipment (2018:$370,000), Other (2018:$880,000).
Supplies and services:

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Repairs, maintenance and cleaning costs are recognised as expenses as incurred.

Other:

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Building and infrastructure maintenance and equipment repairs and maintenance: Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The Agency has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to note 5.1. Movement in the allowance for impairment of trade receivables.

Australian Accounting Standards software modification costs are recognised as expenses as incurred.

Employee on-cost includes workers’ compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at Note 2.1(b) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Guidance – other expenditure

Material income or expenses should be disclosed separately.
For example, include notes on impairment losses and revaluation decrements, where they are material enough to warrant disclosure.

Any impairment losses recognised (in accordance with AASB 9) on any receivables or contract assets from an entity’s contracts with customers shall be disclosed separately from impairment losses from other contracts.
3. Our funding sources

How we obtain our funding

This section provides additional information about how the Agency obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Agency and the relevant notes are:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB1058.26(c)</td>
<td>Income from State Government</td>
<td>3.1</td>
</tr>
<tr>
<td>AASB15.114</td>
<td>User charges and fees</td>
<td>3.2</td>
</tr>
<tr>
<td></td>
<td>Trading Profit</td>
<td>3.3</td>
</tr>
<tr>
<td>AASB1058.26(a)</td>
<td>Commonwealth grants and contributions</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>Gains</td>
<td>3.5</td>
</tr>
</tbody>
</table>
3.1 Income from State Government

<table>
<thead>
<tr>
<th>Reference</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB1058.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service appropriation</td>
<td>803,846</td>
<td>713,701</td>
</tr>
<tr>
<td>Liabilities assumed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[Detail]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities assumed</td>
<td>803,846</td>
<td>713,701</td>
</tr>
<tr>
<td>Assets transferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets transferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB1004.39(b)(i)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Technology Commission</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Finance - Building and Management Works</td>
<td>595</td>
<td>450</td>
</tr>
<tr>
<td>Total services received</td>
<td>1,595</td>
<td>1,450</td>
</tr>
<tr>
<td>Royalties for Regions Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Infrastructure and Headworks Account</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Regional Community Services Account</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Royalties for Regions Fund</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total income from State Government</td>
<td>805,441</td>
<td>715,151</td>
</tr>
</tbody>
</table>

(a) **Service Appropriations** are recognised as income at the fair value of consideration received.
Service appropriations fund the net cost of services delivered. Appropriation revenue comprises the following:
- Cash component; and
- A receivable (asset)

The receivable (holding account – note 5.2) comprises the following:
- The budgeted depreciation expense for the year; and
- Any agreed increase in leave liabilities during the year.

(b) Transfer of assets: Discretionary transfers of assets (including grants) and liabilities between State government agencies are reported under Income from State Government.

Transfers of assets and liabilities in relation to a restructure of administrative arrangements are recognised as distribution to owners by the transferor and contribution by owners by the transferee under AASB 1004 and interpretation 1038. Other non-discretionary non-reciprocal transfers of assets and liabilities designated as contributions by owners under TI 955 are also recognised directly to equity.

(c) The Regional Infrastructure and Headworks Account, and, Regional Community Services Accounts are sub-funds within the overarching ‘Royalties for Regions Fund’. The recurrent funds are committed to projects and programs in WA regional areas. An assessment of the performance obligation is undertaken for funds received and then assessed for recognition over time or at a point in time as or when the agency satisfies obligations under the transfer.

### Guidance – income from State Government

**AASB1058.39**

Where another State government agency has assumed a liability, the agency recognises revenue equivalent to the amount of the liability assumed and an expense relating to the nature of the event or events that initially gave rise to the liability in order to disclose the true cost of services. However, if the assumption at the liability is a capital contribution in nature, this is recognised in equity.

**AASB104.39 – 43A**

Where assets or services have been received free of charge or for nominal cost, the agency recognises revenue (and assets or expenses) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated.

Agencies receiving capital works project management services free of charge from Finance are required to recognise the revenue at fair value.

### 3.2 User charges and fees

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>($000)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>User charges</td>
<td>9,677</td>
<td>8,797</td>
</tr>
<tr>
<td>Fees</td>
<td>6,820</td>
<td>6,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>16,497</td>
<td>14,997</td>
</tr>
</tbody>
</table>
User Charges and Fees Revenue

Agencies must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue cash flows are affected by economic factors. Therefore, the agency needs to consider the appropriateness of the disaggregation of revenue in the illustrative disclosures.

User charges and fees revenue arises from [insert service]. Revenue is recognised when the agency transfers control of services to a customer for the amount to which the agency expects to be entitled. Under AASB 15, these are predominantly to be recognised at a point in time when performance obligations are satisfied. Agencies shall disclose the significant judgements made in evaluating when a customer obtains control of the promised goods or services.

Other Revenue

Revenue from [insert type of other revenue] is recorded as other revenue and is recognised in the accounting period in which the relevant performance obligations has been satisfied.

Please note that the accounting policy for user charges and fees, as noted above, is a generic accounting policy and should be tailored to suit your relevant agency.

Guidance – Revenue recognition policy formulation

To determine whether to recognise revenue under AASB 15, the agency must follow a five-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised when (or as) the agency transfers control of goods or services to a customer for the amount to which the agency expects to be entitled. Users of financial statements should be given sufficient information to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from the contract with a customer.

Revenue is recorded and recognised in the accounting period in which the relevant performance obligations have been satisfied. For each performance obligation, the agency determines at contract inception whether it satisfies the performance obligation over time or at a point in time.

For performance obligations that the agency satisfies over time, it shall disclose the methods used to recognise revenue which may include the description of the output methods or input methods used and how these methods are applied. For performance obligations that are satisfied at a point in time, the agency shall disclose the significant judgements made in evaluating when a customer obtains control of the goods or services.

In summary, when creating a revenue recognition policy the agency shall disclose the following:
AASB15.9-21
AASB15.22-30
AASB15.46-72
AASB15.73-90
AASB15.31-45

- A description of the good or service provided
- Clearly identify the performance obligation
- If the satisfaction of the performance is at a point in time or over time
- If over time, the method used to measure the satisfaction of the performance obligation (i.e. input or output method)

Fees and charges

Fees and charges in subsidiary legislation are generally set annually at a level that is authorised by statute under which the subsidiary legislation is made.

Agencies should ensure that their fees and charges are a reasonable reflection of costs, though factors such as competitive neutrality and government policy objectives may alter this situation.

Net Appropriation Determination (Departments only)

Net Appropriation Determinations published by the Treasurer may allow an agency to retain prescribed receipts.

Where relevant, user charges and fees retained by agencies under authority of a Net Appropriation Determination should be described in the accounting policy note accompanying this section.
3.3 Trading profit

<table>
<thead>
<tr>
<th>Reference</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 101.82(a), 103</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>AASB 15.114</td>
<td>($000)</td>
<td>($000)</td>
</tr>
<tr>
<td>Sales [Split out sales between goods and services]</td>
<td>14,267</td>
<td>12,970</td>
</tr>
<tr>
<td>Cost of Sales:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Inventory</td>
<td>(16,375)</td>
<td>(11,300)</td>
</tr>
<tr>
<td>Purchases</td>
<td>(7,495)</td>
<td>(8,775)</td>
</tr>
<tr>
<td>(23,870)</td>
<td>(20,075)</td>
<td></td>
</tr>
<tr>
<td>AASB 102.36(b)</td>
<td>Closing Inventory</td>
<td>18,310</td>
</tr>
<tr>
<td>AASB 102.36(d)</td>
<td>Cost of Goods Sold</td>
<td>(5,560)</td>
</tr>
<tr>
<td>Trading Profit</td>
<td>8,707</td>
<td>9,270</td>
</tr>
</tbody>
</table>

AASB 101.78(c)

Closing Inventory comprises:

Current Inventories
- Raw materials & stores (at cost) 9,100 6,365
- Work in progress (at cost) 2,510 3,495
- Finished goods
  - At cost 4,570 4,545
  - At net realisable value 2,130 1,970

Total current inventories 18,310 16,375

Non-current Inventories
[List classes of inventories] - -

Total non-current inventories - -

Total Inventories 18,310 16,375

Guidance – Revenue

AASB 15

An accounting policy on each revenue category is required. Refer to Note 3.2 for guidance on revenue disclosure.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate for each class or inventory, with the majority being measured on a first in first out basis [specify other cost methods used].

Inventories not held for resale are measured at cost unless they are no longer required, in which case they are measured at net realisable value.

Please note that the accounting policy for sales, as noted above, is a generic accounting policy and should be tailored to suit your relevant agency.

This model presents a detailed trading profit note for illustration purposes to assist agencies determining their Total Cost of Services.

Agencies should consider the materiality of the line items and make appropriate disclosures, where sales is represented by multiple line items. As an example, a trading profit note may not be necessary for financial reporting purposes.
Note that these models do not include inventory write down (AASB 102.36(e)-(f)). Agencies should ensure they consider their inventory valuations and make the appropriate disclosures should a write down be required.

Agencies must disaggregate revenue from contracts with customers into categories that depict the nature, amount, timing and uncertainty of revenue cash flows are affected by economic factors. Therefore, the agency needs to consider the appropriateness of the disaggregation of revenue in the illustrative disclosures.
### 3.4 Commonwealth grants and contributions

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- National Specific Purpose Payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agreement Grants</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>- National Partnership Payments</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Capital grants</td>
<td>1,000</td>
<td>970</td>
</tr>
<tr>
<td></td>
<td><strong>1,050</strong></td>
<td><strong>1,000</strong></td>
</tr>
</tbody>
</table>

**Commonwealth contributions**

Where Commonwealth specific purpose funding is received, contributions received are deferred and revenue is recognised when or as the performance obligation is satisfied. This income is disaggregated by National Specific Purpose Payment (SPP) and National Partnership Payments (NPP).

**Capital grants**

Income is recognised at the fair value of the consideration received to the extent the obligations for asset acquisition or construction specified in the grant are satisfied.

---

**Guidance – grants and contributions**

AASB1058

Where contributions have been recognised as revenue during the reporting period and were provided specifically for the provisions of goods and services over a future reporting period, revenue is recognised based on performance obligation satisfaction. Refer to guidance 3.2 on recognising revenue.

---

**Guidance – Capital grants**

AASB1058.16

The agency will need to determine if obligations attached to a grant require deferral of income until the obligations are satisfied. Refer to AASB 1058.IE6 Example 9 for an example of the treatment of a capital grant.
**3.5 Gains**

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net proceeds from disposal of non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>990</td>
<td>-</td>
</tr>
<tr>
<td>Plant, equipment and vehicles</td>
<td>1,808</td>
<td>11,190</td>
</tr>
<tr>
<td><strong>Carrying amount of non-current assets disposed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>(690)</td>
<td>-</td>
</tr>
<tr>
<td>Plant, equipment and vehicles</td>
<td>(1,938)</td>
<td>(6,490)</td>
</tr>
<tr>
<td><strong>Net gain/(loss)</strong></td>
<td>170</td>
<td>4,700</td>
</tr>
</tbody>
</table>

AASB116.Aus39.1 [List types of other gains]

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total other income</td>
<td>1,067</td>
<td>970</td>
</tr>
</tbody>
</table>

**Realised and unrealised gains** are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the statement of comprehensive income (from the proceeds of sale).

**Guidance – other income**

Net disposal proceeds are gross proceeds less costs to sell. Costs to sell (e.g. sales commissions netted from agency receipts) are ordinarily immaterial. Where the amounts are material, additional disclosure is warranted.

Insured non-current assets written-off as a result of an insurable event should be treated as other expenses (write-off of assets destroyed by fire/storm/earthquake etc.). The subsequent insurance recovery is to be treated as other revenue when it is received or receivable.

Did you have instances of:

- Material reversals of impairments; and
- Revaluation increments (offsetting decrements).

These will need to be disclosed as other gains.

Did you have instances of:

- Non contractual licences.
- Short term licences and licences with a low transaction price.
- Licences of intellectual property granted by a lessor.

These will be within the scope of AASB 15 Revenue from Contracts with Customers.
4. Key assets

Assets the Agency utilises for economic benefit or service potential

This section includes information regarding the key assets the Agency utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure, property, plant and equipment</td>
<td>4.1(a) 1,369,572</td>
<td>1,249,843</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>4.1(b) 11,882</td>
<td>-</td>
</tr>
<tr>
<td>Intangibles</td>
<td>4.2 455</td>
<td>1,008</td>
</tr>
<tr>
<td><strong>Total key assets</strong></td>
<td><strong>1,381,909</strong></td>
<td><strong>1,250,851</strong></td>
</tr>
</tbody>
</table>
4.1(a) Infrastructure, property, plant and equipment

<table>
<thead>
<tr>
<th>Year ended 31 December 2019</th>
<th>Land ($000)</th>
<th>Buildings ($000)</th>
<th>Buildings under construction ($000)</th>
<th>Plant, equipment and vehicles ($000)</th>
<th>Office equipment ($000)</th>
<th>Infrastructure ($000)</th>
<th>Works of art ($000)</th>
<th>Total ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open net book amount</td>
<td>97,910</td>
<td>438,710</td>
<td>96,090</td>
<td>15,200</td>
<td>706</td>
<td>601,077</td>
<td>150</td>
<td>1,249,843</td>
</tr>
<tr>
<td>Adjustment for change in accounting policy</td>
<td>2,851</td>
<td>2,851</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restated opening net book amount</td>
<td>97,910</td>
<td>438,710</td>
<td>96,090</td>
<td>12,349</td>
<td>706</td>
<td>601,077</td>
<td>150</td>
<td>1,246,992</td>
</tr>
<tr>
<td>1 January 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>97,910</td>
<td>494,164</td>
<td>96,090</td>
<td>23,751</td>
<td>800</td>
<td>624,079</td>
<td>150</td>
<td>1,340,549</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>(55,454)</td>
<td>-</td>
<td>(11,402)</td>
<td>(94)</td>
<td>(23,002)</td>
<td>-</td>
<td>(90,706)</td>
</tr>
<tr>
<td>Accumulated impairment loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Carrying amount at start of period</td>
<td>97,910</td>
<td>438,710</td>
<td>96,090</td>
<td>12,349</td>
<td>706</td>
<td>601,077</td>
<td>150</td>
<td>1,246,992</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>22,400</td>
<td>20,000</td>
<td>16,327</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>58,727</td>
</tr>
<tr>
<td>Transfers(a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(3,370)</td>
<td>-</td>
</tr>
<tr>
<td>Other disposals</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revaluation increments/(decrements)</td>
<td>15,000</td>
<td>45,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40,000</td>
<td>- 100,000</td>
</tr>
<tr>
<td>Impairment losses(b)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment losses reversed(b)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>(17,939)</td>
<td>-</td>
<td>(6,091)</td>
<td>(160)</td>
<td>(8,587)</td>
<td>-</td>
<td>(32,777)</td>
</tr>
<tr>
<td>Carrying amount at 31 December 2019</td>
<td>112,910</td>
<td>488,171</td>
<td>116,090</td>
<td>19,215</td>
<td>546</td>
<td>632,490</td>
<td>150</td>
<td>1,369,572</td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>112,910</td>
<td>561,564</td>
<td>116,090</td>
<td>40,078</td>
<td>800</td>
<td>664,079</td>
<td>150</td>
<td>1,495,671</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>(73,393)</td>
<td>-</td>
<td>(20,863)</td>
<td>(254)</td>
<td>(31,589)</td>
<td>-</td>
<td>(126,099)</td>
</tr>
<tr>
<td>Accumulated impairment loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(a) The Department of Planning, Lands and Heritage (DPLH) is the only agency with the power to sell Crown land. The land is transferred to DPLH for sale and the Agency accounts for the transfer as a distribution to owner.

(b) Recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written-down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.
### Initial recognition

Items of property, plant and equipment and infrastructure, costing $5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment and infrastructure costing less than $5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Assets transferred as part of a machinery of government change are transferred at their fair value.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

### Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of:

- land;
- buildings; and
- infrastructure.

Land is carried at fair value.

Buildings and infrastructure are carried at fair value less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

**Land and buildings** are independently valued annually by the Western Australian Land Information Authority (Valuations and Property Analytics) 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.

Land and buildings were revalued as at 1 January 2019 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 31 December 2019 and recognised at 31 December 2019. In undertaking the revaluation, fair value was determined by reference to market values for land: $108,000,000 (2018: $93,640,000) and buildings: $348,821,000 (2018: $320,969,000). For the remaining balance, fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

**Infrastructure** is independently valued every 3 to 5 years by [identify valuation service]. Infrastructure assets were independently revalued by [state name of valuer] as at [date of valuation]. The valuations were recognised at 31 December 2019.
Guidance – infrastructure, property, plant and equipment

Initial recognition:
The following guidance is relevant in relation to the initial recognition and measurement of assets:

- Assets acquired for nil or nominal consideration should be initially recognised at their fair value.
- Right of use assets under lease should be initially recognised at cost. The lease liability should be initially recognised at the present value of the minimum lease payments.
- All other assets are initially measured at cost. AASB 116 provides guidance around the elements of cost. Agencies should make reference to this guidance when acquiring or developing new assets.

Agencies should consider their capitalisation thresholds when recognising new assets and/or elements of cost that make up new assets.

Subsequent measurement:
Land and buildings are mandated by TI 954 to be subsequently measured at fair value. In addition, land and buildings measured where AASB 140 Investment properties applies must also subsequently be measured at fair value.

The adoption of the fair value basis for plant, equipment, and infrastructure is at the agency’s discretion. This Model reports plant and equipment at cost net of depreciation.

All assets within a class (i.e. Buildings) must have the same measurement principles applied to it.

In this model, the agency has recognised revaluations annually. However, AASB 116 only requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

On revaluation:
Agencies may elect to either:

- Restate the gross carrying amount by reference to observable market data (gross method); or
- Eliminate accumulated depreciation against the gross carrying amount of the asset and restate the net carrying amount to the revalued amount (net method).

TI 954 prefers the gross method for asset values determined on the basis of current replacement cost. This model is prepared on the gross basis and the disclosure above reflects this election.

The above wording is provided on an example basis only. Agencies should be tailoring these disclosures to meet their facts and circumstances.

Significant assumptions and judgements: The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.
Finite useful lives

All infrastructure, property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset’s value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful life: years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>20 to 40 years</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>10 to 15 years</td>
</tr>
<tr>
<td>Office equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Software (a)</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>3 to 7 years</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>55 to 80 years</td>
</tr>
</tbody>
</table>

(a) Software that is integral to the operation of related hardware.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Land and works of art, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

The useful lives illustrated in the Model are for illustrative purposes only. Agencies should determine appropriate useful lives for asset classes.

Other agencies may comment on indefinite lives of earthworks, land under roads, and core cultural assets where those assets are germane to their Statement of Financial Position.
4.1(b) Right -of-use assets

AASB16.47(a) Right-of-use assets

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB16.53(j) Buildings</td>
<td>9,752</td>
<td>-</td>
</tr>
<tr>
<td>AASB16.53(j) Accommodation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AASB16.53(j) Plant &amp; Equipment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AASB16.53(j) Vehicles</td>
<td>2,130</td>
<td>-</td>
</tr>
<tr>
<td>AASB16.53(j) Infrastructure</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AASB16.53(j) Concessionary leases</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,882</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

Additions to right-of-use assets during the 2019 financial year were $103,000.

a. The statement of comprehensive income shows the following amounts relating to leases:

AASB16.53(a) 4.1(c) Depreciation charge of right-of-use assets

- Buildings 828 -
- Accommodation - -
- Plant & Equipment - -
- Vehicles 721 -
- Infrastructure - -
- Concessionary leases - -
- **Total right-of-use asset depreciation** 1,549 -

AASB16.53(b) Lease interest expense (included in Finance cost) 371 -
AASB16.53(e) Expenses relating to variable lease payments not included in lease liabilities (included in administrative expenses) 237 -
AASB16.53(c) Short-term leases (included in Other Expenditure) - -
AASB16.53(d) Low-value leases (included in Other Expenditure) 122 -
AASB16.53(f) Income from subleasing right-of-use assets - -
AASB16.53(i) Gains or losses arising from sale and leaseback transactions - -

AASB16.53(g) The total cash outflow for leases in 2019 was $819,000

AASB16.24 Right-of-use assets are measured at cost including the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset.
Right-of-use assets are generally depreciated on a straight line basis over the shorter of the asset's useful life and the lease term. If the agency is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.
4.1(d) Depreciation and impairment

Charge for the period

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant, equipment and vehicles</td>
<td>4.1(a)</td>
<td>6,091</td>
</tr>
<tr>
<td>Buildings</td>
<td>4.1(a)</td>
<td>17,939</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>4.1(a)</td>
<td>8,587</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>4.1(a)</td>
<td>160</td>
</tr>
<tr>
<td>Right of Use Asset</td>
<td>4.1(c)</td>
<td>1,549</td>
</tr>
<tr>
<td>Total depreciation for the period</td>
<td></td>
<td>34,326</td>
</tr>
</tbody>
</table>

As at 31 December 2019, there were no indications of impairment to property, plant and equipment or infrastructure.

All surplus assets at 31 December 2019 have either been classified as assets held for sale or have been written-off.

Please refer to note 4.2 for guidance in relation to the impairment assessment that has been performed for intangible assets.

This model assumes that no impairment charge has been recognised. Additional tables will need to be included to make the necessary impairment disclosures.
Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. 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.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the Agency is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset’s carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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 accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset’s future economic benefits and to evaluate any impairment risk from declining replacement costs.

The agency shall measure the right-of-use assets at cost less any accumulated depreciation and any accumulated impairment losses. The agency shall apply AASB 136 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Consider the policy wording above. It includes policy descriptions for impairment reversals. Agencies should ensure they tailor policies to their circumstances.
## Guidance – depreciation and impairment

### Depreciation

**AASB 116 and 138** require that the consumption of physical or intangible assets by wear over time is classified as either depreciation or amortisation expense.

Agencies should be electing depreciation policies and useful lives that best reflect the pattern of use.

Agencies should ensure they are reviewing at least annually:

- Depreciation methods;
- Useful lives; and
- Residual values.

Where adjustments are required, these should be treated as adjustments to an estimate. The change in depreciation only affects prospective statements of comprehensive income. Changes to previously recognised depreciation expenses are expressly prohibited.

### Impairment

**Steps to follow to determine whether an asset is impaired:**

- Each agency shall apply **AASB 136 Impairment of Assets** to determine whether an asset is impaired and to account for any impairment loss identified.
- Each agency shall assess at the end of each reporting period whether there is any indication that an asset may be impaired.
- AASB 136.12 sets out potential indicators of impairment.
- Indicators can be external and internal to the organisation and include factors such as:
  - Evidence of obsolescence or damage
  - Changes in Government policy
  - Technological changes

Agencies should consider all factors and evidence available to them when assessing for indicators of impairment.

If any such indication exists, the agency shall estimate the recoverable amount of the asset.

- Recoverable amount is the higher of fair value less costs of disposal and value in use.
- For not-for-profit agencies regularly revaluing specialised assets, the recoverable amount is anticipated to be materially the same as fair value.

Please note that the above is generic and each agency should refer to AASB 136 and their individual circumstances to determine if impairment exists.
4.2 Intangible assets

<table>
<thead>
<tr>
<th></th>
<th>Licences ($000)</th>
<th>Computer Software ($000)</th>
<th>Total ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 January 2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>200</td>
<td>1,600</td>
<td>1,800</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(20)</td>
<td>(772)</td>
<td>(792)</td>
</tr>
<tr>
<td><strong>Carrying amount at start of period</strong></td>
<td>180</td>
<td>828</td>
<td>1,008</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Classified as held for sale</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment losses reversed</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>(20)</td>
<td>(533)</td>
<td>(553)</td>
</tr>
<tr>
<td><strong>Carrying amount at end of period</strong></td>
<td>160</td>
<td>295</td>
<td>455</td>
</tr>
</tbody>
</table>

**31 December 2019**

<table>
<thead>
<tr>
<th></th>
<th>Licences ($000)</th>
<th>Computer Software ($000)</th>
<th>Total ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross carrying amount</td>
<td>200</td>
<td>1,600</td>
<td>1,800</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(40)</td>
<td>(1,305)</td>
<td>(1,345)</td>
</tr>
<tr>
<td><strong>Carrying amount at end of period</strong></td>
<td>160</td>
<td>295</td>
<td>455</td>
</tr>
</tbody>
</table>

*Initial recognition*

Acquisitions of intangible assets costing $5,000 or more and internally generated intangible assets at a minimum of $5,000 that comply with the recognition criteria as per AASB 138.57 (as noted below), are capitalised.

*Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.*
Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) an intention to complete the intangible asset, and use or sell it;

(c) the ability to use or sell the intangible asset;

(d) the intangible asset will generate probable future economic benefit;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs incurred in the research phase of a project are immediately expensed.

Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

---

**Guidance – intangibles (Disclosures)**

- **AASB138 RDR118.1**

  A reconciliation of the carrying amount of intangibles for the comparative period is not required under Tier 2 reporting requirements.

- **Additional disclosures**

  - **AASB138.122(a)**

    An agency shall disclose, for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the agency shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

  - **AASB138.122(b)**

    An agency shall also disclose a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements.
Initial recognition

Acquisitions of intangible assets costing $5,000 or more and internally generated intangible assets at a minimum of $5,000 that comply with the recognition criteria as per AASB 138.57 (as noted below), are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

(g) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(h) an intention to complete the intangible asset, and use or sell it;

(i) the ability to use or sell the intangible asset;

(j) the intangible asset will generate probable future economic benefit;

(k) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(l) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs incurred in the research phase of a project are immediately expensed.

Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

This note should be tailored to meet the requirements of the agency. There may be elements of the policy wording that can be omitted or summarised depending on the agency's circumstances.
4.2.1 Amortisation and impairment

Charge for the period

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licences</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Computer software</td>
<td>533</td>
<td>384</td>
</tr>
<tr>
<td><strong>Total amortisation for the period</strong></td>
<td><strong>553</strong></td>
<td><strong>394</strong></td>
</tr>
</tbody>
</table>

As at 31 December 2019 there were no indications of impairment to intangible assets.

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

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset’s value over its estimated useful life. All intangible assets controlled by the Agency have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The estimated useful lives for each class of intangible asset are:

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licences</td>
<td>up to 10 years</td>
</tr>
<tr>
<td>Development Costs</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Software (a)</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Website Costs</td>
<td>3 to 5 years</td>
</tr>
</tbody>
</table>

(a) Software that is not integral to the operation of any related hardware.

Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in note 4.1(d).

Guidance – intangibles

The following is relevant for the recognition and measurement of intangibles:

- Agencies should assess their own circumstances in determining capitalisation thresholds for intangible assets (TI 1101 requires a minimum threshold of $5,000).
- Intangible assets can only be revalued to fair value where an active market exists. Please note that it is exceptionally rare that an active market exists for intangible assets and it is therefore unlikely that intangible assets will be revalued to fair value.
- Intangible assets that have an indefinite useful life are not subject to amortisation but must be tested annually for impairment.
- Amortisation commences when the intangible asset is available for use and ceases when the asset is classified as held-for-sale or where the asset has been fully amortised.
### Additional disclosures - intangibles

The following are examples of policy notes that may be applicable for some agencies:

**Licences**
Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

**Website Costs**
Website costs are expensed when incurred unless they directly relate to the acquisition or development of an intangible asset. In this instance they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

**Development Costs**
Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can be reasonably regarded as assured and the total project costs are likely to exceed $50,000. Other development costs are expensed as incurred.

**Computer Software**
Software that is an integral part of the related hardware is recognised as part of the tangible asset. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than $5,000 is expensed in the year of acquisition.
5. Other assets and liabilities

This section sets out those assets and liabilities that arose from the Agency's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>9,097</td>
<td>2,682</td>
</tr>
<tr>
<td>Amounts receivable for services</td>
<td>90,172</td>
<td>66,062</td>
</tr>
<tr>
<td>Other current assets</td>
<td>550</td>
<td>560</td>
</tr>
<tr>
<td>Payables</td>
<td>(2,787)</td>
<td>(2,040)</td>
</tr>
<tr>
<td>Amounts due to Treasurer</td>
<td>(2,400)</td>
<td>(7,970)</td>
</tr>
<tr>
<td>Other provisions</td>
<td>(612)</td>
<td>(570)</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>895</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contract assets</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
5.1 Receivables

<table>
<thead>
<tr>
<th>Reference</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB9.5.1, 5.2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>8,794</td>
<td>2,286</td>
</tr>
<tr>
<td>Allowance for impairment of trade receivables</td>
<td>(118)</td>
<td>(18)</td>
</tr>
<tr>
<td>Accrued revenue</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GST receivable</td>
<td>421</td>
<td>414</td>
</tr>
<tr>
<td><strong>Total current</strong></td>
<td>9,097</td>
<td>2,682</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB9.5.1, 5.2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other debtors</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-current</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total receivables</strong></td>
<td>9,097</td>
<td>2,682</td>
</tr>
</tbody>
</table>

AASB7.21, B5

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Guidance – expected credit losses

AASB9.5.17

An agency shall measure expected credit losses of a financial instrument in a way that reflects:

(c) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(d) the time value of money; and

(e) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

AASB9.5.35

An agency would use its historical credit loss experience (adjusted as appropriate) for trade receivables to estimate the lifetime expected credit losses. A provision matrix might, for example, specify fixed provision rates depending on the number of days that a trade receivable is past due (for example, 1 per cent if not past due, 2 per cent if less than 30 days past due, 3 per cent if more than 30 days but less than 90 days past due, 20 per cent if 90-180 days past due etc.). Depending on the diversity of its customer base, the agency would use appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. Examples of criteria that might be used to group assets include geographical region, product type, customer rating, collateral or trade credit insurance and type of customer (such as wholesale or retail).
The above are included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a receivable balance is not material, the agency should consider whether disclosure is necessary.

5.2 Amounts receivable for services (Holding Account)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
</tr>
<tr>
<td>Current</td>
<td>14,239</td>
<td>18,137</td>
</tr>
<tr>
<td>Non-current</td>
<td>75,933</td>
<td>47,925</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td><strong>90,172</strong></td>
<td><strong>66,062</strong></td>
</tr>
</tbody>
</table>

Amounts receivable for services represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

Amounts receivable for services are considered not impaired (i.e. there is no expected credit loss of the Holding Account).

5.3 Other assets

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepayments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contract assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other [describe]</td>
<td>550</td>
<td>560</td>
</tr>
<tr>
<td><strong>Total current</strong></td>
<td>550</td>
<td>560</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>60</td>
</tr>
<tr>
<td><strong>Total non-current</strong></td>
<td>-</td>
<td><strong>60</strong></td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td><strong>550</strong></td>
<td><strong>620</strong></td>
</tr>
</tbody>
</table>

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period. In this model, the example of prepayments has been used to demonstrate ‘other assets’. Entities should be applying materiality to all note disclosures to determine if their disclosure is relevant for the understanding of the financial statements.
5.4 Payables

<table>
<thead>
<tr>
<th>Reference</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB9.5.1.1, 5.3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>2,028</td>
<td>1,350</td>
</tr>
<tr>
<td>Other payables</td>
<td>528</td>
<td>480</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>201</td>
<td>160</td>
</tr>
<tr>
<td>Accrued salaries</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total current</td>
<td>2,787</td>
<td>2,040</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AASB9.5.1.1, 5.3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total non-current</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>2,787</td>
<td>2,040</td>
</tr>
</tbody>
</table>

Payables are recognised at the amounts payable when the Agency becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as settlement is generally within 30 days.

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The Agency considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (See Note 6.5 ‘Restricted cash and cash equivalents’) consists of amounts paid annually, from agency appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

The above are included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a payable balance is not material, the agency should consider whether disclosure is necessary.

5.5 Amounts due to Treasurer

<table>
<thead>
<tr>
<th>Reference</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMA sec 9</td>
<td>Amount due to the Treasurer</td>
<td>2,400</td>
</tr>
</tbody>
</table>

The amount due to the Treasurer is in respect of a Treasurer’s Advance. This amount is payable within 12 months after the reporting period. Although no interest is charged on the outstanding amount, the carrying amount is equivalent to fair value.
5.6 Other provisions

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Remediation costs</td>
<td>5.6.2</td>
<td>20</td>
</tr>
<tr>
<td>Total current</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td>Non-current Remediation costs</td>
<td>5.6.2</td>
<td>592</td>
</tr>
<tr>
<td>Total non-current</td>
<td></td>
<td>592</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td></td>
<td>612</td>
</tr>
</tbody>
</table>

5.6.1 Make-good provisions

All leased premises are required to be restored to their original condition at the end of their respective lease terms. A provision needs to be recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs are capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the lease term and the useful life of the assets.

5.6.2 Provision for remediation

Under [detail circumstances] the Agency has a legal or constructive obligation to dismantle [detail the property] and restore the site. A provision for remediation is recognised when:

- there is a present obligation as a result of [exploration, development, production, transportation or storage] activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

The estimated future obligations include the costs of [removing facilities, abandoning sites/wells and restoring the affected areas].

The provision for future remediation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date [based on current legal and other requirements and technology]. Future remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

Agencies should also detail expected timing of payments, any significant uncertainties regarding the timing and amounts of payments required to settle the obligations.
5.6.3 Movement in provisions

Movements in each class of provision during the period, are set out below.

<table>
<thead>
<tr>
<th>Provision Type</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remediation costs provisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at start of period</td>
<td>550</td>
<td>500</td>
</tr>
<tr>
<td>Additional/(reversals of) provisions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>recognised</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unwinding of the discount</td>
<td>42</td>
<td>50</td>
</tr>
<tr>
<td>Carrying amount at end of period</td>
<td>592</td>
<td>550</td>
</tr>
</tbody>
</table>

Guidance – provisions (Recognition)

A provision shall be recognised when:

(a) An agency has a present obligation (legal or constructive) as a result of a past event;
(b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(c) A reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

In rare cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period.

For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation. For the purpose of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, that is, the probability that the event will occur is greater than the probability that it will not. Where it is not probable that a present obligation exists, an agency discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

Guidance – provisions (Disclosures)

Exemptions

In extremely rare cases, disclosure of some or all of the information required by AASB 137 can be expected to prejudice seriously the position of the agency in a dispute with other parties on the subject matter of the provision. In such cases, an agency need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Regardless of how sensitive certain information about provisions may be, this exemption from disclosure does not affect the requirement to recognise provisions that satisfy the criteria for recognition set out in AASB 137.

Contingent Liabilities

Where a provision and a contingent liability arise from the same set of circumstances, the disclosures in the financial statements should be made in a way that shows the link between the provision and the contingent liability.
5.7 Contract liabilities

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Contract Liabilities</td>
<td>895</td>
<td>-</td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Contract Liabilities</td>
<td>895</td>
<td>-</td>
</tr>
</tbody>
</table>

Contract liabilities, classified as amounts due to customers for services yet to be provided, primarily relate to when the Agency has received consideration in advance of satisfying the performance obligation. Refer to Notes 3.2 for details of the revenue recognition policy.

5.8 Other liabilities

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total current</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-current</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total non-current</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The above table is included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a balance is not material, the agency should consider whether disclosure is necessary.

5.9 Contract assets

Where an agency performs by transferring either goods or services to a customer before the payment is due or before the customer pays for consideration, then these are to be classified as contract assets. Contract assets exclude any amounts presented as a receivable.
6. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the Agency.

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>Borrowings</td>
<td></td>
</tr>
<tr>
<td>6.2</td>
<td>Leases</td>
<td></td>
</tr>
<tr>
<td>6.3</td>
<td>Assets pledged as security</td>
<td></td>
</tr>
<tr>
<td>6.4</td>
<td>Finance costs</td>
<td></td>
</tr>
<tr>
<td>6.5</td>
<td>Cash and cash equivalents</td>
<td></td>
</tr>
<tr>
<td>6.6</td>
<td>Commitments</td>
<td></td>
</tr>
<tr>
<td>6.6.1</td>
<td>Non-cancellable operating lease commitments</td>
<td></td>
</tr>
<tr>
<td>6.6.2</td>
<td>Finance lease commitments</td>
<td></td>
</tr>
<tr>
<td>6.6.3</td>
<td>Capital commitments</td>
<td></td>
</tr>
<tr>
<td>6.6.4</td>
<td>Other expenditure commitments</td>
<td></td>
</tr>
</tbody>
</table>
6.1 Borrowings

<table>
<thead>
<tr>
<th>Reference</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings (secured)</td>
<td>600</td>
<td>650</td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current</strong></td>
<td>600</td>
<td>650</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings (secured)</td>
<td>-</td>
<td>2,220</td>
</tr>
<tr>
<td>Other [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-current</strong></td>
<td>-</td>
<td>2,220</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td>600</td>
<td>2,870</td>
</tr>
</tbody>
</table>

If your agency has borrowings (e.g. bank overdraft, advances from Government etc.) consider the below example disclosure:

'Borrowings’ refer to interest bearing liabilities mainly raised from public borrowings raised through [detail where these borrowings have been obtained]. If borrowings are secured, this fact must be disclosed.

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the agency has categorised its interest bearing liabilities as either ‘financial liabilities designated at fair value through profit or loss’, or financial liabilities at ‘amortised cost’. The classification depends on the nature and purpose of the interest bearing liabilities. The agency determines the classification of its interest bearing liabilities at initial recognition.
6.2 Leases

a. The statement of financial position shows the following amounts relating to lease liabilities:

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.2.1 Lease liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>3,298</td>
<td>-</td>
</tr>
<tr>
<td>Non-current</td>
<td>9,005</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>12,303</td>
<td>-</td>
</tr>
</tbody>
</table>

b. The agency’s leasing activities and how these are accounted for:

When a lease contract contains a lease component and non-lease component, and if the non-lease component is material, agencies account for the amount of the non-lease component separately, where practicable from the lease amount by applying other applicable Standards.

Immaterial non-lease component(s) may be included in the lease amount, and accounted for as a single lease, by asset class.

Lessees were required to classify leases as either finance leases or operating leases until 31 December 2018. From 1 January 2019, at the commencement date, lessees are required to recognise leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate.

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments that are dependant on sales are recognised in profit or loss in the period in which the condition that triggers those payment occurs.

Periods covered by extension or termination options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Payments associated with short-term and low-value leases are recognised as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets that are individually valued less than $5,000 at cost. This excludes leases with another wholly-owned public sector entity lessor agency. These expenses are included within note 2.3 Other Expenditure.
Guidance – Leases

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Initial Recognition

Right-of-use assets are initially measured at cost. Lease liabilities include the net present value of the following lease payments:

a) Fixed payments (including in-substance fixed payments), less any lease incentives receivables
b) Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
c) Amounts expected to be payable by the lessee under residual value guarantees
d) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that termination option.

Subsequent Measurement

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated losses and adjusted for any remeasurement of the lease liability.

After the commencement date, lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the agency will need to use the Western Australian Treasury Corporation rate (https://www.watc.wa.gov.au/client-services/debt-finance/lease-valuation-aasb-16/).

Concessionary leases, also referred to as peppercorn leases, are to be measured and recognised at cost as mandated under TI916.

Where a lessee is a not-for-profit entity and elects to measure a class or classes of right-of-use assets at initial recognition at cost in accordance with paragraphs 23–25 for leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives, the lessee shall disclose additional qualitative and quantitative information about those leases. This additional information shall include, but is not limited to, information that helps users of financial statements to assess:

(a) the entity’s dependence on leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives; and
(b) the nature and terms of the leases, including: (i) the lease payments; (ii) the lease term; (iii) a description of the underlying assets; and (iv) restrictions on the use of the underlying assets specific to the entity.
Due to the initial application of AASB 2018-4 ‘Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors’ agencies need to assess if there is an impact in the treatment of licences.

Did you have instances of licences that are in substance leases or contain leases?

These will be within the scope of AASB 16 Leases.

**Guidance – Leases (Additional Disclosures)**

AASB16.59

Additional qualitative and quantitative information about a lessee’s leasing activities is required to meet the disclosure objective of the standard. This additional information may include, but is not limited to, information that helps users of the financial statements to assess:

- the nature of the lessee’s leasing activities
- future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:
  a) variable lease payments
  b) extension options and termination options
  c) residual value guarantee
  d) leases not yet commenced to which the lessee is committed
- restrictions or covenants imposed by leases
- sale and leaseback transactions
6.3 Assets pledged as security

<table>
<thead>
<tr>
<th>Reference</th>
<th>AASB7.14</th>
</tr>
</thead>
</table>

**Assets pledged as security**
The carrying amounts of non-current assets pledged as security are:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right-of-use asset vehicles</td>
<td>3,058</td>
<td>5,761</td>
</tr>
<tr>
<td><strong>Total assets pledged as security</strong></td>
<td><strong>3,058</strong></td>
<td><strong>5,761</strong></td>
</tr>
</tbody>
</table>

The Agency has secured the right-of-use assets against the related lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor.

Agencies should ensure they tailor this note to fit their circumstances and delete if not relevant to the facts and circumstances of the agency.

---

### Guidance – assets pledged as security

- **AASB102.36(h)**: The financial statements shall disclose the following for assets pledged as security:
  - (a) The carrying amount of inventories pledged as security for liabilities;
  - (b) The existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities;
  - (c) The carrying amount of the infrastructure, property, plant and equipment pledged and the related existence and amounts of restrictions on title;
  - (d) The existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and
  - (e) The carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities and any material terms and conditions relating to assets pledged as collateral.
6.4 Finance costs

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unwinding of discounts applied to provisions</td>
<td>88</td>
<td>77</td>
</tr>
<tr>
<td>Lease interest expense</td>
<td>371</td>
<td>150</td>
</tr>
<tr>
<td>Interest expense</td>
<td>0</td>
<td>120</td>
</tr>
<tr>
<td>Finance costs expensed</td>
<td>459</td>
<td>347</td>
</tr>
</tbody>
</table>

'Finance cost' includes costs incurred in connection with the borrowing of funds and includes interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, the interest component of lease liability repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

The agency may elect to recognise finance costs as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset (AASB 123.Aus8.1). Where they do so the policy should reflect that this is the case (AASB 123.Aus26.1).

**Guidance – finance costs**

- **AASB123.5, 6** Finance costs are interest and other costs incurred by an agency in connection with the borrowing of funds and may include:
  - (a) Interest expense calculated using the effective interest method as described in AASB 9 ‘Financial Instruments’;
  - (b) Lease Interest Expense in respect of lease liabilities recognised in accordance with AASB 16 ‘Leases’; and
  - (c) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.
6.5 Cash and cash equivalents

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>8,308</td>
<td>2,795</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Grant(a)</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>– Accrued salaries suspense account(b)</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td><strong>8,418</strong></td>
<td><strong>2,895</strong></td>
</tr>
</tbody>
</table>

(a) Funds held for the research and development project on software development for public sector accounting.

(b) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non-current for 10 out of 11 years.

For the purpose of the statement of cash flows, cash and cash equivalent (and restricted 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.

**Guidance – cash flow**

**Non-cash financing and investing activities**

Information about transactions and other events which do not result in any cash flows during the reporting period, but affect assets and liabilities that are recognised, must be disclosed in the general purpose financial statements where they:

(a) Involve external parties; and

(b) Relate to the financing, investing and other non-operating activities of the agency.

An example of non-cash financing and investing transactions and other events could be exchange of non-cash assets or liabilities for other non-cash assets or liabilities.
## 6.6 Commitments

### 6.6.1 Non-cancellable operating lease commitments

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>-</td>
<td>2,800</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>-</td>
<td>8,051</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td><strong>10,851</strong></td>
</tr>
</tbody>
</table>

From 1 January 2019, the agency has recognised the right-of-use assets and corresponding lease liability for all non-cancellable operating lease commitments, apart from short term and low value leases. Refer to [Note 6.2](#).

### 6.6.2 Finance lease commitments

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>-</td>
<td>650</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>-</td>
<td>2,280</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Minimum finance lease payments</td>
<td>-</td>
<td>2,945</td>
</tr>
<tr>
<td>Less future finance charges</td>
<td>-</td>
<td>(140)</td>
</tr>
<tr>
<td><strong>Present value of finance lease liabilities</strong></td>
<td>-</td>
<td><strong>2,805</strong></td>
</tr>
</tbody>
</table>

Guidance – commitments for non-cancellable operating lease

**Non-cancellable operating and finance lease commitments**

The above disclosure is relevant under AASB 117 and only comparatives are required. From 1 Jan 2019, the agency has recognised right-of-use assets and corresponding lease liability for these leases, excluding short term and low-value leases. Thus, no disclosure is included for 2019.

**Contingent Rents**

Any contingent rental payments that were not included in the initial measurement of the liability are classified as operating expenses.

---

1 For simplicity, the 31 December 2018 comparative amount for non-cancellable operating lease commitments of $27.5M in the previous Model Annual Report has been reduced to $10.85M. Agency disclosures will align with amount published in the agency’s 31 December 2018 Annual Report.
6.6.3 Capital commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>27,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>41,000</td>
<td>53,000</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68,000</strong></td>
<td><strong>88,000</strong></td>
</tr>
</tbody>
</table>

The totals presented for capital commitments are GST inclusive.

6.6.4 Other expenditure commitments

Other expenditure commitments [describe] contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The totals presented for other expenditure commitments are GST inclusive.

Guidance – commitments for expenditure

**Contracted capital commitments**

Capital commitments and other expenditure commitments contracted for as at the end of the reporting period do not require disclosure where the commitments have been recognised as liabilities in the statement of financial position.

**GST**

The purpose of the commitment note disclosure is to inform users of the commitments for payments from a cash flow perspective and consequently includes GST as appropriate.

Where the invoices for commitment related payments separately identify a financing component, GST is not required to be added to this component. However, where invoices do not separate the finance component, GST should be included on all components for the purposes of the commitment disclosure except commitments for minimum lease payments.

**Aggregation**

If there are groups that are immaterial for agencies, then they could be aggregated into ‘total other commitments payable’ and deleted from the above table format.
7. Financial instruments and Contingencies

<table>
<thead>
<tr>
<th>Financial instruments</th>
<th>7.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingent assets</td>
<td>7.2.1</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>7.2.2</td>
</tr>
</tbody>
</table>
### 7.1 Financial instruments

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>8,418</td>
<td>2,895</td>
</tr>
<tr>
<td>Loans and receivables (a)</td>
<td>-</td>
<td>68,330</td>
</tr>
<tr>
<td>Financial assets at amortised cost (a)</td>
<td>98,848</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>107,266</td>
<td>71,225</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td>7,992</td>
<td>12,880</td>
</tr>
<tr>
<td><strong>Total financial liability</strong></td>
<td>7,992</td>
<td>12,880</td>
</tr>
</tbody>
</table>

(a) The amount of Loans and receivables/Financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).
7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

7.2.1 Contingent assets

The following contingent assets are excluded from the assets included in the financial statements:

Litigation in progress
A negligence claim has been filed against a supplier for faulty materials. The potential financial effect of the success of the claim cannot be reliably measured at this time.

7.2.2 Contingent liabilities

The following contingent liabilities are excluded from the liabilities included in the financial statements:

Litigation in progress
A plaintiff has made a claim for $50,000 in relation to an alleged breach of copyright. Liability has been denied and any legal claim will be defended.

Native title claims
The Agency’s land is subject to a number of native title claims that have yet to be assessed by the National Native Title Tribunal. The financial effect should these claims be successful cannot be estimated at this time.

Contaminated sites
Under the Contaminated Sites Act 2003, the Agency is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER 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 Agency may have a liability in respect of investigation or remediation expenses.

During the year the Agency reported three suspected contaminated sites to DWER. These have yet to be classified. The Agency is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the Agency may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

Guidance – contingent assets and liabilities

A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. If it becomes probable that an outflow of future economic benefits will be required, a provision is recognised in the period in which the change in probability occurs.

Agencies that entered into contracts or arrangements as the issuer of ‘financial guarantee contracts’ shall recognise and measure the contracts in accordance with AASB 9.
8. Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB110.3, 19, 21</td>
<td>Events occurring after the end of the reporting period 8.1</td>
</tr>
<tr>
<td>AASB124.17, 17A</td>
<td>Initial application of Australian Accounting Standards 8.2</td>
</tr>
<tr>
<td>AASB124.18</td>
<td>Key management personnel 8.3</td>
</tr>
<tr>
<td>TI951(3), (4)</td>
<td>Related party transactions 8.4</td>
</tr>
<tr>
<td>TI951(5), (6)</td>
<td>Related bodies 8.5</td>
</tr>
<tr>
<td>TI1103(15)</td>
<td>Affiliated bodies 8.6</td>
</tr>
<tr>
<td>AASB1054.10</td>
<td>Special purpose accounts 8.7</td>
</tr>
<tr>
<td>TI319(5)</td>
<td>Remuneration of auditors 8.8</td>
</tr>
<tr>
<td>AASB101.106</td>
<td>Act of grace (and ex-gratia) payments 8.9</td>
</tr>
<tr>
<td>TI952(6)</td>
<td>Equity 8.10</td>
</tr>
<tr>
<td>TI945</td>
<td>Supplementary financial information 8.11</td>
</tr>
<tr>
<td>TI945</td>
<td>Explanatory statement 8.12</td>
</tr>
</tbody>
</table>
8.1 Events occurring after the end of the reporting period

The following table represents a summary of events occurring after the end of the reporting period:

- Provide details of the events that occurred after the end of the reporting period

<table>
<thead>
<tr>
<th>Guidance – events occurring after the end of the reporting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Events after the end of the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:</td>
</tr>
<tr>
<td>- Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the end of the reporting period); and</td>
</tr>
<tr>
<td>- Those that are indicative of conditions that arose after the end of the reporting period (non-adjusting events after the end of the reporting period).</td>
</tr>
<tr>
<td>Updating disclosure about conditions at the end of the reporting period</td>
</tr>
<tr>
<td>There is no requirement under Tier 2 Reduced Disclosure Requirements to update disclosures if an agency receives information after the end of the reporting period about conditions that existed at the end of the reporting period, in light of the new information.</td>
</tr>
<tr>
<td>Non-adjusting Events After the End of the Reporting Period</td>
</tr>
<tr>
<td>If non-adjusting events after the end of the reporting period are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial report. Accordingly, an agency shall disclose the following for each material category of non-adjusting event after the end of the reporting period:</td>
</tr>
<tr>
<td>- The nature of the event; and</td>
</tr>
<tr>
<td>- An estimate of its financial effect, or a statement that such an estimate cannot be made.</td>
</tr>
</tbody>
</table>
8.2 Initial application of Australian Accounting Standards

(a) AASB 15 Revenue from Contract with Customers and AASB 1058 Income of Not-for-Profit Entities

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* for annual reporting periods on or after 1 January 2019. Under the new model, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service and is based upon the transfer of control rather than transfer of risks and rewards.

AASB15 focuses on providing sufficient information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers. Revenue is recognised by applying the following five steps:

- Identifying contracts with customers
- Identifying separate performance obligations
- Determining the transaction price of the contract
- Allocating the transaction price to each of the performance obligations
- Recognising revenue as each performance obligation is satisfied.

Revenue is recognised either over time or at a point in time. Any distinct goods or services are separately identified and any discounts or rebates in the contract price are allocated to the separate elements.

In addition, the agency derives income from appropriations which are recognised under AASB 1058. AASB 1058 is applied to Not-for-Profit Entities for recognising income that is not revenue from contracts with customers. Timing of income recognition under AASB 1058 depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) recognised by an agency.

The agency will adopt the modified retrospective approach on transition to AASB 15 and AASB 1058. No comparative information will be restated under this approach, and the agency will recognise the cumulative effect of initially applying the standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application (1 January 2019).

Under this transition method, agency may elect to apply the Standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Refer to **Note 3.1**, **3.2** and **3.3** for the revenue and income accounting policies adopted from 1 January 2019.
The effect of adopting AASB 15, AASB 16 and AASB 1058 as at 1 January 2019 was, as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Adjustments 1 January 2019 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td></td>
</tr>
<tr>
<td>Contract assets</td>
<td>8.2(a) -</td>
</tr>
<tr>
<td>Right of use asset</td>
<td>8.2(b) 10,580</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>10,580</strong></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>8.2(a) 397</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>8.2(b) 10,193</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>10,590</strong></td>
</tr>
<tr>
<td><strong>Total adjustments on Equity</strong></td>
<td>(10)</td>
</tr>
<tr>
<td>Accumulated surplus/(deficit)</td>
<td>(10)</td>
</tr>
</tbody>
</table>

With these changes, the net impact on retained earnings on 1 Jan 2019 was a decrease of $10,000.

**AASB 15 Revenue from Contracts with Customers**

When either party to the contract has performed the obligation, the agency shall present the contract in the statement of financial position as a contract asset or a contract liability. The agency shall present any unconditional rights to consideration separately as a receivable.

(a) *A receivable is the agency’s right to consideration that is unconditional and only passage of time is required before payment of the consideration is due.*

(b) *A contract asset is recognised if the agency transfers goods or services to a customer before the customer pays consideration or the payment is due.*

(c) *A contract liability is recognised if a customer pays consideration before the agency transfers a good or service to the customer.*

This has resulted in an increase in the contract liability of $397,000 due to [insert reason for change].

For reporting periods that include the date of initial application, the agency shall provide both the following additional disclosures if this Standard is applied retrospectively in accordance with paragraph C3(b):

- The amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to AASB 111, AASB 118 and related Interpretations that were in effect before the change; and

- An explanation of the reasons for significant changes identified in the above comparison.
(b) AASB 16 Leases

From 1 January 2019, AASB 16 Leases supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 primarily affects lessee accounting and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The main changes introduced by the new Standard include identification of lease within a contract and a new lease accounting model for lessees that require lessees to recognise all leases (operating and finance leases) on the Statement of Financial Position as a right-of-use asset and lease liability, except for short term leases (lease terms of 12 months or less at commencement date) and low-value assets (valued less than $5,000). The operating lease and finance lease distinction for lessees no longer exists.

The agency has applied the modified retrospective approach on initial adoption. As permitted under the specific transition provisions in the standard, comparatives have not been restated. The cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings. Lease liabilities recognised are measured at present value of the remaining lease payments, discounted using the incremental borrowing rate.

The agency is permitted on a lease-by-lease basis to apply the following practical expedients.

(a) A single discount rate may be applied to a portfolio of leases with reasonably similar characteristics.

(b) Agency relies on its assessment of whether leases are onerous applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before 1 Jan 2019 as an alternative to performing an impairment review, the agency shall adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application.

(c) Exclusion of initial direct costs from the measurement of right-of-use asset at the date of initial application.

(d) Use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

AASB 16 takes into consideration all operating leases that were off balance sheet under AASB 117 and recognises:

a) Right of use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments, discounted using the incremental borrowing rate (2.5%) on 1 January 2019.

b) Depreciation of right-of-use assets and interest on lease liabilities in the statement of comprehensive income.

c) The total amount of cash paid as principal amount, which is presented in the cash flows from financing activities, and interest paid, which is presented in the cash flows from operating activities, in the statement of cash flows.

For leases previously classified as finance leases in 2018, the carrying amount of the lease asset and lease liability immediately before transition has been used as the carrying amount of the right-of-use asset and the lease liability as of 1 January 2019.
a. Measurement of lease liabilities

Operating Lease Commitments disclosed as at 31 December 2018 10,851
Discounted using incremental borrowing rate at date of initial application 10,580
Add: Finance lease liabilities recognised as at 31 December 2018 2,870
(Less): Short term leases not recognised as liability (243)
(Less): Low value leases not recognised as liability (144)
Lease liability recognised at 1 January 2019 13,063

Current lease liabilities 3,678
Non-current lease liabilities 9,385

Guidance – Modified Retrospective Approach

As per the May 2018 Treasury Circular agency will adopt the modified retrospective approach on transition to AASB 16. The preferred method is option 2A, where the asset is measured as if AASB 16 had been applied from lease commencement but using incremental borrowing rate at the date of transition. Under this approach, no comparative information will be restated, and the agency will recognise the reclassification and adjustments arising from the new leasing standard in the opening Statement of Financial Position on 1 January 2019.

Guidance – Concessionary Leases

The Treasurer’s instructions mandate that right of use (ROU) assets resulting from concessionary leases are measured at cost. Therefore, in accordance with AASB 16 Leases, where the lessee is a not-for-profit entity and where the leases have below-market terms and conditions principally to enable the entity to further its objectives (concessionary leases) and measures a class or classes of right-of-use assets at initial recognition at cost, the lessee shall disclose additional qualitative and quantitative information about those leases necessary to meet the disclosure objectives. This is to ensure users understand the effects of these leases on the entity’s financial position, financial performance and cash flows.

Guidance – Disclosure of practical expedients

The agency is permitted to apply the following practical expedients to leases previously classified as operating leases.

a) A single discount rate may be applied to a portfolio of leases with reasonably similar characteristics.

b) If an agency relies on its assessment of whether leases are onerous applying AASB 137 Provisions, Contingent Liabilities and Contingent

2 For simplicity, the 31 December 2018 comparative amount for non-cancellable operating lease commitments of $27.5M in the previous Model Annual Report has been reduced to $10.85M. Agency disclosures will align with amount published in the agency’s 31 December 2018 Annual Report.
NOTES TO THE FINANCIAL STATEMENTS

AASB16.C13 Assets immediately before 1 Jan 2019 as an alternative to performing an impairment review, the agency shall adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application.

c) Exclusion of initial direct costs from the measurement of right-of-use asset at the date of initial application.

d) Use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

If any of these practical expedients are used, this needs to be disclosed.

Guidance – correction of prior period errors

AASB108.42, 49 Where an agency has identified material prior period errors, they should be retrospectively corrected in the first complete set of financial statements authorised for issue after their discovery by:

- Restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Guidance – changes in accounting policies

AASB108.22, 29 Where an agency elects to make policy changes voluntarily that should be applied retrospectively.

Where an agency applies new accounting policy to transactions after the date of the policy change, that change should be applied on a modified retrospective approach as per the Treasurer’s instructions. The change is not applied to prior periods.

Reference

AASB124.17, 17A

8.3 Key management personnel

The Agency has determined key management personnel to include cabinet ministers and senior officers of the Agency. The Agency does not incur expenditures to compensate Ministers and those disclosures may be found in the Annual Report on State Finances.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the Agency for the reporting period are presented within the following bands:

<table>
<thead>
<tr>
<th>Compensation band ($)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>130,001 – 140,000</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>110,001 – 120,000</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>100,001 – 110,000</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>60,001 – 70,000</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>50,001 – 60,000</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total compensation of senior officers</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>580</td>
<td>540</td>
</tr>
</tbody>
</table>

31.12.2019
Total compensation includes the superannuation expense incurred by the Agency in respect of senior officers.

### Guidance – key management personnel

| Statutory Authorities shall disclose the number of members of the accountable authority, whose total compensation for the financial year falls within each band of income of $10,000, separately from those for other senior officers. |
| Agencies should ensure they disclose the number of senior officers who are members of the Pension Scheme. |
| Compensation should be determined by applying the relevant requirements under AASB 119 ‘Employee Benefits’ as the basis for measuring the components of remuneration. |
| AASB 119 distinguishes employee benefits on the basis of when the benefits are expected to be settled and the employment status at the time of that settlement. |
8.4 Related party transactions

The Agency is a wholly owned public sector entity that is controlled by of the State of Western Australia.

Related parties of the Agency include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other agencies and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities);
- associates and joint ventures of a wholly-owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

Material transactions with related parties

Outside of normal citizen type transactions with the Agency, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

Example of specific disclosure note

During the year, a company controlled by a related party of a Minister, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm’s length transactions under the State’s procurement process. The transaction involved the provision of IT support services to support the migration of the agency’s financial management system and various databases to cloud-based platforms with a total value of $45 million spread evenly over four years. The contract imposes no further commitments.
Guidance – related party transactions

The Western Australian Government is the parent of almost all agencies. However, agencies should note that there are a number of entities that are not regarded as being controlled (for example: universities, local governments, the Public Trustee and the Legal Contribution Trust).

The Government Employee Superannuation Board is a related party as it benefits the majority of the agency’s employees in accordance with paragraph 9(b)(v) of AASB 124, despite not being controlled by the Western Australian Government.

Refer to Note 7 ‘Composition of Sectors’ in Appendix 1 ‘Detailed Financial Projections’ of the Budget Paper No. 3 ‘Economic and Fiscal Outlook’ for a list of entities included in the State’s consolidated financial statements.

AASB 124 only require the disclosure of material related party transactions, including outstanding balances and commitments.

• Materiality is subject to professional judgement and goes beyond the dollar value of the transaction or balance.
• Judgements should consider the objective of the Standard when determining whether quantitative or qualitative materiality justifies the disclosure, or non-disclosure, of transactions in the financial statements.

However, it is important to note that all key management personnel need to complete the mandated declaration form.

This information is necessary to enable agencies to prepare the financial statements and external auditors to conduct the necessary audit work according to Australian Auditing Standard ASA 550 Related Parties.

This provides evidence (subject to audit) that all relevant information has been made available for the assessment and also because a transaction that may appear immaterial on its own, may in combination with other like transactions have a material effect on the State’s or agency’s financial statements and warrants disclosure.
8.5 Related bodies

The Agency had two related bodies during the financial year and meet all operating expenses of these bodies as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 ($)000</th>
<th>2018 ($)000</th>
</tr>
</thead>
<tbody>
<tr>
<td>TNT Agency</td>
<td>6,290</td>
<td>6,540</td>
</tr>
<tr>
<td>ABN Agency</td>
<td>75</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,365</strong></td>
<td><strong>6,610</strong></td>
</tr>
</tbody>
</table>

The transactions and results of the related bodies have been included in the financial statements.

8.6 Affiliated bodies

Excellent Board is a government affiliated body that received administrative support and a grant of $2,300,000 (2018: $1,200,000) from the Agency. The Excellent Board is not subject to operational control by the Agency.

Guidance – related and affiliated bodies

- **TI 951(3) A related body is a body that receives more than half of its funding and resources from an agency and is subject to operational control by that agency.**
- **TI 951(5) An affiliated body is a body that receives more than half its funding and resources from an agency but is not subject to operational control by that agency.**
8.7 Special purpose accounts

The Prize Fund\(^{(a)}\)

The purpose of the account is to hold funds from donations and bequests in trust for the purpose of awarding prizes to schools and colleges in the information technology field.

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at start of period</td>
<td>-</td>
<td>560</td>
</tr>
<tr>
<td>Receipts</td>
<td>390</td>
<td>135</td>
</tr>
<tr>
<td>Payments</td>
<td>(305)</td>
<td>(695)</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td><strong>85</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

The Industry Fund\(^{(b)}\)

The purpose of the account is to hold funds appropriated by Parliament for the development of initiatives improving the competitiveness of the Western Australian technology industry.

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at start of period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Receipts</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>Payments</td>
<td>(50)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td><strong>50</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

\(^{(a)}\) Established under section 16(1)(c) of FMA.

\(^{(b)}\) Established under section 16(1)(d) of FMA.

Guidance – special purpose accounts

Agencies are required to provide cash-based reporting for any special purpose accounts established under section 16(1)(b), (c) or (d) of the Act. The relevant disclosure requirements are:

- The purpose of the special purpose account;
- The balance of the account at the beginning of the financial year;
- Total receipts;
- Total payments; and
- The balance of the account at the end of the financial year.

The above information can be presented in a table format.
8.8 Remuneration of auditors

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

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing the accounts, financial statements, controls, and key performance indicators</td>
<td>55</td>
<td>50</td>
</tr>
</tbody>
</table>

Guidance – remuneration of auditors

AASB 1054 requires agencies to disclose the amounts paid or payable to:

(a) The auditor of the entity for an audit or a review of the financial statements of the entity; and

(b) The auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.

8.9 Act of grace payments

Sample disclosure: This note header has been included as a placeholder for the disclosure of act of grace (and ex-gratia) payments. Where an agency did not make the payments, this note should be omitted.

Guidance – act of grace payments

The following information should be disclosed in relation to each act of grace (or ex gratia) payment:

- the payment date;
- the amount of the payment; and
- the purpose of the payment.

It may not be appropriate to disclose the recipient(s) of the payment. Legal advice should be sought before such a disclosure is made.
### 8.10 Equity

#### Contributed equity

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at start of period</td>
<td>88,960</td>
<td>33,650</td>
</tr>
</tbody>
</table>

#### Contributions by owners

- **Capital appropriation**
  - 2019: 12,000
  - 2018: 65,000

#### Other contributions by owners

- **Royalties for Regions Fund – Regional Infrastructure and Headworks Account**
  - 2019: -
  - 2018: -

- **Royalties for Regions Fund – Regional Community Services Account**
  - 2019: -
  - 2018: -

#### Transfer of net assets from other agencies

- **[Provide details]**
  - 2019: -
  - 2018: 1,500

**Total contributions by owners**

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,000</td>
<td>66,500</td>
</tr>
</tbody>
</table>

#### Distributions to owners

- **Transfer of net assets to other agencies:**
  - Land for sale transferred to the DPLH
    - 2019: -
    - 2018: (1,090)
  - Net assets transferred to Government:
    - 2019: -
    - 2018: (10,100)
  - Proceeds for disposal of assets paid to Consolidated Account
    - 2019: -
    - 2018: (11,190)

**Total distributions to owners**

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
<td>(11,190)</td>
</tr>
</tbody>
</table>

**Balance at end of period**

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100,960</td>
<td>88,960</td>
</tr>
</tbody>
</table>
Guidance – contributed equity

Capital appropriations

TI 955 ‘Contributions by Owners Made to Wholly Owned Public Sector Entities’ designates capital appropriations as contributions by owners in accordance with AASB Interpretation 1038 ‘Contributions by Owners Made to Wholly-Owned Public Sector Entities’.

Transfer of net assets from other agencies

AASB 1004 ‘Contributions’ requires transfers of net assets as a result of a restructure of administrative arrangements to be accounted for as contributions by owners and distributions to owners.

Where activities are transferred from one agency to another agency as a result of a restructure of administrative arrangements, AASB 1004 (paragraph 57) requires the transferee agency to disclose the expenses and income attributable to the transferred activities for the reporting period, showing separately those expenses and income recognised by the transferor agency during the reporting period. Furthermore, AASB 1004 (paragraph 58) requires disclosures by class for each material transfer of assets and liabilities in relation to a restructure of administrative arrangements, together with the name of the counterparty transferor/transferee agency. In respect of transfers that are individually immaterial, the assets and liabilities are to be disclosed on an aggregate basis.

TI 955 designates non-discretionary and non-reciprocal transfers of net assets between state government agencies as contributions by owners in accordance with AASB Interpretation 1038. Where the transferee agency accounts for a non-discretionary and non-reciprocal transfer of net assets as a contribution by owners, the transferor agency accounts for the transfer as a distribution to owners.

Distribution to owners

TI 955 requires non-reciprocal transfers of net assets to Government to be accounted for as distribution to owners in accordance with AASB Interpretation 1038.

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset revaluation surplus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at start of period</td>
<td>205,500</td>
<td>180,000</td>
</tr>
<tr>
<td>Net revaluation increments/(decrements)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>15,000</td>
<td>5,500</td>
</tr>
<tr>
<td>Buildings</td>
<td>45,000</td>
<td>18,000</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>40,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Others [describe]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>305,500</td>
<td>205,500</td>
</tr>
</tbody>
</table>
### 8.11 Supplementary financial information

#### (a) Write-offs

During the financial year, nil (2018: $370,000) was written off the Agency’s asset register under the authority of:

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The accountable authority</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>The Minister</td>
<td>-</td>
<td>105</td>
</tr>
<tr>
<td>Executive Council</td>
<td>-</td>
<td>255</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>370</td>
</tr>
</tbody>
</table>

#### (b) Losses through theft, defaults and other causes

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses of public money and public and other property through theft or default</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amounts recovered</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### (c) Gifts of public property

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts of public property provided by the Agency</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Guidance – supplementary financial information**

Disclose details of any other write-offs during the financial year, such as bad debts and, revenue and debts due to the State, public and other property written off during the financial year.
### 8.12 Explanatory statement (Controlled Operations)

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key major variances, which are generally greater than:

- 5% and $14.4 million for the Statements of Comprehensive Income and Cash Flows, and
- 5% and $25.0 million for the Statement of Financial Position.

#### 8.12.1 Statement of Comprehensive Income Variances

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Variance note</th>
<th>Estimate 2019 ($000)</th>
<th>Actual 2019 ($000)</th>
<th>Actual 2018 ($000)</th>
<th>Variance between estimate and actual ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee benefits expense</td>
<td>1, a</td>
<td>687,204</td>
<td>669,757</td>
<td>599,002</td>
<td>(17,447)</td>
<td>70,755</td>
</tr>
<tr>
<td>Supplies and services</td>
<td></td>
<td>66,487</td>
<td>65,600</td>
<td>55,951</td>
<td>(887)</td>
<td>9,649</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td></td>
<td>34,530</td>
<td>34,879</td>
<td>30,863</td>
<td>349</td>
<td>4,016</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>279</td>
<td>459</td>
<td>347</td>
<td>180</td>
<td>112</td>
</tr>
<tr>
<td>Accommodation expenses</td>
<td></td>
<td>6,843</td>
<td>6,963</td>
<td>6,330</td>
<td>120</td>
<td>633</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td></td>
<td>9,904</td>
<td>9,801</td>
<td>8,910</td>
<td>(103)</td>
<td>891</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td></td>
<td>5,156</td>
<td>5,560</td>
<td>3,700</td>
<td>404</td>
<td>1,860</td>
</tr>
<tr>
<td>Loss on disposal of non-current assets</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>12,945</td>
<td>9,597</td>
<td>12,982</td>
<td>(3,348)</td>
<td>(3,385)</td>
</tr>
<tr>
<td><strong>Total cost of services</strong></td>
<td></td>
<td><strong>823,348</strong></td>
<td><strong>802,063</strong></td>
<td><strong>718,085</strong></td>
<td><strong>(21,530)</strong></td>
<td><strong>84,531</strong></td>
</tr>
</tbody>
</table>

#### Income

**Revenue**

<table>
<thead>
<tr>
<th></th>
<th>Estimate 2019 ($000)</th>
<th>Actual 2019 ($000)</th>
<th>Actual 2018 ($000)</th>
<th>Variance between estimate and actual ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>User charges and fees</td>
<td>14,654</td>
<td>16,497</td>
<td>14,997</td>
<td>1,843</td>
<td>1,500</td>
</tr>
<tr>
<td>Sales</td>
<td>13,748</td>
<td>14,267</td>
<td>12,970</td>
<td>519</td>
<td>1,297</td>
</tr>
<tr>
<td>Commonwealth grants and contributions</td>
<td>1,050</td>
<td>1,050</td>
<td>1,000</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>29,452</strong></td>
<td><strong>31,814</strong></td>
<td><strong>28,967</strong></td>
<td><strong>2,362</strong></td>
<td><strong>2,847</strong></td>
</tr>
</tbody>
</table>
Gains
Gain on disposal of non-current assets  160  170  4,700  10  (4,530)
Other gains  1,000  1,067  970  67  97
Total Gains  1,160  1,237  5,670  77  (4,433)
Total income other than income from State Government  30,612  33,051  34,637  2,439  (1,586)
NET COST OF SERVICES  792,736  769,012  683,448  (23,724)  85,564
Income from State Government
Service appropriation  b  794,750  803,846  713,701  9,096  90,145
Liabilities assumed  -  -  -  -  -
Assets transferred  -  -  -  -  -
Services received free of charge  1,430  1,595  1,450  165  145
Royalties for Regions Fund  -  -  -  -  -
Total income from State Government  796,180  805,441  715,151  9,261  90,290
SURPLUS/(DEFICIT) FOR THE PERIOD  3,444  36,429  31,703  32,985  4,726
OTHER COMPREHENSIVE INCOME
Items not reclassified subsequently to profit or loss
Changes in asset revaluation surplus  95,000  100,000  25,500  5,000  74,500
Total other comprehensive income  95,000  100,000  25,500  5,000  74,500
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD  98,444  136,429  57,203  37,985  79,226

Major Estimate and Actual (2019) Variance Narratives
1) Employee benefits expense underspent by $17.5 million (2.5%) as the budget was based on all employees of the merging business unit would join the Agency. Instead, a number of employees were re-deployed elsewhere.

Major Actual (2019) and Comparative (2018) Variance Narratives
a) Employee benefits expense increased by $70.7 million (11.8%) due to a machinery of government merger, augmenting employee numbers in the Agency.
b) Service appropriations increased by $90.1 million (12.6%) due to a machinery of government merger of additional business units within the Agency.

The 2.5% Employee Benefits expense variance is not considered a major variance, however has been inserted here as a voluntary and illustrative disclosure that contrasts with the actual and comparative variance narrative.
## 8.12.2 Statement of Financial Position

### Variances

<table>
<thead>
<tr>
<th></th>
<th>Variance note</th>
<th>Estimate 2019</th>
<th>Actual 2019</th>
<th>Actual 2018</th>
<th>Variance between estimate and actual ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5,954</td>
<td>8,308</td>
<td>2,795</td>
<td>2,354</td>
<td>5,513</td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>55</td>
<td>50</td>
<td>50</td>
<td>(5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td>17,210</td>
<td>18,310</td>
<td>16,375</td>
<td>1,100</td>
<td>1,935</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td>7,844</td>
<td>9,097</td>
<td>2,682</td>
<td>1,253</td>
<td>6,415</td>
</tr>
<tr>
<td>Amounts receivable for services</td>
<td>15,260</td>
<td>14,239</td>
<td>18,137</td>
<td>(1,021)</td>
<td>(3,898)</td>
<td></td>
</tr>
<tr>
<td>Contract Assets</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td></td>
<td>590</td>
<td>550</td>
<td>560</td>
<td>(40)</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td></td>
<td>46,913</td>
<td>50,554</td>
<td>40,599</td>
<td>3,641</td>
<td>9,955</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>65</td>
<td>60</td>
<td>50</td>
<td>(5)</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Amounts receivable for services</td>
<td>69,037</td>
<td>75,933</td>
<td>47,925</td>
<td>6,896</td>
<td>28,008</td>
<td></td>
</tr>
<tr>
<td>Infrastructure, property, plant and equipment</td>
<td>1,374,690</td>
<td>1,369,572</td>
<td>1,249,843</td>
<td>(5,118)</td>
<td>119,729</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td>505</td>
<td>455</td>
<td>1,008</td>
<td>-50</td>
<td>(553)</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td></td>
<td>-</td>
<td>11,882</td>
<td>-</td>
<td>11,882</td>
<td>11,882</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>-</td>
<td>-</td>
<td>60</td>
<td>0</td>
<td>(60)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td></td>
<td>1,444,297</td>
<td>1,457,902</td>
<td>1,298,886</td>
<td>13,605</td>
<td>159,016</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>1,491,210</td>
<td>1,508,456</td>
<td>1,339,485</td>
<td>17,246</td>
<td>168,971</td>
</tr>
<tr>
<td>Variance note</td>
<td>Estimate 2019</td>
<td>Actual 2019</td>
<td>Actual 2018</td>
<td>Variance between estimate and actual</td>
<td>Variance between actual results for 2019 and 2018</td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>---------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------------------------------</td>
<td>-----------------------------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td></td>
</tr>
</tbody>
</table>

### LIABILITIES

#### Current Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimate 2019</th>
<th>Actual 2019</th>
<th>Actual 2018</th>
<th>Variance between estimate and actual</th>
<th>Variance between actual results for 2019 and 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables</td>
<td>2,580</td>
<td>2,787</td>
<td>2,040</td>
<td>207</td>
<td>747</td>
</tr>
<tr>
<td>Borrowings</td>
<td>660</td>
<td>600</td>
<td>650</td>
<td>(60)</td>
<td>(50)</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>3,000</td>
<td>3,298</td>
<td>-</td>
<td>298</td>
<td>3,298</td>
</tr>
<tr>
<td>Amounts due to the Treasurer</td>
<td>2,650</td>
<td>2,400</td>
<td>7,970</td>
<td>(250)</td>
<td>(5,570)</td>
</tr>
<tr>
<td>Employee Related Provisions</td>
<td>18,417</td>
<td>20,095</td>
<td>14,077</td>
<td>1,698</td>
<td>6,038</td>
</tr>
<tr>
<td>Other Provisions</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contract Liabilities</td>
<td>-</td>
<td>895</td>
<td>-</td>
<td>895</td>
<td>895</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total Current Liabilities**

|                                                | 27,327 | 30,095 | 24,737 | 2,768 | 5,358 |

#### Non-Current Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimate 2019</th>
<th>Actual 2019</th>
<th>Actual 2018</th>
<th>Variance between estimate and actual</th>
<th>Variance between actual results for 2019 and 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings</td>
<td>2,780</td>
<td>0</td>
<td>2,220</td>
<td>(2,780)</td>
<td>(2,220)</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>8,000</td>
<td>9,005</td>
<td>-</td>
<td>1,005</td>
<td>9,005</td>
</tr>
<tr>
<td>Employee Related Provisions</td>
<td>9,029</td>
<td>9,275</td>
<td>908</td>
<td>246</td>
<td>8,367</td>
</tr>
<tr>
<td>Other Provisions</td>
<td>500</td>
<td>592</td>
<td>550</td>
<td>92</td>
<td>42</td>
</tr>
<tr>
<td>Contract Liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total Non-Current Liabilities**

|                                                | 20,309 | 18,872 | 3,678 | (1,437) | 15,194 |

**TOTAL LIABILITIES**

|                                                | 47,636 | 48,967 | 28,415 | 1,331 | 20,552 |

### NET ASSETS

|                                                | 1,443,574 | 1,459,489 | 1,311,070 | 15,915 | 148,419 |

### EQUITY

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimate 2019</th>
<th>Actual 2019</th>
<th>Actual 2018</th>
<th>Variance between estimate and actual</th>
<th>Variance between actual results for 2019 and 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed equity</td>
<td>100,300</td>
<td>100,960</td>
<td>88,960</td>
<td>660</td>
<td>12,000</td>
</tr>
<tr>
<td>Reserves</td>
<td>296,700</td>
<td>305,500</td>
<td>205,500</td>
<td>8,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Accumulated surplus/(deficit)</td>
<td>1,060,793</td>
<td>1,053,029</td>
<td>1,016,610</td>
<td>(7,764)</td>
<td>36,419</td>
</tr>
</tbody>
</table>

**TOTAL EQUITY**

|                                                | 1,457,793 | 1,459,489 | 1,311,070 | 1,696 | 148,419 |

### Major Estimate and Actual (2019) Variance Narratives

Nil

### Major Actual (2019) and Comparative (2018) Variance Narratives

c) Infrastructure, property, plant and equipment increased by $119.7 million (9.5%) due to [insert narrative].
### 8.12.3 Statement of Cash Flows Variances

<table>
<thead>
<tr>
<th>Variance note</th>
<th>Estimate 2019</th>
<th>Actual 2019</th>
<th>Variance between estimate and actual 2019 ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
</tr>
<tr>
<td>CASH FLOWS FROM STATE GOVERNMENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service appropriation</td>
<td>763,234</td>
<td>761,659</td>
<td>673,242</td>
<td>(1,575)</td>
</tr>
<tr>
<td>Capital appropriations</td>
<td>10,125</td>
<td>12,000</td>
<td>65,000</td>
<td>1,875</td>
</tr>
<tr>
<td>Holding account drawdown</td>
<td>16,502</td>
<td>18,137</td>
<td>7,688</td>
<td>1,635</td>
</tr>
<tr>
<td>Non-retained revenue distributed to owner</td>
<td>-</td>
<td>-</td>
<td>(10,100)</td>
<td>-</td>
</tr>
<tr>
<td>Royalties for Regions Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by State Government</strong></td>
<td>789,861</td>
<td>791,796</td>
<td>735,830</td>
<td>1,935</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM OPERATING ACTIVITIES

#### Payments

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimate 2019</th>
<th>Actual 2019</th>
<th>Variance between estimate and actual 2019 ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee benefits</td>
<td>(696,960)</td>
<td>(666,501)</td>
<td>(593,654)</td>
<td>30,459</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>(72,766)</td>
<td>(64,000)</td>
<td>(61,666)</td>
<td>8,766</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(191)</td>
<td>(175)</td>
<td>(270)</td>
<td>16</td>
</tr>
<tr>
<td>Accommodation</td>
<td>(6,843)</td>
<td>(6,292)</td>
<td>(5,720)</td>
<td>551</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>(9,904)</td>
<td>(8,801)</td>
<td>(8,910)</td>
<td>103</td>
</tr>
<tr>
<td>GST payments on purchases</td>
<td>(7,648)</td>
<td>(7,336)</td>
<td>(6,829)</td>
<td>312</td>
</tr>
<tr>
<td>GST payments to taxation authority</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other payments</td>
<td>(4,973)</td>
<td>(6,618)</td>
<td>(6,016)</td>
<td>(1,645)</td>
</tr>
</tbody>
</table>

#### Receipts

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimate 2019</th>
<th>Actual 2019</th>
<th>Variance between estimate and actual 2019 ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>User charges and fees</td>
<td>18,142</td>
<td>16,497</td>
<td>14,997</td>
<td>(1,645)</td>
</tr>
<tr>
<td>Commonwealth grants and contributions</td>
<td>1,050</td>
<td>1,050</td>
<td>1,000</td>
<td>0</td>
</tr>
<tr>
<td>GST receipts on sales</td>
<td>2,777</td>
<td>2,345</td>
<td>1,730</td>
<td>(432)</td>
</tr>
<tr>
<td>GST receipts from taxation authority</td>
<td>5,506</td>
<td>5,056</td>
<td>5,034</td>
<td>(450)</td>
</tr>
<tr>
<td>Other receipts</td>
<td>1,150</td>
<td>1,067</td>
<td>970</td>
<td>(83)</td>
</tr>
</tbody>
</table>

**Net cash provided by/(used in) operating activities**

(761,034) (724,719) (650,253) 35,902 (75,374)
### 8.12.3 Statement of Cash Flows

<table>
<thead>
<tr>
<th>Variance note</th>
<th>Estimate 2019 ($000)</th>
<th>Actual 2019 ($000)</th>
<th>Actual 2018 ($000)</th>
<th>Variance between estimate and actual ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of non-current assets</td>
<td>g</td>
<td>(29,783)</td>
<td>(58,727)</td>
<td>(96,992)</td>
<td>(28,944)</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of non-current assets</td>
<td></td>
<td>7,800</td>
<td>2,798</td>
<td>10,100</td>
<td>(5,002)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td>(21,983)</td>
<td>(55,929)</td>
<td>(86,892)</td>
<td>(33,946)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal elements of lease payments</td>
<td></td>
<td>(7,400)</td>
<td>(8,035)</td>
<td>(1,090)</td>
<td>(635)</td>
</tr>
<tr>
<td>Other repayments</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td></td>
<td>2,650</td>
<td>2,400</td>
<td>1,160</td>
<td>(250)</td>
</tr>
<tr>
<td>Other proceeds</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) financing activities</strong></td>
<td></td>
<td>(4,750)</td>
<td>(5,635)</td>
<td>70</td>
<td>(885)</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td></td>
<td>3,139</td>
<td>5,523</td>
<td>(1,245)</td>
<td>2,385</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td></td>
<td>2,895</td>
<td>2,895</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</strong></td>
<td></td>
<td>6,034</td>
<td>8,418</td>
<td>2,895</td>
<td>2,385</td>
</tr>
</tbody>
</table>

**Major Estimate and Actual (2019) Variance Narratives**
2) Employee benefits payments underspent by $30.4 million (4.4%) due to [insert narrative].

**Major Actual (2019) and Comparative (2018) Variance Narratives**
d) Service appropriation receipts increased by $88.4 million (13.1%) due to [insert narrative].
e) Capital appropriation receipts decreased by $53.0 million (81.5%) due to [insert narrative].
f) Employee benefits payments increased by $72.8 million (12.3%) due to [insert narrative].
g) Purchases of non-current assets decreased by $38.3 million (39.5%) due to [insert narrative].
Guidance – explanatory statement for controlled items

Narratives are required for major variances between actuals versus comparatives, and, actuals versus original estimates and include commentary on:

- specified variances greater than 5% and greater than a dollar aggregate, being:
  - 2% of Total Cost of Services for the Statement of Comprehensive Income and Statement of Cash Flows; or
  - 2% of Total Assets for the Statement of Financial Position; or
  - $25 million.

- where qualitative evidence indicates omission of narrative information could potentially mislead readers of financial statements;

- each authorisation to expend in advance of appropriation approved in accordance with section 27 of the Act; or

- items requiring narrative disclosure under written laws.

In undertaking the calculation above, the lower of the budget estimate or the prior year actual (for Total Cost of Services or for Total Assets) is to be used for determining whether the variance is major for quantitative reasons (for example, the above illustration uses the prior year actual for calculating the threshold as it is the lower aggregate total for Total Cost of Services. This total is multiplied by 2% and used for the quantitative threshold for both variance analyses). This results in agencies applying the calculated aggregate based on the past year actual, or budget estimate, to comparisons of both actual to budget estimate and actual to past year’s actual. Not all variances that exceed this quantitative threshold have been deemed ‘major’ by the Treasurer’s instructions.

Agencies are also encouraged to incorporate variances lower than these thresholds where qualitative reasons exist.

Explanatory variance narratives are required to disclose details of, and the reasons for, all major variances in the elements comprising the total. This includes variances that offset each other.

- This disclosure is based on an agency within scope of TI 945. Agencies within scope of TI 945P have differing reporting obligations and this example is not always appropriate.
9. Administered disclosures (Departments only)

This section sets out all of the statutory disclosures regarding the financial performance of the Agency.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Description</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB1050.7</td>
<td>Administered income and expenses</td>
<td>9.1</td>
</tr>
<tr>
<td>AASB1055</td>
<td>Explanatory statement for administered items</td>
<td>9.2</td>
</tr>
<tr>
<td>AASB1050.7</td>
<td>Administered assets and liabilities</td>
<td>9.3</td>
</tr>
</tbody>
</table>
### 9.1. Administered income and expenses

<table>
<thead>
<tr>
<th></th>
<th>2019 ($000)</th>
<th>2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For transfer:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory fees and charges</td>
<td>4,855</td>
<td>4,050</td>
</tr>
<tr>
<td>Other revenue</td>
<td>1,140</td>
<td>1,080</td>
</tr>
<tr>
<td><strong>Total administered income</strong></td>
<td><strong>5,995</strong></td>
<td><strong>5,130</strong></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies and services</td>
<td>560</td>
<td>520</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>3,570</td>
<td>2,530</td>
</tr>
<tr>
<td>Transfer payments(^{(a)})</td>
<td>1,505</td>
<td>250</td>
</tr>
<tr>
<td><strong>Total administered expenses</strong></td>
<td><strong>5,635</strong></td>
<td><strong>3,300</strong></td>
</tr>
</tbody>
</table>

\(^{(a)}\) Transfer payments represent the transfer of non-retainable regulatory fees to the Consolidated Account.

---

**Guidance – disclosure of administered income and expenses (Departments only)**

When an administering agency retains the capital appropriation and administers the funds on behalf of central government, i.e. the appropriation is not transferred to an agency (controlled agency), the agency administering the capital appropriations should disclose the administered item in the notes as administered revenue called ‘non-repayable capital appropriation’.

In respect of administered payments to eligible beneficiaries, the details of the broad categories of recipients and the amounts transferred to those recipients to be disclosed.
9.2. Explanatory statement for administered items

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key major variances, which are generally greater than 5% and $102 thousand.

<table>
<thead>
<tr>
<th>Variance note</th>
<th>Estimate 2019 ($000)</th>
<th>Actual 2019 ($000)</th>
<th>Actual 2018 ($000)</th>
<th>Variance between estimate and actual ($000)</th>
<th>Variance between actual results for 2019 and 2018 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For transfer:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory fees and charges</td>
<td>a</td>
<td>4,750</td>
<td>4,855</td>
<td>4,050</td>
<td>105</td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td>1,179</td>
<td>1,140</td>
<td>1,080</td>
<td>(39)</td>
</tr>
<tr>
<td>[Other items as required]</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total administered income</td>
<td></td>
<td>5,929</td>
<td>5,995</td>
<td>5,130</td>
<td>66</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies and services</td>
<td></td>
<td>539</td>
<td>560</td>
<td>520</td>
<td>21</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>1, b</td>
<td>4,125</td>
<td>3,570</td>
<td>2,530</td>
<td>(555)</td>
</tr>
<tr>
<td>Transfer payments</td>
<td>c</td>
<td>1,460</td>
<td>1,505</td>
<td>250</td>
<td>45</td>
</tr>
<tr>
<td>[Other items as required]</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total administered expenses</td>
<td></td>
<td>6,124</td>
<td>5,635</td>
<td>3,300</td>
<td>(489)</td>
</tr>
</tbody>
</table>

Major estimate and actual (2019) variance narratives
1) Grants and subsidies underspent by $0.6 million (or 13.5%) primarily due to delays in establishing a governance framework for administering grants and soliciting community bids for assistance.

Major actual (2019) and comparative (2018) variance narratives
(a) Regulatory fees and other charges increased by $0.8 million (20%) due to a licensing fee introduced by government in the first quarter of the 2019 financial year for users to access information systems maintained by the agency.
(b) Grants and subsidies increased by $1.0 million (41%) owing to new grant programs targeting Information Technology programs (65% of increase) and Training & Assisting seniors to build computing literacy skills (35% of increase).
(c) Transfer payments increased by $1.3 million (502%) owing to increased non-retainable regulatory fees legally required to be remitted to the Consolidated Account.
Thresholds for providing narrative on major variances for items administered by agencies in accordance with AASB 1055 are stipulated in TI 945 for agencies. The monetary (quantitative) threshold is calculated by taking the lower of $25 million or the aggregate of 2% multiplied by Total administered income.

In undertaking the calculation above, the lower of the budget estimate or the prior year actual is to be used for determining whether the variance is major for quantitative reasons (for example, the above illustration uses the prior year actual for calculating the threshold as it is the lower aggregate total for Total Administered Income. This total is multiplied by 2% and used for the quantitative threshold for both variance analyses). This results in agencies applying the calculated aggregate based on the past year actual, or budget estimate, to comparisons of both actual to budget estimate and actual to past year’s actual. Not all variances that exceed this quantitative threshold have been deemed ‘major’ by the Treasurer’s instructions.

Agencies may also incorporate variances lower than these thresholds where:

- Qualitative evidence indicates omission of narrative information could potentially mislead readers of financial statements; or
- Items requiring narrative disclosure under written laws.

Explanatory variance narratives are required to disclose details of, and the reasons for, all major variances in the elements comprising the total. This includes variances that offset each other.
## 9.3 Administered assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,850</td>
<td>1,490</td>
</tr>
<tr>
<td>Receivables</td>
<td>430</td>
<td>320</td>
</tr>
<tr>
<td>Other items as required</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total administered current assets</strong></td>
<td>2,280</td>
<td>1,810</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, Plant and equipment</td>
<td>280</td>
<td>260</td>
</tr>
<tr>
<td>Other items as required</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total administered non-current assets</strong></td>
<td>280</td>
<td>260</td>
</tr>
<tr>
<td><strong>TOTAL ADMINISTERED ASSETS</strong></td>
<td>2,560</td>
<td>2,070</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>1,200</td>
<td>950</td>
</tr>
<tr>
<td>Other items as required</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total administered current liabilities</strong></td>
<td>1,200</td>
<td>950</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other items as required</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total administered non-current liabilities</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ADMINISTERED LIABILITIES</strong></td>
<td>1,200</td>
<td>950</td>
</tr>
</tbody>
</table>

**Additional disclosures required for administered assets and liabilities**

Disclose any administered contingent assets and/or liabilities here.

In the rare circumstance that an administering department receives a repayable administered capital appropriation or an administered loan (e.g. an administered Treasurer’s Advance), these administered items should be classified as administered borrowings here.
Audited key performance indicators for the year ended
31 December 2019

Certification of key performance indicators

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Agency’s performance, and fairly represent the performance of the Agency for the financial year ended 31 December 2019.

(Signature)
B. King
Accountable Authority
1 March 2020
Guidance – audited KPIs

Agencies are required to include a discussion of actual results against budget targets for both financial and non-financial indicators in the agency performance section of the annual report.

In addition to the summary information contained in the agency performance section, agencies may wish to disclose further details including long term trends, graphs and supporting explanatory notes, as part of this section.

As the key performance indicators are audited, the Auditor General’s opinion is usually inserted into this section.

Where the accountable authority is a body, the statement shall be signed by two members of that body.

Detailed information in support of key performance indicators

Agency level desired outcome: sustainability of the provision of information technology

<table>
<thead>
<tr>
<th>Year</th>
<th>Key effectiveness indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The proportion (%) of government agencies using sustainable information technology plans</td>
<td>82</td>
<td>83</td>
<td>85</td>
<td>86</td>
</tr>
</tbody>
</table>

Service 1: Information Technology

<table>
<thead>
<tr>
<th>Year</th>
<th>Key efficiency indicators</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost per sustainable IT plan</td>
<td>24,000</td>
<td>23,500</td>
<td>22,700</td>
<td>21,950</td>
</tr>
<tr>
<td></td>
<td>Cost per hour of service delivered</td>
<td>6,032</td>
<td>6,000</td>
<td>6,000</td>
<td>5,957</td>
</tr>
</tbody>
</table>
Guidance – additional KPIs

An example of longer term trend data is shown above. This is also an appropriate place to provide graphs and charts.

Insert a brief description of the services provided and a statement of how each service contributes to the identified agency level government desired outcome.

Key Performance Indicators are to be disclosed in the annual report in accordance with TI 904.

In addition to the information disclosed on outcomes and services in the report on operations, all accountable authorities are required to disclose:

- the relationship between government goals, agency level government desired outcomes and services;
- Key performance indicators of effectiveness; and
- Key performance indicators of efficiency and cost effectiveness (if applicable).

Key effectiveness indicators provide information on the extent to which agency level government desired outcomes have been achieved through the funding and production of agreed services. For statutory authorities that are the subject of a separate division of the Consolidated Account Expenditure Estimates, the agency level government desired outcomes are those specified in the Budget Statements. For off-budget agencies, the government agency level government desired outcomes will need to be either identified within the relevant enabling legislation or specified/endorsed by the Minister.

Agencies are encouraged to supplement their reporting of effectiveness with narrative. This narrative may include comment on the projected timing of outcomes to be achieved in the long term. It is also appropriate for agencies to identify and discuss influences on achievement of outcomes other than their own services. These influences may include services provided by other agencies, or factors such as social or demographic trends.

Key efficiency indicators generally relate services to the level of resource inputs required to deliver them. In some cases, ‘per unit cost’ information provided in the budget process may fulfil the key performance indicator reporting requirement. In other cases, cost per unit information may need to be aggregated, or productivity indicators used.

Key cost effectiveness indicators are a type of key effectiveness indicator. They relate outcomes directly to inputs. In addition to providing key cost effectiveness indicators where there are no suitable key efficiency indicators, agencies are encouraged to also report cost effectiveness indicators where doing so adds value to reporting information.

Further information on, and discussion of, agency level government desired outcomes, services and key performance indicators are available in the Treasury publication ‘Outcome Based Management: Guidelines for Use in the Western Australian Public Sector’.
Other statutory information

Reference
Ministerial directions

TI903(12)
No Ministerial directives were received during the financial year.

Guidance – ministerial directions
Disclose any Ministerial directives relevant to the setting of desired outcomes or operational objectives, the achievement of desired outcomes or operational objectives, investment activities, and financing activities.

Reference
Other financial disclosures

TI903(13)(i)
Pricing Policies of Services Provided
The Agency charges for goods and services rendered on a full or partial cost recovery basis. These fees and charges were determined in accordance with Costing and Pricing Government Services: Guidelines for Use by Agencies in the Western Australian Public Sector published by Treasury.

The current list of fees and charges were published in the Gazette on 31 December 2018 and introduced/payable from 7 January 2019. Details are available on the Agency’s website at www.agency.wa.gov.au.

TI903(13)(ii)
Capital Works
Capital project incomplete
The construction of a new building to accommodate the Agency’s increasing demand for additional seminars and training sessions will be completed by January 2019. The building will also be used as a display centre for new computer equipment, which will be open to the public for viewing. The estimated total cost of the project is $20,000,000 and the estimated remaining cost to complete the project at 31 December 2019 is $13,000,000.

Capital projects completed
No capital projects were completed during 2019.

TI903(13)(iii)
Employment and Industrial Relations

<table>
<thead>
<tr>
<th>Staff Profile</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time permanent</td>
<td>260</td>
<td>255</td>
</tr>
<tr>
<td>Full-time contract</td>
<td>150</td>
<td>140</td>
</tr>
<tr>
<td>Part-time measured on a FTE basis</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>On secondment</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>423</td>
<td>405</td>
</tr>
</tbody>
</table>
Staff Development

The Agency 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.

During the financial year, our employees received training in excess of 3,000 hours of in-house and external training. As the result of our commitment to staff training and development, we are recognised as the industry leader in the information technology area in the public sector.

Workers Compensation

Five compensation claims of a minor nature were recorded during the financial year. This compares with seven compensation claims of a minor nature recorded in 2018.

Unauthorised use of credit cards

Officers of the Agency hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the Agency’s credit card policy, one employee inadvertently utilised the corporate credit card for parking at an event that they were not attending in an official capacity. The matter was not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, and, that the nature of the expenditure was immaterial and characteristic of an honest mistake.

<table>
<thead>
<tr>
<th>2019</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate amount of personal use expenditure for the reporting period</td>
<td>27</td>
</tr>
<tr>
<td>Aggregate amount of personal use expenditure settled by the due date (within 5 working days)</td>
<td>27</td>
</tr>
<tr>
<td>Aggregate amount of personal use expenditure settled after the period (after 5 working days)</td>
<td>-</td>
</tr>
<tr>
<td>Aggregate amount of personal use expenditure outstanding at balance date</td>
<td>-</td>
</tr>
</tbody>
</table>

The above disclosure is an example and agencies should consider their own circumstances in addressing the requirements of TI 903(13).
**Governance disclosures**

(populated by agencies in line with requirements)

**Reference**

TI903(14)

---

**Other legal requirements**

**Annual Estimates**

(populated by agencies in line with requirements)

---

**Guidance – other legal requirements**

°FMA sec 40 [TI953]

Section 40 of the FMA provides for the accountable authority of a statutory authority to submit annual estimates of the annual operations of the statutory authority to the Minister for approval.

The estimates are to be prepared and submitted to the Minister at such times as determined by the Treasurer, or no later than three months before the commencement of the next financial year.

Statutory Authorities not funded as a separate Division of the Consolidated Account Expenditure Estimates should include the approved annual estimates for the current financial year in the annual report of the preceding financial year submitted to the responsible Minister under the provisions of section 63 of the Act.

A comprehensive list of Other Legal Requirements is available from the Public Sector Commission’s Annual Reporting Framework:

Government policy requirements

Government building contracts

The Agency has a commitment to the Government Building Training Policy, having included appropriate clauses in tender documentation and monitored compliance of in scope building, construction or maintenance contractors for projects with a duration of greater than 3 months and a value of greater than $2 million.

Number of contracts in scope of the Government Building Training Policy:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Building and construction 2019</th>
<th>Maintenance projects 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awarded</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reported on</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Commenced reporting</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>• Continued reporting from previous reporting period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Target training rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Met or exceeded</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>• Did not meet</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>• Granted a variation</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Guidance – government policy requirements

Public sector agencies must incorporate the above disclosures in their Annual Report as required by Premier’s Circular 2016/02 Government Building Training Policy.

The Chief Executive of the government contracting agency may approve a variation to the target training rate in exceptional circumstances. Where a variation to the target training rate has been approved by the Chief Executive of the government contracting agency, further disclosure is also required.

For further information please refer to the Government Building Training Policy or contact the Department of Training and Workforce Development on 6551 5607 or email policy.gbt@dtwd.wa.gov.au.

Additional disclosures required for approved variations to the training target

Target Training Rate Variations in the reporting period:

<table>
<thead>
<tr>
<th>Contract name/ Contract number</th>
<th>Amended target training rate %</th>
<th>Reason for the variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
### Contact information

<table>
<thead>
<tr>
<th>Reference</th>
<th>Postal</th>
<th>Address</th>
<th>Electronic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PO Box 9999</td>
<td>Street Address, Suburb, Postcode</td>
<td>Internet: <a href="http://www.agency.wa.gov.au">www.agency.wa.gov.au</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Suburb, Postcode</td>
<td>Email: <a href="mailto:customer.service@agency.wa.gov.au">customer.service@agency.wa.gov.au</a></td>
</tr>
</tbody>
</table>

Telephone: 61 8 6551 0000  
Facsimile: 61 8 6551 1111

### Guidance

**AASB101.138(a)**  
AASB 101 requires the following disclosures:

- The domicile and legal form of the agency; and
- Its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office).
ACCOUNTING POLICY GUIDELINES

APG 1  Accounting for Contaminated Sites

APG 2  AASB 138 ‘Intangible Assets’

APG 3  Provisions – Discount Rates and Other Factors

APG 4  Related Party Disclosures

APG 5  Revenue and Income (to be issued in FAB #86)

APG 6  Leasing
Accounting Policy Guideline 1

Accounting for Contaminated Sites

Department of Treasury

25 June 2019
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Introduction

The Contaminated Sites Act 2003 (the Act) was introduced to identify, record, manage and clean up contamination. Under the Act, agencies are required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER), investigate and, if necessary, clean up (remediate).

The identification of known and suspected contaminated sites on land controlled by an agency would have financial reporting implications, irrespective of whether or not actions of the agency caused contamination. The Accounting Policy Guideline (APG) 1 has been developed to assist agencies in identifying the relevant requirements under the Australian Accounting Standards and applying those requirements in accounting for contaminated sites.

The APG should be read in conjunction with the following documents:

- Contaminated Sites Act 2003;
- Fact sheets and technical advice (see Appendix 1);
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets;
- AASB 116 Property, Plant and Equipment;
- AASB 1058 Income of Not-for-Profit Entities;
- AASB Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities; and
- Treasurer’s instruction 954 Revaluation of Non-Current Physical Assets.
Key Requirements

The *Contaminated Sites Act 2003* (the Act) provides for the identification, recording, management and remediation of contaminated sites.

Under the Act, agencies must report to the Department of Water and Environmental Regulation (DWER) known contaminated sites within 21 days of identification and suspected contaminated sites as soon as is reasonably practicable (section 11). DWER may approve a program for the identification and reporting of sites.

DWER is to classify a site (in consultation with the Department of Health) as:

- *Report not substantiated*: There is no ground to indicate possible contamination of the site;
- *Possibly contaminated – investigation required*: There are grounds to indicate possible contamination of the site;
- *Not contaminated – unrestricted use*: After investigation, the site is found not to be contaminated;
- *Contaminated – restricted use*: The site is contaminated but suitable for restricted use;
- *Remediated for restricted use*: The site contaminated but has been remediated so that it is suitable for restricted use;
- *Contaminated – remediation required*: The site is contaminated and remediation is required; or
- *Decontaminated*: The site has been remediated and is suitable for all uses.

DWER is to classify a site within 45 days after receiving a report, unless there are particular circumstances which make it difficult to classify the site within that time. For further information, see Fact sheets and technical advice listed in Appendix 1.

DWER will update the database and records to reflect the classification of a site, and make the information available to the public.

Sites classified as *contaminated – remediation required* are required to be remediated (section 23).

Where sites reported are classified as *possibly contaminated – investigation required* or *contaminated – remediation required*, agencies need to determine whether they are responsible under the Act in respect of those sites. It is not DWER’s responsibility to determine responsibility.

Broadly, the hierarchy of responsibility under the Act is:

- person has caused, or contributed to, the contamination of the site (polluter);
- owner or occupier of the site who has changed, or proposes to change, the use of the site (only to the extent that remediation is required because of the change, or proposed change, of use);
- owner of the site (if polluter cannot be found or is insolvent);
- State (last resort).

If there is uncertainty as to responsibility, agencies can request the Contaminated Sites Committee (CSC) to make a determination of responsibility (section 36).
DWER may issue an investigation notice (in respect of sites classified as possibly contaminated – investigation required) and/or a clean up notice or hazard abatement notice (in respect of sites classified as contaminated – remediation required) where appropriate action is not being, or has not been, taken by the responsible agency (section 42).

DWER will lodge a memorial with the Registrar of Titles if land is classified as:

- contaminated – remediation required;
- contaminated – restricted use;
- remediated for restricted use; or
- possibly contaminated – investigation required.

DWER is to establish an agency special purpose account called the Contaminated Sites Management Account (CSMA).

Agencies may apply for funding from the CSMA to undertake investigation and/or remediation works (section 60(3)). Agencies may apply for funding even where actions of the agency caused contamination. All applications will be considered on a priority basis. However, funding to commercial entities will not be granted or given lower priority, unless specific circumstances warrant otherwise.

Funding will not be automatically granted once a notice is issued. Funding is a separate issue. Where a notice has been issued and funding is not available, agencies will need to meet the costs themselves or seek supplementary funding from the Government. It is noted that payments from the CSMA will not be made to reimburse investigation and/or remediation costs already incurred.
Application of Australian Accounting Standards

AASB 137 Provisions, Contingent Liabilities and Contingent Assets

Recognition

A provision is a liability of uncertain timing or amount.

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

A provision shall be recognised when:

(a) an entity has a present obligation (legal or constructive) as a result of a past event;

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

A legal obligation is an obligation that derives from:

(a) a contract (through its explicit or implicit terms);

(b) legislation (e.g. Contaminated Sites Act 2003); or

(c) other operation of law.

For the purpose of AASB 137, an outflow of resources is regarded as probable if the event is more likely than not to occur, i.e. the probability that the event will occur is greater than the probability that it will not. It is probable that DWER will issue an investigation notice in respect of sites classified as possibly contaminated - investigation required and/or a clean up notice (or a hazard abatement notice) in respect of sites classified as contaminated - remediation required where no appropriate action is being taken by the responsible agency.

Accordingly, agencies shall recognise a provision in respect of a site where:

- the site has been classified as possibly contaminated - investigation required or contaminated - remediation required under the Act;

- the agency is responsible for the site under the Act; and

- a reliable estimate can be made of the costs of investigation/remediation of the site.

When a provision for future investigation/remediation costs is recognised on the Statement of Financial Position, an equivalent expense is recognised in the Statement of Comprehensive Income. However, the provision for future remediation costs can be recognised as a cost of an asset in accordance with AASB 116 Property, Plant and Equipment.

Agencies should be able to determine a range of possible outcomes and therefore make an estimate of the obligation that is sufficiently reliable to use in recognising a provision. It would be extremely rare for an agency not to recognise a provision because a reliable estimate cannot be made (AASB 137.25).
Where no reliable estimate can be made, agencies shall not recognise a provision. Agencies shall disclose the obligation as a contingent liability.

A **contingent liability** is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognised because:

   (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) the amount of the obligation cannot be measured with sufficient reliability.

In respect of sites classified as **possibly contaminated - investigation required**, agencies will disclose a contingent liability for possible remediation costs in addition to the recognition of a provision for future investigation costs where the agency is responsible for the sites under the Act.

Agencies would also have a contingent liability in respect of a site where:

- the site have been reported but yet classified by DWER (DWER is required to classify the site within 45 days); and
- the agency is responsible for the site under the Act.

Agencies need to assess whether the possibility of the site being classified as **possibly contaminated - investigation required** or **contaminated - remediation required** is not remote. If it is remote, no disclosure is required (AASB 137.28).

For each class of contingent liability at the end of the reporting period, agencies shall disclose a brief description of the nature of the contingent liability and, where practicable:

(a) an estimate of its financial effect;

(b) an indication of the uncertainties relating to the amount or timing of any outflow; and

(c) the possibility of any reimbursement.

For example:

Under the **Contaminated Sites Act 2003** (the Act), the Agency is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk of harm to human health, the environment and environmental values. Where sites are classified as **possibly contaminated – investigation required** or **contaminated – remediation required**, the Agency will have an obligation in respect of investigation and/or remediation costs.

During the year, the Agency reported three suspected contaminated sites to DWER. These have yet to be classified. The Agency is unable to assess the likely outcome of the classification process, and accordingly it is not practicable to estimate the potential financial effect or identify the uncertainties relating to the amount or timing of any outflow. While there is no possibility of reimbursement of any future expenses that may be incurred in respect of these sites, the Agency may apply for funding from the Contaminated Sites Management Account to undertake investigation and/or remediation works that may be required.
Measurement
The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period (AASB 137.36).

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Unless agencies can reliably estimate the timing of future cash outflows, the amount of a provision is based on the current cost which is to be reviewed periodically.

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed (AASB 137.59).

Changes in provisions are recognised as income and expense in the Statement of Comprehensive Income, unless the amount of a provision has been recognised as a cost of an asset on the Statement of Financial Position. Where the provision has been capitalised, changes in the provision are accounted for in accordance with AASB Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.

Disclosure
Disclosures for each class of provision include:
(a) opening and closing balances;
(b) additional provisions made in the period;
(c) amount used during the period;
(d) unused amounts reversed during the period; and
(e) the increase during the period arising from the passage of time and the effect of any change in the discount rate.

Refer to paragraphs 84 and 85 of AASB 137 for full details of disclosures. Tier 2 disclosure exemptions are characterised by shading of the relevant text within the paragraphs.
AASB 116 *Property, Plant and Equipment*

**Recognition**

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably.

**Measurement at recognition**

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost (AASB 116.15).

The cost of an item of property, plant and equipment comprises:

(a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

(b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

(c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

A provision for future remediation costs can be recognised as ‘the costs of dismantling and removing the item and restoring the site on which it is located’ of an item of property, plant and equipment that qualifies for recognition as an asset. The provision can be capitalised on initial recognition of the asset or as a subsequent expenditure that increases future economic benefits associated with the asset. However, it is noted that only the initial estimate of the costs can be capitalised under AASB 116. Subsequent changes to the estimate are accounted for in accordance with AASB Interpretation 1.

**Measurement after recognition**

An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

Under the cost model, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Under the revaluation model, an item of property, plant and equipment is carried at a revalued amount, being its fair value (in accordance with AASB 13 *Fair Value Measurement*) at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Treasurer’s instruction (TI) 954 *Revaluation of Non-Current Physical Assets* requires the revaluation model to be applied to land and buildings. The Guidelines in TI 954 state that, where expenditure is capitalised in a reporting period after a valuation is undertaken, the amount should be added to the revalued amount of the asset. This also applies to the initial estimate of future remediation costs that can be capitalised.
**AASB Interpretation 1** applies to subsequent changes to the initial estimate of future remediation costs as follows:

If the related asset is measured using the cost model:

(a) subject to (b), changes in the provision shall be added to, or deducted from, the cost of the related asset in the current period;

(b) the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss;

(c) if the adjustment results in an addition to the cost of an asset, the entity shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount, and shall account for any impairment loss, in accordance with AASB 136 Impairment of Assets.

If the related asset is measured using the revaluation model:

(a) changes in the provision alter the revaluation surplus or deficit previously recognised on that asset, so that:

(i) a decrease in the provision shall (subject to (b)) be recognised in other comprehensive income and increase the revaluation surplus within equity, except that it shall be recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;

(ii) an increase in the provision shall be recognised in profit or loss, except that it shall be recognised in other comprehensive income and reduce the revaluation surplus within equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

(b) in the event that a decrease in the provision exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess shall be recognised immediately in profit or loss;

(c) a change in the provision is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Subsequent changes to the provision that has been capitalised on an asset under the cost model will be added to, or deducted from, the carrying amount of the asset, and depreciated over the remaining useful life of the asset.

Subsequent changes to the provision that has been capitalised on an asset under the revaluation model will be recognised as revaluation increments or decrements. Where a change is material, the asset would need to be revalued at the end of the next reporting period. Although the change does not directly impact the fair value of the asset (except where valued by the cost approach), events that affect the estimate of the provision may also affect the valuation of the asset.

Land and buildings are valued annually by Valuations and Property Analytics at the Western Australian Land Information Authority (Landgate). Under the Act, it is the responsibility of DWER to report land classified as contaminated - remediation required, contaminated - restricted use, remediated for restricted use or possibly contaminated - investigation required to the Registrar of Titles (also at Landgate). However, agencies should advise Landgate where land controlled by the agency receives any of these classifications. This is to ensure that the classification is considered when land is valued.
Where an asset is valued by the cost approach, the amount of a provision for future remediation costs would be added to the valuation (AASB Interpretation 1.IE7(b)). Valuations provided by Landgate would not include the amount of the provision. It is the responsibility of agencies to ensure that an appropriate amount is added to the valuation to reflect the amount of the provision.

**Depreciation**

If the cost of land includes the costs of site dismantlement, removal and restoration, *that portion of the land asset is depreciated over the period of benefits obtained* by incurring those costs. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits to be derived from it (AASB 116.59).

The objective of capitalising and depreciating future remediation costs is to allocate the costs over the period of deriving economic benefits rather than recognising the full amount as an expense when the obligation arises.

Consequently, future remediation costs should be capitalised on depreciable assets such as buildings, infrastructure and plant. However, the costs could also be capitalised on land where the land embodies an asset with a limited useful life (e.g. a waste dump).

**AASB 1058 Income of Not-for-Profit Entities**

**Scope**

An entity shall apply this Standard to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives, and the receipt of volunteer services.

Payments from the CSMA are not within the scope of AASB 15 *Revenue from Contracts with Customers* as there is no customer to which goods or services will be transferred. Agencies will use payments from the CSMA to undertake investigation and/or remediation works.

Payments from the CSMA are considered to come under the scope of AASB 1058 as agencies will receive an asset (i.e. cash) without providing the consideration, and this is to enable agencies to further the objective of reducing the risk of harm to human health, the environment and environmental values.

**Recognition and measurement**

On initial recognition of an asset (i.e. cash), an entity shall recognise any related contributions by owners, increases in liabilities, decreases in assets, and revenue (related amounts) in accordance with other Australian Accounting Standards.

An entity shall recognise income immediately in profit or loss for the excess of the initial carrying amount of an asset (e.g. cash) over the related amounts.

As agencies are not required to use payments from the CSMA to undertake any specific activities, other than paying for investigation and/or remediation works, no related amount will be recognised. As a result, the payments will be recognised as income on receipt.
Appendix 1: Fact sheets and technical advice

Fact sheets and technical advice are available on: https://www.der.wa.gov.au/your-environment/contaminated-sites/60-fact-sheets-and-technical-advice

1. Identifying and reporting contaminated sites

2. How to access information on contaminated sites

3. Seeking help from contaminated sites experts

4. Site classifications and appeals

5. Buyer aware – buying and selling contaminated land

6. Contaminated groundwater – could my garden bore be affected?

7. How to interpret information on contaminated sites
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Introduction

The objective of this Accounting Policy Guideline No.2 is to assist agencies to be consistent with the application of AASB 138 *Intangible Assets* which prescribes the identification, recognition, measurement and disclosure requirements for intangible assets.

Guidance materials are provided on the appropriate accounting treatment for package application computer software, package application computer software licences and other intangible assets. Specific guidance materials are also provided on accounting for subsequent costs including the enhancing of software and also in the interpretation of paragraphs in the Standard concerning internally generated intangible assets.

Intangible assets include:

- computer software;
- licences;
- patents;
- copyrights;
- customer lists; and
- marketing rights.

Intangible assets for agencies will mainly comprise of computer software. Software may be developed in-house by an agency or purchased off the shelf. Software acquired in both circumstances may be enhanced.

It is recommended that this policy guideline be read in conjunction with the following authoritative pronouncements:

- AASB 138 *Intangible Assets*;
- AASB 116 *Property, Plant and Equipment*;
- AASB 136 *Impairment of Assets*;
- AASB 1004 *Contributions*; and
- UIG Interpretation 132 *Intangible Assets – Web Site Costs*

Agencies should have a good grasp of AASB 138 *Intangible Assets* prior to applying this accounting policy guideline.
Key Requirements

The key requirements of AASB 138 are:

- to be recognised, an intangible asset must be separable (capable of being separated or divided from the entity and able to be sold, transferred, licensed, rented or exchanged) or arise from contractual or other legal rights;
- all research expenditure must be expensed as incurred;
- specific criteria must be met before development expenditure can be capitalised;
- internally generated brands, mastheads, publishing titles, customer lists and items similar in substance must not be recognised as intangible assets;
- expenditure on an intangible asset that was initially recognised as an expense in the past, cannot be recognised as part of the cost of an intangible asset at a later date;
- revaluation is only permitted where there is an active market to determine fair value;
- the useful life of an intangible asset is either finite or indefinite;
- an intangible asset with an indefinite useful life must not be amortised, but must be subject to annual impairment testing;
- computer software that is not integral to the operation of related hardware is an intangible asset; and
- Internally generated goodwill cannot be recognised as an asset.

Classification

The Standard defines an intangible asset as an identifiable non-monetary asset without physical substance. It is a claim to future economic benefits that does not have a physical or financial (a stock or a bond) embodiment. This definition includes software.

Criteria

For an asset to be intangible, it must satisfy the following criteria:

(a) **Identifiability**

The asset is separable or rises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
The separability criterion tests whether an entity can divide an asset from other assets and deal with it as an individual asset. The asset must be seen as a separate item and it must be capable of being transferred to another party.

(b) **Control**

An agency has the power to obtain the future economic benefits and restrict the access of others to those benefits.

(c) **Future economic benefits or service potential**

Within the public sector, assets used to deliver goods and services in accordance with an agency’s objectives, but which do not directly generate net cash inflows are often described as embodying service potential.

**Recognition and Measurement**

Under AASB 138, an intangible asset shall be recognised if, and only if it is probable that expected future economic benefits will flow to the agency and the cost of the asset can be measured reliably (subject to materiality).

An intangible asset is measured initially at cost, which includes its purchase price and any directly attributable costs. Directly attributable costs may include the costs of employee benefits, professional fees and costs of testing to ascertain whether the asset is functioning properly.

Certain incidental costs that may occur in connection with the planning, construction or development of an intangible asset that are ‘not directly attributable’ to the asset are to be recognised as expenses when incurred. Examples of costs that generally cannot be capitalised include the costs of introducing the new product/service, relocation costs, administration costs and other general overhead costs. Generally, costs incurred as part of everyday operations, which would be incurred regardless of whether the acquisition/development of the intangible asset would proceed, are to be expensed.

Intangible assets can be acquired in the following ways:

- by separate purchase;
- part of a business combination;
- government grant;
- exchange of assets; or
- self-creation (internal generation).

For example, where software has been acquired free of charge or for nominal consideration or by way of a government grant, both the asset and the grant are to be recognised at fair value. This is consistent with AASB 1004 *Contributions* (not-for-profit agencies) and AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* (for-profit agencies).
**Directly Attributable Costs**

Costs allocated to an intangible asset would include:

- direct costs (labour, materials, services); and
- other directly attributable costs (allocation of appropriate operating overhead).

Direct costs would be distinct and would be directly attributable to the development of an intangible asset. An example of a direct cost would be project team staff costs. The development of intangible assets often requires the establishment of a special project team to manage the acquisition or development of an intangible asset.

Project team staff costs are distinct from the on-going maintenance/facility management staff costs as the positions are in addition to established staffing levels. Such costs would include:

- salaries and wages;
- superannuation costs;
- annual and long service leave accrued;
- overtime costs; and
- allowances e.g. travel/meal allowances.

Appropriate operating overheads that are directly attributable and are necessary for the development of the asset, that can be allocated on a reliable and consistent basis may be capitalised. However, the basis to capitalise these costs must be justifiable and the allocation should be reliably measurable. The accounting treatment should be dependent on which phase the cost would be incurred in, i.e. research or development. Such costs may include:

- travel costs;
- insurance costs;
- tender costs; and
- accommodation costs specifically incurred for the testing of the intangible asset by consultants.

Agencies should exercise judgement and assess their own circumstances when determining the appropriate accounting treatment for directly attributable costs. If there is uncertainty with the accounting treatment, costs should be expensed. (Refer to Appendix 3 for illustrative examples).
Intangible Assets Acquired at No Consideration or for Nominal Cost

For not-for-profit entities, where an intangible asset is acquired at no cost or for a nominal cost, the cost is recognised at fair value as at the date of acquisition. When determining the fair value on initial recognition, an active market is not required for a not-for-profit entity, as assets exchanged between not-for-profit entities are unlikely to have an active market (it is considered that paragraph Aus24.1 relates to exchanges of intangible assets between not-for-profit entities). However, this does not apply to internally generated intangible assets. Internally generated intangible assets are recognised at cost.

Capitalisation Threshold

Treasurer’s instruction (TI) 1101 Application of Australian Accounting Standards and Other Pronouncements provides that intangible assets less than $5,000 are to be expensed. Agencies have the discretion in determining the capitalisation threshold for intangible assets above $5,000, subject to materiality.

Asset recognition (capitalisation) imposes ongoing costs to satisfy recording, valuation, amortisation, disclosure and other reporting requirements. Where an agency controls a large amount of relatively low cost items, the cost of managing these items may exceed the benefits. Due to the varying size and nature of operations of agencies, materiality between agencies can differ significantly. Agencies should assess their own circumstances in determining their capitalisation threshold for intangible assets.

Given the nature of internally generated intangible assets, it is considered that the capitalisation of costs for relatively small projects would result in added administrative burden in ensuring that all the criteria are met under AASB 138 (particularly paragraphs 52 to 67). As there may be additional complexities with identifying and measuring internally developed intangible assets, it may be appropriate for agencies to establish a higher threshold level for internally generated intangible assets than for separately acquired intangible assets.

When determining the capitalisation threshold, agencies should consider factors such as:

- the material impact of the capitalisation threshold on the statement of comprehensive income and statement of financial position;
- the pattern of investment;
- the useful life of the asset;
- the administrative burden of conducting annual impairment tests of intangible assets, i.e. the complexity and frequency of gathering information for impairment testing; and
- the application of the threshold to a group of assets where individually assets may be below the threshold but collectively they exceed the threshold. This tends to be an issue for consideration only where the assets have a long useful life and collectively have a high value.
Where the total cost of an intangible asset is below the standard capitalisation threshold of $5,000, all costs should be expensed in the period in which the expenditure occurs.

Measurement after Recognition

Subsequent to initial recognition at cost, the agency may elect to measure a class of intangible assets using the cost or revaluation model. The cost model requires an intangible asset’s carrying amount to be its cost less any accumulated amortisation and impairment charges. The revaluation model can only be selected if fair value can be determined by reference to an active and liquid market. As it is unlikely that there would be an active market for intangible assets held by public sector agencies, the cost model would generally be adopted.

Any reinstatement or capitalisation of costs previously recognised as an expense is prohibited under AASB 138.

Useful Life

AASB 138 acknowledges that there may be both economic and legal factors influencing the useful life of an intangible asset. Intangible assets may have short useful lives due to rapid changes in technology, for example, software. However, some intangible assets may have long or even indefinite lives.

When determining an estimate for the useful life of an intangible asset, a prudent analysis is to be based on relevant factors, in particular:

- the expected use of the asset by the agency;
- the expected useful life of another asset or a group of assets to which the useful life of the intangible asset may relate;
- any legal, regulatory, or contractual provisions that may limit the useful life;
- any legal, regulatory, or contractual provisions that enable renewal or extension of the asset’s legal or contractual life without substantial cost;
- the effect of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, known technological advances); and
- the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

If the useful life of an intangible asset arises from contractual or other legal rights, the life should not exceed the period of the contractual or other legal rights. The useful life may be shorter, depending on the period over which the agency expects to use the asset.

If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life of the intangible asset is to include the renewal period(s), only if there is evidence to support renewal by the agency without significant cost. The useful life of an intangible asset (particularly software) should be consistent with the life/renewal period(s) of the contract agreement.
As a guide, the following examples are approximates for the useful lives of intangible assets:

- software - 3 to 5 years;
- licences - up to 10 years;
- development costs - 3 to 5 years and
- web site costs – 3 to 5 years.

The above are not mandatory. Agencies should exercise judgement when determining the useful lives for intangible assets and conduct a review on an annual basis.

**Amortisation**

An entity must assess whether the useful life of an intangible asset is finite or indefinite.

Intangible assets with finite lives are to be amortised. The method used to amortise (straight line method, diminishing balance method or the unit of production method) is selected on the basis on the expected pattern of consumption of the expected future economic benefits embodied in the asset. The straight line method is to be adopted if the pattern of economic benefits cannot be determined reliably.

Where the useful life of an intangible asset is assessed to be indefinite, the asset must not be amortised. However, the entity must test for impairment on an annual basis (at a minimum) whenever there is an indication that the asset may be impaired.

Amortisation commences when the intangible asset is available for use and ceases when the asset (e.g. software) is classified as held for sale or where the asset has been fully amortised.

In calculating the amortisation rate, the residual value of intangible assets is to be measured at zero.

**Retirements and Disposals**

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition shall be recognised in the statement of comprehensive income.

If an agency recognises, in the carrying amount of an intangible asset, the cost of a replacement part of the asset, then it derecognises the carrying amount of the replaced part. If this is not practicable, the agency may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or internally generated.

**Disclosures**

Detailed disclosures are required under AASB 138 for each class of intangible asset, distinguishing between internally generated intangible assets and externally purchased intangible assets and other intangible assets.
Types of Intangible Assets

Internally Generated Assets

AASB 138 specifically considers the recognition of internally generated intangible assets by classifying the generation of the asset into a research phase and a development phase.

Research Phase

The research phase is defined as activities relating to the original and planned investigation with the prospect of gaining new scientific or technical knowledge and understanding.

All costs related to the research phase must be expensed as incurred.

Development Phase

The development phase relates to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

In addition to the general recognition requirements, all of the following must be satisfied in order for costs associated with the development phase to be capitalised:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the agency’s intention to complete and use the asset;
- the agency’s ability to use or sell the asset;
- how the asset will generate probable future economic benefits. Future economic benefits can be demonstrated through the existence of a market for the intangible asset itself or the usefulness of the asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure directly attributable to the intangible asset during its development.

Intangible assets can arise from different development stages, or work streams of a project. If a project has a number of distinct stages with distinct deliverables more than one intangible asset can result. As long as the cost for each stage of the project can be reliably measured, each new asset can be created and amortised from the first day that it is put into use.

If an agency cannot distinguish the research phase from the development phase of an internal project, the agency should treat the expenditure on that project as if it was incurred in the research phase only.
The Standard does not permit the recognition of internally generated brands, mastheads, publishing titles and customer lists.

**Enhancement of Intangible Assets**

Internally generated intangible assets and externally acquired intangible assets often entail enhancements in which substantial costs are involved. AASB 138 does not provide explicit accounting guidelines for the enhancement of intangible assets. Costs of enhancements are to be accounted for as follows:

- Costs should be capitalised only if the costs of modification result in an increase in service capacity, functionality or efficiency of the existing intangible asset in future periods, or extends the useful life of the intangible asset. The treatment for enhancement costs should be based on control of the asset, materiality and future economic benefits;

- Annual licence fees are to be expensed. However, where significant costs are incurred in enhancing the asset, these may be capitalised, notwithstanding that the underlying licence has been expensed (it is assumed that an agency would only commit such an expenditure where there is a right to renew the licence). Note, if the licence is a one-off upfront licence fee that meets the capitalisation threshold, this should be capitalised along with the enhancements conducted on the intangible asset; and

- Where an enhancement is considered to be so extensive that it constitutes a replacement of the existing intangible asset (e.g. module replacement for a software), any unamortised amounts for the original intangible asset should be expensed in the year that the original intangible asset is replaced.

There may be instances where research and development activities occur for the enhancement of an intangible asset. Costs should then be treated according to the requirements in paragraphs 54 and 57 of AASB 138, where the recognition criteria have been met.

Where subsequent expenditure maintains the expected future economic benefits and its functionality embodied in the existing intangible asset, the amount should be expensed.

In the event where agencies have not recognised the initial cost of their intangible assets, and will conduct enhancements to the intangible asset in the future, it is recommended that these future costs relating to the enhancements be capitalised. Retrospective costs must not be recognised. The recognition criteria must be met when capitalising these costs relating to the enhancements and the useful life adopted will be driven by factors such as an agency’s adopted accounting policy, control of the asset, and the contract agreement.

**Computer Software**

Intangible assets held by government agencies will mainly comprise of computer software. Computer software may be developed in-house by agencies or purchased ‘off-the-shelf’ (acquired externally). The following provides guidance on the appropriate accounting treatment for internally developed computer software, package application computer software, package application computer software licences and other intangible assets.
When an agency purchases software externally, the recognition criteria is generally met. However, if software is internally generated, there are additional requirements that must be fulfilled in order for internally generated software to be recognised.

**Internally Developed Computer Software**

Where internally developed software is a component of a physical asset such that the asset could not operate without the software, this should be treated as part of property, plant and equipment. For example, where the operating system (software) is integral to the operation of the computer; the computer and operating system should be classified as property, plant and equipment.

When assessing whether internally generated software meets the criteria for recognition, an agency is required to classify work performed internally into the two phases, the research phase and the development phase where costs are to be expensed and capitalised respectively.

Internally developed software usually involves six stages (refer to Appendix 1 for further details):

- initiation stage;
- analysis, design and development;
- testing production and implementation;
- enhancement of existing application;
- recurring maintenance and infrastructure support; and
- whole of project, multi-stage or other items.

**Package Application Computer Software**

Most agencies frequently purchase package application software. Package application software is considered to be intangible assets as they are generally not integral to the operation of the computer. Examples of package application software are Oracle Financials and PeopleSoft. Package application software is measured at initial cost, which includes the purchase price and any directly attributable costs. Often these systems are modified and tailored to meet the needs of the agency.

It is recommended that the following treatment for package application software be applied. On initial purchase of the application software, agencies should capitalise the purchase price and any directly attributable costs, and also any subsequent modifications applied (subsequent modifications being in the form of enhancements), where the total cost exceeds the agency’s capitalisation threshold for the software. Agencies may need to review the contract agreement when determining the appropriate accounting treatment of the costs.
**Package Application Computer Software Licences**

Package application software often incorporates software licences, some of which have to be renewed on an annual basis and others included in the upfront cost upon the purchase of the software. The purchase of software typically requires annual payments of licence fees to the relevant Shared Services Centres.

Where the licence is renewed on an annual basis (for maintenance and support purposes) and also in instances where agencies are charged an annual fee based on the number of users, the fee should be expensed. Similarly, payments made for licences for a period of less than 2 years should also be expensed.

A software licence is to be capitalised if it meets the following criteria:

- where the licence is a one-off upfront cost included in the purchase price of the software. Often software is acquired as a one-off upfront cost to cover multiple cost users. For example, a licence would cost $500,000 for 500 users. Capitalisation would be based on the cost of the licence itself ($500,000) rather than on the individual unit cost based on the number of users covered by the licence;

- the period of the licence is greater than 2 years; and

- the fee meets the capitalisation threshold established by the agency.

Licences relating to software for generating multiple systems are to be capitalised separately from any internally generated systems, provided it meets the criteria above. For example, the licence fee for the Oracle Database to internally generate multiple systems is to be capitalised if the fee meets the criteria mentioned above.

However, if a licence relates to specifically internally generated software, it is capitalised as part of the internally generated asset cost if the licence is a one-off upfront fee.

Refer to Appendix 2 for further information.

**Package Application Computer Software Control Issues**

In terms of control issues for application software, it is important for agencies to distinguish between ‘control of intellectual property’ and ‘accounting control’. Generally, the agreement upon the purchase of application software is that the vendor has the right to sell the intellectual property to another party. For example, agencies may modify or enhance systems such as Oracle Financials where Oracle, being the vendor, has the legal right to sell the software with the enhancements/modifications to another party. Agencies should view control from an accounting perspective where the agency is able to restrict other parties from using the software and through those restrictions, future economic benefits can be derived.
**Other Intangible Assets**

*Licences*

Leased taxi number plates and fishing quotas are examples of internally generated intangible assets created or issued by government. These intangible assets are similar in substance to brands, mastheads, publishing titles and customer lists as per paragraph 63 of AASB 138 in the sense that they arise out of the normal operations of a government agency. Consequently, they are not to be recognised (capitalised), as these assets cannot be distinguished from the cost of creating or issuing these assets as a whole.

Moneys received or receivable in relation to such intangible assets should be accounted for by recognising revenue. However, the agency would need to determine the most appropriate accounting treatment for these transactions, as this will depend on the particular circumstances.

*Intellectual Property*

Intellectual property (IP) includes educational and training packages or tools, inventions, copyrights, trademarks and patents. In the public sector, intellectual property can be generated from government grant funding, created under government contracts, joint ventures or be commercially acquired.

IP may be recognised in accordance with the requirements of AASB 138. However, the Standard prohibits the recognition of internally generated brands, mastheads, publishing titles, customer lists and items similar in substance.

*Web Sites*

Web sites are intangible assets. The costs incurred on web sites are charged as expenses unless they relate to the acquisition or development of an asset (web site) where they may be capitalised and amortised. Generally, costs relating to feasibility studies during the planning phase of a website and the ongoing costs of maintenance during the operating phase are to be expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are to be capitalised.

The future economic benefits do not necessarily need to be related to specific cash flows and therefore the web site is capable of being capitalised where it is linked to the agency’s delivery of services. See also UIG Interpretation 132 for further guidance.
Appendix 1

Summary of Recommended Accounting Treatment for Internally Developed Computer Software

The following table provides a practical example of cost items specifically relating to internally generated computer software that should be capitalised and those that should be expensed. Before capitalising any of the expenditures associated with various examples of activities listed below, the agency needs to be able to identify specifically what the asset is. The asset needs to be identifiable in meeting the definition of an intangible asset and the recognition criteria under AASB 138. Activity/Item 1 represents the research phase, Activity/Items 2, 3 and 4 represent the development phase and Activity/Items 5 and 6 represent the post-implementation stage.

<table>
<thead>
<tr>
<th>Project Activity/Item</th>
<th>Activity/Cost Item Description</th>
<th>Accounting Treatment</th>
</tr>
</thead>
</table>
| 1. Initiation Stage (scoping, evaluation & business case) | Strategic Asset Planning -  
- Conceptual formulation of alternatives, evaluation of alternatives, determining the existence of technology  
- Technology evaluation  
- Selection of alternatives  
- Business case analysis – management and planning functions for the project  
- Developing benchmarks & architectural design | Expense*  
Expense  
Expense  
Expense  
Expense |
| 2. Analysis, design & development | Detailed analysis of user requirements  
Detailed design & specification  
Software development configuration & interfaces (including total staff costs & contractor/consultant fees)  
Installation of software | Capitalise**  
Capitalise  
Capitalise |
| 3. Testing production & implementation | Testing  
Implementation of the software  
Data conversion from old software into the new software  
Installation of software on hardware necessary to get the software ready for production use at the first site only if the implementation at subsequent sites does not enhance software functionality | Capitalise  
Capitalise  
Expense***  
Capitalise |
<table>
<thead>
<tr>
<th>Project Activity/Item</th>
<th>Activity/Cost Item Description</th>
<th>Accounting Treatment</th>
</tr>
</thead>
</table>
| 3. Testing production & implementation   | • Management/planning functions associated with ensuring project is completed, including provision of accommodation and office supplies and services for the project team  
• Post-implementation review                                                                                                                              | Capitalise           |
|                                          | • Training of staff in the use or administration of the software (training room set up, organising, delivering and attending training, fees paid to the vendor to attend a training course)  
• Travel costs directly attributable to the development and the implementation of the software  
• Training staff in the use of the project specific tools required to build or configure the software                                                                 | Expense              |
| 4. Enhancement of existing application   | • Detailed design & specification  
• Software configuration  
• Development of interfaces  
• Coding  
• Testing  
• Parallel processing                                                                                                                                                                             | Capitalise           |
| 5. Recurring maintenance & support      | • Management of infrastructure resources and cost of infrastructure support  
• Ongoing support & system administration  
• Applications maintenance, including annual renewals of software licences, which includes provision for delivery of software upgrades                                                                 | Expense              |
| 6. Whole of project, multi-stage or other items | • Upfront (one-off) software licences acquired to be configured for the new software  
• Borrowing costs  
• Upfront (one-off) software licences acquired specifically to develop system if this software is not expected to be used for any other software development  
• Development of system specific training material that would be considered part of the asset to be developed and delivered for ongoing business use                                                      | Capitalise           |
<table>
<thead>
<tr>
<th>Project Activity/Item</th>
<th>Activity/Cost Item Description</th>
<th>Accounting Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Whole of project, multi-stage or other items</td>
<td>• Installation costs at secondary or subsequent sites, unless the subsequent implementations require additional analysis, design and configuration to suit or meet slightly different business requirements Vendor support costs Lease costs of IT hardware Ongoing programming support to correct defects Internal business costs that are difficult to separately identify (i.e. cost of users’ time assisting in the analysis of the business requirements that are not costed directly to the project)</td>
<td>Expense Expense Expense Expense Expense</td>
</tr>
<tr>
<td></td>
<td>Appropriate operating overheads that are directly attributable and are necessary for the development of the asset. Agencies must be able to justify the basis of cost allocation and costs should be reliably measurable.</td>
<td>Capitalise</td>
</tr>
</tbody>
</table>

* costs associated with these activities do not relate to an identifiable asset that is capable of being separated or divided from the entity and should therefore be expensed as incurred.

** costs that can be capitalised provided there is an identifiable asset. This is because they are directly attributable to bringing the asset to the condition necessary for it to be capable of operating in a manner intended by management.

*** while costs associated with this activity may lead to the provision of future economic benefits, there is no asset being created that can be recognised. Accordingly, such costs should be expensed as incurred. (If an agency considers “data conversion” to be part of the development phase, this would need to be justified and documented for audit purposes).

If there is uncertainty with the accounting treatment, costs should be expensed.
Appendix 2

Summary of Accounting Treatment for Externally Acquired Software

The following table provides a practical example of cost items specifically relating to externally acquired software that should be capitalised and those that should be expensed.

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost Item Description</th>
<th>Expenditure Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Externally purchased off the shelf software</td>
<td>• Purchased software</td>
<td>Capitalise</td>
</tr>
<tr>
<td></td>
<td>• Initial lump sum payment for a licence, provided it meets the capitalisation threshold set by the agency and the period of the licence is greater than 2 years</td>
<td>Capitalise</td>
</tr>
<tr>
<td></td>
<td>• Software installation costs</td>
<td>Capitalise</td>
</tr>
<tr>
<td></td>
<td>• Staff training costs</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>• Maintenance fees</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>• Evaluation and assessment costs</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>• Annual payments for licence</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>• Payments for licences less than 2 years</td>
<td>Expense</td>
</tr>
<tr>
<td></td>
<td>• Payments for licences greater than 2 years</td>
<td>Capitalise</td>
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<tr>
<td></td>
<td>• Costs relating to enhancements conducted on annually licenced software, should be capitalised, even if the licence is expensed</td>
<td>Capitalise</td>
</tr>
<tr>
<td></td>
<td>• Licences relating to software for generating multiple systems (e.g. licence for Oracle Database) separate from internally generated systems using the software (if licence fee is a one-off upfront cost)</td>
<td>Capitalise</td>
</tr>
</tbody>
</table>
Appendix 3

Illustrative Examples

Expense or capitalise?

The Department of Information Technology (DIT) has engaged an external consultant to assist the IT project manager with the development of a new accounting software programme. The agency incurred the following costs to develop the new software:

- $5,000 consultant fees to search for and evaluate off the shelf software;
- $2,000 in employee expenses to select the final off the shelf software;
- $3,000 in employee expenses to design the changes required to the off the shelf software;
- $10,000 in employee expenses to construct and test the new software;
- $5,000 for new terminals to replace old terminals that did not have the capacity to handle the new software;
- $500 to promote the new software to staff; and
- $2,000 in training staff to operate the new software.

Answer:

The costs in developing the new software would be treated as outlined below:

- expense $5,000 consultant fee as it was incurred in the research stage;
- expense $2,000 employee expenses to select the final off the shelf software;
- capitalise $3,000 employee expenses to design changes required to the off the shelf software;
- capitalise $10,000 employee expenses to construct and test the new software;
- capitalise and recognise as property, plant and equipment $5,000 new terminals;
- expense $500 to promote new software to staff; and
- expense $2,000 training of staff to operate the new software.

Note that where an item is to be capitalised will depend on whether the requirements for recognition under AASB 138 have been met.
Scenario 1

Since the implementation of the new accounting software program within the corporate section of DIT, the system has been a proven success as KPIs have shown increased efficiency levels with performance. After 2 years of using the system, DIT decides to conduct operational/maintenance work on the system such as password audits and performing programming support to correct minor defects. The work will cost $5,000.

Expense the $5,000 as the subsequent expenditure is intended to maintain the current functionality of the software.

Scenario 2

It has been 4 years since the implementation of the accounting software program and staff have complained to management that on occasion, tasks such as entering and processing payments causes the system to inadvertently crash. Staff have been frustrated with this. Management has decided to replace the accounts payable software component and also implement additional features. The carrying amount of the original accounts payable system component is $2,000.

The upgrade is considered to be a significant enhancement to the software, as it will improve the capacity to store data. The cost for the upgrade is estimated to be $10,000.

Capitalise the $10,000. The upgrade increases the service functionality of the entire program.

The derecognition of the carrying amount of the original accounts payable software component is recognised as a loss of $2,000 in the statement of comprehensive income.

Scenario 3

DIT has 2 licences for the use of Oracle Financials and PeopleSoft. The licence fee of $20,000 for Oracle Financials is paid to the Department of Shared Services, while the licence fee, also $20,000 for the use of PeopleSoft is paid directly to the provider. These licences are renewed on an annual basis. In the following year, it was decided that PeopleSoft required a major upgrade to reflect improved practices. The cost of the upgrade is estimated to be $300,000.

Expense each licence fee ($20,000) as the annual renewal of licences represents a maintenance cost to DIT.

Capitalise the $300,000 (treat the upgrade as a separate asset item), even though the licence fee is expensed on an annual basis.
Frequently Asked Questions

**Question 1:** What computer software costs should be expensed?

**Answer 1:** Software costs that are less than $5,000 and/or not material in value (i.e. below the agency’s asset capitalisation threshold) should be recognised as an expense when incurred. Examples of software costs that would normally be treated as an expense include:

- Application software such as package software (e.g. accounting and human resource systems) that have not been extensively modified or tailored to the agency’s needs and has an expected life of only a few years (e.g. 3 years).
- Non-major acquisitions such as PC and local area network application software, for example, Microsoft products.
- All annual licence fees including licences for periods less than 2 years relating to package application software and database management software. This includes instances where agencies are charged a fee based on the number of users.
- Ongoing maintenance costs and customer support. This includes training of staff in the use or administration of the software (e.g. training room set up, ongoing training and delivery costs) and general overhead costs.
- For internally developed computer software, costs must be expensed during the research phase of the project. Examples of research activities include, activities aimed at obtaining new knowledge and the formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.

**Question 2:** What computer software costs should be capitalised?

**Answer 2:** Software costs that are material and above $5,000 should be capitalised where it is probable that the expected future economic benefits attributable to the asset will flow to the agency and the costs can be measured reliably. Examples of such costs to be capitalised include:

- The purchase price of major packages acquired by the agency (e.g. Oracle) and any directly attributable costs. Extensive modification if it results in an increase in capacity or efficiency or extends the useful life of the software.
- For internally developed computer software, the costs associated with its development. Examples of costs include; software configuration and software interfaces, coding costs, installation costs and testing costs.
- Licence fees for a period greater than 2 years relating to externally acquired computer software. This also includes one-off upfront licence fees (included in the purchase price of the software) on the condition that the period of the licence is greater than 2 years.
Question 3: What is the useful life for intangible assets?

Answer 3: The useful life for intangible assets is usually considered to be between 3-5 years. However, agencies need to determine the useful life based on an analysis of factors such as the effect of obsolescence, economic, legal (e.g. contractual terms and conditions) and regulatory environments as these may limit the useful life of the asset and the expected use of the asset by the agency. Note that the useful life recommended above is not mandatory. Agencies should exercise judgement when determining the useful life for an intangible asset.

Question 4: What is the accounting treatment for the replacement of computer software before the end of its useful life?

Answer 4: The software to be replaced is to be written off (expensed) at the time of replacement. This is likely to occur in circumstances where an enhancement is conducted on software that results in the replacement of the existing software. The unamortised amounts for the original software must be expensed in the year that the original software is replaced.

Question 5: Would databases of information held by an agency, such as a spatial cadastral database of land information or a database of individuals holding a driver’s licence or motor vehicle registrations, be considered as intangible assets?

Answer 5: AASB 138 prohibits the recognition of certain internally generated intangible assets such as brands, mastheads, customer lists and other items of similar substance. The stated rationale is that such expenditure cannot be distinguished from the cost of developing the business as a whole.

The database cited would be analogous to a ‘customer list’ or more generally ‘items of similar nature’, and therefore prohibited for recognition regardless of whether they meet the general definition and recognition requirements of AASB 138. It is unlikely that the cost of constructing the database is able to be reliably measured in hindsight. Even if the cost could be identified, the prohibition in recognising a ‘customer list’ or ‘items of similar substance’ effectively overrides these general definition and recognition requirements.
Question 3: *What is the useful life for intangible assets?*

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Accounting Policy Guideline 3

Provisions – Discount Rates and Other Factors

Department of Treasury

25 June 2019
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</tr>
</tbody>
</table>
Introduction

The objective of these guidelines is to assist agencies in measuring provisions (liabilities of uncertain timing or amount) at present value in accordance with AASB 119 Employee Benefits and AASB 137 Provisions, Contingent Liabilities and Contingent Assets resulting in a consistent approach across the public sector and for whole of government reporting purposes.

AASB 119 and AASB 137 apply to certain provisions including annual leave, sick leave, long service leave and employment on-costs. Provisions that are not expected to be settled wholly before 12 months after the end of the annual reporting period are to be measured at the present value of amounts expected to be paid when the liabilities are settled.

Accounting Standards

AASB 119 Employee Benefits

Measurement of employee benefit obligations

The amount recognised as a long-term employee benefit liability is the present value of the defined benefit obligation at the end of the reporting period.

Financial assumptions

Financial assumptions such as the discount rate, and future salary and benefit levels, and inflation (CPI) are to be based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled (refer to paragraphs 75 to 95 of the Standard).

Discount rates

The discount rate to be used to measure long-term employee obligations, in respect of not-for-profit entities, shall be determined by market yields on government bonds at the end of the reporting period with terms to maturity that match, as closely as possible, the estimated future cash outflows (refer to paragraphs Aus83.1 to 86 of the Standard).

In respect of for-profit entities (i.e. Gold Corporation), the discount rate shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds (refer to paragraph 83 of the Standard).

AASB 137 Provisions, Contingent Liabilities and Contingent Assets

Measurement of provisions

The amount recognised as a provision is the best estimate of the expenditure (future cash outflows) required to settle the liability at the end of the reporting period. Where the effect of the time value of money is material, the estimated future cash outflows should be discounted to their present value (refer to paragraphs 36 to 52 of the Standard).

Discount rates

The discount rate to be applied shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability (refer to paragraphs 45 to 47 of the Standard).
**Guidelines**

When agencies are measuring provisions in accordance with AASB 119 and AASB 137 at the end of the reporting period, the following rates and indices are provided to assist in calculating the present value of the liabilities:

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</thead>
<tbody>
<tr>
<td>Wage Price Index</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
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<tr>
<td></td>
<td>1.75</td>
<td>2.25</td>
<td>2.75</td>
<td>3.0</td>
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<td>Consumer Price Index</td>
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<td>Public Sector Wages Policy Growth Cap</td>
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<td>%</td>
<td>%</td>
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<td></td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>2.5</td>
<td>2.5</td>
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</tbody>
</table>

Agency and Actuarial measurement of the relevant provisions should utilise the Public Sector Wages Policy Growth Cap as a guide, unless this conflicts with paragraph 90 of AASB 119.

The percentage increase in Public Sector Wages is agency specific and will need to be calculated in accordance with agency circumstances.

<table>
<thead>
<tr>
<th>Maturity (years)</th>
<th>Treasury Bonds Yield (% pa)</th>
<th>A-rated Corporate Bonds Yield (% pa)</th>
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<td>Discount rates:</td>
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</tr>
<tr>
<td>1</td>
<td>1.186</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>1.111</td>
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</tr>
<tr>
<td>3</td>
<td>1.100</td>
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<tr>
<td>4</td>
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<td></td>
</tr>
<tr>
<td>5</td>
<td>1.175</td>
<td>2.20</td>
</tr>
<tr>
<td>6</td>
<td>1.252</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>1.317</td>
<td>2.55</td>
</tr>
<tr>
<td>8</td>
<td>1.376</td>
<td></td>
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<tr>
<td>9</td>
<td>1.434</td>
<td></td>
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<tr>
<td>10</td>
<td>1.462</td>
<td>2.85</td>
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<tr>
<td>11</td>
<td>1.496</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>1.547</td>
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</tr>
</tbody>
</table>

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1 Sourced from WA 2019-20 Budget – Economic and Fiscal Outlook – Budget Paper No.3. These indices are forecasts for the State as a whole.

Agencies should reassess these discount rates at the end of the reporting period, which are available on the Reserve Bank of Australia’s website, to determine whether the change in market yields have a material impact on the measurement of the provisions.

Agencies using the shorthand method to measure the long service leave provisions must ensure that the valuation is not materially different from the liability using the present value of the expected future payments (i.e. the longhand method).
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Introduction

The Accounting Policy Guideline (APG) 4 is intended to assist the Chief Finance Officer (CFO) of a public sector entity to better understand the requirements of the Australian Accounting Standard AASB 124 ‘Related Party Disclosures’.

The objective of AASB 124 is to ensure that an entity’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and financial performance may have been affected by related party transactions. The objective of the disclosures is not for the purposes of assessing governance or probity.

This Guideline should be read in conjunction with the following documents:

- AASB 124 ‘Related Party Disclosures’;
- AASB 119 ‘Employee Benefits’;
- AASB 10 ‘Consolidated Financial Statements’;
- AASB 11 ‘Joint Arrangements’;
- Treasurer’s instruction TI 924 ‘Related Party Disclosures’;
- TI 903 ‘Agency Annual Reports’;
- TI 947 ‘Certification of Financial Statements’;
- TI 952 ‘General Information in Financial Statements’; and
- Budget Paper No. 3 ‘Economic and Fiscal Outlook’.

Key requirements of AASB 124 ‘Related Party Disclosures’ are summarised in Appendix 1 and discussed in detail in the following sections.
Key Requirements

Key Management Personnel

Key Management Personnel\(^1\) (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executives or otherwise) of that entity.

In Western Australia, a public sector entity is governed by:

- Cabinet which consists of the Premier and all the Ministers; and
- Senior officers who in relation to an agency mean persons who are concerned with or take part in the management of the agency or any subsidiary body or related body of the agency. This includes the accountable authority of a department or members of the accountable authority of a statutory authority, but excludes any person acting in such a position for a limited period\(^2\).

KMP compensation

Paragraph 17 of AASB 124 requires an entity to disclose KMP compensation in total and for each of the following categories:

(a) short-term employee benefits e.g. fees, salaries and non-monetary benefits
(b) post-employment benefits e.g. superannuation
(c) other long-term benefits e.g. annual and long service leaves
(d) termination benefits e.g. redundancy payments
(e) share-based payment N/A

However, under paragraph 17A of AASB 124, a public sector entity is not required to disclose KMP compensation in relation to Ministers as they are compensated through a central government agency (i.e. Parliamentary Services). The public sector entity is only required to make discloses for its senior officers’ compensation. The Ministers’ compensation will be disclosed in the Annual Report on State Finances (ARSF).

In addition to AASB 124, TI 952 ‘General Information in Financial Statements’ also requires agencies to disclose:

- the number of senior officers of departments whose total compensation for the financial year, falls within each band of income of $10,000; and
- the number of members of the accountable authority (if applicable) and senior officers (other than senior officers reported as members of the accountable authority) of statutory authorities, whose total compensation for the financial year, falls within each band of income of $10,000\(^3\).

Refer to Note 9.4 ‘Key Management Personnel’ in the Model Annual Report.

\(^1\) Refer to paragraph 9 of AASB 124.
\(^2\) Refer to the Guidelines in TI 903 ‘Agency Annual Reports’.
\(^3\) Where a member (of an accountable authority of a statutory authority) compensation is zero, the member shall be included in a band labelled ‘$0 - $10,000’.
Compensation

Compensation includes all employee benefits as defined in AASB 119 ‘Employee Benefits’. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes fees, salaries, superannuation, non-monetary benefits (including motor vehicle benefits, housing and parking) and other benefits (including leave entitlements and redundancy payments). Total KMP compensation is disclosed on an accrual accounting basis, which may not necessarily represent the cash paid to a senior officer in a reporting period.

The value of non-monetary benefits (fringe benefits) is determined by reference to the cost of providing those benefits to an employee, including the related fringe benefits tax component. The concept of materiality should always be considered in making such determinations.

Fringe benefits tax is assessed in relation to the value of non-monetary benefits from April to March each year, which differs from the annual reporting period. Unless there is a material change in the level of benefits provided between the end of March and the end of the financial year (generally June), the value of benefits for the year to 31 March can be used for the purposes of AASB 124. If there is a material difference in the level of benefits provided, an estimate of this change would need to be made and a revised figure reported.

Compensation also includes a superannuation component. This component of compensation is based on the cost to the entity of employer contributions to superannuation funds. As no employer contributions are made for the Pension Scheme or pre-transfer benefits under the Gold State Superannuation Scheme, the cost to the employer is the increase in the liability where a liability is recognised in the Statement of Financial Position of the entity in respect of the employee. Where applicable, this cost is to be included in reporting compensation.

In relation to the salary sacrificing for non-monetary benefits, such as superannuation contributions and novated leases for motor vehicles, the amount of compensation to be included represents the gross salary before deductions are made.

Senior officers taking part in the management of more than one agency

Where a senior officer takes part in the management of more than one agency within the same financial year, information in respect of that officer should be included in the note disclosures for the compensation of senior officers in each agency that the officer took part in managing. Agencies should disclose only those costs attributable to the particular senior officer’s management activities conducted during the financial year in the relevant agencies.

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4 Refer to paragraph 9 of AASB 124.
Related parties

Related parties\(^5\) are persons or entities that are related to the reporting entity.

(a) KMP and close family members\(^6\) of the KMP:

- Ministers and senior officers; and
- Family members who may be expected to influence, or be influenced by, KMP in their dealings with the entity and include:
  - spouse or domestic partner (including married, de-facto, civil union partnership, but excluding separated or divorced spouse or partner);
  - children over the age of 16, including children of the spouse/partner (including step, adopted, dependant/non-dependant, adult children living/not living at home); and
  - dependants over the age of 16, including dependants of the spouse/partner (i.e. family members financially supported by KMP or the spouse/partner and may include siblings, elderly parents/grandparents or disabled family members).

(b) Related entities:

- Other public sector entities:
  - include all entities consolidated into the ARSF\(^7\); and
  - exclude local governments and universities.
- Associates or joint ventures of a public sector entity:
  - While an associate or joint venture of a public sector entity is a related party to all public sector entities, Ministers and senior officers (of that public sector entity) are not considered KMP and therefore not related parties of the associate or joint venture.
  - For example, InterGrain is joint venture between the Western Australian Agriculture Authority (within the Department of Primary Industries and Regional Development (DPIRD)) and the Grains Research and Development Corporation (Cth). While InterGrain is a related party of DPIRD and other public sector entities, Ministers and senior officers of DPIRD are not related parties of InterGrain. Therefore, any transactions between a Minister or senior officer of DPIRD and InterGrain are not related party transactions. However, if InterGrain was to be controlled by DPIRD (i.e. a subsidiary), the transactions between a Minister or senior officer of DPIRD and InterGrain would be related party transactions.
- Superannuation providers such as the Government Employees Superannuation Board (GESB); and

\(^5\) Refer to paragraph 9 of AASB 124.
\(^6\) Refer to paragraph 9 of AASB 124.
\(^7\) Refer to Note 8 ‘Composition of Sectors’ in Appendix 1 ‘Detailed Financial Projections’ of the Budget Paper No. 3 ‘Economic and Fiscal Outlook’ for a list of entities included in the consolidated financial statements.
• Entities controlled or jointly controlled by KMP and/or their close family members:
  – An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.\(^8\)
  – Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.\(^9\)
  – Generally speaking, an entity is considered to be controlled or jointly controlled by KMP and/or their close family members when they hold 50% or more of the shares or 50% or more of the voting rights of the entity (whether individually or combined). Types of entities include companies, partnerships, sole traders and not-for-profit entities (Refer to Appendix 2 for examples of entities controlled or jointly controlled).

Related party transactions

A related party transaction\(^10\) is a transfer of resources, services or obligations between an entity and its related party, regardless of whether a price is charged. In the public sector, many entities engage frequently with their related parties in the course of delivering the entity’s public service objectives, including the raising of revenue (e.g. taxes and rates) to meet those objectives. These transactions often occur on terms and conditions no different to those applying to the general public (e.g. electricity and water bills, public transport fares and vehicle licence charge). Judgement may be required as to when the transactions are material for collection and disclosure, especially when qualitative assessments are made about the nature of the transactions.

It is considered that:

• Citizen transactions are unlikely to be material for disclosure, and therefore excluded from collection. These transactions are where KMP or their close family members interact with a public sector entity under the same terms and conditions as a public citizen, such as paying taxes, levies or other statutory fees/charges and using public services such as hospitals, schools or public transport.

• Business transactions, by which there is the exchange of goods or services through a market (i.e. arm’s length), between related parties and a public sector entity could be quantitatively material, and therefore required to be declared when they are above \$50,000\. For example, if a contract to provide accountancy services to a Department was awarded to an entity owned by a child of that Department’s senior officer for an amount above \$50,000\, then this will need to be declared.

• Other sensitive transactions between related parties and a public sector entity are to be declared, with KMP exercising judgement on the sensitivity and materiality of the transaction. Examples of this may include the receipt of a scholarship from a public school for a child of the Department’s senior officer, the receipt of a grant from a Statutory Authority by a not-for-profit charity controlled by the spouse of the Authority’s senior officer, and gifts from a public sector entity to a dependant of that entity’s senior officer.

Refer to Attachment 3 for examples of related party transactions.

\(^8\) Refer to paragraph 6 of AASB 10 ‘Consolidated Financial Statements’.
\(^9\) Refer to paragraph 7 of AASB 11 ‘Joint Arrangements’.
\(^10\) Refer to paragraph 9 of AASB 124.
Exercising judgement

Notwithstanding the definition of related parties and related party transactions detailed above, KMP should exercise judgement when assessing if there are persons in their lives, or transactions not covered by the guidance, that should be declared. KMP are encouraged to assess the inclusion of people or transactions in their declaration to the intent of the standard. That is to ensure that any transactions with an individual with the ability to influence the decisions of a public sector entity are identified.

Collecting information on related party transactions

The State Solicitor’s Office has advised that the accountable authority of a public sector entity has power to lawfully order an employee with the entity to provide information on related party transactions. The accountable authority would not be able to meet his/her statutory obligation of preparing an annual report in accordance with the Australian Accounting Standards (including AASB 124) without getting access to the related party transactions relevant to the entity. However, such an order would not be made that requires senior officers to provide information that was not within their knowledge or possession.

Therefore, senior officers are required to complete the Data Collection Form (the Form) (included in the Guidelines of TI 924 ‘Related Party Disclosures’), at year-end, to provide:

- details of their close family members and any controlled (or jointly controlled) entities; and
- details of any transactions, to the best of their knowledge, between themselves or related parties and a public sector entity.

A senior officer is also required to complete the Form on resignation, retirement or dismissal.

The CFO of a public sector entity should understand the requirements of AASB 124 and assist his/her senior officers to complete the Form. It is noted that the CFO may be considered KMP in a number of public sector entities.

In addition, Cabinet has agreed that Ministers will provide the information necessary for public sector entities to comply with the requirements of AASB 124 through a data collection process that leverages off the existing Ministerial Code of Conduct process.

The Department of the Premier and Cabinet on behalf of the Department of Treasury (Treasury) will coordinate the Ministerial data collection process. Treasury will assess if any related party transaction is material for disclosure and will communicate that transaction to the relevant CFO.

The information collected will inform judgements concerning an entity’s disclosures for related party transactions in its financial statements, and will be subject to review by the Auditor General. Not all information collected will be disclosed in the financial statements. Information that is considered not material for disclosure in an entity’s financial statements is not required to be disclosed. Judgements on materiality of information will vary on a case by case basis. It is the responsibility of the CFO to ensure that there is no circumstance that would render the particulars included in the financial statements as misleading or inaccurate.

It is noted that information collected from Ministers and senior officers will be subject to the Freedom of Information Act 1992 (FOI). This does not mean that the information would be disclosed in all instances, but rather that the application of the exemptions to the particular information must be considered in the individual circumstance of the case.
Due to FOI and privacy implications, the CFO of a public sector entity shall ensure that access to Ministers and senior officers’ information is secured.

**Disclosing related party transactions**

If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include:

- the amount of the transactions;
- the amount of outstanding balances, including commitments, and:
  - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
  - details of any guarantees given or received;
- provisions for doubtful debts related to the amount of outstanding balances; and
- the expense recognised during the period in respect of bad or doubtful debts due from related parties.

Nevertheless, paragraph 25 of AASB 124 exempts a reporting entity from such disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with other entities (including associates and joint ventures) that are related parties because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entities.

If a public sector entity applies the exemption in paragraph 25, it shall disclose the following information in sufficient detail:

- the nature and amount of each individually significant transaction; and
- for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

Refer to Note 9.5 ‘Related Party Transactions’ in the Model Annual Report.

**Significance**

A public sector entity should consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transactions such as whether it is:

- significant in terms of size;
- carried out on non-market terms;
- outside normal day-to-day business operations, such as entering into a business arrangement;
- disclosed to regulatory or supervisory authorities;
- reported to senior management, and/or central agencies;
- subject to Minister and/or Cabinet approval.

11 Refer to paragraph 18 of AASB 124.
12 Refer to paragraph 26 of AASB 124.
13 Refer to paragraph 27 of AASB 124.
Conclusion

In short, a public sector entity is only required to make full disclosures in accordance with paragraph 18 of AASB 124 in relation to related party transactions with:

- Ministers/senior officers and their close family members (it can be said that most transactions in this category are citizen transactions which are not material); and
- entities controlled or jointly controlled by Minister/senior officer and/or his/her close family members (it can be said that related party disclosures are largely in this category).

Given the information collected on the Data Collection Forms, the CFO of the public sector entity should exercise judgement on whether a related party transaction is material for disclosure and liaise with his/her senior officers to finalise the entity’s disclosure note.
### Appendix 1

#### Summary of Key Requirements of AASB 124 ‘Related Party Disclosures’

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<th>What must be disclosed</th>
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| **Key Management Personnel (KMP):**  
  - All Ministers (KMP of whole of Government)  
  - Senior officers (KMP of specific agency) | | | |
| | compensation | Ministers’ compensation is available from the Legislative Council, Legislative Assembly and DPC.  
  - Senior officers’ compensation has been collected as required by Treasurer’s instructions. | Ministers’ compensation to be disclosed in the ARSF.  
  - Senior officers’ compensation to be disclosed in the agency annual report. |
| **Related Parties of a public sector entity:**  
  - KMP  
  - KMP’s close family members:  
    - Spouse/partner  
    - Children/dependants over the age of 16  
    - Others who may be expected to influence (or be influenced by)  
  - Businesses controlled or jointly controlled by KMP and/or their close family members | Related Party Transactions with a public sector entity:  
  - Exclude general citizen transactions  
  - Business transactions above $50,000  
  - Other sensitive transactions (with KMP exercising judgement) | Ministers to complete the Data Collection Form.  
  - Senior officers to complete a similar Form. | Ministers’ related party transactions to be disclosed in the ARSF and the relevant agency annual report.  
  - Senior officers’ related party transactions to be disclosed in the agency annual report. |
| **Government-related entities:**  
  - Agencies (including associates and joint ventures) within the public sector | Inter-agency transactions that are individually, or collectively, significant | Transactions are expected to be available in the agency financial system. | The ARSF to disclose significant transactions with associates or joint ventures of a public sector entity (other transactions are eliminated on consolidation).  
  - The agency annual report to disclose only significant transactions. |
Appendix 2

Examples of Entities Controlled or Jointly Controlled

Examples of entities controlled or jointly controlled by KMP and/or their close family members include:

- A business operated by KMP’s child as a sole proprietor;
- A partnership of two people where KMP’s spouse is one of the partners;
- A company where KMP have 30% voting shares and the spouse has 30% voting shares resulting in the combined shareholding greater than 50%; and
- A trust where KMP and the spouse are two of three trustees.

Examples of entities not controlled or jointly controlled by KMP and/or their close family members include:

- A large accounting firm with multiple partners where KMP’s child is one of the partners;
- A partnership of three people where KMP’s spouse is one of the partners;
- A company where KMP have 25% voting shares and the spouse has 20% voting shares resulting in the combined shareholding less than 50%;
- A trust where KMP and the spouse are two of five trustees; and
- A not-for-profit charity where KMP’s child is the chief executive and has insignificant voting rights on the board of directors.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form:

- Two entities are not related parties simply because they have a member of KMP in common or because a member of KMP of one entity has significant influence over the other entity;
- Two joint venturers are not related parties simply because they share joint control of a joint venture; and
- A customer, supplier, distributor or general agent with whom a public sector entity transacts a significant volume of business is not a related party simply by virtue of the resulting economic dependence.
Appendix 3

Examples of Related Party Transactions

Citizen transactions are generally not material, and therefore excluded from collection. Examples of citizen transactions are:

- paying taxes, levies, fines or other statutory fees or charges (such as payroll tax, transfer duty and vehicle licence charge);
- using public services (such as hospitals, schools and public transport); and
- receiving electricity and water services.

Business transactions are to be declared when they are above $50,000. They may include:

- purchases or sales of goods (finished or unfinished) from/to a public sector entity;
  Example – the child of a Minister/senior officer runs an IT business and sells computers to the Department.

- purchases or sales of property and other assets from/to a public sector entity;
  Example – a block of commercial land is sold by the Statutory Authority to a company controlled by the spouse of a Minister/senior officer.

- rendering or receiving of services to/from a public sector entity;
  Example – the child of a Minister/senior officer owns an accounting firm and provides accountancy services to the Department.

- leases to/from a public sector entity;
  Example – an office building owned by a Minister/senior officer’s family trust is leased by the Department.

- transfers of research and development to/from a public sector entity;

- transfers under licence agreements to/from a public sector entity;

- transfers under finance arrangements (including loans and equity contributions in cash or in kind) from a public sector entity;
  Example – the Statutory Authority lends to a start-up company owned by the child of a Minister/senior officer at the market rate. However, an interest-free (or below the market rate) loan would be considered a sensitive transaction.

- provision of guarantees or collateral from a public sector entity;
  Example – the Statutory Authority guarantees a loan for a not-for-profit organisation controlled by the spouse of a Minister/senior officer for a fee. However, if a fee is not charged, the transaction would be considered sensitive.

- commitments to do something if a particular event occurs or does not occur in the future with a public sector entity;
  Example – the Statutory Authority promises to step-in to complete the construction of a public school if the builder controlled by the child of a Minister/senior officer defaults. This would be considered a sensitive transaction unless the commitment is of a type common in the building industry.
- settlement of liabilities on behalf of a public sector entity or by a public sector entity on behalf of the related party.

  It is considered that a debt forgiveness or waiver by a public sector entity in relation to the related party would be a sensitive transaction.

Other sensitive transactions are to be declared, with KMP exercising judgement on the sensitivity and materiality of the transaction. Examples include:

- free accommodation provided by the Statutory Authority to a Minister/senior officer in regional areas;
- a grant made by the Department to a not-for-profit charity controlled by the spouse of a Minister/senior officer;
- financial assistance (e.g. interest free loan) provided by the Statutory Authority to a company owned by the child of a Minister/senior officer;
- a scholarship granted by the TAFE institution to the child of a Minister/senior officer; and
- an ex-gratia payment made by the Department to a Minister/senior officer’s dependant.
Frequently Asked Questions

**Question 1**: Who is Key Management Personnel (KMP)?

**Answer 1**: Cabinet Ministers and senior officers. While Ministers are considered KMP of whole of government and all controlled public sector entities, senior officers are KMP of their responsible agency.

**Question 2**: Whether members of the Board of a statutory authority are KMP?

**Answer 2**: Yes, they are KMP of a statutory authority. The definition of ‘senior officer’ includes members of the accountable authority of a statutory authority.

**Question 3**: Whether members of an advisory board are KMP?

**Answer 3**: It depends. If a public sector entity is controlled by an advisory board (Refer to AASB 10), members of the advisory board are KMP of that public sector entity.

**Question 4**: Whether two entities are related if a senior officer of one entity is a member of the Board of the other entity?

**Answer 4**: No. Refer to paragraph 11 of the standard.

**Question 5**: Is a public sector entity required to disclose transactions with other public sector entities?

**Answer 5**: Yes, but only required for significant (individually or collectively) transactions. Refer to paragraph 26 of the standard.

**Question 6**: Is a public sector entity required to disclose transactions with local governments and/or universities?

**Answer 6**: No, local governments and universities are not related parties of a public sector entity as they are not controlled by the State government.

**Question 7**: Is a senior officer required to complete the Data Collection Form if there is no related party transaction with the public sector entity?

**Answer 7**: Yes, especially sections 1 and 2. The Data Collection Forms will be subject to review by the Auditor General.

**Question 8**: Whether the $50,000 threshold applies to transactions on an individually or collectively basis?

**Answer 8**: Strictly speaking, individual transactions below $50,000 are not required to be declared. However, KMP are required to exercise judgement on whether these transactions should be declared based on their nature and/or sensitivity.
Question 9: Is a public sector entity required to disclose employment contracts with KMP’s close family members?

Answer 9: No, unless it is considered to be a sensitive transaction. Refer to the objective of the standard.

Question 10: Whether information in the Data Collection Forms is subject to FOI?

Answer 10: Yes.
Accounting Policy Guideline 6

Leases

Department of Treasury

14 January 2020
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Introduction

The Accounting Policy Guideline (APG) 6 is intended to assist the Chief Finance Officer (CFO) and finance staff of a public sector entity to better understand the commonly applied requirements of the Australian Accounting Standard AASB 16 Leases. Sale and leaseback transactions, borrowing costs, foreign currency implications and leasing for joint operations are excluded from this APG due to their infrequent occurrence in the WA public sector.

AASB 16 represents a fundamental overhaul of lessee accounting by introducing a single lessee accounting model. This results in a significant change to the measurement and recognition of most operating leases for public sector agencies.

For all leases other than short-term and low-value leases, lessees shall recognise:

- a right-of-use (ROU) asset i.e. the right to use the underlying leased asset;
- a lease liability i.e. the present obligation to make lease payments;
- the depreciation expense for the ROU asset; and
- the finance costs incurred (i.e. interest expense) in settling the lease liability.

AASB 16 substantially carries forward the lessor accounting requirements in the superseded AASB 117 Leases. As the requirements are not conceptually integrated with lessee accounting, a lessor will continue to apply a dual lease model approach.

Under the dual lease model:

- leases will continue to be reported based on their classification as either operating or finance leases; and
- the classification of leases by sub-lesseors is determined by reference to the lease terms of the head lease, rather than the useful life of the underlying asset.

This Guideline should be read in conjunction with the following documents:

- AASB 7 ‘Financial Instruments: Disclosures’;
- AASB 9 ‘Financial Instruments’;
- AASB 16 ‘Leases’;
- AASB 101 ‘Presentation of Financial Statements’;
- AASB 116 ‘Property, Plant and Equipment’;
- AASB 119 ‘Employee Benefits’;
- AASB 136 ‘Impairment of Assets’;
- AASB 137 ‘Provisions, Contingent Liabilities and Contingent Assets’;
- AASB 1058 ‘Revenue from Contracts with Customers’;
- TI 916 ‘Leases’;
- TI 1102 ‘Statements of Comprehensive Income’;
- TI 1103 ‘Statements of Financial Position’;
• APG 1 ‘Accounting for contaminated sites (provisions)’.
Key Requirements

AASB 16 mandates the accounting treatment for lease transactions, particularly from the lessee perspective. As a result of AASB 16, most lease arrangements will now be recorded on the Statement of financial position as ROU assets and associated lease liabilities (financial liabilities).

Scope

AASB 16 applies to all leases, including leases of ROU assets in a sublease\(^1\). The following are excluded from the scope of AASB 16\(^2\):

- exploration leases for minerals, oil, natural gas and similar non-generative resources;
- leases of biological assets within scope of AASB 141 *Agriculture* held by a lessee;
- service concession arrangements within the scope of Interpretation 12 *Service Concession Arrangements* and AASB 1059 *Service Concession Arrangements: Grantors*\(^3\);
- licences of intellectual property within scope of AASB 15 *Revenue from Contracts with Customers*, and
- rights held by a lessee under licensing arrangements within the scope of AASB 138 *Intangible Assets* for items such as motion picture films, manuscripts, patents and copyrights.

AASB 16\(^4\) provides optional relief, as modified by Treasurer’s instruction (TI) 916 *Leases* for leases external to the public sector when the lease is either:

- a short-term lease (a lease term of 12 months or less); or
- a low value asset (the value of the new underlying asset is up to $5,000).

Identification of a lease

In considering whether a lease exists, agencies are required to consider the terms and conditions of a contract and all the relevant facts and circumstances. Memorandums of Understanding, Heads of Agreement and Letters of Intent (even though they may not be contracts) can constitute leases. Agencies should assess these and other arrangements in accordance with AASB 16.

A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The determination of whether a contract is a lease or contains a lease occurs at the inception of the lease contract\(^5\). Lease components within a contract shall be accounted for separately from non-lease components, unless the

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\(^1\) Refer to AASB16 paragraph 3  
\(^2\) Refer to AASB16 paragraph 3  
\(^3\) Note that the effective date of AASB 1059 is for reporting periods beginning on or after 1 January 2020  
\(^4\) Refer to AASB 16 paragraph 5  
\(^5\) Refer to AASB 16 paragraph 9
practical expedient is applied\textsuperscript{6}. The lease is only reassessed if the contract terms and conditions are altered.

A contract may still contain a lease even where the terms ‘lease’ or ‘rental’ are not included as part of the agreement. The substance of the transaction, rather than the legal form, takes precedence when accounting for transactions. Lessees and lessors\textsuperscript{7} are required to distinguish the values for the lease and non-lease components of a contract, based on the substance of the transaction where practicable.

Lease transactions can vary in their application. For example, a contract may principally be a lease contract with an immaterial service component. However, a different contract may principally be a service contract with an embedded lease included.

Embedded leases are components within a contract that grants the right to control and use a particular asset as part of a contract.

Determining control over assets explicitly or implicitly identifiable within a contract is key to distinguishing the lease and non-lease components of a contract.

A contract can be (or contain) a lease only if the underlying asset is ‘identified’. Having the right to control the use of the asset for a period of time requires having the right to:

- obtain substantially all of the economic benefits from use of the identified asset; and
- direct the use of the identified asset; throughout the period of use.

The steps for identifying a lease is summarised in the below diagram and the decision chart in Appendix A – Identification of embedded leases:

\textsuperscript{6} Refer to AASB 16 paragraph 12, 5
\textsuperscript{7} Refer to AASB 16 paragraph 17. Lessors are to allocate lease or non-lease component consideration by applying paragraphs 73-90 of AASB 15.
Diagram 1: Steps for identifying a Lease

Is there an identified asset?

Yes

Does the customer have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use?

Yes

Does the customer, supplier or neither party have the right to direct the use of the identified asset throughout the period of use?

Neither

Does the customer have the right to operate the asset without the supplier having the right to change the operating instructions?

No

Did the customer design the asset in a way that predetermines how and for what purpose the asset will be used?

Yes

Contract is (contains) a lease

No

Contract is not (does not contain) a lease
**Step 1: Is there an identified asset?**

An asset is often identified by being explicitly specified in a contract. However, it can also be identified by being specified at the time that the asset is made available for use by the customer or may be implicitly implied.

**Step 2: Is there a right to obtain economic benefits?**

Control is dependent on the customer obtaining substantially all of the economic benefits, throughout the period the asset is used. This includes benefits obtained indirectly such as through sub-leases.\(^8\)

**Step 3: Is there a right to direct the use of the identified asset?**

The right to direct the use of the identified asset arises when either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- relevant decisions about how and for what purpose the asset is used are predetermined in the contract; and either:
  - the customer has the right to operate the asset (or to direct others to operate the asset in a manner it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.\(^9\)

The scope of relevant decisions that can determine a customer’s right to direct the use of an identified asset are quite broad. Within the standard’s guidance there are several examples of relevant decision-making rights.\(^10\)

**Substantive substitution rights**\(^11\)

A supplier’s right to substitute an asset is substantive only if both of the following conditions are met:

- the supplier has ability to substitute the asset throughout the period of use; and
- the supplier would benefit economically from exercising its right to substitute the asset.

This is because the supplier and not the customer controls the asset, and therefore the contract does not contain a lease.

The diagram above illustrates the key evaluations in determining whether a contract is, or contains a lease.

**Lease term**

AASB 16\(^12\) defines the lease term as the non-cancellable period of a lease, together with both:

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\(^8\) Refer to AASB 16 paragraph B21  
\(^9\) Refer to AASB 16 paragraph B24  
\(^10\) Refer to AASB 16 paragraph B26  
\(^11\) Refer to AASB16 paragraphs B14-B19  
\(^12\) Refer to AASB 16 paragraph 18
• periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

• periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The ability of the lessee to exercise discretion over the term of the right-to-use is key to determining the lease term. Where the lessor has the ability to exercise or enforce this discretion, the term is no longer non-cancellable and this period is excluded from the lease term. Consequently, the determination of the lease term is an estimate subject to professional judgement derived from various relevant factors believed to be reasonable under the circumstances.

The lease term begins on the ‘commencement date’ of the lease (the date that the lessor makes the underlying asset available for use by the lessee) and includes any rent-free periods provided to the lessee by the lessor\(^{13}\).

The entity should revise the lease term if there is a change to the non-cancellable lease.

**Recognition of a lease**

At the commencement date of a lease, a lessee is required to recognise both:

• a ROU asset; and

• a lease liability.

Except for fixed term leases with a central government lessor agency (e.g. State Fleet), lessees may elect not to apply the requirements in AASB16 paragraphs 22-49 to:

• a short-term lease (leases of 12 months or less); or

• a low value lease (the value of the new underlying asset value is up to $5,000).

**Lease payments**

The lease payments are the payments made by the lessee to a lessor relating for the right to use the underlying asset during the lease term and is comprised of the following\(^{14}\):

• fixed payments, less any lease incentives;

• variable lease payments that depend on an index or rate;

• amounts expected to be payable by the lessee under residual value guarantees;

• the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

• payments for penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Entities should separate lease and non-lease components of a lease unless the lessee applies the practical expedient detailed in AASB16 paragraph 15. Distinguishing material non-lease components is desirable as it minimises the impact of leases on Net Debt metrics. Agencies are to elect the lease/non-lease component practical expedient per TI 916\(^{15}\), based on materiality.

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\(^{13}\) Refer to AASB 16 paragraph B36

\(^{14}\) Refer to AASB 16 paragraph 27

\(^{15}\) Refer to TI 916 paragraph 7
**Measurement of the ROU asset**

**Initial measurement**

At commencement date, a lessee shall measure the ROU asset at cost. The cost of the ROU asset comprises the following:

- the amount of the initial measurement of the lease liability (as per below);
- any lease payments made at or before commencement date (i.e. prepayments), less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- restoration costs (make-good provisions).

This includes all assets other than investment property ROU assets. Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives are referred to as ‘concessionary leases’. ROU assets resulting from concessional leases are also to be measured at cost, at inception. The option to measure these assets at fair value is not permitted. They shall continue to be measured at cost subsequent to initial recognition.

**Subsequent measurement**

After the lease commencement date, a lessee is to measure all ROU assets applying the cost model.

To apply the cost model, the ROU asset is measured at cost:

- less any accumulated depreciation (under AASB 116) and any accumulated impairment losses (under AASB 136); and
- adjusted for any re-measurement of the lease liability outlined below.

Please note that the above position may change dependent on the AASB’s Fair Value Measurement project.
Measurement of the lease liability

Initial measurement
At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date\(^\text{16}\). The lease payments shall be discounted. Please refer to the section ‘discounting lease liabilities’ for further guidance.

The lease payments included in the measurement of the lease liability comprise of the following\(^\text{17}\):
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement
After the commencement date, a lessee shall measure the lease liability by\(^\text{18}\):
- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

A lessee shall recognise in the Statement of comprehensive income:
- interest on the lease liability; and
- variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that trigger occurs.

Lease liability reassessments and modifications
A lessee is required to remeasure a lease liability where there has been a change in lease payments, change in the lease term or a change in the assessment of an option to purchase the underlying asset. These remeasurements are referred to as lease reassessments and the revised lease payments are discounted using a revised discount rate\(^\text{19}\).

A lessee may also encounter lease modifications. Lease modifications will either be accounted for as a separate lease or as part of the existing lease. A separate lease is distinguished where the scope of the lease is increased by adding the right to use one or more underlying assets, and the consideration for a lease increases by an amount commensurate with the stand-alone price of the increase in scope\(^\text{20}\).

\(^{16}\) Refer to AASB16 paragraph 26
\(^{17}\) Refer to AASB 16 paragraph 27
\(^{18}\) Refer to AASB 16 paragraph 36
\(^{19}\) Refer to AASB 16 paragraph 40
\(^{20}\) Refer to AASB 16 paragraph 44
Further information on discount rates can be found in the ‘Application of Discount Rates’ section below.
AASB 16 Guidance

Capitalisation and lease term thresholds

**Lessees**

Agencies will recognise leases excluded from the scope of AASB 16 by practical expedients or capitalisation thresholds on a straight-line expense basis, continuing the existing accounting treatment. TI 916 defines both the lease asset capitalisation threshold and the low value threshold, whilst AASB 16 defines the short-term thresholds for agencies.

Agencies are not required to recognise lease assets and liabilities where the low value and/or short-term lease practical expedients are exercised.

- The low-value lease exemption applies where the ROU value (cost) is up to $5,000 at the commencement date of the lease (asset recognition threshold); and
- the short-term lease exemption applies where the lease term is 12 months or less.

TI 91621 'Leases narrows these exemptions when public sector agencies transact with the Government Office Accommodation (GOA) and State Fleet business units of the Department of Finance and the Government Regional Officer Housing (GROH) program of the Housing Authority.

The above practical expedients allow agencies to treat the applicable leases as expenses.

Presentation requirements

**Lessees**

Right-of-use (ROU) assets and the corresponding lease liabilities are to be presented separately from other asset and liability classes on the face of the financial statements.

Lessees will have discretion in presenting ROU asset classes in the notes that best reflects the agency’s own circumstances.

Employee contributions

TI 1103 ‘Statements of Financial Position’ discusses the requirements for measuring and disclosing employee benefits. At the time of writing, there is minimal guidance in relation to the interplay between AASB 16 and AASB 119 ‘Employee Benefits’. Until standard setters provide further guidance, Treasury has determined that where there are employee expenses that fall under both AASB 16 and AASB 119, the ‘cost’ is the interest and depreciation amount for the impacted leases.

Employee contributions represent income to the agency.

Agencies are required to report these amounts consistent with the requirements per AASB 16 on the face of the financial statements (i.e. separately in the Statement of comprehensive income). A notional reclassification disclosure adjustment will then be required in order to present the correct leasing disclosures in the notes to the financial statements. This notional reclassification amount will not have any impact on the general ledger amounts, it is merely for disclosure purposes within the financial statements.

Agencies that provide employees with non-monetary benefits (e.g. housing), are required to disclose the cost of providing these benefits on a gross basis. Employee benefits will need to be disclosed under the requirements of AASB 119 Employee Benefits. Agencies will still need

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21 Refer to TI 916 paragraph 3
to record the impact of AASB 16 on the underlying lease (on a gross basis), reflecting the
ROU assets and associated lease liabilities on the balance sheet, and interest/depreciation
on the Statement of comprehensive income.

Agencies will now also need to recognise the tenant rental contributions they receive from
employees as a separate income item on the Statement of comprehensive income.

The employee benefit disclosure requirements are in TI 1103 and a simple illustrative
example for disclosure of employee contributions is provided at Appendix B.

**Discounting Lease Liabilities**

Lease liabilities are measured by reference to the present value of lease payments not paid
at the commencement of the lease. The rate used to discount the lease payments is
determined by cascading options, for example:

1. Apply the interest rate implicit in the lease contract; or
2. If (1) is not available, apply an interest rate readily determined from the lease arrangement
terms; or
3. If (1) and (2) are not readily available, apply the agency's incremental borrowing
rate (IBR).

Western Australian Treasury Corporation (WATC) may be able to aid in modelling the interest
rate implicit in the lease, where necessary.

Generally, government sector agencies do not have legal authority to borrow and will not
have an agency specific IBR. Therefore, government borrowing rates are to be utilised as a
proxy where the interest rate implicit in the lease cannot be determined by other means.

WATC will provide actual and estimated incremental borrowing rate (IBR) information, via
their website, for leases other than arrangements with State Fleet. For lease terms in excess
of 20 years, the WATC IBR 20-year rate is suitable.

**Actual IBR**

The WATC IBR actual table is updated monthly, within the first week of each month. The
movements in IBR within the month are marginal and the single monthly rate is to be applied
to all leases commencing in the relevant month.

**Budget/Forecast IBR**

The WATC IBR ‘Forecast incremental borrowing rates for expected future lease
commitments’ should be used to measure the estimated future lease liability for budgeting
and forecasting purposes unless an agency has capacity to borrow under legislation. These
rates will be available on the link provided below but are only available from August to
February. These rates are updated annually for budget and forward estimate purposes only.

When a lease actually commences that was previously budgeted for, the actual IBR rate (not
the forecast rate) is to be used to measure the actual lease liability recognised on the balance
sheet.

If there are any issues with the WATC database, please email csoperations@watc.gov.au.
Agencies will need to select the discount rate appropriate to their lease term for the purpose
of measuring lease liabilities.
**Application of Discount Rates**

When performing a lease reassessment or determining whether a lease modification has occurred, there are several situations where revised discount rates are used to re-measure the lease liability. For lessees, revised discount rates are used in the following circumstances:

- when there is a change in the lease term;
- when there is a change in the agency assessment of a lease option to purchase the underlying asset;
- there has been a lease modification that is not accounted for as a separate lease; or
- the change in the lease payments results from a change in floating interest rates.

Agencies need to be aware that some government contracts have specific clauses that may make it difficult to determine whether a lease reassessment or modification has occurred. For example, State Fleet contracts specify an initial minimum lease term that can be changed based on kilometres and/or time periods. When a State Fleet contract is restructured, the impact on discount rates is as follows:

- an increase/decrease in the lease term (in months) or an increase/decrease to both months and kilometres will result in a lease reassessment and therefore require a revised discount rate;
- an increase/decrease in the agreed kilometres will result in a lease modification and therefore require the same discount rate.

The WATC IBRs can be accessed via:

Agencies may elect to apply or not apply the practical expedient of applying a single discount rate to a portfolio of leases with reasonably similar characteristics. The justification for the election resides with the agency and shall address the similarity of broad characteristics exhibited with the portfolio.

The table and diagram below summarises the circumstances where the use of a revised rate, original rates or a new rate is required by the AASB 16. If the underlying asset changes, it is considered a “substantial change in a lease” and is accounted for as a new lease at a new rate.

<table>
<thead>
<tr>
<th>Discount Rate</th>
<th>Scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use a revised discount rate</td>
<td>o Change in lease term (extension option/termination option)</td>
</tr>
<tr>
<td></td>
<td>o Change in assessment of a purchase option</td>
</tr>
<tr>
<td></td>
<td>o Change in lease payments due to a change in floating interest rates</td>
</tr>
<tr>
<td></td>
<td>o Increase/decrease in scope of lease</td>
</tr>
<tr>
<td>Use the original discount rate</td>
<td>o Change in amounts of residual value guarantee</td>
</tr>
<tr>
<td></td>
<td>o Change in lease payments due to change in an index/rate</td>
</tr>
<tr>
<td>Use a new discount rate</td>
<td>o Substantial changes in a lease</td>
</tr>
</tbody>
</table>
Diagram 2: Changes to discount rates

Lease/non-lease components

Lessees

A lease arrangement may contain lease and non-lease components. Consideration ought to be allocated to each element accordingly, though AASB 16 permits practical expedients which have been modified by TI 916 to promote consistent application throughout the public sector.

Agencies are required to separate a material non-lease component from a lease contract that contains both lease and non-lease components (e.g. maintenance costs of the leased asset are included in the lease contract) where practicable.

For immaterial non-lease components, agencies may apply the practical expedient (by asset class) and recognise the lease and non-lease (maintenance cost) components as a single lease except in the following circumstances:

- to account for several lease components of a contract as a single lease component; and
- for embedded derivatives that meet the criteria of AASB 9 Financial Instruments paragraph 4.3.3.

The non-lease component shall be accounted for by applying other applicable accounting standards. If a lease contract contains one or more additional lease components, the lessee shall allocate the lease consideration to each lease component based on the relative stand-alone price of each lease component.
Lessors

Where a lessor has a contract with a lease component or one or more additional lease or non-lease components, the lessor does not have the option to account for these components as a single lease.

AASB 16 requires the lessor to allocate the stand-alone components of the lease contract pursuant to AASB 15 *Revenue from Contracts with Customers*.

**Variable lease payments**

*Lessees*

At the commencement date, variable lease payments, e.g. lease payments linked to an index Consumer Price Index (CPI) or a rate (a benchmark interest rate - LIBOR), are included in the ‘lease payments’ to calculate the value of the lease liability and ROU asset using the index or rate on the **commencement date**.

Where a lease contract varies lease payments by CPI over the lease term, agencies are to rely upon the officially published index for the region that the ROU’s underlying asset is located. For most ROU assets relating to the WA public sector, that index will be the CPI index maintained by the Australian Bureau of Statistics for Perth.

In subsequent periods if there is a change to the index or rate, the lease payments will change, and the lessee re-measures the lease liability and ROU asset using the revised lease payments. The discount rate is unchanged unless the change in the lease payments results from a change in floating interest rates, in which case the lessee uses a revised discount rate to reflect changes to the interest rate.

Also, if lease payments are linked to market rental rates, at the commencement date, the lease payments included in the measurement of the lease liability and ROU asset will be the payments agreed at inception, without considering future rent reviews.

In future periods if there is a change in market rental rates, the lease payments will change, and the lessee re-measures the lease liability and ROU asset to reflect the change in the market rental rates. The re-measurement is recognised when the lease payment takes effect, i.e. when it impacts cash flows. Note that the discount rate in this situation remains the same as it is a change to an index/rate.

**Initial direct costs**

Initial direct costs are tightly defined as the incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained (e.g. costs incurred in negotiating and securing the lease), except for such costs incurred by a manufacturer or dealer lessor in connection with a finance lease.

*Lessees*

Lessees are required to include initial direct costs in the measurement of the ROU asset.

*Lessors*

The recognition of initial direct costs for lessors, depends on the classification of the lease as follows:

- for operating leases\(^{22}\), initial direct costs are applied to the carrying amount of the underlying asset leased. These costs will be expensed over the life of the lease term.

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\(^{22}\) Refer to AASB 16 paragraph 83
• In contrast, accounting for finance leases (other than manufacturer or dealer lessors) requires inclusion of initial direct costs in the measurement of the net investment in the lease and reduce the amount of income recognised over the lease term. The definition of the interest rate implicit in the lease includes initial direct costs in calculating the net investment in the lease, therefore there is no need to add this cost separately.

**Directly attributable costs ‘other than’ initial direct costs**

Where a lessee incurs costs relating to the construction or design of an underlying asset, these payments are not made for the ROU underlying asset. Instead, these costs are recognised in accordance with other applicable standards and are excluded from the measurement of the ROU asset.

For example, if an agency has made structural changes to a leased property, the standard provides an example of leasehold improvements recognised and measured in accordance with AASB 116 ‘Property, Plant and Equipment’. AASB 116 defines directly attributable costs for the purposes of recognising leasehold improvements.

**Central agency models**

State Fleet, GOA and GROH provide centralised models for the leases that fall under their scope for budgeting and financial reporting purposes.

For agencies that utilise dedicated leasing software, these models can be used as a checking mechanism. Where an agency does not have their own internal leasing software, the models provide the information required to recognise the leasing amounts and also for forward estimates.

**Periodic lease terms**

Leases that an agency has with GROH or GOA that are open ended (i.e. the lease agreement states the expiry date as ‘periodic’, ‘overholding’ or similar) will be recognised as an expense.

The nature of the periodic leases is such that either party may exit the agreement with limited penalty. As the agreements work on a month-to-month ‘extension’ basis, the lessee and lessor can elect not to continue extending the arrangement. This effectively means that under AASB 16 there is no non-cancellable period that gives rise to specific rights and obligations.

Where agencies have periodic lease agreements as part of their GROH or GOA take up, the associated monthly rental costs are to be included as expenses as part of the Statement of comprehensive income. The GROH and GOA budget models provide information to allow agencies to determine which leases are to be expensed.

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23 Refer to AASB 16 paragraph 69
24 Refer to AASB 16 paragraphs B43-B44
25 Refer to AASB 16 paragraph 17
Make Good Provisions (Restoration Costs)

Some lease contracts require the asset to be returned to the lessor in the same condition when originally leased. These conditions can range from demolishing leasehold improvements (e.g. office fitouts) to leaving the premises in a clean and tidy condition.

Restoration provisions are intended to capture major make good efforts, which are expensed over the life of the lease after professional judgement determines that a provision is appropriate. A provision for specific damage done to the leased asset merits recognition after the event giving rise to a contractual obligation under the lease has certainly occurred.

Of the central agency lessors, it is anticipated that restoration provisions will mostly be encountered in procuring office space by GOA.

Typically, a makegood provision will be required where a lessee has performed major fit-out work on a leased property. Generally, clean-up costs required at the end of a lease do not fall into the makegood category and as such are expensed as and when incurred. However, if a lease agreement contains a specific clause that specifically requires an action that needs to be undertaken, there may be a reasonable argument to include this as a makegood provision at the inception of the lease. For example, if a lease agreement states that painting must be reperformed before vacating the property, a lessee would have sufficient certainty that this will need to be performed upon completion of the lease.

Further information in relation to accounting for make good provisions can be found in Accounting Policy Guideline 1 (FAB Update No. 84) within Treasury’s Financial Administration Bookcase.

Further assistance for accounting for restoration costs is available in:

- APG 1 Accounting for Contaminated Sites; and
- RMG 114 Accounting for decommissioning, restoration and similar provisions ('make good')


Onerous contracts

An onerous contract\(^{26}\) is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits to be received under it.

In determining whether a contract is onerous, a lessee shall rely on its assessment of whether the lease is onerous under AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application.

Impairment of right of use assets

Subsequent Measurement

After the commencement date, according to AASB 16, agencies are required to apply AASB 136 Impairment of Assets to determine whether ROU assets are impaired and to account for any impairment loss identified.

It should be noted that subsequent to the implementation of AASB 16 (i.e. from the end of financial year 1 and beyond), agencies will be required to assess their ROU assets for impairment using the predetermined indicators from AASB 136. If there are no indicators of

\(^{26}\) Refer to AASB 137 paragraph 10
impairment (i.e. no triggering events), no further action should be taken in relation to impairment testing.

**Concessionary leases (below market-value leases)**

Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives are referred to as ‘concessionary leases’ (also referred to as peppercorn leases).

ROU assets resulting from concessional leases are to be measured at cost in accordance with AASB 16. The option to measure these assets at fair value is not permitted.

Subsequent to initial recognition, ROU assets resulting from concessionary leases shall continue to be measured at cost. Note that this position is pending guidance from the AASB on their final decision in relation to the impact of their Fair Value Measurement for Public Sector project. At the time of writing APG 6, the AASB have produced a working draft of an exposure draft in relation to this project, which specifically deals with the subsequent measurement of concessionary leases. Whilst this is a working draft, a link to this document is provided below for further context on this matter: [https://www.aasb.gov.au/admin/file/content102/c3/6.2_DraftED_marked_up_FVMPS_M173.pdf](https://www.aasb.gov.au/admin/file/content102/c3/6.2_DraftED_marked_up_FVMPS_M173.pdf).

**Cloud-based software and GovNext**

Cloud-based software solutions and GovNext contracts are principally contracts for service, however the contracts may contain lease components (e.g. stipulated hardware) or associated intangible assets (e.g. training manuals). The accounting treatment is determined by the details of each discrete arrangement, therefore a one-size-fits-all approach is not appropriate.

For reference, there are three main distinct cloud-based software solutions that agencies should be aware of:

- **Software as a Service (SaaS):** relates to software applications that are provided over a web-based server. The software provider controls, hosts and manages the software and any associated infrastructure or upgrades required;
- **Platform as a Service (PaaS):** relates to cloud-based solutions that that provide tools for delivering cloud-based applications. PaaS services enable the provider to control, host and manage the environment and any associated infrastructure. The distinguishing feature between PaaS and SaaS services is that PaaS provides a test environment for the user to develop their applications, without having to purchase their own hardware solutions.
- **Infrastructure as a Service (IaaS):** relates to cloud-based hardware solutions that are available on a pay-as-you-go basis. IaaS services provide entities with cloud-based infrastructure options, which are managed and maintained by the vendor.

Before seeking advice on whether a lease exists, agencies should undertake a preliminary determination of the following attributes:
• is the asset separately identifiable\textsuperscript{27}?
• does the agency exercise control over the asset\textsuperscript{28}?
• does the agency derive an economic benefit from the asset\textsuperscript{29}?
• does the supplier have a substantive substitution right\textsuperscript{30}?
• will the agency exercise a purchase option\textsuperscript{31}?

Agencies should refer to APG 2 in relation to recognising an associated intangible asset.

**Disclosures**

Agencies should refer to TI 916, TI 1103, AASB 16 and the Model Annual Reports for illustrative disclosures and guidance on presenting lessee aggregates flowing from application of the new accounting standard.

\textsuperscript{27} Refer to AASB 16 paragraph B13
\textsuperscript{28} Refer to AASB 16 paragraph B24
\textsuperscript{29} Refer to AASB 16 paragraph B21
\textsuperscript{30} Refer to AASB 16 paragraphs B14, B15 and B17
\textsuperscript{31} Refer to AASB 16 paragraph 32
Central Agency Lease Models

Government Office Accommodation (GOA) Models

GOA provides budget models for Budget and Mid-Year Review. For actuals reporting they provide model data on lease inception and for any changes in lease data thereafter (i.e. reassessments, modifications).

**Lease incentives**

**Actuals**

Any rent-free periods included in Memorandums of Understanding will be included in the actuals data.

**Budget**

For the purposes of budget modelling, where lease incentives have not been included as part of the actuals data (i.e. for new budgeted leases, etc.) these will not be included as part of the budget models. This is because the lease incentives are based on a negotiation process and therefore would not be finalised until there are final lease agreements in place.

**Make good provisions**

**Actuals**

Where make good clauses are present for GOA properties, and an assessment has been made that the make good provisions do exist, the models will include a minimum rate per square metre (as determined by GOA) to calculate a make good provision for budget purposes.

**Budget**

Where make good provision amounts exist for a lease at inception, the budget model will carry forward these amounts. Where a ‘new’ lease is included as part of the budget out-year periods, make good provisions will not be included given that this is an unknown.

**Market rent/CPI escalation reviews**

**Actuals**

Market rent review and/or CPI escalations are not included as part of the provision of actuals data. This is consistent with AASB 16 paragraph 27, whereby variable lease payments based on an index or rate are not to be estimated into the future.

When the market rent review occurs, the GOA actuals reports are updated to include the market rent review, and the lease liability is remeasured to reflect the revised lease payments only when there is a change to the cash flows (i.e. when the adjustment to the lease payments occur). The updated reports are to be provided to agencies.

**Budget**

The dates of market rent reviews and CPI escalations are typically included as part of the lease contracts. Given that these reviews are included as part of the lease contracts with stipulated dates, they are to be included as part of the budget models. Market rent reviews will be escalated based on the current published rate by the Property Council, whilst CPI escalations will be based on the latest Treasury forecast CPI rates. These events will be

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32 Refer to AASB16 paragraph 27(b)
treated as lease reassessments, with updates made to the corresponding lease assets/liabilities.

Service component expenses or Variable Outgoings may be escalated, as appropriate, by applying the CPI forecasts from annually published Budget Statements.

**Extension options**

**Actuals**

For actual reporting purposes, the lease term (particularly for sub-leases based on an MOU) is primarily based on the head lease term. At the time of writing, it has been agreed that given the current economic climate, GOA are in a position to negotiate with vendors. As a result, extension options have not been applied as part of the calculation of the actuals data, on the basis that at the end of the initial lease term the lease agreements will be re-negotiated.

**Budget**

For the purposes of the budget model, the leases take on the lease term per the actuals model. Where a lease expires in an out-year period and there is no clear indication of where an agency will be moving, it is expected that an agency will still be required to have an office space. As a result, on the expiration of an out-year period, the following methodology is applied:

- Parliamentary Electoral Offices (PEO): PEO spaces are leased based on the electoral cycle (i.e. four years). As a result it is appropriate to rollover these leases with a term of four years.
- All other MOU’s: GOA leases are entered into based on varying lease terms, which can range from monthly to more than 20 years. At the time of writing the current arithmetic average MOU term is five years. This five year period will be used as a new lease term for expiring leases (where there is no new MOU in place).

**Overholding leases**

Overholding leases are those that have gone beyond the contracted lease expiry date and as such a month-to-month agreement is entered into (with no commitment). These overholding leases are periodic leases and therefore do not stipulate an end date. As a result, these overholding leases fall outside of the scope of AASB 16. The treatment of these overholding leases for both actuals and budget reporting will be straight-lined expensed.

**Variable outgoings**

Variable outgoings will not be included as part of lease payments in both the actuals and budget models. These are non-lease components of rental agreements and should be treated as general expenses separate from the lease.

**Government Regional Officer Housing (GROH) Models**

GROH provides modelling for Budget and Mid-Year Review. For actual financial reporting, GROH provides quarterly lease model data.

Residential accommodation is acquired by GROH on behalf of the public sector on both periodic and fixed term arrangements. The models are designed to cater to the difference in accounting treatments under AASB 16 for these periodic and fixed term agreements.

**Make good provisions**

Make good clauses giving rise to material expenditures are considered unlikely for residential rental accommodation. Rental agreements typically require hand-over of a property in a clean and tidy condition, with allowances for ordinary wear and tear.
**Market rent reviews/CPI adjustments**

**Actuals**
Market rent reviews are incorporated to the quarterly actuals models as and when the triggering events occur (i.e. if a market rent review occurs in August, the September quarter model will reflect the appropriate adjustment). These rent reviews are based on the contract clauses and GROH policy, and will often be the higher of CPI vs. market rent review.

**Budget**
GROH external leased properties are on relatively short lease terms and as a result at the end of the life of these leases, the rents will be renegotiated – but this is an unknown. The majority of GROH external properties are fixed term leases. There is no escalation applied to these leases given that they are on short terms, and it is an expectation that rents will be renegotiated.

Sub-lease agreements between GROH and an agency, for GROH-owned properties, are generally for periodic terms. CPI escalation rates will be applied for the purposes of budget modelling to these leases year-on-year.

**Extension options/terminating leases**

**Actuals**
For actual purposes, determining whether an extension option stipulated in a lease agreement is to be entered into, is a management estimate established in collaboration with GROH.

**Budget**
For budget purposes, where a lease is due to expire in the budget outyear periods, it is assumed that a similar lease for the same terms will be required to replace the existing lease agreement. However, where an expiring lease had a term of 5 years or less, an agency is to repeat the lease for a new term of 5 years.

**Variable outgoings**
Variable outgoings will not be included as part of lease payments in the lease models. These are non-lease components of rental agreements and should be treated as straight-line expenses separate from the lease. Agencies are to appropriately code these expense items to an appropriate expense code when settling GROH invoices.

**State Fleet Models**
State Fleet provides budget models for Budget and Mid-Year Review. For actuals, monthly lease data is provided.

**Make good provisions**
Agencies are required to hand-over vehicles in a specified clean and tidy condition, with allowances for ordinary wear and tear. Where the vehicle fails the stipulated standards, the agency is expected to undertake appropriate repairs and seek insurance recoupment where relevant. A make good provision is not raised for these costs.

**Lease Payment escalation**
There is no escalation applied to the State Fleet modelling given that the payments stay static across the life of the lease per the agreement.
Service component expenses or Variable Outgoings may be escalated, as appropriate, by applying the CPI forecasts from annually published Budget Statements.

**Variable outgoings**

Variable outgoings will not be included as part of lease payments in the lease models. These are non-lease components of rental agreements and should be treated as costs separate from the lease.
APPENDIX A: Identification of embedded leases

Decision tree for determining the lease component of a contract.

The following decision tree illustrates the process for determining whether an embedded lease exists within a contract. The various attribute testing draws from the requirements and illustrations found within AASB 16 and other accounting standards.

The ability to identify and control an asset are critical for the recognition of embedded leases.
APPENDIX B: Employee contributions (Illustrative Example)

The following simple example illustrates the disclosure of employee benefits expense and employee contribution revenues (noting that ‘cost’ is the interest and depreciation expense associated with the lease):

Lease payment $200
Depreciation expense $150
Interest expense $  80
Employee contribution payments $160

*Initial postings*

\[
\begin{align*}
\text{Dr Depreciation expense} & \quad $150 \\
\text{Cr ROU asset – accumulated depreciation} & \quad $150 \\
\text{(Account for ROU asset depreciation)}
\end{align*}
\]

\[
\begin{align*}
\text{Dr Interest expense} & \quad $80 \\
\text{Cr Lease liability} & \quad $80 \\
\text{(Account for increase in interest expense and associated lease liability)}
\end{align*}
\]

\[
\begin{align*}
\text{Dr Lease liability} & \quad $200 \\
\text{Cr Cash} & \quad $200 \\
\text{(Account for decrease lease liability on payment of lease)}
\end{align*}
\]

\[
\begin{align*}
\text{Dr Cash} & \quad $160 \\
\text{Cr Employee Contribution (income)*} & \quad $160 \\
\text{(Account for employee contribution received from employee)}
\end{align*}
\]

*Notional reclassification journal (for disclosure purposes only)*

Whilst there is no impact on the face of the financial statements, a notional journal will be required to be prepared to enable the disclosure in the notes to the financial statements for employee benefits.

\[
\begin{align*}
\text{Dr Employee benefits (expenses)} & \quad $230 \\
\text{Cr Depreciation expense} & \quad $150 \\
\text{Cr Interest expense} & \quad $80 \\
\text{(Notionally redistributes the P&L impact of employee benefits for note disclosure purposes only)}
\end{align*}
\]
Disclosure requirements

Agencies will be required to disclose GROH and State Fleet leasing aggregates in accordance with AASB 16. For transparency purposes, agencies will then provide additional notional disclosures detailing the impact of lease agreements on employee benefits expenses. These disclosures will show both the gross transaction value and the net benefit provided to employees.

Employee benefits reported elsewhere (under AASB 16) $230
Less: Employee contributions $160
Net benefit provided to employee $70
APPENDIX C: Transition Provisions

Agencies not required to reassess whether an existing contract is, or contains a lease

Agencies are not required to re-assess whether an existing contract is or contains a lease, at the date of initial application of AASB 16. If these contracts were previously identified as containing leases pursuant to AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease, they will continue to be accounted for as leases under AASB 16. Contracts that were not determined to be leases will continue to be accounted for in the same manner.

Agencies to adopt a modified retrospective approach on transition

This approach requires the recognition of a lease liability on balance sheet based on the present value of the remaining lease payments that the agency is required to make over the balance of the lease term.

Under this approach, agencies may elect, on a lease-by-lease basis, to measure right-of-use (ROU) assets as follows:

- Option 1: Measure the ROU asset as if AASB 16 applied from contract inception for arrangements with lessors that are external to the Western Australia (WA) public sector; or
- Option 2: Measure the ROU asset to equal the lease liability.

Treasury recommends the use of Option 1 where historical information is available, as this option will have a favourable impact on the agency Statement of comprehensive income (lower depreciation expense) in future years.

Option 2 can be used where historic information is not available, for example for lease arrangements established at one agency and subsequently transferred to another agency as a result of a machinery of government change. This option results in the right-of-use asset being equal to the lease liability before any adjustment for make good provisions.

Leases previously classified as operating leases - initial application

Using the modified retrospective approach, on transition, AASB 16 requires the recognition of a lease liability at the date of initial application for a lease previously classified as an operating lease under AASB 117. The lease liability shall be measured at the present value (PV) of the remaining lease payments, discounted using the agency's incremental borrowing rate at the date of initial application.

Lease term ends within 12 months of the date of initial application

When applying the modified retrospective approach, and there is only 12 months or less of the lease term remaining from the date of initial application, agencies shall account for these leases in the same way as short-term leases (i.e. recognise the lease payment as an expense on either a straight-line basis over the lease term or another systematic basis, if that basis is more representative of the pattern of the agency's benefit). That is, the agency will not recognise a lease liability or right-of-use asset.

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33 Note the per AASB16 paragraph C8(ii) the ROU asset is to be an amount equal to the lease liability, however adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of financial position immediately before the date of initial application.
The **date of initial application** is the beginning of the annual reporting period in which the agency first applies the standard, this is 1 January 2019 for agencies with a 31 December year-end and 1 July 2019 for agencies with a 30 June year-end.

To facilitate in the elimination of intra-government transactions on whole of government reporting, this policy position does not apply where assets are leased from another Western Australian public sector agency, for example where leases are held with Government Regional Office Housing (GROH), State Fleet and Government Office Accommodation (GOA).

**Discounting Lease Liabilities**

At the date of initial application, for leases previously classified as operating leases according to AASB 117 Leases, AASB 16 requires the lease liability to be present valued using the current incremental borrowing rate (rates provided by the WATC) and **not** the interest rate implicit in the lease.

WATC will provide agencies with the IBR suitable for the first recognition and measurement of lease liabilities for ongoing leases on the agency commencement date for AASB 16, except for State Fleet lease arrangements. Where the arrangement is not with State Fleet, the WATC IBR 20-year rate is suitable for use for all lease terms in excess of 20 years.

These IBRs can be accessed via:


Agencies may elect to apply or not apply the practical expedient of applying a single discount rate to a portfolio of leases with reasonably similar characteristics. The justification for the election shall address the similarity of broad characteristics exhibited with the portfolio.

**Onerous contracts**

Lessee agencies shall use the practical expedient and adjust the ROU asset at the date of initial application by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application. The use of this expedient does not require agencies to perform an impairment review.

Further information on accounting for onerous contracts is found in AASB 137 ‘Provisions, Contingent Liabilities and Contingent Assets’ and APG 1 ‘Accounting for Contaminated Sites’.

**Impairment of right of use assets**

**Transition (Day 1 impairment assessment)**

Under AASB 16, a lessee is required to perform an impairment assessment of ROU assets, through the application of AASB 136 Impairment of Assets, including at initial recognition on transition.

Unless the practical expedient regarding onerous leases in AASB 16.C10(b) is relevant, the following paragraphs apply.

Where Option 1 of the modified retrospective approach has been adopted on an individual lease basis, there is the potential that at inception of AASB 16 there will be a difference between the lease liability and the ROU asset. In these situations, agencies will be required to conduct an impairment assessment under AASB 136 to determine whether any impairment
testing is required. Treasury does not anticipate there will be impairment triggers given the nature of agency operations, however the assessment will still need to be carried out.

Where Option 2 of the modified retrospective approach is adopted for individual leases at the inception of AASB 16 at 1 July 2019, there will effectively be no impairment impact as the ROU asset and associated lease liability, in most cases, will be equal in amount and effectively offset each other. This gives rise to a nil overall balance sheet impact.

Agencies should note that on transition, an impairment assessment only needs to be made for those leases that were previously classed as operating leases. Under AASB 16, a full impairment assessment will then be required at the end of the first year of adoption (i.e. financial year end).

Concessionary leases (below market-value leases)

Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives are referred to as ‘concessionary leases’.

On transition, right-of-use (ROU) assets resulting from concessional leases are measured at cost in accordance with AASB 16. The option to measure these assets at fair value is not permitted.

Disclosures

Paragraphs C10(c) and C12 of AASB 16 contain lessee disclosure requirements for adoption of the new leasing regime. Note that these disclosures will only be required for the first financial year of application. As a consequence of applying the modified retrospective approach, all agencies are required to disclose:

- recognition of AASB 16 adoption, along with a description of the nature of changes arising from adoption of the AAS;
- the application of any practical expedients;
- the costs of leases that ended within 12 months of AASB 16 adoption and the short-term lease exemption was applied;
- the weighted average lessee’s incremental borrowing rate applied to lease liabilities recognised in the Statement of financial position at the date of initial application;
- an explanation of any difference between:
  - operating lease commitments disclosed applying AASB 117 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application as described in paragraph C8(a); and
  - lease liabilities recognised in the Statement of financial position at the date of initial application; and
- amounts of adjustments relating to comparative periods, to the extent practicable.

Tier 1 agencies are also required to disclose the following, unless the agency demonstrates that the collation of information is impracticable:
• a declaration that the change in accounting policy is made in accordance with its transitional provisions;

• a description of the transitional provisions;

• the affects, if any, of applying transitional provisions on future periods; and

• if retrospective application required within the transitional provisions of AASB 16 is impracticable for a comparative prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.
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ATTN: CHIEF FINANCE OFFICERS

AASB 1058 ‘INCOME OF NOT-FOR-PROFIT ENTITIES’ AND
AASB 15 ‘REVENUE FROM CONTRACTS WITH CUSTOMERS’

As you are aware, the new Australian Accounting Standards AASB 1058 and AASB 15 are likely to change the timing of your agency’s income and revenue recognition. I am writing to provide you information that may assist in implementing these Standards. The accounting policy positions are mandated for all agencies. This is to facilitate whole-of-government reporting while ensuring that reporting across the public sector is consistent and transparent.

AASB 1058 and AASB 15 apply to not-for-profit entities for annual reporting periods beginning on or after 1 January 2019 with the majority of agencies applying the Standards from the 2019-20 financial year.

AASB 1058 provides guidance for transactions where the consideration to acquire an asset is significantly less than fair value (i.e. below-market transactions) principally to enable an entity to further its objectives, and for volunteer services.

Under AASB 1058, an entity shall recognise income immediately in profit or loss on initial recognition of an asset (e.g. cash received) unless it is required by other standards to recognise a related amount equivalent to the fair value of that asset.

Under AASB 15, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. That could be over time or at a point in time.

ACCOUNTING POLICY POSITION

TRANSITION REQUIREMENTS

Policy Position 1: Agencies to adopt the modified retrospective approach on transition to AASB 1058 and 15

Under this approach, agencies are not required to restate comparative information. Instead, agencies shall recognise the cumulative effect of initially applying the Standards as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.
Agencies are required to apply AASB 15 retrospectively to contracts that are not completed contracts at the date of initial application. On the other hand, the application of AASB 1058 retrospectively to contracts and transactions that are not completed contracts at the date of initial application is optional.

Treasury recommends agencies apply AASB 1058 retrospectively to contracts and transactions that are not completed contracts on initial application, as this election will be consistent with the application of AASB 15. It is noted that most public sector transactions that are within the scope of AASB 1058 are completed within a financial year.

Adopting the modified retrospective approach, agencies are required to provide the following additional disclosures in the first year of application:

(a) the amount by which each financial statement line item is affected in the current reporting period by the application of the Standards as compared to AASB 1004 ‘Contributions’, AASB 111 ‘Construction Contracts’, AASB 118 ‘Revenue’ and related Interpretations that were in effect before the change; and

(b) an explanation of the reasons for significant changes identified in (a).

As a result, agencies would have to maintain two sets of accounts on transition (i.e. 2019-20) in order to meet such disclosure requirements.

**AASB 1058 AND 15 GUIDANCE**

**SERVICE APPROPRIATIONS**

Service appropriations are within the scope of AASB 1058, and shall be recognised as income at fair value when the agency gains control of the appropriated funds. This is unchanged from the current treatment.

AASB 1058.B10 clarifies that Government appropriations, which establish the authority to spend money for particular purposes, are a form of a transfer made voluntarily as the Government is not compelled to make particular payments of amounts appropriated.

**CAPITAL APPROPRIATIONS**

Capital appropriations shall be recognised as contributions by owners. This is consistent with paragraph 32 of the amended AASB 1004 ‘Contributions’, and remains unchanged from the current treatment. It should be noted that Treasurer’s instruction (TI) 955 ‘Contributions by Owners Made to Wholly Owned Public Sector Entities’, paragraph (3)(i) will continue to designate capital appropriations as contributions by owners.
LIABILITIES ASSUMED

Where a liability has been assumed by the Treasurer or other entity, income equivalent to the amount of the liability assumed shall be recognised, except where the assumption of the liability is in the nature of a contribution by owners, in which case there shall be a direct adjustment to equity. This requirement is still within the scope of the amended AASB 1004.

ASSETS TRANSFERRED

Where an asset has been received free of charge or for nominal cost, income shall be recognised equivalent to the fair value of the asset (except where the contribution of the asset is in the nature of a contribution by owners, in which case there shall be a direct adjustment to equity). This is consistent with AASB 1058, paragraphs 8-10.

SERVICES RECEIVED FREE OF CHARGE

Where services have been received free of charge (i.e. volunteer services), income shall be recognised equivalent to the fair value of those services that can be measured reliably and which would have been purchased if not donated. This is consistent with AASB 1058, paragraphs 18-22.

ROYALTIES FOR REGIONS FUND

Similar to service appropriations, moneys paid from the Royalties for Regions Fund are recognised as income when the agency gains control of the authorised funds. This is unchanged from the current treatment.

FEES AND CHARGES

Fees and charges are generally set at a level that reflects the full costs of providing the services. In these cases, fees and charges shall be accounted for in accordance with AASB 15.

Where a fee or charge is greater than 100% cost recovery, AASB 2018-4 ‘Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors’ provides guidance on whether it is a licence or a tax. Licences will be accounted for in accordance with AASB 15 while taxes will be subject to AASB 1058. For example, Vehicle Licence Charge (Registration) is a tax under the Road Traffic (Vehicles) (Taxing) Act 2008 but is considered a licence under AASB 15.

SALES OF GOODS

Sales of goods are within the scope of AASB 15 and shall be accounted for accordingly.
COMMONWEALTH GRANTS

General purpose grants

No contract (that creates enforceable rights and obligations) is considered to exist between the Commonwealth and the State in relation to general purpose grants (including GST revenue grants). In accordance with the Intergovernmental Agreement on Federal Financial Relations, GST payments are freely available for use by the States and Territories for any purpose.

As a result, the Commonwealth general purpose grants shall be recognised as income when payments are received.

Grants through the State

The Commonwealth grants through the State are not considered to be income of the State as the State receives the payments on behalf of other parties (e.g. non-government schools and local governments).

National Specific Purpose Payments

National Specific Purpose Payments (SPPs) are the funding mechanism through which the Commonwealth supports States’ efforts in delivering services in key sectors. There are currently two National SPPs: the National Skills and Workforce Development SPP and the National Disability Services SPP. National SPPs are required to be spent in the relevant sector.

Although these agreements may be enforceable from an accounting perspective (i.e. enforceable through a mechanism outside the legal system), the State’s roles and responsibilities under the agreements are considered not ‘sufficiently specific’. Therefore, contracts (that create enforceable rights and obligations) do not exist between the Commonwealth and the State in relation to the National SPPs.

As a result, the Commonwealth National SPPs shall be recognised as income when payments are received.

National Partnership Payments

National Partnership Payments to the States are facilitated by the following types of agreements:

- National Partnerships, which support the delivery of specified projects, facilitate reforms or reward those jurisdictions that deliver on nationally significant reforms;

- Implementation Plans, may be required where there are jurisdictional differences in context or approach to implementation under National Partnerships, or where information additional to the National Partnership is required to increase accountability and transparency; and

- Project Agreements, which are a simpler form of a National Partnership, for low value and/or low risk projects.
These agreements vary significantly project to project. Therefore, agencies are required to assess each of their agreements to determine whether an agreement is enforceable and ‘sufficiently specific’ (and that a contract exists).

If a contract (that creates enforceable rights and obligations) exists, the Commonwealth National Partnership Payment shall be accounted for in accordance with AASB 15. Otherwise, the Payment shall be recognised as income when payments are received.

TREASURER’S INSTRUCTIONS

Treasurer’s instructions relating to the accounting policy position and guidance will be developed to take effect concurrently with the implementation of AASB 1058 and 15.

AGENCY ACTIONS

RESPONSIBILITY FOR AASB 1058 AND 15 IMPLEMENTATION

Accountable authorities of agencies are ultimately responsible for the implementation of AASB 1058 and 15 for their agency which includes ensuring all the preparatory work required for implementation is carried out.

As outlined in the Treasury 2018-19 Mid-year Review Circular, a Strategic Information Management System (SIMS) 2019-20 budget adjustment that reflects the financial impact of applying AASB 1058 and 15 is required to be submitted. This will inform government deliberations as part of the 2019-20 Budget starting point.

Yours sincerely

Richard Watson
EXECUTIVE DIRECTOR
INFRASTRUCTURE AND FINANCE
6551 2529
AASB 1059 ‘SERVICE CONCESSION ARRANGEMENTS: GRANTORS’

As you are aware, public sector entities that are grantors will be required to account for service concession arrangements in accordance with the new accounting standard AASB 1059. I am writing to provide you with information that may assist your agency in the preparation and implementation of the Standard. The accounting policy positions contained in this Circular are mandated for all agencies. This is to facilitate whole-of-government reporting while ensuring that reporting across the public sector is consistent and transparent.

AASB 1059 is operative for annual reporting periods beginning on or after 1 January 2020. This means June reporting agencies will apply the Standard from the 2020-21 financial year.

Agencies need to be aware that service concession arrangements may contain leases that are within the scope of the new accounting standard AASB 16 ‘Leases’. Prior to applying AASB 1059, agencies would be required to apply AASB 16 to such arrangements in the 2019-20 financial year. AASB 16 requires lessees to recognise right-of-use assets and lease liabilities (that are financial liabilities) for all leases. If agencies have not recognised these arrangements in their financial statements (as they do not contain leases under the current AASB 117 ‘Leases’), Net Debt could be impacted. Nevertheless, it is noted that most Public Private Partnerships (PPPs) have been recognised as finance leases.

In order to finalise the financial impact for the 2019-20 Budget process, agencies are now requested to complete and return to the Department of Treasury (at FAB.enquiries@treasury.wa.gov.au) the Questionnaire in the Attachment by close of business 5 April 2019.

ACCOUNTING POLICY POSITIONS

TRANSITION REQUIREMENTS

Policy Position 1: Agencies to adopt the full retrospective approach on transition to AASB 1059

In accordance with paragraph C3(a), agencies shall apply the Standard retrospectively to each prior period presented in accordance with AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’. Under AASB 108, agencies shall adjust the opening balance of accumulated surplus/(deficit) or retained earnings for the earliest prior period presented in the financial statements and adjust the relevant comparative amounts disclosed for each prior period presented as if the new Standard had always been applied.
Given most PPPs within the scope of AASB 1059 have been recognised as finance leases in the financial statements, the full retrospective approach would require less time and effort than the alternative modified retrospective approach (refer to paragraphs C3(b) and C4). Agencies would only need to reclassify leased assets to service concession assets on transition. It is also noted that, under the modified retrospective approach, the required revaluation of service concession assets to fair value (current replacement cost) at the date of initial application would increase the carrying amount of service concession assets and associated financial liabilities, and thus further impact Net Debt.

AASB 1059 GUIDANCE

SCOPE

AASB 1059 shall be applied to service concession arrangements, which involve an operator:

- providing public services related to a service concession asset on behalf of a grantor; and
- managing at least some of those services under its own discretion, rather than at the direction of the grantor.

Asset provides public services

Assessing whether an asset provides public services requires judgement, taking into account the nature and relative significance of each component and the services provided. For example, a courthouse building provides multiple services, such as courts, administrative offices and associated services. However, the primary purpose of the building is to provide court services, which are considered to be public services. The court services are necessary or essential to the general public and are generally expected to be provided by an agency in accordance with government policy or regulation. The court services are accessible to the public, even if it is a subset of the community that uses the services. The services provided by the administrative offices may be unrelated to the court services and thus considered ancillary if they are insignificant to the arrangement as a whole, and in that case would not affect the assessment that the building provides public services. However, if the unrelated administrative services were significant to the arrangement as a whole, the courthouse building might be assessed as not providing public services.

If an arrangement provides public services principally through a primary asset, and a secondary asset is used or is mainly used to complement the primary asset, such as student accommodation for a public university, the secondary asset would be regarded as providing public services as well.
As another example, a hospital car park constructed by an operator as part of the arrangement to construct a hospital that largely provides public services would be considered part of the hospital service concession arrangement. The car park may provide limited ancillary services without affecting the assessment that the car park is used to provide public services. However, if the car park was not constructed as part of the hospital service concession arrangement (e.g. subsequent to the construction of the hospital or with a different party) and is largely of a commercial nature (e.g. car parking is available to the general public, including hospital patrons), the car park would be regarded as an asset that does not provide public services, and thus outside the scope of the Standard.

Where the services provided by an asset are used wholly internally by an agency for the purpose of assisting the agency to deliver public services, but managed by an external party, the arrangement is likely to be an outsourcing arrangement or a lease, rather than a service concession arrangement. For example, the provision of information technology services to an agency providing emergency services to the public is likely to be an outsourcing contract, which may contain a lease of the information technology hardware.

**Operator manages at least some of the public services**

For an arrangement to be within the scope of the Standard, the operator must be responsible for providing public services through the service concession asset and for managing at least some of the public services and related services, and not acting merely as an agent on behalf of the grantor through an outsourcing arrangement.

For example, an operator in an arrangement to construct and operate a hospital in accordance with the grantor’s directions would need to provide services more managerial in nature than cleaning, building maintenance and security services for the hospital after its construction in order for the arrangement to be considered a service concession arrangement. Cleaning, building maintenance and security services would generally be regarded as relatively insignificant to the public services provided by the hospital. Therefore, if the operator is responsible only for constructing the hospital and then providing all or any of those services, the operator is unlikely to be considered to be responsible for some of the management of the public services provided by the hospital.

However, if after constructing the hospital, the operator also provides scheduling of staff and resources (even if provided by the grantor), then the operator is likely to be responsible for some of the management of the hospital public services, and not acting like an agent of the grantor.

In contrast, if the maintenance contributes significantly to the public services provided by the asset, then the operator would be responsible for at least some of the management of the public services provided by the asset. For example, this would be the case for an arrangement where an operator constructs and maintains (at its discretion) a toll road on behalf of the grantor, because maintenance services are a significant component of the public services provided by the toll road.
RECOGNITION AND MEASUREMENT OF SERVICE CONCESSION ASSETS

The grantor shall recognise an asset provided by the operator and an upgrade to or a major component replacement for an existing asset of the grantor as a service concession asset if the grantor controls the asset. The grantor controls the asset if, and only if:

- the grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and

- the grantor controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The grantor shall initially measure the service concession asset at current replacement cost in accordance with the cost approach to fair value in AASB 13 'Fair Value Measurement'.

Control

The ability to exclude or regulate the access of others to the benefits of an asset is an essential element of control that distinguishes an entity’s assets from public goods that all entities can access and benefit from. If the service concession arrangement provides for the grantor to control the price (for example, the contract may set the initial price to be levied by the operator and regulate price revisions over the period of the service concession arrangement), the services to be provided and to whom the services must be provided, then the grantor controls the service concession asset regardless of whether there is any regulation by a third-party regulator.

Control should be distinguished from management. If the grantor has both the degree of control and any significant residual interest in the asset, the operator is only managing the asset on the grantor’s behalf – even though, in many cases, it may have wide managerial discretion.

Regulation

If a service concession contract by itself does not result in the grantor having explicit control over the services and/or pricing of the services, the grantor might still have control of the service concession asset as a result of regulation by a third party. Regulation of what services the operator must provide, to whom it must provide them, and at what price is a means by which a grantor can demonstrate control of the substantive benefits of the service concession asset. Grantor control of a service concession asset through regulation does not require the contract to refer to the regulation or the grantor to control or be related to the regulator. The third-party regulator might, for example, regulate other entities that operate in the same industry or sector as the grantor. This includes circumstances in which the grantor buys all of the services as well as those in which some or all of the services are bought by other users.
However, if the operator is able to determine to whom the services are provided, but is subject to grantor control over what services may be provided and the pricing, the grantor does not control the asset.

**RECOGNITION AND MEASUREMENT OF LIABILITIES**

Where the grantor recognises a service concession asset, the grantor shall also recognise a liability. The grantor shall not recognise a liability when an existing asset of the grantor is reclassified as a service concession asset (except in circumstances where additional consideration is provided by the operator).

The liability shall be initially measured at the same amount as the service concession asset, adjusted by the amount of any other consideration (e.g. the transfer of an existing asset) from the grantor to the operator, or from the operator to the grantor.

**Financial liability model**

Where the grantor has a contractual obligation to deliver cash (or another financial asset) to the operator for the construction, development, acquisition or upgrade of a service concession asset, the grantor shall account for the liability as a financial liability.

The grantor shall apply AASB 9 ‘Financial Instruments’ to the subsequent measurement of the financial liability.

Social PPPs (e.g. new Perth Stadium) are likely to be under this model.

**Grant of a right to the operator model**

Where the grantor does not have a contractual obligation to pay cash (or another financial asset) to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and instead grants the operator the right to earn revenue from third-party users or access to another revenue-generating asset, the grantor shall account for the liability as the unearned portion of the revenue arising from the exchange of assets between the grantor and the operator. It is noted that unearned revenue is not a financial liability.

The grantor shall recognise revenue, and thus reduce the liability, according to the economic substance of the service concession arrangement.

Economic PPPs (e.g. QEII Medical Centre Car Park) are likely to be under this model.

**Dividing the arrangement**

If the grantor compensates the operator for the provision of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it is necessary to account separately for each part of the total liability.
The financial liability part shall be measured first, and the remainder of the total liability be allocated to the part related to the grant of the right to the operator.

TREASURER’S INSTRUCTIONS

Treasurer’s instructions relating to the accounting policy positions and guidance will be developed to take effect concurrently with the implementation of AASB 1059.

AGENCY ACTIONS

RESPONSIBILITY FOR AASB 1059 IMPLEMENTATION

Accountable authorities of agencies are ultimately responsible for the implementation of AASB 1059 for their agency which includes ensuring all the preparatory work required for implementation is carried out.

Completion of the Questionnaire in the Attachment is critical to the finalisation of the financial impact for the 2019-20 Budget process.

In addition, a Strategic Information Management System (SIMS) 2020-21 Budget adjustment that reflects the financial impact of applying AASB 1059 will need to be submitted as part of the 2019-20 Mid-year Review process to inform the Government of the 2020-21 Budget starting point.

Yours sincerely

Richard Watson
EXECUTIVE DIRECTOR
INFRASTRUCTURE AND FINANCE
6551 2529
ATTN: CHIEF FINANCE OFFICERS

AASB 1059 ‘SERVICE CONCESSION ARRANGEMENTS: GRANTORS’

This Circular follows the April 2019 Circular and is part of a series of Treasury Circulars providing accounting policy positions and guidance to assist agencies with the implementation of the new accounting standard AASB 1059 ‘Service Concession Arrangements: Grantors’.

The accounting policy positions are mandated for all agencies. This is to facilitate whole-of-government reporting while ensuring that reporting across the public sector is consistent and transparent.

ACCOUNTING POLICY POSITIONS

TRANSITION REQUIREMENTS

Policy Position 1: Agencies not required to apply the accounting standard AASB 16 ‘Leases’ to service concession arrangements

Agencies are not required to apply AASB 16 ‘Leases’ to assets that would be classified as service concession assets in accordance with AASB 1059. Agencies will continue to apply their existing accounting policy to these assets until AASB 1059 is applied.

Policy Position 2: Agencies to adopt the modified retrospective approach on transition to AASB 1059

In accordance with paragraph C3(b), agencies shall apply the Standard retrospectively by recognising and measuring service concession assets and related liabilities at the date of initial application.

The date of initial application is the beginning of the earliest reporting period for which comparative information is presented in the financial statements. Given AASB 1059 is operative from the 2020-21 financial year, the date of initial application is 1 July 2019.

Following the recent amendments to AASB 1059 (refer below), this policy decision withdraws Policy Position 1 issued in the April 2019 Circular which required agencies to adopt the full retrospective approach on transition to AASB 1059.
AASB 1059 GUIDANCE

AASB 2019-2 ‘AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – IMPLEMENTATION OF AASB 1059’

The Australian Accounting Standards Board (AASB) considered stakeholders’ feedback regarding issues in applying the modified retrospective approach on transition to AASB 1059 and in applying AASB 16 ‘Leases’ to service concession arrangements in the 2019-20 financial year at its meeting in September 2019.

As a result, the AASB issued AASB 2019-2 to amend AASB 1059 to specify the financial liability to be recognised at fair value at the date of initial application and modify AASB 16 to provide a practical expedient for grantors not to apply AASB 16 to service concession arrangements in 2019-20.

On initial application of AASB 1059, agencies will:

- measure the deemed cost of a service concession asset (including an existing asset of the grantor reclassified as a service concession asset) at fair value (current replacement cost);
- measure a financial liability arising from a service concession arrangement at fair value (net present value\(^1\)); and
- recognise any differences between the amounts of assets and liabilities as an adjustment to the opening balance of accumulated surplus/(deficit).

In contrast to the previous modified retrospective approach where the financial liability was required to be measured at the fair value (current replacement cost) of the service concession asset, the current measurement of the financial liability would lead to a lower amount. This is because service concession assets are often required to be maintained at a specified level, and therefore their fair value may not have diminished significantly even though the arrangement could end soon. Measuring the financial liability at the fair value of the asset would result in a financial liability being larger than the actual liability to pay cash.

The AASB amendments have alleviated the key concern (net debt impact) of adopting the modified retrospective approach on transition to AASB 1059 back in April 2019. In addition, results from the April 2019 survey indicated that a number of agencies would have difficulties in applying the full retrospective approach. Therefore, this Circular withdraws Policy Position 1 in the April 2019 Circular and requires agencies to adopt the modified retrospective approach.

\(^1\) Discounted by the Western Australian Treasury Corporation’s incremental borrowing rates.
TREASURER’S INSTRUCTIONS

Treasurer’s instruction 1106 ‘Application of Financial Reporting Changes (Transition)’ gives effect to the accounting policy positions contained in this Circular, until being replaced by a Treasurer’s instruction, Accounting Policy Guideline or another Treasury Circular.

AGENCY ACTIONS

RESPONSIBILITY FOR AASB 1059 IMPLEMENTATION

Consistent with previous Circulars, accountable authorities of agencies are ultimately responsible for the implementation of AASB 1059 for their agency which includes ensuring all the preparatory work required for implementation is carried out.

A Strategic Information Management System (SIMS) 2020-21 budget adjustment that reflects the financial impact of applying AASB 1059 is required to be submitted. This will inform government deliberations as part of the 2020-21 Budget starting point.

Yours sincerely

Richard Watson
EXECUTIVE DIRECTOR
INFRASTRUCTURE AND FINANCE
6551 2529
Western Australia


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An Act to establish a framework for government financial planning and reporting, to facilitate public scrutiny of government financial policy and performance, and for related purposes.
Part 1 — Preliminary

1. Short title

This Act may be cited as the Government Financial Responsibility Act 2000.

2. Commencement

This Act commences on the day on which it receives the Royal Assent.

3. Purposes of this Act

(1) The main purposes of this Act are —

(a) to establish a framework for government financial planning with a view to improving government financial outcomes; and

(b) to facilitate public scrutiny of government financial policy and performance.

(2) Nothing in this Act creates rights or duties that are enforceable in judicial or other proceedings.

4. Interpretation

In this Act, unless the contrary intention appears —

Annual Report on State Finances means a report under section 14A;

Australian Accounting Standards means the accounting standards and other requirements issued by the Australian Accounting Standards Board;

budget planning cut-off date, in relation to a budget year, means the date on which the Treasurer notifies the Under Treasurer under section 12(4) that the budget process for that year has been completed;
**budget year** means the financial year to which a budget relates;

**external reporting standards** means —
(a)  the concepts and classifications set out in GFS Australia; and
(b)  the Australian Accounting Standards;

**financial element** has the meaning given in section 7;

**financial management principles** means the financial management principles set out in section 6;

**GFS Australia** means the publication of the Australian Bureau of Statistics known as Government Finance Statistics Australia: Concepts, Sources and Methods, as updated from time to time;

**Government Financial Projections Statement** means a statement under section 12;

**Government Financial Strategy Statement** means a statement under section 11;

**Government Mid-year Financial Projections Statement** means a statement under section 13;

**Pre-election Financial Projections Statement** means a statement under section 15;

**pre-election period** means the period between the issue of the writs for a general election for the Legislative Assembly or the Legislative Council and the date of the general election;

**public sector body** means —
(a)  a department established under section 35 of the Public Sector Management Act 1994; or
(b)  a body, whether corporate or unincorporate, or the holder of an office, post or position, being a body, office, post or position that is established or continued for a public purpose under a written law;

**Quarterly Financial Results Report** means a report under section 16;

**release**, in relation to a statement or report made or to be made under this Act, has the meaning given in section 9;
5. **Obtaining information from public sector bodies**

   (1) The Under Treasurer may, in writing, request a public sector body to provide any information needed to prepare a statement, report or policy costing for the purposes of this Act.

   (2) The Under Treasurer may issue written guidelines to help public sector bodies to provide the information needed to prepare statements, reports and policy costings for the purposes of this Act.

   (3) A public sector body is to comply with a request under subsection (1) within the time, and in the form, specified in the request.

6. **The financial management principles**

   The financial management principles are as follows —

   (a) funding for current services is to be provided by the current generation;

   (b) spending and taxing policies are to be formulated and applied so as to give rise to a reasonable degree of stability and predictability;

   (c) financial risks are to be managed prudently;

   (d) spending and taxing policies are to be formulated and applied with consideration to the effect of these policies on employment and the economic prosperity of the State.

7. **The financial elements**

   (1) For the purposes of this Act, a financial element is —

       (a) the assets of the State;
(b) the liabilities of the State;
(c) the net assets of the State;
(d) the operating expenses of the State;
(e) the operating revenue of the State;
(f) the operating balance of the State; or
(g) any other significant element of the Government’s financial management or performance.

(2) For the purposes of this Act, the amount or value of a financial element is to be calculated in accordance with the principles of the external reporting standards.

8. Matters to be addressed in statements and reports

(1) Financial projections or financial reports released under this Act are to include projections or reports of the matters usually addressed in a general purpose financial report within the meaning of Australian Accounting Standards Board AASB 1049 Whole of Government and General Government Sector Financial Reporting.

(2) A projection or report of an operating surplus or total equity is either to be consolidated in accordance with Australian Accounting Standards Board AASB 1049, or to be calculated in such a way that the projected or reported result is the same as if it had been consolidated in accordance with the Standard.

[Section 8 amended: No. 47 of 2011 s. 27.]

9. Releasing financial statements and reports

(1) Where this Act provides for the release of a statement or report, the statement or report is to be —
   (a) tabled in each House of Parliament; and
   (b) made publicly available.

(2) If a House of the Parliament is not sitting when a statement or report is to be released, the statement or report is to be made
publicly available at that time, and is to be tabled in the House as soon as practicable.

(3) If the Treasurer is not able to release —

(a) an Annual Report on State Finances, and the opinion of the Auditor General referred to in section 14B(1), within the period referred to in section 14A(1); or

(b) a Quarterly Financial Results Report within the period referred to in section 16(2),

the Treasurer is to, before the expiration of that period, inform both Houses of Parliament of the inability to release the report, and the reasons for that inability and the anticipated date the report will be tabled.

[Section 9 amended: No. 5 of 2005 s. 30.]
Part 2 — Government financial planning and reporting

10. Government financial planning

(1) The Government’s financial planning is to be consistent with the financial management principles.

(2) The Government’s financial planning may deviate temporarily from the financial management principles in special circumstances.

(3) If there is any deviation from the financial management principles, the Under Treasurer is to prepare, for inclusion in the next Government Financial Strategy Statement to be released —

(a) a statement of the reasons for the deviation; and

(b) a summary of the Government’s proposed programme for reverting to compliance with the principles.


(1) The Treasurer is to release a Government Financial Strategy Statement at least once in each calendar year.

(2) A Government Financial Strategy Statement is to —

(a) set out the Government’s medium-term targets in relation to the financial element or elements relevant to each target;

(b) explain how the targets are to be achieved;

(c) indicate how the targets are related to the financial management principles;

(d) contain a statement and summary under section 10(3), if required; and

(e) indicate the time frames proposed for achieving the targets.

(3) If the Government makes a significant change in its financial strategy, the Treasurer is to release a new Government Financial
Strategy Statement, dealing with the matters listed in subsection (2), and giving the reasons for the change.

(4) The new Government Financial Strategy Statement is to be released as soon as possible after the change in financial strategy, but in any case no later than when the next Government Financial Projections Statement is released.

(5) If the financial strategy to be dealt with in a Government Financial Strategy Statement has not changed significantly from the financial strategy dealt with in the previous Government Financial Strategy Statement, then, instead of releasing a full Government Financial Strategy Statement in accordance with subsection (2), the Treasurer may release a Government Financial Strategy Statement to the effect that the information in the previous Government Financial Strategy Statement is still current.

12. **Government Financial Projections Statements**

(1) The Treasurer is to release a Government Financial Projections Statement when the appropriation Bills and budget papers for a budget or supplementary budget are tabled in the Legislative Assembly.

(2) A Government Financial Projections Statement is to include the following —

(a) financial projections for the Government for the budget year and the 3 following financial years;

(b) an account of the economic and other assumptions on which the financial projections are based;

(c) an explanation of the implications of the financial projections for meeting the financial targets set out in the most recently released Government Financial Strategy Statement;

(d) an analysis of the degree to which the financial projections are likely to be affected by changes in the
circumstances on which the economic and other assumptions are based;

(e) a statement of any risks, quantified as far as practicable, that could materially affect the financial projections, including particulars of any contingent liabilities and any government negotiations that have not been finalized;

(f) a certificate by the Under Treasurer under subsection (8).

(3) When preparing a Government Financial Projections Statement, the Under Treasurer is to take account of the following —

(a) the implications of all relevant decisions that were taken by the Government before the budget planning cut-off date and that were known to the Under Treasurer on or before that date;

(b) any other information that could have a material effect on the financial projections and that was available to the Under Treasurer on or before the budget planning cut-off date.

(4) When the Treasurer is satisfied that the budget planning process has been completed for a budget year, the Treasurer is to notify the Under Treasurer to that effect.

(5) On or before the budget planning cut-off date, the Treasurer must give the Under Treasurer all available information about government decisions taken before that date —

(a) that has or could have material financial or economic implications relevant to preparing the Government Financial Projections Statement; and

(b) that the Under Treasurer could not reasonably be expected to have already.

(6) The Government Financial Projections Statement does not have to include commercially confidential information.
(7) If information that is otherwise required to be included in a Government Financial Projections Statement is excluded because of subsection (6), the statement must contain a general description of the excluded information.

(8) The Under Treasurer is to certify to the effect that —

(a) the financial projections, and the economic forecasts and assumptions, in the Government Financial Projections Statement were prepared by the Under Treasurer;

(b) the statement takes account of all relevant information available to the Under Treasurer on the budget planning cut-off date;

(c) the statement sets out the implications of all relevant decisions that were known to the Under Treasurer on that date; and

(d) the economic assumptions on which the financial projections in the statement are based were finalized on the date set out in the certificate.

13. **Government Mid-year Financial Projections Statements**

(1) The Treasurer is to release a Government Mid-year Financial Projections Statement not later than 31 December in each budget year.

(2) A Government Mid-year Financial Projections Statement is to include the following —

(a) financial projections for the Government for the budget year and the 3 following financial years;

(b) an account of the economic and other assumptions on which the financial projections are based;

(c) an explanation of the implications of the financial projections for meeting the financial targets set out in the last Government Financial Strategy Statement;

(d) an analysis of the degree to which the financial projections are likely to be affected by changes in the
circumstances on which the economic and other assumptions are based;

(e) a statement of any risks, quantified as far as practicable, that could materially affect the financial projections, including particulars of any contingent liabilities and any government negotiations that have not been finalized;

(f) a certificate by the Under Treasurer under subsection (6).

(3) When preparing a Government Mid-year Financial Projections Statement, the Under Treasurer is to take account of the following —

(a) the implications of all relevant decisions that were taken by the Government before the cut-off date referred to in the certificate under subsection (6) and that are known to the Under Treasurer (excluding any interim decisions taken in the course of planning the budget to be brought down in the next budget year);

(b) any other relevant information available to the Under Treasurer before the cut-off date noted in the certificate under subsection (6).

(4) The Government Mid-year Financial Projections Statement does not have to include commercially confidential information.

(5) If information that is otherwise required to be included in a Government Mid-year Financial Projections Statement is excluded because of subsection (4), the statement must contain a general description of the excluded information.

(6) The Under Treasurer is to certify to the effect that —

(a) the financial projections, and the economic forecasts and assumptions, in the Government Mid-year Financial Projections Statement were prepared by the Under Treasurer;
(b) the statement takes account of all relevant information available to the Under Treasurer on the cut-off date noted in the certificate;

(c) the statement sets out the implications of all relevant decisions that were known to the Under Treasurer on the cut-off date; and

(d) the economic assumptions on which the financial projections in the statement are based were finalized on the date set out in the certificate.

(7) If any information to be included in a Government Mid-year Financial Projections Statement under subsection (2) is the same as information included in the last Government Financial Projections Statement to be released then, instead of setting out the information in full, the Government Mid-year Financial Projections Statement may include a summary of the information, with a note to the effect that the information is unchanged from the previous statement.

(8) If —

(a) the last financial projections statement released before a Government Mid-year Financial Projections Statement is released was a Pre-election Financial Projections Statement; and

(b) the information to be included in the Government Mid-year Financial Projections Statement is the same as information included in the Pre-election Financial Projections Statement,

then, instead of setting out the information in full, the Government Mid-year Financial Projections Statement may consist of a statement to the effect that the information given in the Pre-election Financial Projections Statement is still current.

[14. Deleted: No. 5 of 2005 s. 31.]
14A. Annual Report on State Finances

(1) The Treasurer is to release within the prescribed period —
   (a) an Annual Report on State Finances for each budget year; and
   (b) an opinion of the Auditor General prepared and signed under section 14B(1) in relation to the Annual Report on State Finances.

(2) In subsection (1) —
   **prescribed period** means —
   (a) 90 days after the end of the financial year; or
   (b) the period after the end of the financial year prescribed by the regulations,
   whichever is the shorter period.

(3) An Annual Report on State Finances must —
   (a) be prepared in accordance with external reporting standards;
   (b) include the financial result for the budget year;
   (ba) include an explanation of the factors and considerations that contributed to any material differences between the financial result and the financial projections;
   (bb) include an explanation of the factors and considerations that contributed to any material differences between the financial result and the Government’s medium-term targets applying at the beginning of the budget year; and
   (c) include any other matter described in the regulations.

(4) An Annual Report on State Finances is to be certified in the manner prescribed by the regulations.

[Section 14A inserted: No. 5 of 2005 s. 32(1); amended: No. 5 of 2005 s. 32(2).]
14B. Auditor General’s opinion

(1) The Treasurer is to submit the Annual Report on State Finances to the Auditor General.

(2) The Auditor General is to —
   (a) prepare and sign an opinion on the audit of the Annual Report on State Finances and is to state whether in the opinion of the Auditor General the report —
      (i) has been prepared in accordance with external reporting standards; and
      (ii) has been properly drawn up so as to present fairly the operating results and cashflows of the Government for the budget year and the financial position at the end of the budget year;
   and
   (b) transmit the opinion to the Treasurer.

[(3) deleted]

[Section 14B inserted: No. 5 of 2005 s. 33; amended: No. 77 of 2006 s. 17.]

15. Pre-election Financial Projections Statements

(1) The Under Treasurer is to release a Pre-election Financial Projections Statement within 10 days after the Legislative Assembly is dissolved or expires.

(2) A Pre-election Financial Projections Statement is to include the following —
   (a) financial projections for the Government for the budget year and the 3 following financial years;
   (b) an account of the economic and other assumptions on which the financial projections are based;
   (c) an explanation of the implications of the financial projections for meeting the financial targets set out in the last Government Financial Strategy Statement;
(d) an analysis of the degree to which the financial projections are likely to be affected by changes in the circumstances on which the economic and other assumptions are based;

(e) a statement of any risks, quantified as far as practicable, that could materially affect the financial projections, including particulars of any contingent liabilities and any government negotiations that have not been finalized;

(f) a certificate by the Under Treasurer under subsection (7).

(3) When preparing a Pre-election Financial Projections Statement, the Under Treasurer is to take account of the following —

(a) the implications of all relevant decisions that were taken by the Government before the Legislative Assembly was dissolved or expired and that are known to the Under Treasurer (excluding any interim decisions taken in the course of planning the next budget to be brought down);

(b) any other information available to the Under Treasurer at the end of 3 days after the Legislative Assembly was dissolved or expired.

(4) Within 3 days after the dissolution or expiry of the Legislative Assembly, the Treasurer is to give the Under Treasurer all available information about government decisions taken before the date of dissolution or expiry —

(a) that has or could have material financial or economic implications relevant to preparing the Pre-election Financial Projections Statement; and

(b) that the Under Treasurer could not reasonably be expected to have already.

(5) The Pre-election Financial Projections Statement does not have to include commercially confidential information.
(6) If information that is otherwise required to be included in a Pre-election Financial Projections Statement is excluded because of subsection (5), the statement must contain a general description of the excluded information.

(7) The Under Treasurer is to certify to the effect that —

   (a) the financial projections, and the economic forecasts and assumptions, in the Pre-election Financial Projections Statement were prepared by the Under Treasurer;

   (b) the statement takes account of all relevant information available to the Under Treasurer at the end of 3 days after the Legislative Assembly was dissolved or expired;

   (c) the statement sets out the implications of all relevant decisions that were known to the Under Treasurer at that time; and

   (d) the economic assumptions on which the financial projections in the statement are based were finalized on the date set out in the certificate.

(8) If any information to be included in a Pre-election Financial Projections Statement under subsection (2) is the same as information included in the last Government Financial Projections Statement or the last Government Mid-year Financial Projections Statement (whichever was released later) then, instead of setting out the information in full, the Pre-election Financial Projections Statement may consist of a statement to the effect that the information in the previous statement is still current.

[Section 17 amended: No. 77 of 2006 s. 17.]

16. Quarterly financial statements

(1) The Treasurer is to release a Quarterly Financial Results Report for each quarter ending on the last day of March, September or December setting out the budget result from the beginning of the current financial year to the end of the quarter.
(2) A Quarterly Financial Results Report is to be released within the prescribed period.

(3) In subsection (2) —

*prescribed period* means —

(a) 60 days after the end of the quarter to which the Quarterly Financial Results Report relates; or

(b) the period prescribed by the regulations after the end of the quarter to which the Quarterly Financial Results Report relates,

whichever is the shorter period.

[Section 16 amended: No. 5 of 2005 s. 34.]

17. **Budget papers to include outcomes etc.**

Budget papers are to include —

(a) outcomes;

(b) resource cost; and

(c) the number of full time equivalent staff,

for each outcome for the budget year and each of the 2 preceding years.
Part 3 — Miscellaneous

[Heading inserted: No. 5 of 2005 s. 35.]

18. Regulations

The Governor may make regulations prescribing all matters that by this Act are required or permitted to be prescribed or that are necessary or convenient to be prescribed for giving effect to this Act.

[Section 18 inserted: No. 5 of 2005 s. 35.]
Notes

This is a compilation of the Government Financial Responsibility Act 2000 and includes the amendment made by the other written law referred to in the following table. The table also contains information about any reprint.

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# Defined terms

*This is a list of terms defined and the provisions where they are defined. The list is not part of the law.*

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Government Financial Responsibility
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Western Australia


**Government Financial Responsibility Regulations 2006**

1. **Citation**

These regulations are the *Government Financial Responsibility Regulations 2006*.

2. **Annual Report on State Finances (s. 14A)**

(1) For the purposes of section 14A(3)(c) of the Act, an Annual Report on State Finances is to include —

(a) a statement of the balances as at the end of the budget year, and as at the end of the preceding budget year, of —

(i) the Consolidated Account; and

(ii) the Treasurer’s Advance Account referred to in the *Financial Management Act 2006* section 7(b); and

(iii) the Treasurer’s special purpose accounts referred to in the *Financial Management Act 2006* section 7(c);

and

(b) a statement of the revenue credited to, and the expenditure charged to, the Consolidated Account during the budget year and the net amount credited or charged to the Consolidated Account during that year; and

(c) a statement of —
(i) the payments in respect of extraordinary or unforeseen matters made under the authority of the Financial Management Act 2006 section 27 in the budget year or any Treasurer’s Advance Authorisation Act for the budget year; and

(ii) the net unrecovered balances as at the end of the budget year in respect of the advances made under the authority of the Financial Management Act 2006 section 28 in the budget year or any Treasurer’s Advance Authorisation Act for the budget year.

(2) For the purposes of section 14A(4) of the Act, an Annual Report on State Finances is to be certified —

(a) by the Under Treasurer; and

(b) to the effect that the Annual Report on State Finances —

(i) has been prepared by the Under Treasurer from information provided by public sector bodies; and

(ii) has been prepared in accordance with external reporting standards; and

(iii) in the opinion of the Under Treasurer, presents fairly the operating results and cashflows of the Government for the budget year and the financial position at the end of the budget year.

[Regulation 2 amended: Gazette 24 Jun 2008 p. 2915.]
Notes

1 This is a compilation of the Government Financial Responsibility Regulations 2006 and includes the amendments made by the other written laws referred to in the following table.

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Western Australia

State Trading Concerns Act 1916

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Western Australia

State Trading Concerns Act 1916

An Act to regulate the establishment, carrying on, and management of trading concerns by the Government of the State, and to authorise the continuance or disposal of certain trading concerns, and to extend the functions of certain agencies, and for other relative purposes.

[Long title amended: No. 45 of 1999 s. 4.]

1. Short title and commencement

This Act may be cited as the State Trading Concerns Act 1916, and shall come into operation on a date to be fixed by proclamation¹.

[2. Omitted under the Reprints Act 1984 s. 7(4)(f).]

3. Continuance of specified concerns authorised

The trading concerns mentioned in the Schedule may be continued and carried on under and subject to the provisions of this Act.

4. Application of Act

(1) This Act shall apply to —

(a) the trading concerns mentioned in the Schedule;
(b) such other trading concerns as Parliament may hereafter authorise the establishment of and declare to be subject to this Act.

(2) No trading concerns, other than those to which this Act applies or shall apply, shall unless expressly authorised by Parliament
or under section 4A be hereafter established or carried on by the Government of the State or by any person acting on behalf of such Government or under its authority.

(3) The expression *trading concern* means any concern carried on with the view to making profits or producing revenue, or of competing with any trade or industry now or to be hereafter established, or of entering into any business beyond the usual functions of State Government.

[Section 4 amended: No. 18 of 1997 s. 4.]

4A. Certain activities may be authorised by regulation

(1) In this section —

- *accountable authority* has the meaning given by section 3 of the *Financial Management Act 2006*;

- *financial entity* means —
  
  (a) a department of the Public Service; or
  
  (b) an entity which forms part of a department of the Public Service and which has an accountable authority other than the chief executive officer of the department;

- *Minister responsible*, in relation to a financial entity, means the Minister within the meaning of the *Financial Management Act 2006*.

(2) A trading concern is authorised for the purposes of section 4(2) if —

- (a) the trading concern is carried on by a prescribed financial entity;

- (b) the trading concern consists of a prescribed activity involving the provision (in the State or elsewhere) of —
  
  (i) goods, information or intellectual property;
(ii) scientific, technical, educational, training, management or advisory services; or

(iii) advertising opportunities or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising;

and

(c) the amount of any fee or charge imposed by the financial entity in the course of carrying on the trading concern has been approved by the Minister responsible for the financial entity.

(3) For the purposes of this section, the amount of a fee or charge that is determined in a manner that has been approved by the Minister responsible for a financial entity is to be regarded as having been approved by that Minister.

(4) The Minister responsible for a financial entity may delegate the power to give approval under subsection (2)(c) or (3) in relation to fees or charges imposed by the financial entity to the accountable authority of the financial entity.

(5) A reference in this section to the carrying on of a trading concern by a financial entity includes a reference to the carrying on of a trading concern by the State for that financial entity.

[Section 4A inserted: No. 18 of 1997 s. 5; amended: No. 45 of 1999 s. 5; No. 77 of 2006 s. 6, 9 and Sch. 1 cl. 162(1).]

4B. Extension of statutory functions by regulation

(1) In this section —

accountable authority has the meaning given by section 3 of the Financial Management Act 2006;

chief executive officer has the meaning given by section 3 of the Public Sector Management Act 1994;

Minister means a Minister of the Crown;
**Minister responsible.** in relation to a statutory corporation, means the Minister to whom the administration of the Act under which the statutory corporation is constituted is for the time being committed by the Governor;

**statutory corporation** means —

(a) a Minister or chief executive officer who is constituted as a body corporate under an Act; or

(b) any other body corporate that is constituted for a public purpose under an Act and is an agency of the Crown in right of the State.

(2) Subject to subsections (3) and (5), a prescribed statutory corporation can carry on a prescribed activity involving the provision (in the State or elsewhere) of —

(a) goods, information or intellectual property;

(b) scientific, technical, educational, training, management or advisory services; or

(c) advertising opportunities or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising.

(3) A statutory corporation (other than a Minister) cannot impose a fee or charge in the course of carrying on an activity authorised by subsection (2) unless the amount of the fee or charge has been approved by the Minister responsible for the statutory corporation.

(4) Subsection (2) does not limit any other functions of a statutory corporation, and an activity authorised by subsection (2) may be carried on in addition to those other functions.

(5) Subsection (2) has effect even if the Act under which a statutory corporation is constituted imposes a general prohibition or restriction on entry by the statutory corporation into business undertakings or arrangements, but subsection (2) does not authorise a statutory corporation to carry on an activity if another enactment expressly prevents the statutory corporation from carrying on that activity.
(6) For the purposes of subsection (3), the amount of a fee or charge that is determined in a manner that has been approved by the Minister responsible for a statutory corporation is to be regarded as having been approved by the Minister.

(7) The Minister responsible for a statutory corporation may delegate the power to give approval under subsection (3) or (6) in relation to fees or charges imposed by the statutory corporation —

(a) if the statutory corporation has an accountable authority, to the accountable authority; or

(b) if the statutory corporation is a chief executive officer, to the chief executive officer.

(8) If a Minister is a statutory corporation, the Minister may delegate to the chief executive officer of the agency principally assisting the Minister in the administration of the Act under which the statutory corporation is constituted the power —

(a) to fix the amount of a fee or charge to be imposed by the statutory corporation in the course of carrying on an activity authorised by subsection (2); or

(b) to specify the manner in which the amount of such a fee or charge is to be determined.

(9) If, during a financial year, a statutory corporation enters into a contract in the course of carrying out an activity authorised by subsection (2)(c) —

(a) the identity of the parties to the contract;

(b) the term of the contract;

(c) the amount of any fee or charge referred to in subsection (3) imposed by the statutory corporation in relation to the contract; and

(d) any other information relating to the contract that the Minister responsible for the statutory corporation considers relevant,
are to be included in the annual report of the statutory corporation submitted for that financial year under the Financial Management Act 2006.

(10) If a contract referred to in subsection (9) —

(a) contains a provision of a kind prescribed for the purposes of this subsection; or

(b) is of a type prescribed for the purposes of this subsection,

the Minister responsible for the statutory corporation must cause a copy of the contract to be laid before each House of Parliament within 6 sitting days of the House after the contract is made.

(11) If the contract is not in writing, the reference in subsection (10) to a copy of the contract is a reference to a document setting out the terms and conditions of the contract.

[Section 4B inserted: No. 45 of 1999 s. 6; amended: No. 77 of 2006 Sch. 1 cl. 162(2) and (3).]

5A. Credit card and debit card administration fee

(1) In this section —

credit card means —

(a) an article of a kind commonly known as a credit card; or

(b) any similar article intended for use in obtaining cash, goods or services on credit;

credit or debit card administration fee means a fee, not exceeding the amount approved under this section, for the making of a payment by use of a credit card or debit card;

debit card means an article intended for use by a person in obtaining access to an account that is held by the person for the purpose of withdrawing or depositing cash or obtaining goods or services;

statutory corporation has the meaning given in section 4B(1).
(2) The imposition of a credit or debit card administration fee is authorised for the purposes of section 4(2).

(3) A credit or debit card administration fee can be imposed by a statutory corporation on a person making a payment to the statutory corporation by means of a credit card or debit card.

(4) A credit or debit card administration fee must not exceed the amount approved by the Treasurer.

(5) Different amounts can be approved in relation to different types of credit cards or debit cards.

(6) The amount of a credit or debit card administration fee that is determined in a manner that has been approved by the Treasurer is to be regarded as having been approved by the Treasurer.

[Section 5A inserted: No. 17 of 2010 s. 21.]

5. **Funds**

The funds necessary for the establishment or carrying on of any trading concern shall be such moneys as may from time to time be appropriated by Parliament for the purpose.

6. **Administration — trading concerns to be under the control of Minister**

   (1) Every trading concern shall be under the control of a Minister of the Crown charged by the Governor from time to time with its administration and hereinafter referred to as the Minister.

   (2) The Minister shall be a body corporate with perpetual succession and an official seal and may by such name as the Governor may determine hold real and personal property and sue and be sued in contract or in tort in respect of any matter relating to or connected with the trading concern or arising from the management, maintenance, or carrying on thereof.

   (3) On the appointment of a Minister for any trading concern, all property, assets, and rights vested in the Crown or any person for the purposes of the concern shall become vested in the
s. 7

Minister, and all liabilities of the Crown in respect of the concern shall become liabilities of the Minister.

(4) A Minister appointed to control any of the trading concerns specified in the Schedule shall be deemed the successor of any Minister appointed for the control thereof under the Act hereby repealed, as if such lastmentioned Minister had been incorporated.

(5) No petition of right or other proceeding shall be presented to or maintained against the Crown for any matter in respect of which an action may be brought against a Minister under this section.

7. Agency special purpose account for each concern to be kept in Treasury

(1) An agency special purpose account is established for each trading concern under section 16 of the Financial Management Act 2006, in the name of the concern.

(2) The Treasurer shall place to the credit of such account moneys appropriated by Parliament for the purposes of the trading concern, in such sums as may appear to him to be necessary to meet the financial requirements of the concern.

(3) All moneys received or expended in connection with the operations of the concern shall be credited or debited in the account, together with such other moneys as are hereinafter directed to be entered in such account.

[Section 7 amended: No. 49 of 1996 s. 64; No. 77 of 2006 Sch. 1 cl. 162(4).]

[7A. Deleted: No. 66 of 1984 s. 41.]

8. Contribution of interest and sinking fund

(1) There shall be entered and debited in each year in the banking account of each concern —

(a) such amounts as shall be fixed by the Treasurer as the interest and sinking fund contributions payable for the
year in respect of such portion of the Consolidated Account as shall have been applied to the purposes of the undertaking;

(b) such further contributions to a sinking fund as may be approved by the Treasurer to be necessary to produce the principal of the aforesaid portion of the Consolidated Account or any other capital expenditure at such earlier date (if any) as may be prescribed by the Governor.

[(2) deleted]

(3) The accrued interest on the sinking fund contributions as certified by the Under Treasurer shall be incorporated in the accounts of each trading concern.

[Section 8 amended: No. 98 of 1985 s. 3; No. 6 of 1993 s. 15; No. 77 of 2006 s. 4; No. 17 of 2014 s. 41(2).]

9. Interest on capital expenditure from Consolidated Account

(1) Interest on the daily balance of money provided out of moneys standing to the credit of the Consolidated Account shall be charged in the books of each trading concern. The amount of such interest shall be credited to the Consolidated Account half-yearly or at such other time as the Treasurer shall direct.

(2) The rate of interest shall be from time to time, fixed by the Treasurer.

[Section 9 amended: No. 6 of 1993 s. 11; No. 49 of 1996 s. 64; No. 77 of 2006 s. 4.]

10. Charges for use of property and services

(1) There shall be entered and debited in the banking account of each trading concern such sum as in the opinion of the Treasurer represents the value of the use for the purposes of the concern of Government buildings or other property, or of part services of any Government officers not wholly employed upon the concern, or of services rendered by any Government Department.
(2) Any amount debited under this section shall be treated as revenue to be credited to the Consolidated Account as and when directed by the Treasurer; provided that, where a departmental vote has already been debited in the current financial year, then the amount shall be credited to such vote or treated as a rebate of the departmental expenditure where the annual estimates of such department provide for a rebate of expenditure.

[Section 10 amended: No. 6 of 1993 s. 11; No. 49 of 1996 s. 64; No. 77 of 2006 s. 4.]

[11. Deleted: No. 98 of 1985 s. 3.]

12. Temporary investment of moneys

All moneys standing to the credit of an account for the capital expenditure of a trading concern may, until required for the purposes of the concern, be temporarily invested, as the Treasurer may direct, in any securities wherein moneys standing to the credit of the Public Bank Account constituted under the Financial Management Act 2006 may lawfully be invested, and all interest thereon shall be credited to the account in respect of which the moneys have been invested.

[Section 12 amended: No. 98 of 1985 s. 3; No. 49 of 1996 s. 64; No. 77 of 2006 Sch. 1 cl. 162(5).]

13. Balance to be carried forward

The balance standing to the credit of the banking account of a trading concern at the end of every financial year shall be applied as the Governor may direct, and, in the absence of any direction, shall be carried forward to the next year’s account.


The provisions of the Financial Management Act 2006 and the Auditor General Act 2006 regulating the financial administration, audit and reporting of statutory authorities apply to and in respect of every trading concern and its operations.
15. **Depreciation**

The Treasurer shall determine the amount of the depreciation of the assets of any trading concern.

[16. **Deleted: No. 98 of 1985 s. 3.]**

17. **Provision to meet deficiency pending appropriation**

(1) If the revenue receipts of any trading concern are insufficient to meet the working expenses during the financial year, the deficiency shall be provided out of the working capital shown in the Schedule, or provided by Parliamentary appropriation, as the case may be.

(2) If the funds (including working capital) of any trading concerns are insufficient to meet requirements during the financial year, the trading concern may borrow from the Treasurer.

[Section 17 amended: No. 98 of 1985 s. 3.]

18. **Treatment of profit and loss**

The profit or loss for each trading concern for each financial year, when ascertained, shall be treated in such manner as the Treasurer shall direct, but any profit available in cash and not required for the purposes of the concern shall be credited to the Consolidated Account.

[Section 18 amended: No. 6 of 1993 s. 11; No. 49 of 1996 s. 64; No. 77 of 2006 s. 4.]

[19-22. **Deleted: No. 98 of 1985 s. 3.]**

23. **Transfer of assets to a trading concern**

(1) Where any of the fixed or floating assets purchased out of Loan or Revenue Funds not provided under this Act or the Government Trading Concerns Act 1912, have been or may...
hereafter be transferred to a trading concern such assets shall be
deemed the assets of such concern, and shall be incorporated by
transfer entries in the books of the trading concern.

(2) The Treasurer shall require the trading concern to be charged
annually with interest, and a contribution to the sinking fund on
the capital value (as may be determined) of such assets.

(3) The rate of interest and contribution to the sinking fund shall be
fixed by the Treasurer.

24. Transfer of assets between trading concerns

(1) Where any of the assets of a trading concern purchased out of
the funds provided under this Act or the Government Trading
Concerns Act 1912, have been transferred to another trading
concern in existence or hereinafter to be created, transfer entries
shall be passed in the books of each concern, reducing and
increasing the capital of the concerns.

(2) The proportion of interest and sinking fund contribution charges
in respect of such assets, shall be adjusted accordingly, or in
such manner as the Treasurer shall direct.

25. Power to sell or lease trading concerns

The Minister may sell or lease any trading concern for such
amount, and upon such terms and conditions as may be
approved by the Governor in Council.

[Section 25 amended: No. 46 of 1930 s. 2.]

[26. Deleted: No. 17 of 2014 s. 41(3).]

26A. Discontinuance of State Quarry, Boya

(1) In this section —

appointed day means 31 August 1950;

concern means the State trading concern known as the State
Quarry, Boya;
26A. Amalgamation of State Saw Mills and State Brick Works into one trading concern as State Building Supplies

(1) In this section —

appointed day means the day on which the State Trading Concerns Act Amendment Act 1956, comes into operation;

Minister means Minister of the Crown for the time being charged with the administration of the trading concern formed, pursuant to this section, by the amalgamation of the State trading concerns known as State Saw Mills and State Brick Works.

(2)(a) On the appointed day the State trading concerns mentioned in the Schedule, which immediately prior to that day were known
and being carried out as State Saw Mills and State Brick Works shall, by force of this section, become amalgamated and form one trading concern.

(b) The Governor may from time to time charge one of the Ministers of the Crown with the administration of the trading concern so formed.

(c) The trading concern so formed shall on and after the appointed day be subject to this Act and be carried on under the control of the Minister who shall be a body corporate by the name of “State Building Supplies”, with perpetual succession and an official seal, and may by that name and for the purposes of the trading concern hold real and personal property and sue and be sued in contract or in tort in respect of any matter relating to or connected with it or arising from the management, maintenance, or carrying on of the concern.

(d) Upon the amalgamation of the trading concerns referred to in paragraph (a) —

(i) all the property, assets and rights vested in the corporate bodies by and in whose names those concerns were, prior to the amalgamation, carried on or in any other person or body for the purposes of both or either of those concerns shall cease to be so vested and shall be vested in the Minister;

(ii) all the liabilities and obligations of both or either of those concerns shall become the liabilities and obligations of the Minister;

(iii) the corporate bodies by and in whose names those concerns were, prior to the amalgamation, carried on shall be dissolved.

(e) On and after the amalgamation so referred to —
(i) actions and other proceedings already commenced by or against either of those concerns may be continued by or against the Minister;

(ii) actions and other proceedings which at the date of the amalgamation could have been brought by or against either of those concerns may be brought by or against the Minister.

(3) No action or other proceeding shall be maintained against the Crown for any matter in respect of which an action or proceeding may be brought against the Minister under this section.

(4) Upon application by the Minister persons authorised or required by Act to record transactions affecting estates and interests in land shall make such records as are necessary to give effect to the vesting in the Minister of any estate or interest in land in accordance with the provisions of this section.

(5) For the purposes of section 17, the working capital of the trading concern formed by the amalgamation of the trading concerns as provided in subsection (2) shall be the aggregate of the working capital of both those concerns as at the appointed day.

[Section 26B inserted: No. 26 of 1956 s. 3.]

26C. The West Australian Meat Export Works

(1) In this section —

appointed day means the day on which the Acts Amendment (Western Australian Meat Commission) Act 1975 ¹, comes into operation;

corporate body means the corporate body hitherto authorised to carry on the concern under this Act;

concern means The West Australian Meat Export Works established as a State Trading Concern under that name pursuant to the West Australian Meat Export Works Act 1942 ³;
the Commission means the Western Australian Meat Commission constituated pursuant to the Abattoirs Act 1909.

(2) On and after the appointed day, pursuant to the provisions of the Abattoirs Act 1909 and by virtue of this section —

(a) the concern shall cease to be carried on pursuant to this Act and shall be carried on by the Commission pursuant to the Abattoirs Act 1909; and

(b) the corporate body shall be deemed to have been preserved and continued in existence under and subject to the provisions of the Abattoirs Act 1909 under the name Western Australian Meat Commission.

[Section 26C inserted: No. 70 of 1975 s. 35.]

27. Settlement of disputes

All matters in dispute between a trading concern and any Government department arising out of the operations of such trading concern shall be referred to the Treasurer, and the decision of the Treasurer upon all such matters in dispute shall be final.

28. Regulations

The Governor may make regulations prescribing all matters that are required or permitted by this Act to be prescribed, or are necessary or convenient to be prescribed for giving effect to the purposes of this Act.

[Section 28 inserted: No. 18 of 1997 s. 6.]
Schedule — Continuing trading concerns

[Heading amended: No. 19 of 2010 s. 4.]

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>State Building Supplies</td>
<td>Felling, conversion, and marketing of timber, including all expenses incurred in dealing, purchasing, selling, and transportation (local and overseas), and any other business appertaining or incidental to the Timber Trade Trading and General Stores, and performing services incidental to settlements at various Timber Stations Chartering of vessels for transport of timber and return freights, payment of wages, purchase of ships' stores, maintenance, etc., necessary to the navigation of vessels so chartered Production and sale of all classes of pressed and other bricks, and any other business appertaining or incidental to brick-making or brick yards, with shale and clay deposits</td>
<td>$...</td>
<td>$...</td>
<td>$...</td>
<td>$...</td>
</tr>
<tr>
<td>State Implement and Engineering Works</td>
<td>General engineering and jobbing work, manufacture, and sale of agricultural and farming machinery, accessories and spare parts; purchase and sale of imported agricultural and farming machinery, spare parts, oil, twine, and general farming and agricultural sundries, and the carrying on of any business appertaining or incidental to above, including the purchase of stores and raw material required; establishing of Agencies on Commission,</td>
<td>188,940</td>
<td>461,060</td>
<td>100,000</td>
<td>750,000</td>
</tr>
</tbody>
</table>

As at 06 Sep 2014

Version 04-f0-03

Published on www.legislation.wa.gov.au
### State Trading Concerns Act 1916

**Schedule**

Continuing trading concerns

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</tr>
</thead>
<tbody>
<tr>
<td>State Shipping Service</td>
<td>To manage, maintain, control, and operate vessels purchased, taken on lease or hire or acquired by the Government of Western Australia. To establish agencies and depots and to perform all such acts as may be necessary in the conduct of a shipping business. To act as Agents for the Government of Western Australia or any other persons in connection with the operating of vessels or cargo. To carry on any other business on behalf of the Government of Western Australia that can be conveniently conducted in conjunction with above.</td>
<td>$484,000</td>
<td>$120,000</td>
<td>$46,000</td>
<td>$70,000</td>
</tr>
<tr>
<td>State Hotels</td>
<td>Licensed Victualler. To carry out the provisions of Part VI of the Licensing Act in accordance with Local Option Poll taken in 1911</td>
<td>$78,800</td>
<td>Nil</td>
<td>1,700</td>
<td>500</td>
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<tr>
<td>Meat Distribution</td>
<td>Retailing meat, and all acts necessary and incidental thereto for the purpose of controlling the retail price thereof</td>
<td>$1,970</td>
<td>2,000</td>
<td>1,200</td>
<td>4,000</td>
</tr>
<tr>
<td>Shipment of North-West Cattle</td>
<td>Purchasing and shipping cattle from North-West to Metropolis for purpose of ensuring supplies during War and regulating wholesale prices of meat</td>
<td>Nil</td>
<td>Nil</td>
<td>...</td>
<td>20,000</td>
</tr>
<tr>
<td>State Fish Supply</td>
<td>To procure fish and retail to the public, and all acts incidental of and necessary thereto</td>
<td>$12,200</td>
<td>2,000</td>
<td>1,200</td>
<td>2,000</td>
</tr>
</tbody>
</table>

[Schedule amended: No. 5 of 1932 s. 3; No. 10 of 1950 s. 4; No. 26 of 1956 s. 4; No. 113 of 1965 s. 8(1).]
Notes

This is a compilation of the *State Trading Concerns Act 1916* and includes the amendments made by the other written laws referred to in the following table. The table also contains information about any reprint.

<table>
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<tr>
<th>Short title</th>
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<th>Assent</th>
<th>Commencement</th>
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</thead>
<tbody>
<tr>
<td>State Trading Concerns Act 1916</td>
<td>12 of 1917 (7 Geo. V No. 32)</td>
<td>28 Mar 1917</td>
<td>1 Apr 1917 (see s. 1 and Gazette 25 May 1917 p. 849)</td>
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<tr>
<td>State Trading Concerns Act Amendment Act 1930</td>
<td>46 of 1930 (21 Geo. V No. 46)</td>
<td>30 Dec 1930</td>
<td>30 Dec 1930</td>
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<td>State Trading Concerns Act Amendment Act (No. 2) 1932</td>
<td>5 of 1932 (23 Geo. V No. 5)</td>
<td>31 Oct 1932</td>
<td>1 Apr 1933 (see s. 2 and Gazette 13 Apr 1933 p. 564)</td>
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<td>State Trading Concerns Act Amendment Act 1950</td>
<td>10 of 1950 (14 Geo. VI No. 10)</td>
<td>17 Nov 1950</td>
<td>17 Nov 1950</td>
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<td>State Trading Concerns Act Amendment Act 1956</td>
<td>26 of 1956 (5 Eliz. II No. 26)</td>
<td>29 Nov 1956</td>
<td>1 Jul 1957 (see s. 2 and Gazette 24 May 1957 p. 1491)</td>
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<td>Decimal Currency Act 1965</td>
<td>113 of 1965</td>
<td>21 Dec 1965</td>
<td>Act other than s. 4-9: 21 Dec 1965 (see s. 2(1)); s. 4-9: 14 Feb 1966 (see s. 2(2))</td>
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<td>State Trading Concerns Act Amendment Act 1968</td>
<td>9 of 1968</td>
<td>26 Sep 1968</td>
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Reprint of the *State Trading Concerns Act 1916* approved 9 Feb 1973 (includes amendments listed above)

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<td>State Engineering Works Act 1984 s. 41</td>
<td>66 of 1984</td>
<td>5 Nov 1984</td>
<td>1 Jan 1985 (see s. 2 and Gazette 7 Dec 1984 p. 4017)</td>
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<td>Acts Amendment (Financial Administration and Audit) Act 1985 s. 3</td>
<td>98 of 1985</td>
<td>4 Dec 1985</td>
<td>1 Jul 1986 (see s. 2 and Gazette 30 Jun 1986 p. 2255)</td>
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### State Trading Concerns Act 1916

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<td>Financial Administration Legislation Amendment Act 1993 s. 11 and 15</td>
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<td>18 of 1997</td>
<td>8 Jul 1997</td>
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<td>11 Sep 2010 (see s. 2(b) and Gazette 10 Sep 2010 p. 4341)</td>
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<td>Statutes (Repeals and Minor Amendments) Act 2014 s. 41</td>
<td>17 of 2014</td>
<td>2 Jul 2014</td>
<td>6 Sep 2014 (see s. 2(b) and Gazette 5 Sep 2014 p. 3213)</td>
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2 Repealed by section 2 of this Act.


4 Under the Acts Amendment (Meat Industry) Act 1985 s. 37, a reference to the Western Australian Meat Commission in a written law, in relation to its meat marketing operations, was, unless the context was such that it would be inappropriate, to be read as a reference to the Western Australian Meat Marketing Corporation. The Western Australian Meat Marketing Corporation has not existed since the Marketing of Meat Act 1971 expired as a result of the amendment made to it by the Marketing of Meat Amendment Act 1999 s. 14.

Under the *State Engineering Works Act 1984* s. 39 a reference to the State Implement and Engineering Works in a written law is to be read, deemed and taken to refer to the State Engineering Works of Western Australia established by the *State Engineering Works Act 1984*. The *State Engineering Works Act 1984* was repealed by the *State Engineering Works Repeal Act 1988*.

Marginal notes referring to other legislation have been omitted from this reprint.

The *State Trading Concerns Act Amendment Act (No. 2) 1932* was repealed before it commenced by the *Statute Law Revision Act 2006* s. 3(1).
### Defined terms

(This is a list of terms defined and the provisions where they are defined. The list is not part of the law.)

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Western Australia

State Trading Concerns Act 1916

State Trading Concerns (Authorisation) Regulations 1998

As at 18 Oct 2019
Version 06-a0-01
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Western Australia

State Trading Concerns (Authorisation) Regulations 1998

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Western Australia

State Trading Concerns Act 1916

State Trading Concerns (Authorisation) Regulations 1998

1. Citation

These regulations may be cited as the State Trading Concerns (Authorisation) Regulations 1998.

2. Prescribed financial entities (Act s. 4A(2)(a))

The financial entities set out in Schedule 1 Part 1 are prescribed financial entities for the purposes of section 4A(2)(a) of the Act.

3. Prescribed activities by financial entities (Act s. 4A(2)(b))

The activities set out in Schedule 1 Part 2 are prescribed activities for the financial entities to which they relate, for the purposes of section 4A(2)(b) of the Act.

4. Prescribed statutory corporations (Act s. 4B(2))

The statutory corporations set out in Schedule 2 Part 1 are prescribed statutory corporations for the purposes of section 4B(2) of the Act.

[Regulation 4 inserted: Gazette 18 Feb 2000 p. 916.]
5. **Prescribed activities by statutory corporations (Act s. 4B(2))**

The activities set out in Schedule 2 Part 2 are prescribed activities for the prescribed statutory corporations to which they relate, for the purposes of section 4B(2) of the Act.

*Regulation 5 inserted: Gazette 18 Feb 2000 p. 916.*
Schedule 1

[Heading inserted: Gazette 31 Aug 1999 p. 4261.]

Part 1 — Prescribed financial entities (regulation 2)

[Heading inserted: Gazette 31 Aug 1999 p. 4261.]

Commissioner for Equal Opportunity
Department of Communities
Department for Planning and Infrastructure
Department of Consumer and Employment Protection
Department of Environment and Conservation
Department of Finance
Department of Fire and Emergency Services
Department of Fisheries
Department of Health
Department of Industry and Resources
Department of Culture and the Arts
Department of Premier and Cabinet
Department of the Attorney General
Department of the State Heritage Office
Department of Transport
Department of Water
Mental Health Commission
Schedule 1
Part 2               Prescribed activities (regulation 3)

Office of the Auditor General
Public Sector Commission
Western Australia Police Service


Part 2 — Prescribed activities (regulation 3)

[Heading inserted: Gazette 31 Aug 1999 p. 4261.]

Commissioner for Equal Opportunity

The provision by the Commissioner for Equal Opportunity of training services related to promoting the objects of the Equal Opportunity Act 1984.

Department for Planning and Infrastructure

The provision by the Department for Planning and Infrastructure (in the State or elsewhere) of goods, information, or intellectual property relating to transport matters.

Department of Communities

The sale by the Department of Communities of goods, information or intellectual property, relating to community development.

The provision or sale by the Department of Communities of advertising opportunities or opportunities having a purpose similar to advertising.

The provision by the Department of Communities of training, management or advisory services, relating to community development.
Department of Consumer and Employment Protection

The provision by the Department of Consumer and Employment Protection —

(a) of services to overseas clients, including training, and services of a technical, educational, managerial and advisory nature;

(b) generally, of goods, information and intellectual property, and of services, relating to consumer protection matters;

(c) of goods (including technical and safety publications), information and intellectual property relating to technical and safety issues in the energy industry;

(d) specifically, of —

(i) intellectual property; and

(ii) the sale or provision of advertising opportunities, or opportunities having a purpose similar to advertising, relating to Worksafe Western Australia.

Department of Environment and Conservation

The provision by the Department of Environment and Conservation of goods, information or intellectual property, scientific, technical, educational, training, management or advisory services relating to activities it carries out.

The provision or sale by the Department of Environment and Conservation of advertising opportunities, or opportunities having a purpose similar to advertising in relation to its activities.

Department of Finance

The provision by the Department of Finance of —

(a) goods, information or intellectual property; and

(b) scientific, technical, educational, training, management or advisory services,

relating to services provided by, or activities carried out by, the Department of Finance.
Department of Fire and Emergency Services

The provision by the Department of Fire and Emergency Services of advertising opportunities, by means of arrangements under which property of that department specified in the arrangements may be used for the display of advertising, in return for money or goods.

Department of Fisheries

The sale by the Department of Fisheries of publications relating to fisheries matters.

The provision or sale by the Department of Fisheries of advertising opportunities, or opportunities having a purpose similar to advertising.

The provision or sale by the Department of Fisheries of physical resources, information, intellectual property, scientific, technical, educational, training, management or advisory services to the Commonwealth Government or the private sector (whether in Australia or overseas).

Department of Health

The provision by the Department of Health of goods, information or intellectual property relating to health matters.

Department of Industry and Resources

The sale, leasing or licensing of intellectual property or software that is or has been developed by the Department of Industry and Resources.

The provision of management, advisory and training services relating to activities developed or currently carried out, by the Department of Industry and Resources.

The provision by the Department of Industry and Resources of advertising opportunities, or opportunities having a purpose similar to advertising, in relation to its activities.

Department of Culture and the Arts

Participation in the marketing, licensing and sale of intellectual property associated with a grants administration system developed primarily to administer the arts funding division of the Department.
Participation in the licensing and sale of intellectual property associated with any multimedia productions, developed by the Department either singly or jointly, that relate to the subjects of culture or the arts.

**Department of Premier and Cabinet**

The provision by the Department of Premier and Cabinet of —

(a) goods, information, or intellectual property; or
(b) training, management, or advisory services; or
(c) advertising opportunities, or opportunities to participate in arrangements having a purpose similar to advertising.

**Department of the Attorney General**

The provision by the Department of the Attorney General of —

(a) goods, information or intellectual property; and
(b) scientific, technical, educational, training, management or advisory services,

relating to services provided by, or activities carried out by, the Department of the Attorney General.

**Department of the State Heritage Office**

The provision by the Department of the State Heritage Office of —

(a) goods, information or intellectual property; and
(b) scientific, technical, educational, training, management or advisory services,

relating to Fremantle Prison.

**Department of Transport**

The provision or sale by the Department of Transport of advertising opportunities, or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising, in relation to its activities.
Department of Water

The provision by the Department of Water of —

(a) goods, information or intellectual property; and
(b) scientific, technical, educational, training, management or advisory services; and
(c) advertising opportunities, or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising,

relating to activities carried out by the Department of Water.

Mental Health Commission

The provision by the Mental Health Commission of —

(a) goods, information, or intellectual property, relating to mental health; and
(b) advertising opportunities, or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising, relating to mental health.

Office of the Auditor General

The provision by the Office of the Auditor General of information or intellectual property, and training, management or advisory services, relating to auditing, and other activities developed, or currently carried out, by the Office of the Auditor General.

Public Sector Commission

The provision by the Public Sector Commission of —

(a) training services; or
(b) advertising opportunities, or opportunities to participate in arrangements having a purpose similar to advertising.
Western Australia Police Service

The provision by the Western Australia Police Service of goods, information or intellectual property, technical, educational, training, management or advisory services relating to services provided by or activities carried out by Western Australia Police Service.

Schedule 2

[Heading inserted: Gazette 18 Feb 2000 p. 917.]

Part 1 — Prescribed statutory corporations (regulation 4)

[Heading inserted: Gazette 18 Feb 2000 p. 917.]

Botanic Gardens and Parks Authority
Chemistry Centre (WA)
Commissioner of Main Roads
Disability Services Commission
FES Ministerial Body
Metropolitan Cemeteries Board
Perth Theatre Trust
Small Business Development Corporation
Swan River Trust
The Western Australian Government Railways Commission
Western Australian Sports Centre Trust
Wheatbelt Development Commission
WorkCover Western Australia Authority

Part 2 — Prescribed activities (regulation 5)

[Heading inserted: Gazette 18 Feb 2000 p. 917.]

Botanic Gardens and Parks Authority

The provision by the Botanic Gardens and Parks Authority of scientific, technical, educational, training, management or advisory services relating to the functions of the Botanic Gardens and Parks Authority.

Chemistry Centre (WA)

The provision by the Chemistry Centre (WA) of scientific support (primarily chemistry based) to industry and to the public.

In this item —

scientific support includes —

(a) providing analytical information; and
(b) providing expert advice and expert evidence; and
(c) solving problems; and
(d) carrying out investigative and applied research projects.

Commissioner of Main Roads

The provision by the Commissioner of Main Roads of —

(a) goods (including technical publications), information or intellectual property, relating to the functions of the Commissioner; or
(b) advertising opportunities, or opportunities having a purpose similar to advertising, by means of entering into arrangements under which advertising may be displayed on or above highways and main roads.

Disability Services Commission

The sale, leasing or licensing by the Disability Services Commission of goods, information, publications or intellectual property relating to disability services.
The provision or sale by the Disability Services Commission of advertising opportunities or opportunities having a purpose similar to advertising, relating to disability services.

The provision by the Disability Services Commission of educational, training, management or advisory services relating to disability services.

**FES Ministerial Body**

The provision by the FES Ministerial Body (as established by the *Fire and Emergency Services Act 1998* section 5) of advertising opportunities, by means of arrangements under which property of the FES Ministerial Body specified in the arrangements may be used for the display of advertising, in return for money or goods.

**Metropolitan Cemeteries Board**

The provision by the Metropolitan Cemeteries Board of —

(a) the cemetery renewal manual and records system and enhancements of the manual or system; and

(b) scientific, technical, educational, training, management or advisory services relating to cemetery management services; and

(c) advertising opportunities on the Board’s property.

**Perth Theatre Trust**

The provision by the Perth Theatre Trust of management services relating to the issue and sale of admission tickets for events at a venue that is not a theatre as defined in the *Perth Theatre Trust Act 1979* section 3(1).

**Small Business Development Corporation**

The provision by Small Business Development Corporation of —

(a) goods, information, or intellectual property developed by the Corporation; or

(b) scientific, technical, educational, training, management, or advisory services; or

(c) advertising opportunities.
Swan River Trust

The provision by the Swan River Trust of —

(a) goods, information or intellectual property relating to the functions of the Trust; or

(b) scientific, technical, educational, training, management or advisory services relating to the functions of the Trust; or

(c) advertising opportunities or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising in connection with the functions of the Trust.

The Western Australian Government Railways Commission

The provision (in the State or elsewhere) by The Western Australian Government Railways Commission of training, management, or advisory services.

Western Australian Sports Centre Trust

The provision by the Western Australian Sports Centre Trust of —

(a) goods, information or intellectual property relating to the functions of the Trust; or

(b) scientific, technical, educational, training, management or advisory services relating to the functions of the Trust; or

(c) advertising opportunities or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising in connection with the functions of the Trust.

Wheatbelt Development Commission

The provision by the Wheatbelt Development Commission of —

(a) goods, information or intellectual property developed by the Commission; or

(b) scientific, technical, educational, training, management or advisory services; or
(c) advertising opportunities.

WorkCover Western Australia Authority

The sale, leasing or licensing by the WorkCover Western Australia Authority of intellectual property or software that is, or has been, developed to meet the operational requirements of the WorkCover Western Australia Authority.

Notes

This is a compilation of the *State Trading Concerns (Authorisation) Regulations 1998* and includes the amendments made by the other written laws referred to in the following table. The table also contains information about any reprint.

## Compilation table

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<tr>
<td><em>State Trading Concerns (Authorization) Amendment Regulations (No. 4) 1999</em></td>
<td>31 Aug 1999 p. 4261-4</td>
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### Reprint of the *State Trading Concerns (Authorization) Regulations 1998* as at 15 Sep 2000 (includes amendments listed above)

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<td>State Trading Concerns (Authorization) Amendment Regulations (No. 6) 2000</td>
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<td>State Trading Concerns (Authorization) Amendment Regulations (No. 2) 2001</td>
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<td>State Trading Concerns (Authorization) Amendment Regulations (No. 2) 2002</td>
<td>7 Jun 2002 p. 2732-3</td>
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<td>1 Jul 2003 p. 2663-4</td>
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<td>State Trading Concerns (Authorisation) Amendment Regulations (No. 3) 2003</td>
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<td>State Trading Concerns (Authorisation) Amendment Regulations (No. 5) 2003</td>
<td>19 Mar 2004 p. 915-16</td>
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<td>State Trading Concerns (Authorisation) Amendment Regulations (No. 10) 2003</td>
<td>19 Mar 2004 p. 916-17</td>
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**Reprint 2:** The State Trading Concerns (Authorisation) Regulations 1998 as at 6 Aug 2004 (includes amendments listed above)

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<td>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2004</td>
<td>1 Oct 2004 p. 4285</td>
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<td>State Trading Concerns (Authorisation) Amendment Regulations (No. 3) 2005</td>
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<td>15 Nov 2005</td>
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<td>17 Mar 2006 p. 1028</td>
<td>17 Mar 2006 (see r. 2)</td>
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**Reprint 3:** The State Trading Concerns (Authorisation) Regulations 1998 as at 1 Dec 2006 (includes amendments listed above)

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<td>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2006</td>
<td>22 Dec 2006 p. 5809-10</td>
<td>1 Jan 2007 (see r. 2 and Gazette 8 Dec 2006 p. 5369)</td>
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<td>State Trading Concerns (Authorisation) Amendment Regulations 2007</td>
<td>13 Jul 2007 p. 3454-5</td>
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<td>23 May 2008 p. 1994-5</td>
<td>r. 1 and 2: 23 May 2008 (see r. 2(a)); Regulations other than r. 1 and 2: 24 May 2008 (see r. 2(b))</td>
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<td>26 Feb 2010 p. 817-18</td>
<td>r. 1 and 2: 26 Feb 2010 (see r. 2(a)); Regulations other than r. 1 and 2: 27 Feb 2010 (see r. 2(b))</td>
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<td>State Trading Concerns (Authorisation) Amendment Regulations 2010</td>
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<td>Public Sector Reform (Consequential Amendments) Regulations 2011 Pt. 9</td>
<td>11 Feb 2011 p. 502-7</td>
<td>12 Feb 2011 (see r. 2(d))</td>
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<td>State Trading Concerns (Authorisation) Amendment Regulations 2011</td>
<td>23 Sep 2011 p. 3820-1</td>
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<td>8 Nov 2011 p. 4676-7</td>
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<td>29 Jun 2012 p. 2965-6</td>
<td>r. 1 and 2: 29 Jun 2012 (see r. 2(a)); Regulations other than r. 1 and 2: 30 Jun 2012 (see r. 2(b))</td>
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<th>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2012</th>
<th>18 Dec 2012</th>
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**Reprint 5: The State Trading Concerns (Authorisation) Regulations 1998 as at 5 Apr 2013 (includes amendments listed above)**

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<td>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2015</td>
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<td>r. 1 and 2: 15 Sep 2015 (see r. 2(a)); Regulations other than r. 1 and 2: 16 Sep 2015 (see r. 2(b))</td>
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<td>State Trading Concerns (Authorisation) Amendment Regulations 2016</td>
<td>24 Jun 2016</td>
<td>r. 1 and 2: 24 Jun 2016 (see r. 2(a)); Regulations other than r. 1 and 2: 1 Jul 2016 (see r. 2(b)) and Gazette 24 Jun 2016 p. 2291</td>
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<td>State Trading Concerns (Authorisation) Amendment Regulations 2018</td>
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<td>r. 1 and 2: 31 Aug 2018 (see r. 2(a)); Regulations other than r. 1 and 2: 1 Sep 2018 (see r. 2(b))</td>
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**Reprint 6: The State Trading Concerns (Authorisation) Regulations 1998 as at 18 Oct 2019 (includes amendments listed above)**

   2 Under the Alteration of Statutory Designations Order 2017 cl. 6, a reference in any law to the Department for Planning and Infrastructure is to be read and construed as a reference to the relevant successor unless the context of the reference requires otherwise. In cl. 6 —

   relevant successor means —
   (a) the Department of Planning, Lands and Heritage if the reference to be read and construed relates to a function, office or other matter.
that on 1 July 2017 becomes a function of, office in or other matter relating to that department; or

(b) the Department of Primary Industries and Regional Development if the reference to be read and construed relates to a function, office or other matter that on 1 July 2017 becomes a function of, office in or other matter relating to that department; or

(c) the Department of Transport if the reference to be read and construed relates to a function, office or other matter that on 1 July 2009 became a function of, office in or other matter relating to that department.

3 Under the Public Sector Management Act 1994 the designation of the Department of Consumer and Employment Protection was altered to the Department of Commerce (see Gazette 2 Jan 2009 p. 8).

Under the Alteration of Statutory Designations Order 2017 cl. 3, a reference in any law to the Department of Commerce is to be read and construed as a reference to the relevant successor unless the context of the reference requires otherwise.

In cl. 3 —

relevant successor means —

(a) the Department of Jobs, Tourism, Science and Innovation if the reference to be read and construed relates to a function, office or other matter that on 1 July 2017 becomes a function of, office in or other matter relating to that department; or

(b) the Department of Mines, Industry Regulation and Safety if the reference to be read and construed relates to a function, office or other matter that on 1 July 2017 becomes a function of, office in or other matter relating to that department.

4 Under the Alteration of Statutory Designations Order 2017 cl. 4, a reference in any law to the Department of Environment and Conservation is to be read and construed as a reference to the Department of Biodiversity, Conservation and Attractions unless the context of the reference requires otherwise.

5 Under the Alteration of Statutory Designations Order 2017 cl. 8, a reference in any law to the Department of Fisheries is to be read and construed as a reference to the Department of Primary Industries and Regional Development unless the context of the reference requires otherwise.

6 Under the Alteration of Statutory Designations Order 2017 cl. 8, a reference in any law to the Department of Industry and Resources is to be read and construed as a reference to the Department of Mines, Industry Regulation and Safety unless the context of the reference requires otherwise.

7 Under the Alteration of Statutory Designations Order 2017 cl. 8, a reference in any law to the Department of Culture and the Arts is to be read and construed as a
reference to the Department of Local Government, Sport and Cultural Industries unless the context of the reference requires otherwise.

8. Under the *Alteration of Statutory Designations Order 2017* cl. 8, a reference in any law to the Department of the Attorney General is to be read and construed as a reference to the Department of Justice unless the context of the reference requires otherwise.

9. Under the *Alteration of Statutory Designations Order 2017* cl. 8, a reference in any law to the Department of the State Heritage Office is to be read and construed as a reference to the Department of Planning, Lands and Heritage unless the context of the reference requires otherwise.

10. Under the *Alteration of Statutory Designations Order 2017* cl. 8, a reference in any law to the Department of Water is to be read and construed as a reference to the Department of Water and Environmental Regulation unless the context of the reference requires otherwise.

11. The Western Australian Government Railways Commission no longer exists. Its successor is the Public Transport Authority of Western Australia. See *Public Transport Authority Act 2003* s. 80.
**Defined terms**

*This is a list of terms defined and the provisions where they are defined. The list is not part of the law.*

<table>
<thead>
<tr>
<th>Defined term</th>
<th>Provision(s)</th>
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<tr>
<td>scientific support</td>
<td>Sch. 2</td>
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</table>
Financial Management Act 2006

Financial Management (Net Appropriations) Determination 2015

Made by the Treasurer under section 23(2) of the Financial Management Act 2006 ("the Act").

1. Citation

This determination may be cited as the Financial Management (Net Appropriations) Determination 2015.

2. Application

This determination applies to the financial year commencing on 1 July 2014 and each succeeding financial year.

3. Previous determinations revoked


(b) The determination made under section 23A of the Financial Administration and Audit Act 1985 on 13 August 1998 relating to proceeds from the sale of real and other property by the department principally assisting the Minister responsible for the Conservation and Land Management Act 1984 ("the 1998 determination") continues in accordance with its terms and, in the case of any inconsistency between the 1998 determination and this determination, the 1998 determination prevails.

4. Prescribed receipts that are to be retained

Subject to clause (5), all prescribed receipts (as defined in section 23(1) of the Act) received by a department are to be retained for all services under the control of the department relating to any purpose specified from time to time in –

(a) an annual Appropriation Act; or

(b) the Agency Information in Support of the Estimates for a financial year; or

(c) a determination under section 27(1) of the Act.
5. Prescribed receipts that are not to be retained by departments

The following prescribed receipts are not to be retained by a department:

(a) money received by a department where:
   i. the department is required, by an Act of Parliament, to credit the money to the Consolidated Account; and
   ii. the Act of Parliament appropriates the same amount of money to a specified special purpose account;¹ and

(b) money paid to the Commissioner under sections 7 and 11 of the *Business Names Act 1962*; and

(c) money received by a department from the sale of real property, unless:
   i. the Treasurer specifically authorises the department to retain the money; or
   ii. the money is received by the department principally assisting the Minister in the administration of the *Fire and Emergency Services Act 1998* in the course of exercising its functions and powers under that Act; and

(d) money received by a department in a financial year from the sale of a single item of property other than real property,² unless:
   i. the total amount received is less than $15,000;³ or
   ii. the Treasurer specifically authorises the department to retain the money; or
   iii. the money is received by the department principally assisting the Minister in the administration of the *Fire and Emergency Services Act 1998* in the course of exercising its functions and powers under that Act; or
   iv. the money is received by the department principally assisting the Minister in the administration of the *Police Act 1982* in relation to the sale of a motor vehicle; and

¹ For example, money received by a department under section 22(1) of the *Road Traffic Act 1974*.
² For example, plant and equipment.
³ This is the amount net of any relevant costs in relation to the disposal of an item of property.
(e) money received by a department in a financial year from the annual income stream of an intellectual property asset, unless:

i. the total amount received is less than $15,000; or

ii. the Treasurer specifically authorises the department to retain the money; or

iii. the money is received by the department principally assisting the Minister in the administration of the Fire and Emergency Services Act 1998 in the course of exercising its functions and powers under that Act; and

(f) conservancy dues paid under section 8 of the Shipping and Pilotage Act 1967; and

(g) money received by a department from the lease of a government-owned building under the control of the Minister responsible for the Public Works Act 1902 in excess of outgoings paid by an agent in the course of managing the building.

6. Deduction of fees and costs

In accordance with section 23(2) of the Act, as read with paragraph 2 of Treasurer's instruction 202 Collection Agents, it is determined that a department may enter into an arrangement with a collection agent which permits the agent to deduct relevant fees and costs from prescribed receipts prior to banking or remitting moneys collected.

DR MIKE NAHAN MLA
TREASURER

DATE: 13-4-15
CONTACTS

For general enquiries please contact:

- **FAB Enquiries**
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