



Department of Treasury

Achieving value for money outcomes
for the people of Western Australia



Annual Report 2011-12

Statement of Compliance

For year ended 30 June 2012

HON. T R BUSWELL MLA
TREASURER; MINISTER FOR TRANSPORT;
EMERGENCY SERVICES

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 Department of Treasury for the financial year ended 30 June 2012.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and any other relevant written law.



Timothy Marney
Under Treasurer

11 September 2012

About this report

Our annual report is divided into seven main areas and is designed to provide useful, easy to read information about the function, structure and performance of the Department of Treasury for the financial year ending 30 June 2012.

The report also presents our audited financial statements and performance indicators for the reporting year 1 July 2011 to 30 June 2012.

A full copy of this document is available from our website at www.treasury.wa.gov.au. Previous years' annual reports can also be found on our website.

On request this report may be available in an alternative format for those with visual impairment.



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ISSN 2200-8632 (Print)

ISSN 2200-8640 (Online)

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Under Treasurer's review



Throughout 2011-12, the Department of Treasury continued to provide expert advice to the State Government to support and capitalise on Western Australia's strong economic performance, which outshone the rest of Australia over the financial year.

We also played a lead role in managing relations with the Commonwealth Government. The standouts in this area have been our influential submissions seeking a fairer share of the GST for the State, and our advice on the Minerals Resource Rent Tax to help protect the State's interests.

Treasury's crucial overarching role and services to the State's public sector agencies are demonstrated through the quality of advice provided in cost and demand modelling for several key agencies. Our work in relation to the Department of Education both informed estimates for the 2012-13 Budget, and the costings of new policy initiatives.

The past year has also seen exciting developments for the State in terms of the significant and diverse building projects that we manage, including the Fiona Stanley Hospital and Perth Arena. The current portfolio spans 17 projects, with an estimated combined capital value of \$7.5 billion.

Of course, all this could not be achieved without our people. I would like to commend the Executive Group and all Treasury staff for their efforts. In particular, my thanks go to Rod Whithear (who left us in June 2012) for his contribution as Executive Director for Strategic Policy and Evaluation over the past two years.

It is a privilege for me to lead the Treasury team, and see our values of committed people, working together and innovative thinking put into practice on a daily basis.

Our people are at the heart of all we do, and we need to continue with our investment in ensuring a skilled, flexible and committed workforce.

Throughout 2011-12 we have placed an enormous emphasis on setting a strategic vision to build the capacity of our workforce, and beginning to deliver on specified priorities. Our first Workforce and Diversity Plan has been developed in recent months, and exemplifies the strides we are taking in the people space.

Other key initiatives include the new Development and Performance Framework. This Framework aligns clearly with our strategic goals, operational objectives and values to increase the performance of staff as well as their engagement with their work.

I look forward to seeing further achievements in building our people and systems, and in providing expert analysis and advice in the coming year.

A handwritten signature in black ink, appearing to read 'Timothy Marney'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Timothy Marney
Under Treasurer

Highlights

Triple-A credit rating

The State's Triple-A credit rating was confirmed by both Moody's and Standard and Poor's



Capital works projects

Managed 17 non-residential building projects with an estimated combined capital value of

\$7.5 billion



Savings

Managed the implementation of the Government's \$300 million global savings target across the general government sector

\$300 million



About us

The Department of Treasury (Treasury) was established on 1 July 2011. We serve the public interest by providing the State Government with independent economic and financial advice, and expert asset management.

Treasury was formed from the former Treasury and Strategic Projects business units of the Department of Treasury and Finance.

Between September 2011 and early 2012, we relocated to Gordon Stephenson House in the 140 William Street precinct, and the heritage Globe Hotel building.

Our work

Treasury plays a central role in managing Western Australia's public sector finances and developing the State Budget.

We develop economic and revenue forecasts, and monitor developments in the State's economy and major revenue bases, to ensure Western Australia remains on track against the Government's budgetary objectives and policies.

Treasury also manages non-residential building projects of major significance to Western Australia.

We pursue quality outcomes and value for money on these high-cost infrastructure projects, including the Perth Major Stadium, Fiona Stanley Hospital and the Eastern Goldfields Regional Prison.

To achieve value for money outcomes for the people of Western Australia, we work closely with state government agencies. From a budget management perspective, this includes a key financial monitoring and reporting role.

We also work with agencies and focus on robust project planning and on-target project execution to ensure successful project outcomes for the Government.

Our policy advisory role covers a wide range of issues, including public sector wages policy, revenue policy, Commonwealth-State financial relations, and advice on alternative models of service delivery and infrastructure provision, including partnerships with private infrastructure and service providers.

Our vision, mission, values and goals

Reviewing our strategic plan and goals in 2011-12 was a good opportunity to discuss where we are headed as a department, our destination and how we are going to get there.

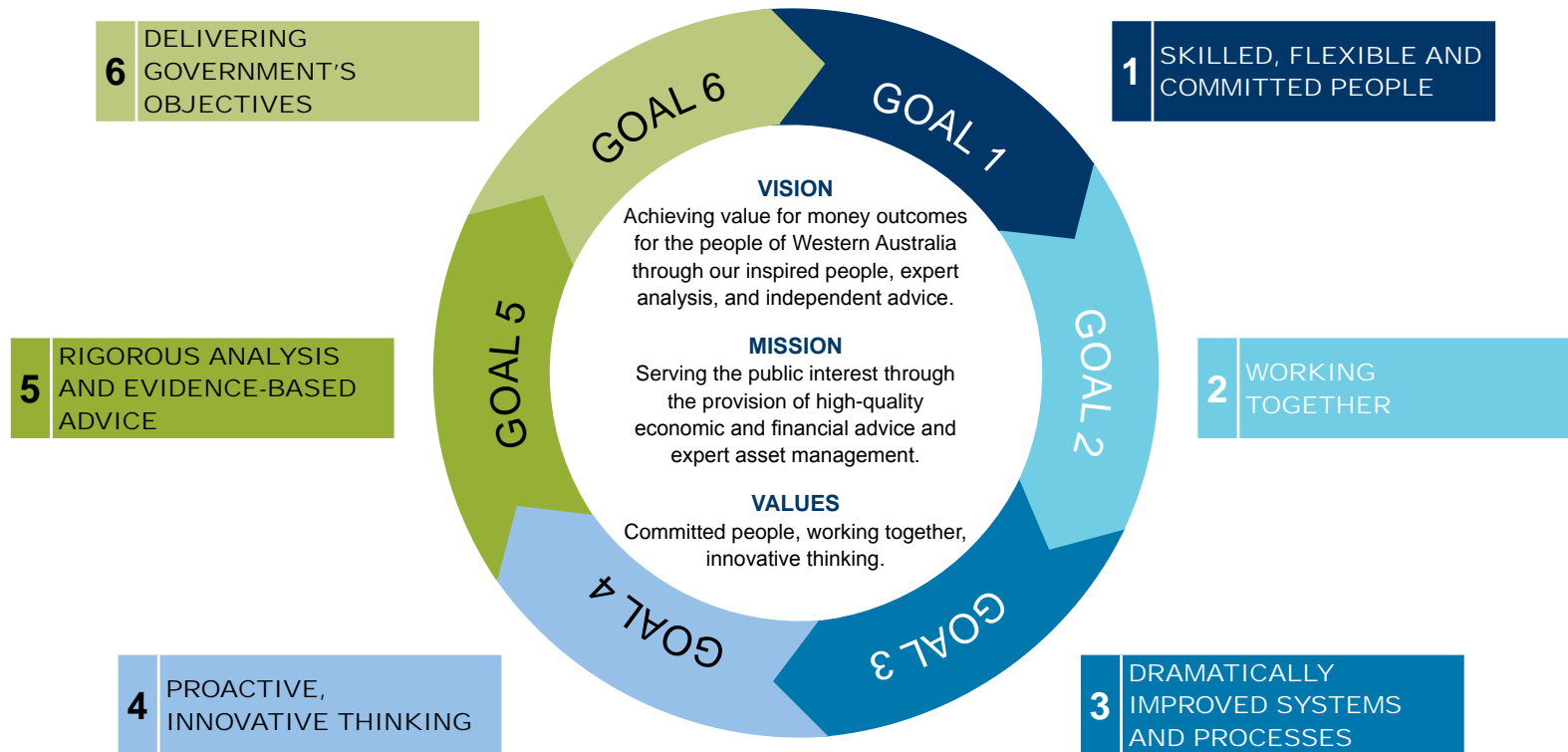
The six strategic goals form the basis of our plan and have been built around our vision, mission and values, as detailed in the following diagram.

These goals highlight some of the key priorities and map out a clear course to help achieve our vision.

A clear priority over the coming years will be to value and manage the wealth of corporate knowledge that our people possess.

Through active investment in knowledge management, succession management and workforce planning, we are well on the way to achieving this.

Our 2012-15 Strategic Plan built around our vision, mission and values



Our operational structure

We deliver services through four key business units and two additional directorates that support the business as a whole.

Business units

Economic advises and assists the State Government with the stewardship of the State's economy and finances, including Commonwealth-State financial relations.

Infrastructure and Finance provides quality advice, systems and operations to support the State's financial management and infrastructure development, including public-private partnerships.

Strategic Policy and Evaluation provides evaluation and advice on the efficiency and effectiveness of service delivery and infrastructure provision in key state government agencies like Health, Education and Police.

Strategic Projects provides successful management of the Government's high-risk capital works assets.

Directorates

People and Governance provides organisational development, communications and governance services for Treasury.

Risk, Projects and Audit provides risk management, internal audit and project management oversight of key initiatives.

Support from the Department of Finance

Throughout 2011-12 we maintained a close working relationship with the Department of Finance, who deliver many of our corporate and business support services.

Our Strategic Projects business unit receives additional support across financial and project management systems and resources from Finance's business unit Building Management and Works.

Responsible Minister

Hon. C. Christian Porter MLA BEc, BA (Hons), LLB, MSc
Treasurer; Attorney General (to 12 June 2012)

Hon. Colin James Barnett MLA BEc (Hons), MEd
Premier; Treasurer; Minister for State Development (from 12 June 2012 to 9 July 2012)

Hon. Troy Raymond Buswell MLA BEc
Treasurer; Minister for Transport; Emergency Services (from 9 July 2012)

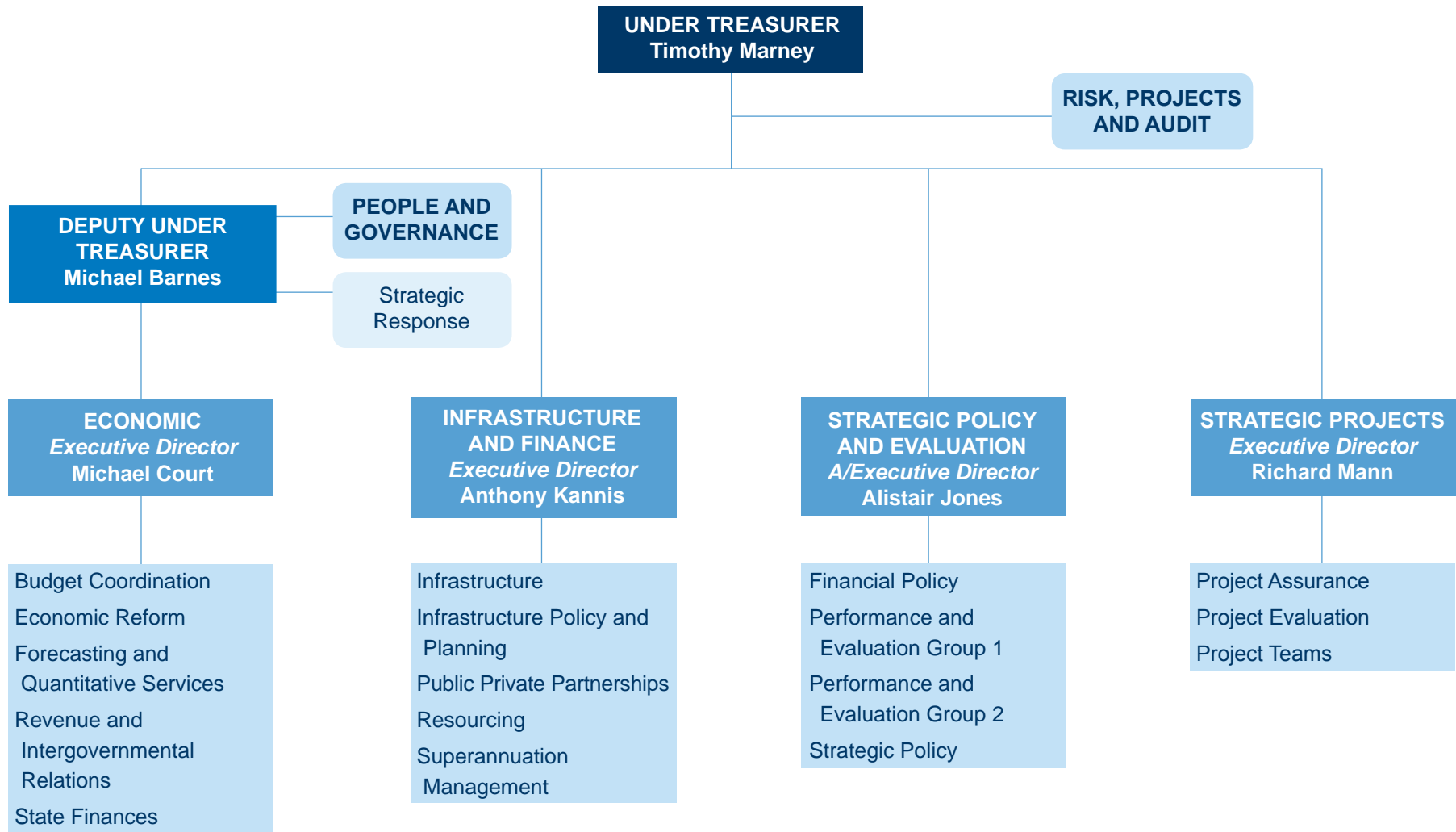
Enabling legislation

Treasury is established under the *Public Sector Management Act 1994*.

Other legislation governing Treasury's operations:

- *Constitution Act 1889* and *Constitution Acts Amendment Act 1899* provide the framework under which Treasury operates;
- *Financial Management Act 2006*, along with associated Treasurer's Instructions, provides the powers for staff to operate in government finance control and accountability matters;
- *Government Financial Responsibility Act 2000* provides reporting obligations for Treasury in respect of the State's finances;
- *Parliamentary Superannuation Act 1970*;
- *Public Works Act 1902* provides Strategic Projects with the power to do all things necessary to construct public works and buildings; and
- *State Superannuation Act 2000* provides for the approval powers, responsibilities of the Treasurer, and the Treasurer's guidelines and powers.

Our organisational structure



Our executive team



Timothy Marney BEc (Hons)
Under Treasurer

Tim has been Under Treasurer for the State of Western Australia since June 2005 (after a period of acting commencing June 2004). Before this, he held a number of senior positions across the Department of Treasury and Finance. He also chairs the Department's Finance, Risk and Audit Committee.

Tim is the Chair of the Western Australian Treasury Corporation Board. He is also a Deputy Chair of beyondblue: the national depression initiative.



Michael Barnes BBus (Hons)
Deputy Under Treasurer

Michael has been Deputy Under Treasurer since 2008. He assists the Under Treasurer in leading and managing the Treasury business, with a primary focus on whole-of-government budget management and fiscal strategy and other priority strategic issues. He also chairs the Department's People and Communications Governance Committee.

Michael joined the Western Australian Treasury in 1997 after starting his career as a graduate in the Commonwealth Treasury in 1992.



Michael Court BEc (Hons)
Executive Director, Economic

Michael has been Executive Director of the Economic Business since September 2008. In this role he is responsible for managing advice on economic and revenue forecasts, financial arrangements with the Commonwealth, and the statutory reporting on State finances. He is Western Australia's representative on the Australian Statistics Advisory Council.

Michael joined the Western Australian Treasury in 1997. Before this he worked in the Department of Foreign Affairs and Trade and the Commonwealth Treasury.



Anthony Kannis BBus

Executive Director, Infrastructure and Finance

Anthony joined Treasury in January 1996 and held the position of Executive Director, Agency Resources from November 2005 to October 2008 when he moved to his current position leading Infrastructure and Finance.

Anthony was appointed to the Board of Infrastructure Australia in May 2008 and as Deputy Chairman of the Western Australian Treasury Corporation in April 2009. He is also a member of the Infrastructure Coordinating Committee.



Alistair Jones BCom, MComms

Acting Executive Director, Strategic Policy and Evaluation

Alistair has worked in a variety of roles in the Western Australian public service focussing mainly on Commonwealth-State relations, and regulatory and economic reform issues.

Previously, Alistair worked in the Commonwealth public sector, local government and the private sector in a number of policy and communications roles.



Richard Mann BEng

Executive Director, Strategic Projects

In February 2008, Richard was appointed Executive Director of the newly created Office of Strategic Projects, now located within Treasury as the Strategic Projects business unit.

Richard is a civil engineer with more than 20 years experience managing building and infrastructure projects throughout Western Australia. He was a member of the former State Supply Commission Board and is currently a board member of the Sustainable Built Environment National Research Centre.

Administered legislation

Treasury assisted the Treasurer in administering the following Acts:

- *Advance Bank (Merger with St. George Bank) Act 1998;*
- *Advance Bank (Merger with St. George Bank) (Taxing) Act 1998;*
- *Anzac Day Act 1960;*
- *Appropriation (Consolidated Fund) Acts (various);*
- *Auditor General Act 2006;*
- *Australia and New Zealand Banking Group Act 1970;*
- *Australia and New Zealand Banking Group Limited (NMRB) Act 1991;*
- *Australia and New Zealand Banking Group Limited (Town & Country) Act 1995;*
- *Bank Mergers Act 1997;*
- *Bank Mergers (Taxing) Act 1997;*
- *Bank of South Australia (Merger with Advance Bank) Act 1996;*
- *Bank of Western Australia Act 1995;*
- *Electricity Industry Act 2004 (Part 9A only);*
- *Financial Agreement Act 1928;*
- *Financial Agreement Act 1995;*
- *Financial Management (Transitional Provisions) Act 2006;*
- *Financial Management Act 2006;*
- *Financial Relations Agreement (Consequential Provisions) Act 1999;*
- *Fiona Stanley Hospital Construction Account Act 2007;*
- *Government Financial Responsibility Act 2000;*
- *Judges' Salaries and Pensions Act 1950;*
- *Loan Acts (various);*
- *Parliamentary Superannuation Act 1970*
- *Perth Building Society (Merger) Act 1986;*
- *Railways (Access) Act 1998;*
- *Royalties for Regions Act 2009 (Part 2 only, except sections 9 and 10);*
- *State Bank of South Australia (Transfer of Undertaking) Act 1994;*
- *State Enterprises (Commonwealth Tax Equivalents) Act 1996;*
- *State Entities (Payments) Act 1999;*
- *State Trading Concerns Act 1916;*
- *Statistics Act 1907;*
- *Supply Acts (various);*
- *The Bank of Adelaide (Merger) Act 1980;*
- *The Commercial Bank of Australia Limited (Merger) Act 1982;*
- *The Commercial Banking Company of Sydney Limited (Merger) Act 1982;*
- *Treasurer's Advance Authorization Acts (various);*
- *Unclaimed Money Act 1990;*
- *Unclaimed Money (Superannuation and RSA Providers) Act 2003;*
- *WADC and WA Exim Corporation Repeal Act 1998; and*
- *Westpac Banking Corporation (Challenge Bank) Act 1996.*

Other key legislation impacting on our activities

In the performance of its functions, Treasury complies with relevant written laws including:

- *Constitution Act 1889 and the Constitution Acts Amendment Act 1899;*
- *Contaminated Sites Act 2003;*
- *Disability Services Act 1993;*
- *Equal Opportunity Act 1984;*
- *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;*
- *State Superannuation Act 2000;* and
- *State Supply Commission Act 1991.*

Achieving Government Goals

There are five Government Goals that guide the development of policies, programs and services within Western Australian government agencies. Given the variety and diversity of public agencies in Western Australia, not all of the goals are equally applicable to all agencies.

At Treasury, we focus on the goals of responsibly managing the State's finances, achieving results in key service delivery areas for the benefit of all Western Australians and building strategic infrastructure.

The following section shows these three goals and the specific outcomes we deliver for each. This annual report includes further information on the outcomes, achievements and future challenges relating to each goal.

Performance Management Framework

Outcome Based Management Framework

Government Goal: Financial and Economic Responsibility

Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.

Desired outcomes	Effectiveness indicator	Services provided	Efficiency indicators
Sustainable and transparent public sector finances.	<ul style="list-style-type: none"> Status of the State's credit rating Unqualified audit opinion on the Annual Report on State Finances 	Financial Management and Reporting	<ul style="list-style-type: none"> Cost of Financial Management and Reporting per Million Dollars General Government Sector Expenses Percentage of Financial Reports Released as per Agreed Timeframes
A strong and competitive State economy.	<ul style="list-style-type: none"> Accuracy of key general government revenue forecasts: <ul style="list-style-type: none"> – tax and mining revenue – GST revenue Accuracy of key economic forecasts: <ul style="list-style-type: none"> – employment growth – Real State Final Demand (SFD) growth 	Economic and Revenue Forecasts and Policy Development	<ul style="list-style-type: none"> Percentage of Ministerials, Briefings or Reports Provided on Economic Issues Within Agreed Timeframes Percentage of Regulatory Impact Statements Assessed Within Agreed Timeframes

Government Goal: Results-Based Service Delivery

Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

Desired outcomes	Effectiveness indicator	Services provided	Efficiency indicators
Value for money outcomes in service delivery and infrastructure provision.	<ul style="list-style-type: none"> Percentage of the Department's material resource allocation recommendations complying with the service provision analysis framework Percentage of highest value agencies complying with the Strategic Asset Management framework or equivalent accredited mechanism 	Evaluation and Planning of Government Service Delivery and Infrastructure Provision	<ul style="list-style-type: none"> Cost of Expenditure Budget Management per Million Dollars General Government Sector Expenses Percentage of Ministerials, Briefings or Reports Provided on Service Delivery and Infrastructure within Agreed Timeframes Cost of Infrastructure Management per Million Dollars of Forward Estimates Capital Program

Government Goal: State Building – Major Projects

Building strategic infrastructure that will create jobs and underpin Western Australia's long term economic development.

Desired outcomes	Effectiveness indicator	Services provided	Efficiency indicators
Value for money from the management of the Government's non-residential buildings and public works.	<ul style="list-style-type: none"> Percentage of significant projects in the New Buildings program delivered within approved: <ul style="list-style-type: none"> – budget – timeframe 	Leads the Planning and Delivery of New Government Buildings	<ul style="list-style-type: none"> Cost as a Percentage of the Total Annual Value of the Planning and Delivery of Capital Works Projects

Our Performance

This section provides an overview about the external environment, how we performed and our key achievements for 2011-12.

New Children's Hospital

Government Goal

Financial and Economic Responsibility

Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.

Economic conditions

The Western Australian economy continued to outperform the rest of Australia over 2011-12, reflecting strong demand for the State's resource exports. Business investment was the key driver of Western Australia's economic growth, underpinned by a large pipeline of major liquefied natural gas and iron ore projects, which resulted in strong labour demand and population growth.

Household spending also increased strongly, while soft housing demand resulted in lower levels of dwelling investment.

Of note, much of the economic growth is outside the State Government's revenue base, and the State's high population growth increases demand for public services and infrastructure. Risks for the Western Australian economy remain elevated, with uncertainty caused by sovereign debt problems in the advanced economies in 2011-12 contributing to significant recent falls in commodity prices, particularly for iron ore.

Commonwealth-State relations

We managed Western Australia's input to various Commonwealth-State financial relations issues and forums (e.g. the Standing Council on Federal Financial Relations).

Key topics have included the GST distribution and funding agreements for specific purposes, including provision of policy advice, submissions and data to help maximise economic, fiscal and community outcomes for the State.

Goods and Services Tax distribution

We coordinated two major submissions for the Western Australian Government to the Review of the GST Distribution established in March 2011 by the Commonwealth Government, seeking a fairer share of the GST for the State.

We also undertook a large amount of additional research and analysis to help inform the State's position in related discussions with the review panel and Commonwealth and other state governments and Treasuries.

Minerals Resource Rent Tax

We monitored the Commonwealth's implementation of the Minerals Resource Rent Tax, and prepared briefings to inform the State Government's policy position.

Briefings included advice on the interaction of State royalties with the tax and the constitutional validity of the tax.

Our Revenue and Intergovernmental team



Payments for specific purposes

We developed policy advice on framework and individual funding agreement issues arising under the Intergovernmental Agreement on Federal Financial Relations.

A particular focus has been the compliance of national partnership funding proposals with the Agreement's objectives and principles, to help produce the best financial and community outcomes for the State.

Advice to Government

The Economic and Expenditure Reform Committee (EERC) is Treasury's primary mechanism in providing advice to Government. We also provide advice through other avenues, such as Cabinet submissions and comments, and briefing notes to the Treasurer.

The EERC is a Standing Committee of Cabinet. The committee considers all policy issues with financial implications and recommends a position to Cabinet on these issues. Its principal function is the formulation of the annual State Budget. During 2011-12, 14 EERC Budget Bilateral Meetings occurred.

Outside the budget process, the EERC monitors the delivery of the Government's strategic commitments, the achievement of desired outcomes, and other matters with major financial and/or economic impacts. Treasury evaluates the costing and regulatory impact of all proposals considered by the EERC before they are submitted to the EERC or Cabinet. In addition to Budget Meetings, six other regular EERC meetings occurred during the year.

Triple-A credit rating

In support of the State's on going triple-A credit rating assessment, we provided advice, updates and presentations to credit rating agencies.

Both major credit rating agencies, Standard & Poor's and Moody's Investor Services, confirmed Western Australia's status (with a stable outlook) during 2011-12. Triple-A credit ratings reduce the cost of borrowing for the State's public sector, and signal to both domestic and international investors that Western Australia is a low risk investment destination.

Investment in the State in turn promotes economic growth, our role as the nation's leading exporting State, and supports the needs of Western Australia's growing population.

Superannuation reform

Treasury completed several interrelated reform projects which progressed the State Government's policy direction that evolved out of the recommendations of the report *Putting Members First*. The report proposed that the Government Employees Superannuation Board should refocus on its core function of providing superannuation services to Western Australian public sector employees and employers. It also recommended amending the legislation to reverse the mutualisation of the Board and provide for choice of fund (Choice).

These reform projects were all completed by 30 March 2012, and delivered the following:

- amended legislation (*State Superannuation Amendment Act 2011* and *State Superannuation Amendment Regulations 2012*);
- Treasurer's Guidelines for investments, specific board powers and reserving policy; and
- introduction of Choice for Western Australian public sector employees and related communication to members.

Government Goal

Results-Based Service Delivery

Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

Cost and demand modelling

We worked with a number of agencies on modelling the demand for their services and the service costs. Treasury completed models for the Department of Education and the Schools Curriculum and Standards Authority, and began developing a model with the Department of Corrective Services. We also worked with the Department for Child Protection to review its model. The cost and demand model for the Department of Education informed the budget and forward year estimates in the 2012-13 Budget. It also fed into the costing of policy initiatives, including the transition of year seven students from primary to secondary school.

Value for money review team



Value for money reviews

Housing and Police

Treasury completed value for money reviews during 2011-12 for the Western Australia Police and the Department of Housing. The reviews provide a range of policy options and operational strategies relating to:

- more efficient and effective ways of delivering services; and
- potential cost savings that can be achieved over the short, medium and long term.

The reviews will provide a useful tool for the Government, our business and the respective agencies moving forward.

Transport and Planning

We undertook preparatory work on a value for money review of the Department of Planning and the Department of Transport. This included the identification of value for money drivers. The review is expected to be completed in the 2012-13 financial year and will provide recommendations for future reforms in those agencies.

Wages policy

Together with the Department of Commerce and other agencies, Treasury implemented the Government's Wages Policy through Enterprise Bargaining Agreements. Agreements settled during the year included police, teachers, TAFE lecturers, and Main Roads agreements. The agreements were all settled within the Wages Policy parameters, with wage increases in excess of projected growth in the Perth Consumer Price Index supported by efficiency initiatives.

Voluntary separation offers

We worked with the Public Sector Commission and relevant agencies to complete the 2011 voluntary severance scheme (total of 336 severances with annual savings of \$11.6 million).

Full Time Equivalent ceiling

We worked with the Public Sector Commission throughout 2011-12 to manage and monitor Full Time Equivalent (FTE) levels in general government sector agencies subject to the FTE ceiling policy. This has included reporting to the EERC on relevant issues. Estimated actual FTEs for 2011-12 (108,417) are within the final approved 2011-12 FTE ceiling of 108,629.

General Government savings target

Treasury effectively managed the implementation of the Government's \$300 million global savings target across the general government sector. We worked with agencies to identify a range of savings measures that collectively reduce net debt by \$324 million by 2014-15 (and \$447 million by 2015-16). These savings measures reduced spending on lower priority activities and provided better value for money in service delivery across the sector.

Public Private Partnerships

We have a dedicated team that provides policy advice and project-specific support to government agencies relating to the commercial and financial aspects of the Government's long term partnerships with the non-government sector for the delivery of infrastructure and services.

The Government reached contractual close on two significant public private partnerships in 2011-12, delivering significant value for money for taxpayers. The procurement of these projects was led by Treasury's Strategic Projects with significant involvement from Treasury's specialist Public Private Partnerships (PPPs) team.

In July 2011, the Government signed a contract with Capella Parking to deliver more than 3,000 parking bays on the Queen Elizabeth II Medical Centre site, bringing total parking at the site to over 5,000 bays. The site will also benefit from a new childcare facility and retail space as part of the project. The project is being funded by Capella Parking, with no capital required from taxpayers. The car park will be transferred to the Queen Elizabeth II Medical Centre Trust in around 26 years.

In June 2012, the Government signed a contract with St John of God Health Care to deliver the new Midland Health Campus, with a significantly expanded range of services compared to those available at the current Swan District Hospital.

Sustainable funding and contracting with the Not-for-Profit sector

The Government is building a more mature relationship between the public and Not-for-Profit (NFP) sectors through sustainable funding and contracting arrangements. Additional funding of \$600 million over four years (from 1 July 2011) is being rolled out to support a sustainable NFP sector and ensure that the Government pays a fair and sustainable price for the human services it purchases from the sector. This funding will also enable NFP organisations to improve wages and conditions in an endeavour to attract and retain appropriately skilled staff.

We coordinated and monitored the rollout of an upfront across-the-board price adjustment increase of 15 per cent (Component I) to all eligible NFP human service contracts. All funding for Component I was allocated, resulting in 498 NFP organisations and 991 eligible contracts receiving this upfront adjustment.

A second funding injection (Component II), equivalent to an average increase of 10 per cent across eligible contracts by 2014-15, will be rolled out from 1 July 2013. Throughout 2011-12, we played a key role in the development and communication of the Component II implementation strategy.

Government Goal

State Building – Major Projects

Building strategic infrastructure that will create jobs and underpin Western Australia's long term economic development.

Major building projects

The capital works projects portfolio

In 2011-12, the portfolio of major non-residential building projects managed by the Strategic Projects business unit comprised a diverse range of 17 projects with an estimated combined capital value of \$7.5 billion. These projects include the following:

- Fiona Stanley Hospital (including the State Rehabilitation Service): \$1.96 billion;
- new Children's Hospital: \$1.18 billion;
- new Perth Stadium: \$700 million (indicative, unescalated June 2011 estimate);
- Perth Arena multi-purpose indoor sports and entertainment stadium: \$549 million;
- Old Treasury Buildings and Cathedral Square Redevelopment: \$500 million (private sector finance);
- Department of Agriculture and Food New Metropolitan Administration Redevelopment: \$235 million; and
- Eastern Goldfields Regional Prison: \$232 million.

Works reform program

We have continued reviewing and updating the Strategic Asset Management Framework, which describes best practice for whole-of-life asset management of government buildings and infrastructure. From July 2012, Strategic Projects will assume responsibility for implementation of the revised Framework.

In partnership with the Department of Finance's Building Management and Works business unit, Strategic Projects has also continued to progress major reform in management of the State's non-residential building assets. This has included the development and implementation of new project and contract management systems, processes and guidelines.

Innovative procurement models

Works reform initiatives implemented by Strategic Projects include the use of innovative collaborative contracts and PPPs. During 2011-12, the following contracts and agreements were executed:

- Acacia Prison Expansion (\$126 million): design and construct;
- Queen Elizabeth II Medical Centre Car Parking (\$150 million, private finance): build-own-operate-transfer PPP;
- Midland Health Campus (\$360 million): design-build-operate-maintain PPP; and
- Old Treasury Buildings/Cathedral Square Redevelopment (\$500 million, private finance): development agreement.



Our Strategic Projects team

Actual results versus Budget targets

Financial Targets

	2011-12 Target \$'000	2011-12 Actual \$'000	Variation \$'000
Total cost of services (expense limit)	132,568	177,733	(45,165)
Net cost of services	75,464	43,705	31,759
Total equity	20,398	12,976	(7,422)
Net increase/ (decrease) in cash held	1,504	19,460	17,956
Approved full time equivalent (FTE) staff level – average over the full year	453	276	177

Total cost of services

The Department of Treasury commenced 2011-12 with an initial expense limit of \$132.6 million. This limit was increased during the year mainly due to costs in relation to the delivery of major projects on behalf of agencies, primarily the Perth Arena project for Venues West.

The final approved expense limit in 2011-12 was \$210.6 million. The actual result of \$177.7 million was \$32.9 million below the approved target and mainly reflects lower than budgeted delivery of projects on behalf of agencies. This lower than budgeted expense outcome was matched with lower than budgeted client agency revenue.

Net cost of services

The actual net cost of services for 2011-12 was \$43.7 million, approximately \$31.8 million lower than the original budget estimate.

This mainly reflects the transfer of Department of Treasury and Finance Corporate Services to the Department of Finance. The original budget for 2011-12 included the Corporate Services function in the Department of Treasury.

Cash held

The increase in cash is mainly due to additional revenue received from client agencies in comparison to the original estimate.

Full Time Equivalent

The decrease in FTEs mainly reflects the transfer of Corporate staff from the Department of Treasury to the Department of Finance. We remained within the revised FTE level.

Significant Issues and Trends

This section identifies our current and emerging challenges, and future opportunities. The details of our major projects are included, as well as a look ahead at what we plan to deliver in 2012-13.

Midland Health Campus

Government Goal

Financial and Economic Responsibility

Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.

Change of Treasurer

Through the latter part of 2011-12 and into early 2012-13, we reported to three Treasurers in relatively quick succession, maintained a high standard of ongoing services and products, and provided detailed briefings and papers for each of the Treasurers.

State Election

A Western Australian State Election is planned for 9 March 2013. The State Election will impact us through the formal 'caretaker' period prior to the election (including Treasury's role in costing election commitments), preparation and presentation of the Pre-election Financial Projections Statement, and also impact the preparation and release of the 2013-14 Budget and the passage of associated Bills.

Western Australian Future Fund

As part of the 2012-13 Budget, the Government committed to establishing the Western Australian Future Fund (Future Fund) to benefit future generations of Western Australians by redistributing a portion of the royalty revenue derived from the State's finite mineral resources.

It is indicatively estimated that after 20 years, the Future Fund will have a balance of around \$4.7 billion, after which time the interest

earnings on the Fund's balance will be able to be used by future Governments to fund new economic and social infrastructure.

We developed the overarching framework for the Future Fund (within the parameters set by the Government), and instructed the drafting of the Western Australian Future Fund Bill 2012, which has now been introduced into Parliament.

Upon commencement of the Future Fund, we will administer the Act. We also advised the Government on the Future Fund's investment policy guidelines, and will work with the Western Australian Treasury Corporation to manage the investment of the Future Fund in accordance with these guidelines.

Our Future Fund team



Economic outlook

The Western Australian economy is forecast to grow at an above-average pace over 2012-13, with business investment again expected to be a key driver of growth in domestic demand.

Resource investment is expected to support strong labour demand and above-average population growth, underpinning continued strong growth in household consumption and a recovery in housing demand. This poses a number of challenges for the State in relation to the supply of labour, and the provision of infrastructure and services to meet the needs of a rapidly growing economy.

Growth in Western Australia's major export markets is expected to remain relatively robust. However, significant risk remains, reflecting potential for sovereign debt concerns in advanced economies to affect growth for Western Australia's trading partners, particularly China. In this regard, declining demand from China has seen the spot price of iron ore fall significantly in recent months, with implications for investment in Western Australia's iron ore industry and the State's finances (with iron ore comprising around 80 per cent of the State's royalty income). There remains significant uncertainty over the short term outlook for the iron ore price.

Commonwealth-State relations

The Commonwealth is increasingly intruding into areas of state responsibility and further constraining the Government's budget capacity and flexibility through policies such as its Minerals Resource Rent Tax, its approach to National Partnership funding under the Intergovernmental Agreement on Federal Financial Relations, its health reforms and potentially its future education and disability sector reforms.

Our analysis and advice will continue to help ensure that Western Australia's needs and priorities are not compromised.

Goods and Services Tax distribution

Western Australia's GST share has fallen to 55 per cent of its population share in 2012-13, and is heading to around 30 per cent by 2014-15, constraining the State's capacity to fund necessary services and infrastructure.

Final submissions to the Commonwealth's GST Distribution Review were due early in 2012-13, with the panel to report in October 2012. Ongoing analysis and advice will be required to influence the Commonwealth's response to the report towards the end of 2013.

National Disability Insurance Scheme

The Government is committed to the development of a National Disability Insurance Scheme, which builds on existing programs and maximises additional funding for the provision of services rather than administration of a new scheme.

We will be ensuring the Government is informed of the financial implications and risks of the governance models and funding options under consideration by the Council of Australian Governments, including those for 'My Way' launch sites in Western Australia.

Cost of living issues

We will continue to play a key role in advising the Government on cost of living issues, including pricing of electricity, water and other government services, as well as the availability, structure and funding of concessions to households in need. This includes implementation of the new Cost of Living Assistance from 1 October 2012.

Superannuation reform

We will continue to further progress two other superannuation reform projects following the recommendations of the report *Putting Members First*. These are the procurement process to outsource GESB's administration services from a commercial service provider and the winding-up of GESB Wealth Management Pty Ltd. Both will continue into 2012-13.

The Commonwealth is introducing the Stronger Super reforms which will have major impacts across the superannuation industry. These reforms will have some impact on GESB and the state-regulated schemes, the scope of which will be informed by a Heads of Government Agreement.

It is expected that this agreement and the State's policy position on Stronger Super will be finalised during 2012-13, enabling the State to implement the MySuper and SuperStream components of Stronger Super.

Strategic Information Management System

The Strategic Information Management System (SIMS) will replace our existing Treasury Information Management System, which currently provides us with the critical business tools to support whole-of-government budget management and financial reporting requirements.

The legacy system is approximately 11 years old and is based on an obsolete technology platform.

In contrast, SIMS utilises the very latest in technology to ensure performance, longevity and minimal support costs over its effective life. The system will deliver significantly improved data security, data quality and efficiency through its enhanced features.

The project to deliver SIMS suffered some delays due to scarce capabilities in the underlying business processes and technical issues, deferring implementation by 12 months. However, the project is moving towards a successful conclusion, with implementation scheduled for the beginning of October 2012.

Strategic Asset Management

We will continue to work with agencies to promote improved asset planning and delivery based on the principles and standards in the Government's Strategic Asset Management Framework.

The Framework was recently updated to reflect current practice and broader application across the public sector.

Strategic Projects will assist agencies through an implementation program for the updated Framework, focusing on improving the quality of agencies' strategic asset plans, business cases and project definition plans.

Government Goal

Results-Based Service Delivery

Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.

Efficiency of Service Provision

Government Trading Enterprises efficiency dividend

In addition to the 5 per cent Government Trading Enterprises (GTE) efficiency dividend announced in the 2011-12 Budget, a further GTE efficiency dividend was announced as part of the 2012-13 Budget process.

This will reduce GTE discretionary expenditure by 2.5 per cent in 2012-13, 4 per cent in 2013-14, 5.5 per cent in 2014-15 and 6 per cent in 2015-16.

The efficiency dividend, which we will monitor, will enhance the efficiency of the State's GTEs and reduce public sector net debt.

Full Time Equivalent cap

The Government is committed to maintaining the number of FTE employees in 2012-13 and 2013-14 at approved 2011-12 levels for all general government agencies, except operational staff in the Departments of Health and Education, and the Western Australia Police.

In conjunction with the Public Sector Commission, we will monitor and report to the EERC on the implementation of the FTE cap across the general government sector.

General Government Sector efficiency dividend

We will work with agencies to implement the general government efficiency dividend, commencing at 2 per cent in 2012-13 (1 per cent for the Department of Education) and increasing by 1 per cent per annum thereafter. It is expected that agencies will, with our assistance, continuously evaluate service delivery so programs achieve outcomes as efficiently and effectively as possible.

Asset Investment Program

The Government is committed to balancing the need for infrastructure to support the community and the economy with an appropriate discipline in managing the State's financial position. Working with agencies, we will ensure that the State's Asset Investment program (projected to be \$7.6 billion in 2012-13 and \$26.4 billion over four years) is developed and implemented in a way that focuses on delivering value for money and is compliant with the Strategic Asset Management Framework.

Wages policy

We will work with the Department of Commerce and relevant agencies, providing advice to inform the Government position in negotiation of Enterprise Bargaining Agreements for health support workers, transit officers, education assistants, general services (miscellaneous) workers, train drivers, prison officers, registered and enrolled nurses, and medical practitioners.

Value for money reviews – Transport and Planning

We will be leading a Value for Money Review of the Department of Planning and the Department of Transport commencing in September 2012. The review is expected to provide a range of findings and recommendations within the transport and planning portfolios relating to more efficient and effective ways of delivering services and achieving outcomes; potential cost-efficiencies over the short, medium and long term; and appropriate structural and governance arrangements into the future.

Infrastructure procurement

The Government is continuing to pursue more innovative procurement methods in order to meet the State's significant infrastructure and service delivery needs.

The agreement between the Government and St John of God Health Care (SJGHC) to deliver the new Midland Health Campus will accommodate a 307-bed hospital for public patients. This will be delivered under an innovative design, build, operate and maintain model where SJGHC is responsible for all elements of the design, construction and delivery of services at the hospital. The contract for SJGHC to build and run the Midland Health Campus over the total 23-year term is worth \$5 billion, which represents a \$1.3 billion saving over the State's expected cost to build and run the hospital over the same period.

A major benefit of the contract with SJGHC is the planned co-location of a 60-bed private hospital with some shared services on the site, delivering cost savings to the State and more healthcare choices for people in the Midland area. SJGHC will be accountable to the Government and is required to deliver health services of a high standard, consistent with or better than other hospitals serving public patients.

Government Goal

State Building – Major Projects

Building strategic infrastructure that will create jobs and underpin Western Australia's long term economic development.

Major building projects

By June 2013, 13 of the 17 projects within our Strategic Projects business unit's current portfolio will have progressed to the delivery phase, with construction of three of these projects to be completed during 2012-13. Planning of the remaining four projects will be well advanced, in readiness for tender.

Projects at delivery stage

The Perth Arena indoor entertainment and sports stadium will be completed in 2012-13, with its opening event scheduled for November 2012. In December 2011, the approved project budget and construction completion date were revised to \$548.7 million and September 2012 respectively (with final testing and commissioning and transition to operations following construction completion). While the project has proven challenging in many respects, the completed facility will provide a unique, world class venue.

The Queen Elizabeth II Medical Centre Central Plant, the largest facility of its type in Australasia, is on target for completion in late 2012. Completion of Albany Health Campus, the State's largest regional hospital, will follow in early 2013.

Construction will commence on the Midland Health Campus, Busselton Health Campus, Old Treasury Buildings and Cathedral Square Redevelopment, Acacia Prison Expansion, and Eastern Goldfields Regional Prison.

Further projects

The new Perth Stadium project will progress from planning phase to delivery in 2012-13, including commencement of preliminary site works to prepare for Stadium construction. The tender process for the main Stadium works will also commence.

Project Definition Plans for the Karratha Health Campus, and Department of Agriculture and Food Metropolitan Administration facility will also be completed in 2012-13, which subject to Government approval, will enable these projects to progress from planning to tender phase.

The Business Case for the new Western Australian Museum will also be completed during 2012-13, and its Project Definition Plan significantly progressed.

Challenges for Strategic Projects

Our Strategic Projects business unit will continue to compete for industry capacity to deliver its projects (particularly with Western Australia's resource sector), and will face ongoing challenges in maintaining internal management capability.

These key risks will be managed by focused procurement selection, active engagement with industry and strategic workforce planning, with a strong emphasis on development of internal project management capability.



Old Treasury Building

Our People



This section provides an overview on our people initiatives, safety practices, codes of conduct, diversity and equality.

2011-12 Staff profile

Permanent Full Time	256
Contract Full Time	16
Part Time Permanent and Contract	19
Seconded In	11
Seconded Out	10

Our Graduate team 2012

Training and development

In 2009, we conducted an initial training needs analysis to identify training and development needs across our business. In early 2012, we completed a review to assess the success of training initiatives that followed the 2009 findings, and identify training and development needs for 2012-14. We are now developing a 2012-14 training action plan, so we can continue to develop and deliver targeted learning opportunities across the business.

We will also review the leadership development needs of our leaders and devise a Treasury leadership framework. Additionally, Treasury's four key leadership behaviours have now been extended to all staff, rather than just managers.

We have embedded and promoted these behaviours through the new Development and Performance Framework as well as recruitment processes.

We are also currently working on improving our knowledge management and succession planning. A pilot will be conducted to embed knowledge management practices across the broader business areas in 2012-13.

We are also currently developing specific area inductions to support people entering new business areas and a manager induction for those transitioning into management roles.

Planning and performance

In 2012, a new strategic plan was developed highlighting our key strategic goals for 2012-2015. This plan has been, and will continue to be, critical for informing planning for business units and individual staff, to ensure that all deliverables and tasks are aligned to our strategic goals, and mission, vision, and values, and our people can clearly see their contributions to them.

We reviewed our individual performance management process and developed the new Development and Performance Framework to promote constructive dialogue on development and performance.

In addition to identifying training and development needs, the improved framework encourages all staff to identify how they contribute to our values, demonstrate our leadership behaviours, and conduct tasks that support our operational and strategic deliverables. The first full cycle of our new framework will occur throughout 2012-13. A review is planned so that further improvements can be made for 2013-14.

The Administrative Support Network was also restructured in 2011 to improve the effectiveness and efficiency of the delivery of administrative support across Treasury. A recent review of the restructure identified a significant improvement in the quality and range of services provided by the network, which is critical in assisting Treasury in delivering its strategic and operational objectives.

Our Administrative Support Network



Workforce capacity, recruitment and retention

The Executive Group and management across the business recognised that our current recruitment practices were not meeting business needs. To address this, a Principal Strategic Recruitment Consultant position was established. This dedicated role has been critical in reviewing our recruitment practices and processes.

As a result, an improved suite of recruitment tools and processes are being implemented in 2012-13. This includes generic role statements, revised recruitment processes, and training to support the changes.

These strategies will increase the efficiency of recruitment processes, and ensure our revised role statements attract a diverse pool of applicants who are the best fit for the role and our business.

Treasury's Workforce and Diversity Plan 2012-16 has been developed by a cross-business consultative working group.

An action plan and reporting framework will support its implementation and ensure we have the right people, with the right skills, at the right time.

We recognise the value and importance of developing a workforce that incorporates people with different backgrounds, experiences and perspectives.

Consequently, we continue to offer a range of learning and development opportunities as part of our graduate and Indigenous cadetship programs. A review of these programs will inform and improve program delivery in 2012-13.

Our community involvement development day



Community involvement

To further support our people as good corporate citizens and socially responsible members of our community, we encourage volunteering activities through our community involvement development policy.

During 2011-12, teams participated in various activities. One of our volunteering teams spent their day doing general gardening duties for people who requested assistance from Volunteer Taskforce.

Safety, health and well-being

Commitment to occupational safety, health and injury management

Treasury and its Executive are committed to providing and maintaining a safe and healthy workplace, and meeting its responsibilities under the *Occupational Safety and Health Act 1984* and the *Workers' Compensation and Injury Management Act 1981*. Policies and procedures relating to occupational safety and health (OSH) and injury management are easily accessible on our intranet. As part of our commitment to continuous improvement, these documents are reviewed annually.

Up until May 2012, our services relating to OSH were delivered by the Office of Shared Services. We have since partnered with the Department of Finance and their OSH team, to assist us deliver OSH services for our business.

Consultation, communication and engagement

Treasury's Safety Committee is in place to ensure OSH issues are addressed and provides an avenue for our people to be informed and involved in OSH matters. Our committee members consist of employees, management, an OSH representative and a Human Resources representative. We are currently reviewing the setup of our Safety Committee and its Terms of Reference to ensure ongoing improvement.

Injury management

In accordance with the *Workers' Compensation and Injury Management Act 1981*, our injury management policy and guidelines outline the process to assist our injured people to return to work, in the maximum capacity they are medically capable of, as soon as practicable.

Our focus is to implement an early and effective injury management system. As soon as we receive a workers' compensation

claim where lost time or work restrictions are identified, we help the injured person return to work by developing an appropriate return to work plan. This is undertaken in consultation with the manager, the injured person and medical practitioner, so the injured person is able to actively participate in the process and can return to meaningful work in a safe and sustained manner.

Our injury management system supports all of our people who suffer work-related injuries/illness in accordance with the Act and, where applicable, to those who suffer a non-work-related injury or illness.

Self-evaluation

In 2010, an internal assessment of the OSH management system was conducted using the WorkSafe Plan. Based on this assessment improvements are being made in the areas of OSH consultation, training, hazard identification and issue resolution. These improvements will continue to be implemented over 2012-13.

Safety, health and well-being training

Given the changes in our organisational structure since separating from the Department of Finance and changes in OSH servicing arrangements, the percentage of managers and supervisors trained in OSH and injury management is below the 2011-12 target. As a result, one strategy scheduled to be implemented next year is an e-learning OSH module, which all our people will be required to complete.

There are a number of OSH positions filled by our people who represent their colleagues and ensure we uphold our OSH duty of care. These positions include first aid officers, Safety Committee representatives, grievance officers and wardens. Training of newly appointed people within these positions is ongoing.

Achievements

Some of the safety, health and well-being achievements over the past year include:

- the continued provision of a confidential free of charge Employee Assistance Program for our people and their families;
- a free flu vaccination program offered to all of our people, of which a total of 85 people participated;
- health and well-being programs, in the form of information sessions offered to all of our people, targeting women's health, eye care, and dental care;
- establishing a grievance officer network which our people can use to report incidents; and
- several work teams taking the initiative to participate in community events such as the HBF Run for a Reason and City to Surf, inspiring others to do the same.



Our work team participating in community events

Occupational safety and health reporting

Indicator	Target	Results
Number of fatalities	0	0
Lost time injury/disease (LTI/D) incidence rate	0	0
Lost time injury severity rate	0	0
Percentage of injured workers returned to work within 13 weeks	Greater than or equal to 80% return	n/a
Percentage of injured workers returned to work within 26 weeks	Greater than or equal to 80%	n/a
Percentage of managers and supervisors trained in occupational safety, health and injury management responsibilities	Greater than or equal to 80%	3%

Disability access and inclusion

Our 2007-11 Disability Access and Inclusion Plan was reviewed during 2011-12. The new plan has been produced in recognition of key stakeholder input to guide further improvements to access and inclusion. It was developed in conjunction with the Department of Finance's Disability Access and Inclusion Working Group, and we invited public comment on the draft plan through our website.

Our new plan will be launched in 2012-13 and will provide a framework with a range of implementation strategies, which will enable us to achieve the desired seven Government outcomes. This will continue our ongoing commitment to people with disabilities, to ensure they:

- have the same opportunities as other people to access our services, and any events organised by us;
- have the same opportunities as other people to access our buildings and other facilities;
- can access information from us in a format that will enable them to access the information as readily as other people are able to access it;

- receive the same quality of service from us as other people would receive;
- have the same opportunities as other people to make complaints to us;
- have the same opportunities as other people to participate in any public consultation; and
- have the same opportunities as other people to access our employment opportunities.

In support of these outcomes, during 2011-12 we continued to maintain text size controls on our website as a visual aid tool. Commencing early 2013, we will be conducting a website review which will continue to look at ways to improve our website accessibility.

As a member of the 140 William tenants group, we provide ongoing advice and ensure the building owners act on building-related issues, such as the inclusion of ramps, appropriate visual signage and appropriate customer service training for frontline contractors who provide services for us.

Governance



This section highlights some of the mechanisms we have in place to improve our performance, achieve compliance and deliver business outcomes.

Our Risk, Projects and Audit team

Governance committees

There are five governance committees which are sub-committees of the Treasury Monthly Executive Group (TMEX).

The role of each committee is to advise and make recommendations to TMEX on key areas covered in its terms of reference.

For each committee there are permanent members and annual appointed members. The Director Risk, Projects and Audit is undertaking a review of all of our committees, which will conclude in 2012-13.

The main focus areas will be to review membership, operations, terms of reference, effectiveness and to provide recommendations for continual improvement.

Budget management committee

This committee is our key governance committee in support of our delivery of the State Budget, Mid-year Review, Annual Report on State Finances and budget updates throughout the year.

It oversees the timetable and production of whole-of-government financial products and supports the preparation of advice on agenda items for the Government's Economic and Expenditure Reform Committee Meetings.

Key achievements over 2011-12 included the:

- coordination and roll-out of the 2012-13 Budget and associated package of corrective measures; and
- the implementation of a project management approach and forward planning for the next nine months of Treasury's financial work agenda.

This committee is chaired by the Executive Director (Economic).

Finance, risk and audit committee

The committee's primary objectives are to advise on, coordinate, review and oversee areas of:

- timely forward-looking and value-adding financial reporting;
- compliance with Treasurer's Instructions, business continuity planning, and the management of risk; and
- audit assurance in accordance with our Executive priorities and risk lead auditing.

The key achievement for 2011-12 was the preparation, stakeholder engagement and drafting of an Internal Audit Plan.

This committee is chaired by the Under Treasurer.

People and communications committee

The purpose of this committee is to advise and make recommendations to TMEX on people and communication issues across our business.

This includes a focus on strategic communication, culture, strategic recruitment, strategic planning, women in leadership, and development and performance of our people.

Key achievements over 2011-12 included:

- the establishment of the new Development and Performance Framework and roll-out of training to all of our people;
- the establishment of a clear vision for both strategic recruitment and strategic communications; and
- the progression of work on embedding our values across Treasury.

This committee is chaired by the Deputy Under Treasurer.

Program management committee

This committee ensures robust project reporting across Treasury.

The main areas of focus for this committee are to:

- monitor performance against approved budget, time and quality for projects within the Strategic Projects business unit;
- capture progress of business development projects within Treasury business units;
- report on resourcing requirements for projects; and
- address any other program and project management matters referred to the committee.

This committee is chaired by the Executive Director (Strategic Projects).

Information communication and technology committee

This committee has only recently become active. The major focus areas going forward include redefining the relationship with Department of Finance ICT area, enhanced technology delivery and developing our ICT strategy.

The roll-out of Microsoft Office 2007 to all our people commenced June 2012. Other specific Office Systems updates planned for roll out during 2012-13 include TRIM and Microsoft Office 2010.

This committee is chaired by the Executive Director (Strategic Policy and Evaluation).

Public Sector Standards and Ethical Codes

Our people have access to information about Public Sector Standards and ongoing support is provided for members of recruitment panels to ensure compliance with relevant standards. During 2011-12 the Department of Finance provided a quality assurance service, reviewing all our selection reports.

Additionally, they provided support and advice to ensure our processes and transactions complied with the standards.

In accordance with the *Public Disclosure Act 2003*, our Director, Risk, Projects and Audit is our designated public interest disclosure officer who receives disclosures of public interest information.

We have published internal policies and procedures relating to our public interest disclosure obligations, all of which are available on our intranet. In 2011-12 we had no public interest disclosures lodged under the Act.

We submitted our Annual Agency Report to the Public Sector Commission and reported that there had been no breach of discipline under the *Public Sector Management Act 1994*.

Ethics and integrity

Our Code of Conduct sets out our ethical standards, expected behaviours and values required of all of our people. As part of our induction, our new starters are informed of our expectation of high ethical behaviour, declarations of conflict and the responsibility to report suspected misconduct to ensure they are dealt with promptly and fairly.

During 2011-12 we reviewed our internal gifts, benefits and gratuities policy and procedure, to monitor and assess our compliance with the Western Australian Public Sector Code of Ethics and our code of conduct. All of our policies and procedures relating to ethical standards are available on our intranet.

Substantive equality

We are committed to providing services to meet the different needs of Western Australia's diverse community.

During 2012-13 we plan to undertake a review of our existing substantive equality policy in consultation with the Equal Opportunity Commission, and develop a communication strategy and online training to inform and educate our people.

Recordkeeping

We are committed to continuous improvement through ongoing assessment and review of our recordkeeping plan, systems and processes.

In conjunction with the Department of Finance we have continued our commitment of compliance with the *State Records Act 2000* by contributing to a Recordkeeping Plan that was approved by the State Records Office on 7 March 2012.

Our Retention and Disposal Schedule activities were also coordinated through the Department of Finance.

Compulsory records awareness training remains a critical component of every new starter's induction.

All of our people were enrolled in an online awareness training program which was launched early in 2012. At the close of the year, 22 per cent of our people had completed the training.

Financial Statements and Notes

Certification of Financial Statements

For the year ended 30 June 2012

The accompanying financial statements of the Department of Treasury have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2012 and the financial position as at 30 June 2012.

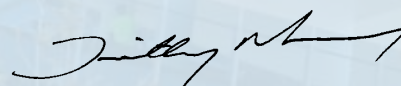
At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Roy Picardo

Acting Chief Finance Officer

11 September 2012



Timothy Marney

Under Treasurer

11 September 2012

Gordon Stephenson House, 140 William Street

Opinion of the Auditor General


Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF TREASURY

Report on the Financial Statements
I have audited the accounts and financial statements of the Department of Treasury.

The financial statements comprise the Statement of Financial Position as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

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

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

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

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

Opinion
In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Department of Treasury at 30 June 2012 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

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19 York Street Perth 6000 Western Australia WA 6000, Tel: (08) 9437 1300 Fax: (08) 9437 1340

Report on Controls
I have audited the controls exercised by the Department of Treasury during the year ended 30 June 2012.

Controls exercised by the Department of Treasury are those policies and procedures established by the Under Treasurer to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Under Treasurer's Responsibility for Controls
The Under Treasurer is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Department of Treasury based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Department complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Opinion
In my opinion, the controls exercised by the Department of Treasury are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2012.

Report on the Key Performance Indicators
I have audited the key performance indicators of the Department of Treasury for the year ended 30 June 2012.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Under Treasurer's Responsibility for the Key Performance Indicators
The Under Treasurer is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Under Treasurer determines necessary to ensure that the key performance indicators fairly represent indicated performance.

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

Page 2 of 3

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Under Treasurer's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Opinion

In my opinion, the key performance indicators of the Department of Treasury are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2012.

Independence

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

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Department of Treasury for the year ended 30 June 2012 included on the Department's website. The Department's management are responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in the website version of the financial statements and key performance indicators.



COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
12 September 2012

Statement of comprehensive income

For the year ended 30 June 2012

	Note	2012 \$000
COST OF SERVICES		
Expenses		
Employee benefits expense	7	30,779
Supplies and services	8	145,391
Depreciation expense	9	478
Accommodation expenses	10	274
Grants and subsidies	11	606
Other expenses	12	204
Loss on disposal of non-current assets	15	1
Total cost of services		177,733
Income		
<i>Revenue</i>	13	
User charges and fees		133,590
Commonwealth grants and contributions		7
Other revenue		431
Total Revenue		134,028
Total income other than income from State Government		134,028
NET COST OF SERVICES		(43,705)

	Note	2012 \$000
Income from State Government	14	
Service appropriation		37,846
Resources received free of charge		10,197
Total income from State Government		48,043
SURPLUS FOR THE PERIOD		4,338
Other comprehensive income		-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,338

Refer also to the schedule of income and expenses by service.
 The statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2012

	Note	2012 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	16	20,477
Receivables	18	10,340
Amounts receivable for services	19	385
Total Current Assets		31,202
Non-Current Assets		
Restricted cash and cash equivalents	17	846
Amounts receivable for services	19	6,112
Plant and equipment	20	14
Intangible assets	21	8,590
Total Non-Current Assets		15,562
TOTAL ASSETS		46,764
LIABILITIES		
Current Liabilities		
Payables	23	22,615
Provisions	24	9,040
Total Current Liabilities		31,655

	Note	2012 \$000
Non-Current Liabilities		
Provisions	24	2,133
Total Non-Current Liabilities		2,133
TOTAL LIABILITIES		
NET ASSETS		12,976
EQUITY		
Contributed equity	25	8,638
Accumulated surplus		4,338
TOTAL EQUITY		12,976

Refer also to the schedule of assets and liabilities by service.

The statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2012

	Note	Contributed equity \$000	Reserves \$000	Accumulated surplus \$000	Total equity \$000
Balance at 1 July 2011 (former Department of Treasury and Finance)	25	854,482	-	-	854,482
Surplus				4,338	4,338
Transactions with owners in their capacity as owners:					
Capital appropriations		276	-	-	276
Distribution to owners – Department of Finance		(846,120)	-	-	(846,120)
Balance at 30 June 2012		8,638	-	4,338	12,976

The statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2012

	Note	2012 \$000
CASH FLOWS FROM STATE GOVERNMENT		
Service appropriation		37,461
Capital appropriations		275
Receipts from Treasurer's Advance		20,000
Payments to Treasurer's Advance		(20,000)
Net cash provided by State Government		37,736
Utilised as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employee benefits		(29,160)
Supplies and services		(128,861)
Accommodation		(274)
Grants and subsidies		(606)
GST payments on purchases		(14,387)
GST payments to taxation authority		(3,470)
Other payments		(191)
Receipts		
User charges and fees		141,780
Grants		7
GST receipts on sales		17,755
GST receipts from taxation authority		1,279
Other receipts		427
Net cash (used) in operating activities	26	(15,700)

	Note	2012 \$000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current physical assets		(2,577)
Net cash (used) in investing activities		(2,577)
Net increase in cash and cash equivalents		19,460
Cash balance transferred to the Department of Finance		(126,922)
Cash and cash equivalents at the beginning of the period		128,785
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	26	21,323

The statement of cash flows should be read in conjunction with the accompanying notes.

Schedule of income and expenses by service

For the year ended 30 June 2012

	Financial Management and Reporting	Economic and Revenue Forecasts and Policy	Evaluation and Planning of Government Services Delivery and Infrastructure Provision	Leads the Planning and Delivery of New Government Buildings	Total
	\$000	\$000	\$000	\$000	\$000
COST OF SERVICES					
Expenses					
Employee benefits expense	4,886	5,809	17,379	2,705	30,779
Supplies and services	2,186	2,599	7,774	132,832	145,391
Depreciation expense	78	93	278	29	478
Accommodation expenses	1	1	3	269	274
Grants and subsidies	18	22	66	500	606
Other expenses	15	17	52	120	204
Loss on disposal of non-current assets	1	-	-	-	1
Total cost of services	7,185	8,541	25,552	136,456	177,733
Income					
User charges and fees	-	-	-	133,590	133,590
Commonwealth grants and contributions	-	-	6	1	7
Other revenue	-	-	417	14	431
Total income other than income from State Government	-	-	423	133,605	134,028
NET COST OF SERVICES	(7,185)	(8,541)	(25,129)	(2,851)	(43,705)

	Financial Management and Reporting	Economic and Revenue Forecasts and Policy	Evaluation and Planning of Government Services Delivery and Infrastructure Provision	Leads the Planning and Delivery of New Government Buildings	Total
	\$000	\$000	\$000	\$000	\$000
Income from State Government					
Service appropriation	8,114	9,647	18,089	1,996	37,846
Resources received free of charge	-	-	9,113	1,084	10,197
Total income from State Government	8,114	9,647	27,202	3,080	48,043
SURPLUS FOR THE PERIOD	929	1,106	2,073	229	4,338

The schedule of income and expenses by service should be read in conjunction with the accompanying notes.

Schedule of assets and liabilities by service

For the year ended 30 June 2012

	Financial Management and Reporting	Economic and Revenue Forecasts and Policy	Evaluation and Planning of Government Services Delivery and Infrastructure Provision	Leads the Planning and Delivery of New Government Buildings	Total
	\$000	\$000	\$000	\$000	\$000
Assets					
Current assets	1,512	1,798	5,378	22,514	31,202
Non-current assets	2,696	3,207	9,591	68	15,562
Total assets	4,208	5,005	14,969	22,582	46,764
Liabilities					
Current liabilities	1,920	2,284	6,829	20,623	31,655
Non-current liabilities	328	391	1,168	246	2,133
Total liabilities	2,248	2,675	7,997	20,869	33,788
NET ASSETS	1,960	2,330	6,972	1,713	12,976

The schedule of assets and liabilities by service should be read in conjunction with the accompanying notes.

Summary of consolidated account appropriations and income estimates

For the year ended 30 June 2012

	2012 Estimate \$000	2012 Actual \$000	Variance \$000
CONTROLLED TRANSACTIONS			
Delivery services			
Item 29 - Net amount appropriated to deliver services	75,119	75,119	-
Section 25 transfers and other adjustments (Note 34)		(38,672)	(38,672)
Amount Authorised by Other Statutes			
- <i>Salaries and Allowances Act 1975</i>	1,399	1,399	-
Total appropriations provided to deliver services	76,518	37,846	(38,672)
Capital			
Item 117 Capital appropriations	5,687	5,687	-
Section 25 transfer to Department of Finance	-	(5,411)	(5,411)
Total capital appropriations provided to deliver services	5,687	276	(5,411)
ADMINISTERED TRANSACTIONS			
RECURRENT ADMINISTERED			
Community Service Obligation Payments			
Item 30 Electricity Retail Corporation (Synergy)	425,541	425,443	(98)
Item 31 Regional Power Corporation (Horizon Power)	38,871	32,347	(6,524)
Item 32 Water Corporation of Western Australia	463,990	450,383	(13,607)
Item 33 Western Australian Land Authority	60,902	62,576	1,674
Total Community Service Obligation Payments	989,304	970,749	(18,555)

	2012 Estimate \$000	2012 Actual \$000	Variance \$000
Administered grants, subsidies and other transfer payments			
Item 34 Armadale Redevelopment Authority	1,830	915	(915)
Item 35 Broome Port Authority	342	342	-
Item 36 Sustainable Funding and Contracting with the Not-for-Profit Sector ^(a)	87,849	-	(87,849)
Item 37 Department of Corrective Services	21,439	2,006	(19,433)
Item 38 Goods and Services Tax (GST) Administration	73,800	70,694	(3,106)
Item 39 Health and Disability Services Complaints Office	2,121	2,121	-
Item 40 Provision for District Allowances ^(b)	11,910	-	(11,910)
Item 41 Provision for Voluntary Separation Package ^(c)	40,000	-	(40,000)
Item 42 Provision for Unfunded Liabilities in the Government Insurance Fund	3,471	3,576	105
Item 43 Refunds of Past Years Revenue Collections – Public Corporations	10,000	14,603	4,603
Item 44 Rottneest Island Authority	3,200	3,200	-
Item 45 Royalties for Regions	687,625	687,625	-
Item 46 State Property - Emergency Services Levy	16,000	13,341	(2,659)
Item 47 All Other Grants, Subsidies and Transfer Payments:			
• Acts of Grace	10	-	(10)
• ANZAC Day Trust	300	300	-
• HIH Insurance Rescue Package	80	80	-
• Incidentals	305	2	(303)
• Interest on Public Moneys held in Participating Trust Fund Accounts	5,641	5,648	7
• Shark Hazard Response	441	2,921	2,480
• Super Reforms – Payments to GESB	-	2,099	2,099
• Water Corporation of Western Australia – Part Reimbursement of Land Sales	200	-	(200)
• Western Australian Treasury Corporation Management Fees	550	620	70
Total Administered grants, subsidies and other transfer payments	967,114	810,093	(157,021)

	2012 Estimate \$000	2012 Actual \$000	Variance \$000
Authorised by Other Statutes			
Gold Corporation Act 1987	2	1	(1)
Judges' Salaries and Pensions Act 1950	12,067	12,294	227
Parliamentary Superannuation Act 1970	7,189	7,027	(162)
State Superannuation Act 2000	575,281	564,255	(11,026)
Tobacco Products Control Act 2006	20,649	20,674	25
Unclaimed Money Act 1990	750	819	69
Unclaimed Money (Superannuation and RSA Providers) Act 2003	20	-	(20)
Western Australian Treasury Corporation Act 1986 – Interest	323,000	253,798	(69,202)
Total Amounts Authorised by Other Statutes	938,958	858,868	(80,090)
Total Recurrent Administered	2,895,376	2,639,710	(255,666)
ADMINISTERED CAPITAL			
Government Equity Contributions			
Item 118 Armadale Redevelopment Authority	3,940	-	(3,940)
Item 119 Department of Corrective Services	14,637	4,767	(9,870)
Item 120 Electricity Generation Corporation (Verve Energy)	31,362	31,321	(41)
Item 121 Electricity Networks Corporation (Western Power)	636	636	-
Item 122 Esperance Port Authority	1,400	1,400	-
Item 123 Forest Products Commission	89,979	87,508	(2,471)
Item 124 Fremantle Port Authority	14,500	450	(14,050)
Item 125 Port Hedland Port Authority	450	-	(450)
Item 126 Regional Power Corporation (Horizon Power)	17,468	2,066	(15,402)
Item 127 Royalties for Regions	510,950	510,950	-
Item 128 WA Health	128,878	18,879	(109,999)
Item 129 Water Corporation of Western Australia	8,860	-	(8,860)
Total Government Equity Contributions	823,060	657,977	(165,083)

	2012 Estimate \$000	2012 Actual \$000	Variance \$000
Other			
Item 130 New Children's Hospital Account	505,000	505,000	-
Item 131 Perry Lakes Trust Account	14,940	2,775	(12,165)
Total Other Capital Contributions	519,940	507,775	(12,165)
Authorised by Other Statutes			
Loans (Co-operative Companies) Act 2004	660	2,200	1,540
Total Authorised by Other Statutes	660	2,200	1,540
Total Administered Capital Contributions	1,343,660	1,167,952	(175,708)
TOTAL ADMINISTERED APPROPRIATIONS	4,239,036	3,807,662	(431,374)
GRAND TOTAL	4,321,241	3,845,784	(475,457)
Details of Expenses by Service			
Financial Management and Reporting	7,277	7,185	(92)
Economic and Revenue Forecasts and Policy	11,871	8,541	(3,330)
Evaluation and Planning of Government Services Delivery and Infrastructure Provision	21,276	25,552	4,276
Leads the Planning and Delivery of New Government Buildings	61,349	136,456	75,107
Total Details of Expenses by Services	101,773	177,733	75,960
Less Total Income	(57,022)	(134,028)	(77,006)
Net Cost of Services	44,751	43,705	(1,046)
Adjustments	31,767	(5,859)	(37,626)
Total appropriations provided to deliver services	76,518	37,846	(38,672)

	2012 Estimate \$000	2012 Actual \$000	Variance \$000
Details of Capital Expenditure			
Purchase of non-current physical assets	7,487	2,577	(4,910)
Repayment of borrowings	-	-	-
Adjustments for other funding sources	(1,800)	(2,302)	(502)
Capital appropriations	5,687	275	(5,412)
DETAILS OF ADMINISTERED INCOME ESTIMATES			
Sale of Goods and Services			
Sale of Goods and Services	7,289	6,205	(1,084)
Total Sales of Goods and Services	7,289	6,205	(1,084)
Commonwealth Grants			
Compensation for Crude Oil Exercise Condensate	56,500	74,728	18,228
First Home Owners' Boost	200	973	773
GST Grants	3,617,100	3,453,600	(163,500)
Local Government (Financial Assistance Grants)	155,829	153,907	(1,922)
Local Government (Road Funding)	100,655	101,449	794
Non-Government Schools	810,422	871,641	61,219
North-West Shelf Grants	1,027,900	924,825	(103,075)
Other	3,785,462	3,868,164	82,702
Total Commonwealth Grants	9,554,068	9,449,287	(104,781)

	2012 Estimate \$000	2012 Actual \$000	Variance \$000
Dividends and Taxes			
Government Enterprises – Dividends	698,659	703,116	4,457
Income Tax – Tax Equivalent Regime	440,304	364,682	(75,622)
Local Government Rates – Tax Equivalent Regime	12,664	14,037	1,373
Total Dividends and Taxes	1,151,627	1,081,835	(69,792)
Other Revenue			
Consolidated Account Revenue Received from Agencies	11,883,795	11,649,298	(234,497)
Interest	303,614	293,003	(10,611)
Pension Recoups	15,112	15,180	68
Loan Guarantee Fees	31,200	27,090	(4,110)
Gold State Superannuation Reimbursement	151,529	159,765	8,236
Other Revenue	9,520	38,383	28,863
Total Other Revenue	12,394,770	12,182,719	(212,051)
TOTAL INCOME	23,107,754	22,720,046	(387,708)

- ^(a) Of the \$87.849 million budget, \$86.412 million was transferred from Administered to various agencies, under Section 25 of the *Financial Management Act 2006*. The funds were then appropriated to these agencies from the Consolidated Account and the actuals for this are represented in those agencies.
- ^(b) Of the \$11.91 million budget, \$9.401 million was transferred from Administered to various agencies, under Section 25 of the *Financial Management Act 2006*. The funds were then appropriated to these agencies from the Consolidated Account and the actuals for this are represented in those agencies.
- ^(c) Of the \$40 million budget, \$33.979 million was transferred from Administered to various agencies, under Section 25 of the *Financial Management Act 2006*. The funds were then appropriated to these agencies from the Consolidated Account and the actuals for this are represented in those agencies.

Notes to the financial statements

For the year ended 30 June 2012

Note 1. Australian Accounting Standards

General

The Department's financial statements for the year ended 30 June 2012 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the annual reporting period ended 30 June 2012.

Note 2. Summary of significant accounting policies

(a) General statement

The Department is a not for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The *Financial Management Act* and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

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.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land, buildings and infrastructure which have been measured at fair value.

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

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

Note 4 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Department's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 5 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting entity

The reporting entity is the Department of Treasury, which was designated effective from 1 July 2011, following the separation of the Department of Treasury and Finance into the Department of Treasury and the Department of Finance.

Mission

The Department of Treasury's mission is to serve the public interest through the provision of high quality economic and financial advice and expert asset management.

The Department is predominantly funded by Parliamentary appropriation supplemented by fees and charges received for the provision of services to other agencies that are charged out on a full cost recovery basis.

The financial statements encompass all funds through which the Department controls resources to carry out its functions.

In the process of reporting on the Department as a single entity, all intra-entity transactions and balances have been eliminated.

The Insurance Commission of Western Australia has been appointed to administer the RiskCover Managed Fund on behalf of government under the supervision of the Department. Details of the transactions of the RiskCover Managed Fund are disclosed in the financial statements of the Commission.

Services

The Department of Treasury provides the following services:

Service 1: Financial Management and Reporting

This service involves the provision of advice on the Government's fiscal strategy, advice on the legislative framework underpinning financial management and accountability in the Western Australian public sector, the preparation and publication of regular reports on the State's finances, and maintenance of the Public Ledger.

Service 2: Economic and Revenue Forecasts and Policy Development

This service involves the analysis and advice on economic and revenue policy issues, including the State's major revenue sources, utilities regulation and reform, and economic, social and environmental development.

Service 3: Evaluation and Planning of Government Service Delivery and Infrastructure Provision

This service aims at investigating agencies' operations in respect of efficiency and effectiveness and to advise government on the allocation of taxpayers' resources to achieve government desired outcomes. It includes the analysis, evaluation and planning of government services to ensure value for money outcomes in the key areas of Health, Law and Order, Education and infrastructure delivery.

Service 4: Leads the Planning and Delivery of New Government Buildings

This encompasses strategic leadership and facilitation in the planning, project management and procurement of major new non-residential buildings.

The Department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at note 38 'Administered income and expenses' and note 41 'Administered assets and liabilities'.

(d) 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 transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, is designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(e) Income**Revenue recognition**

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

Sale of goods

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.

Provision of services

Revenue is recognised on delivery of the service to the client or by reference to the stage of completion of the transaction.

Administered

Revenues resulting from taxation, territorial revenue, regulatory fees and fines, sale of goods and services, rent and interest, are, where possible, recognised when the transaction or event giving rise to the revenue occurs. In some instances, however, the revenue is not measurable until the cash is received.

Service Appropriations

Service appropriations are recognised as revenues in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited into the Department's bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the determination specified in the 2011-2012 Budget Statements, the Department retained \$134.028 million in 2012 from the following:

- proceeds from fees, charges and sale of goods;
- Commonwealth specific purpose grants and contributions;
- one-off gains with a value of less than \$10,000 derived from the sale of property other than real property;
- other departmental revenue.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Department obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Royalties for Regions funds are recognised as revenue at fair value in the period in which the Department obtains control over the funds. The Department obtains control of the funds at the time the funds are deposited into the Department's bank account.

Gains

Gains may be realised or unrealised and 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.

(f) Plant and equipment**Capitalisation/expensing of assets**

Items of plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income.

Initial recognition and measurement

Plant and equipment are initially recognised at cost.

For items of plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land, buildings and infrastructure and historical cost for all other plant and equipment. All items of plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described under 'Property, plant and equipment'.

Depreciation

All non-current assets 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.

Depreciation on other assets is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Plant and equipment	10 to 15 years
Office equipment	5 years
Software ^(a)	3 to 5 years
Office fit-outs	3 to 15 years or remaining lease term, whichever is lower

^(a) Software that is integral to the operation of related hardware

(g) Intangible assets**Capitalisation/expensing of assets**

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. 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.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Department have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

Licences	up to 10 years
Research and Development Costs	3 to 5 years
Software ^(a)	3 to 13 years

^(a) Software that is not integral to the operation of any related hardware

Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Computer software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

(h) Impairment of assets

Items of plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Department is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

(i) Non-current assets (or disposal groups) classified as held for sale

The Department does not control non-current assets held for sale.

(j) Leases

The Department has entered into an operating lease arrangement for the rent of the office building where the lessor effectively retains the entire risks and benefits incidental to ownership of the items held under the operating lease.

Lease income from operating leases where the Department is a lessor is recognised as income on a straight-line basis over the lease term.

(k) Financial instruments

In addition to cash, the Department has two categories of financial instruments:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
 - Cash and cash equivalents
 - Restricted cash and cash equivalents
 - Receivables
 - Amounts receivable for services
- Financial Liabilities
 - Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(l) Cash and cash equivalents

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.

(m) Accrued salaries

Accrued salaries [*refer to note 23 'Payables'*] represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its net fair value.

The accrued salaries suspense account [*refer to note 17 'Restricted cash and cash equivalents'*] consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur instead of the normal 26. No interest is received on this account.

(n) Amounts receivable for services (holding account)

The Department receives funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (holding account receivable) that is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

(o) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 14 to 30 days.

(p) Payables

Payables are recognised at the amounts payable when the Department 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 they are generally settled within 30 days.

(q) Amounts due to the Treasurer

The amount due to the Treasurer is in respect of a Treasurer's Advance. Initial recognition and measurement, and subsequent measurement, is at the amount repayable. Although there is no interest charged, the amount repayable is equivalent to fair value as the period of the borrowing is for less than 12 months with the effect of discounting not being material.

(r) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual leave

The liability for annual leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Annual leave not expected to be settled within 12 months after the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The 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 future cash outflows.

The provision for annual leave is classified as a current liability as the Department does not have an unconditional right to the defer settlement of the liability for at least 12 months after the reporting period.

Long service leave

The liability for long service leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Long service leave not expected to be settled within 12 months after the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The 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 future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Department does not have unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Conditional long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Sick leave

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income for this leave as it is taken.

Deferred leave

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional twelve months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

Purchased leave

The provision for purchased leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional ten weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at the nominal amounts expected to be paid when the liabilities are settled. This liability is measured on the same basis as annual leave.

Superannuation

The Government Employees Superannuation Board (GESB) and other funds 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.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Department to GESB extinguishes the agency's obligations to the related superannuation liability.

The Department has no liabilities under the Pension or the GSS. 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 Department to the GESB. The concurrently funded part of the GSS Scheme is a defined contribution scheme as these contributions extinguish all liabilities in respect of the concurrently funded GSS Scheme obligations.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees became able to choose their preferred superannuation fund. The Department makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee*

(Administration) Act 1992. Contributions to these accumulation schemes extinguish the Department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GESB makes all benefit payments in respect of the Pension and GSS Schemes, and is recouped from the Treasurer for the employer's share.

See also note 2(s) 'Superannuation expense'.

Provisions – other

Employment on-costs

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' and are not included as part of the Department's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

Restoration costs

A provision is recognised where the Department has a legal or constructive obligation to undertake restoration work. Estimates are based on the present value of expected future cash outflows.

(s) Superannuation expense

The superannuation expense in the Statement of Comprehensive Income comprises of employer contributions paid to the GSS (concurrent contributions), the WSS, and the GESBS or other superannuation fund. The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

(t) Resources received free of charge or for nominal cost

Resources received free of charge or for nominal cost that can be reliably measured are recognised as income and as assets or expenses as appropriate, at fair value. Where the resource received represents a service that the Department would otherwise pay for, a corresponding expense is recognised. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

Note 3. Comparative figures

The Department of Treasury was designated effective from 1 July 2011 following the separation of the former Department of Treasury and Finance into the Department of Treasury and the Department of Finance. As this is the first reporting period of the Department of Treasury under its new structure, no comparative figures have been provided.

Note 4. Judgements made by management in applying accounting policies

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

Operating lease commitments

The Department 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.

Note 5. Key sources of estimation uncertainty

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.

Long Service Leave

Several estimations and assumptions used in calculating the Department's long service leave provision 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 amounts of the long service leave provision.

Note 6. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2011 that impacted on the Department.

AASB 1054	<i>Australian Additional Disclosures</i>	This Standard, in conjunction with AASB 2011-1 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project</i> , removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.
AASB 2009-12	<i>Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Int 2, 4, 16, 1039 & 1052]</i>	This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.
AASB 2010-4	<i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Int 13]</i>	<p>The amendments to AASB 7 clarify financial instrument disclosures in relation to credit risk. The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is no longer required to be disclosed. There is no financial impact. The amendments to AASB 101 clarify the presentation of the statement of changes in equity.</p> <p>The disaggregation of other comprehensive income reconciling the carrying amount at the beginning and the end of the period for each component of equity is no longer required. There is no financial impact.</p>
AASB 2010-5	<i>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Int 112, 115, 127, 132 & 1042]</i>	This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.
AASB 2010-6	<i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7]</i>	This Standard introduces additional disclosure relating to transfers of financial assets in AASB 7. An entity shall disclose all transferred financial assets that are not derecognised and any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. There is no financial impact.
AASB 2011-1	<i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Int 2, 112 & 113]</i>	This Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

AASB 2011-5 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, 128 & 131]*

This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit non-reporting entities that comply with Australian Accounting Standards. There is no financial impact.

Voluntary changes in accounting policy

There are no voluntary changes in Accounting Policies during the year.

Future impact of Australian Accounting Standards not yet operative

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

		Operative for Reporting Periods Beginning On/After
AASB 9	<i>Financial Instruments</i> This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , introducing a number of changes to accounting treatments. The Standard was reissued in December 2010. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2013
AASB 10	<i>Consolidated Financial Statements</i> This Standard supersedes requirements under AASB 127 <i>Consolidated and Separate Financial Statements and Int 112 Consolidation – Special Purpose Entities</i> , introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2013
AASB 11	<i>Joint Arrangements</i> This Standard supersedes AASB 131 <i>Interests in Joint Ventures</i> , introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2013

		Operative for Reporting Periods Beginning On/After
AASB 12	<p><i>Disclosure of Interests in Other Entities</i></p> <p>This Standard supersedes disclosure requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i>. The Standard was issued in August 2011. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 13	<p><i>Fair Value Measurement</i></p> <p>This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.</p>	1 Jan 2013
AASB 119	<p><i>Employee Benefits</i></p> <p>This Standard supersedes AASB 119 (October 2010). As the Department does not operate a defined benefit plan, the impact of the change is limited to measuring annual leave as a long-term employee benefit. The resultant discounting of the annual leave benefit has an immaterial impact.</p>	1 Jan 2013
AASB 127	<p><i>Separate Financial Statements</i></p> <p>This Standard supersedes requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i>, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jul 2011
AASB 9	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments. The Standard was reissued on 6 Dec 2010 and the Department is currently determining the impact of the Standard. The Department has not yet determined the application or the potential impact of the Standard for agencies.</p>	1 Jan 2013
AASB 128	<p><i>Investments in Associates and Joint Ventures</i></p> <p>This Standard supersedes AASB 128 <i>Investments in Associates</i>, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013

		Operative for Reporting Periods Beginning On/After
AASB 1053	<p><i>Application of Tiers of Australian Accounting Standards</i></p> <p>This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.</p>	1 Jul 2013
AASB 2009-11	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12</i></p> <p>[Modified by AASB 2010-7]</p>	1 Jul 2013
AASB 2010-2	<p><i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Int 2, 4, 5, 15, 17, 127, 129 & 1052]</i></p> <p>This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.</p>	1 Jul 2013
AASB 2010-7	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</i></p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2011-2	<p><i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & 1054]</i></p> <p>This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.</p>	1 Jul 2013
AASB 2011-6	<p><i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, 128 & 131]</i></p> <p>This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. There is no financial impact.</p>	1 Jul 2013

		Operative for Reporting Periods Beginning On/After
AASB 2011-7	<p><i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]</i></p> <p>This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i>. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2011-8	<p><i>Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]</i></p> <p>This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.</p>	1 Jan 2013
AASB 2011-9	<p><i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]</i></p> <p>This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jul 2012
AASB 2011-10	<p><i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]</i></p> <p>This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 <i>Employee Benefits</i> in September 2011. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2013
AASB 2011-11	<p><i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i></p> <p>This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.</p>	1 Jan 2013
AASB 2012-1	<p><i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, 7, 13, 140 & 141]</i></p> <p>This Standard establishes and amends reduced disclosure requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8. There is no financial impact.</p>	

Changes in accounting estimates

There have been no changes in accounting estimates during the year.

Note 7. Employee benefits expense

	2012 \$000
Wages and salaries ^(a)	20,769
Superannuation – defined contribution plans ^(b)	2,764
Long service leave ^(c)	2,300
Annual leave ^(c)	4,201
Other related expenses	745
	30,779

^(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.

^(b) Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid).

^(c) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 12 'Other expenses'.

The employment on-costs liability is included at note 24 'Provisions'.

Note 8. Supplies and services

	2012 \$000
Managed contracts	132,160
Communications	58
Consultants and contractors	12,091
Consumables	205
Repairs and maintenance	25
Travel	191
Legal costs	137
Other ^(a)	524
	145,391

^(a) Includes audit fees which generally would be the final audit fee for the previous year's audit plus the interim audit fee (if any).

Refer also to note 31 'Remuneration of auditor'.

Supplies and services include amounts supplied free of charge as set out in note 14.

Note 9. Depreciation expense

	2012 \$000
Depreciation	
Furniture and equipment	6
Computer equipment	2
Office fit out	470
Total depreciation	478

Note 10. Accommodation expenses

	2012 \$000
Lease rentals	269
Repairs and maintenance	5
	274

Note 11. Grants and subsidies

	2012 \$000
Grants - Recurrent	606
	606

Note 12. Other expenses

	2012 \$000
Minor purchases	104
Employment on-costs ^(a)	13
Other expenses	87
	204

^(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 24 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs. Refer also to note 7 'Employee benefits expense'.

Note 13. Income

	2012 \$000
User charges and fees	
Managed building works	133,590
	133,590
Commonwealth grants and contributions	
Commonwealth grants and contributions	7
	7
Other revenue	
Recoups	2
Government vehicle scheme (GVS)	46
Others	383
	431
	134,028

Note 14. Income from State Government

	2012 \$000
Appropriation received during the year:	
Service appropriation ^(a)	37,846
	37,846
Resources received free of charge ^(b)	
Determined on the basis of the following estimates provided by agencies:	
- Department of Finance	10,197
	10,197
Total Income from State Government	48,043

^(a) Service appropriations are accrual amounts reflecting the net cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

^(b) Where assets or services have been received free of charge or for nominal cost, the Department recognises revenue equivalent to the fair value of the assets and/or the fair value of those services that can be reliably measured and which would have been purchased if they were not donated, and those fair values shall be recognised as assets or expenses, as applicable. Where the contributions of assets or services are in the nature of contributions by owners, the Department makes an adjustment direct to equity.

Note 15. Net gain/(loss) on disposal of non-current assets

	2012 \$000
Proceeds from Disposal of Non-Current Assets	
Computers	-
Cost of Disposal of Non-Current Assets	
Computers	(1)
Net gain/(loss)	(1)

Note 16. Cash and cash equivalents

	2012 \$000
Current	
Cash at bank	20,476
Cash on hand	1
	20,477

Note 17. Restricted cash and cash equivalents

	2012 \$000
Non-current	
Accrued salaries suspense account ^(a)	846
	846

^(a) Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

Note 18. Receivables

	2012 \$000
Current	
Receivables	3,048
Accrued revenue	527
GST receivable	1,230
	4,805
Underbillings ^(a)	5,535
	10,340

^(a) Contract cost incurred less billings to clients .

The Department does not hold any collateral as security or other credit enhancements relating to receivables. Refer to note 2(o) 'Receivables' and note 33 'Financial instruments'.

Note 19. Amounts receivable for services

	2012 \$000
Current	385
Non-current	6,112
	6,497

Represents 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.

Refer to note 2(n) 'Amounts receivable for services (holding account)'.

Note 20. Plant and equipment

	2012 \$000
Furniture and equipment	
At cost	24
Accumulated depreciation	(12)
	<u>11</u>
Computer equipment	
At cost	11
Accumulated depreciation	(9)
	<u>3</u>
Total	
At cost	35
Accumulated depreciation	(21)
	<u>14</u>

Refer also to note 2(f) 'Plant and Equipment'.

Reconciliations of the carrying amounts of plant and equipment and vehicles at the beginning and end of the reporting period are set out in the table below.

	Land \$000	Buildings \$000	Leasehold Improvements \$000	Furniture and Equipment \$000	Computer Equipment \$000	Office Fit Out \$000	Motor Vehicles \$000	Work in Progress \$000	Total \$000
2012									
Carrying amount at start of year from former Department of Treasury and Finance	180,126	199,586	56,442	257	2,190	1,690	273,314	12,326	725,931
Additions	-	-	-	-	-	-	-	-	-
Transfers ^(a)	(180,126)	(199,586)	(56,442)	(239)	(2,185)	(1,220)	(273,314)	(12,326)	(725,438)
Other disposals				(1)					(1)
Depreciation	-	-	-	(6)	(2)	(470)	-	-	(478)
Carrying amount at end of year	-	-	-	11	3	-	-	-	14

^(a) On 1st of July 2011, the former Department of Treasury and Finance split into Department of Treasury and Department of Finance. As part of the split, some assets have been transferred to Department of Finance.

Note 21. Intangible assets

	2012 \$000
Computer software	
At cost	1,409
Accumulated amortisation	(1,409)
	-
Work in progress – Strategic Information Management System(SIMS)	
At cost	8,590
	8,590
Total	
At cost	9,999
Accumulated depreciation	(1,409)
	8,590

Reconciliations of the carrying amounts of intangibles at the beginning and end of the reporting period are set out in the table below.

	Licence \$000	Computer Software \$000	Work in Progress \$000	Total \$000
2012				
Carrying amount at start of year from the former Department of Treasury and Finance	10,611	131,726	29,824	172,161
Additions	-	-	2,576	2,576
Transfers ^(a)	(10,611)	(131,726)	(23,810)	(166,147)
Carrying amount at end of year	-	-	8,590	8,590

^(a) On 1st of July 2011, the former Department of Treasury and Finance split into Department of Treasury and Department of Finance. As part of the split, some assets have been transferred to the Department of Finance.

Note 22. Impairment of assets

There were no indications of impairment to plant and equipment and intangible assets at 30 June 2012.

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

Note 23. Payables

	2012 \$000
Current	
Trade payables	417
GST payables	874
Accrued expenses	17,353
Other payables	99
	18,744
Overbillings ^(a)	3,871
Total current	22,615

^(a) Billings to clients less contract costs incurred.

Refer to note 2(p) 'Payables' and note 33 'Financial instruments'.

Note 24. Provisions

	2012 \$000
Current	
<i>Employee benefits provision</i>	
Annual leave ^(a)	3,656
Long service leave ^(b)	4,557
	<u>8,213</u>
<i>Other provisions</i>	
Employment on-costs ^(c)	827
	<u>827</u>
Total current	<u>9,040</u>
Non-current	
<i>Employee benefits provision</i>	
Long service leave ^(b)	1,916
	<u>1,916</u>
<i>Other provisions</i>	
Employment on-costs ^(c)	217
	<u>217</u>
Total Non-current	<u>2,133</u>

^(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2012 \$000
	1,973
Within 12 months of the end of the reporting period	1,683
More than 12 months after the reporting period	<u>3,656</u>

^(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows: :

	2012 \$000
Within 12 months of the end of the reporting period	1,923
More than 12 months after the reporting period	4,550
	6,473

^(c) 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. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 12 'Other expenses'.

Movements in other provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below.

	2012 \$000
Employment on-cost provision – Current	
Carrying amount at start of year	-
Additional provisions recognised	827
Carrying amount at end of year	827
Employment on-cost provision – Non-current	
Carrying amount at start of year	-
Additional provisions recognised	217
Carrying amount at end of year	217

Note 25. Equity

Equity represents the residual interest in the net assets of the Department. The Government holds the equity interest in the Department on behalf of the community.

Contributed equity

	2012 \$000
Balance at start of period (former Department of Treasury and Finance)	854,482
Contributions by owners	
Capital appropriation	276
Total contributions by owners	854,758
Distribution to owners	
Transfer of net assets to owners ^(a)	(846,120)
Total distributions to owners	(846,120)
Balance at end of period	8,638

Accumulated surplus

	2012 \$000
Balance at start of period	-
Result for the period	4,338
Balance at end of period	4,338
Total Equity at end of period	12,976

^(a) On 1st of July 2011, the former Department of Treasury and Finance split into Department of Treasury and Department of Finance. As part of the split, some assets were transferred to the Department of Finance.

Note 26. Notes to the Statement of Cash Flows

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2012 \$000
Cash and cash equivalents ^(a)	20,477
Restricted cash and cash equivalents ^(b)	846
	21,323

^(a) Refer also to note 16

^(b) Refer also to note 17

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

	2012 \$000
Net cost of services	(43,704)
Non-cash items	
Depreciation expense (note 9)	478
Resources received free of charge	10,197
Net (gain)/loss on sale of property, plant and equipment	1
(Increase)/decrease in assets	
Current receivables ^(a)	13,586

	2012 \$000
Increase/(decrease) in liabilities	
Current payables ^(a)	946
Accrued salaries	(365)
Employee benefits	1,984
Net GST receipts/(payments) ^(b)	1,177
Net cash provided by/(used in) operating activities	(15,700)

^(a) This reverses out the GST in receivables and payables.

^(b) 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.

Note 27. Commitments

Capital expenditure commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

	2012 \$000
Within 1 year	236
Later than 1 year and not later than 5 years	-
Later than 5 years	-
	236

Lease commitments

Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows:

	2012 \$000
Within 1 year	352
Later than 1 year and not later than 5 years	957
Later than 5 years	558
	1,867
Representing:	
Cancellable operating leases	-
Non-cancellable operating leases	1,867
Future finance charges on finance leases	-
	1,867

Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

	2012 \$000
Within 1 year	352
Later than 1 year and not later than 5 years	957
Later than 5 years	558
	1,867

The property lease is a non-cancellable lease with an eight 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 3.5% per annum. Options exist to renew the lease at the end of the eight year term with the last option expiring 16 May 2031.

Note 28. Contingent liabilities and contingent assets

Contingent liabilities

The Department does not have any contingent liabilities.

Contingent assets

The Department does not have any contingent assets.

Note 29. Related and Affiliated Bodies

The Department has no related or affiliated bodies.

Note 30. Events occurring after the end of the reporting period

The Department is unaware of any event occurring after reporting date that would materially affect the financial statements.

Note 31. Remuneration of auditor

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

	2012
	\$000
Department of Treasury	213
Annual Report on State Finances	340
	553

Note 32. Remuneration of senior officers

The number of senior officers whose total fees, salaries (including annual leave and long services entitlements), superannuation, non-monetary benefits and other benefits (including fringe benefits) for the financial year fall within the following bands are:

	2012 \$000
\$	
20,001 – 30,000 ^(a)	1
260,001 – 270,000	3
300,001 – 310,000	1
360,001 – 370,000	1
510,001 – 520,000	1
Total remuneration of senior officers	2,012

^(a) Officer commenced acting in the position in June 2012.

Note 33. Financial instruments

(a) Financial risk management objectives and policies

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

Credit risk

Credit risk arises when there is the possibility of the Department's receivables defaulting on their contractual obligations resulting in financial loss to the Department.

The maximum exposure to credit risk at end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment as shown in the table at note 33 'Financial instruments disclosures' and note 18 'Receivables'.

Credit risk associated with the Department's financial assets is minimal as a significant receivable is the amount receivable for services (holding account). For receivables other than government, the Department trades only with recognised; creditworthy third parties. The Department 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 Department's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

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

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

The Department has appropriate procedures to manage cash flows including drawdowns 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 Department's income or the value of its holdings of financial instruments. The Department does not trade in foreign currency and is not materially exposed to other price risks.

(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 as follows:

	2012 \$000
Financial Assets	
Cash and cash equivalents	20,477
Restricted cash and cash equivalents	846
Receivables ^(a)	9,110
Amounts receivable for services	6,497
	36,930
Financial Liabilities	
Payables ^(b)	21,741
	21,741

^(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

^(b) The amount of payables excludes GST payable to the ATO (statutory payable).

(c) Financial instrument disclosures

Credit risk

The following table details the Department's maximum exposure to credit risk and the ageing analysis of financial assets. The Department's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Department.

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

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

Ageing analysis of financial assets

	Carrying Amount	Not Past Due and Not Impaired	Past due but not impaired					Impaired Financial Assets
			Up to 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years	
			\$000	\$000	\$000	\$000	\$000	
2012								
Cash and cash equivalents	20,477	20,477	-	-	-	-	-	-
Restricted cash and cash equivalents	846	846	-	-	-	-	-	-
Receivables ^(a)	9,110	9,110	-	-	-	-	-	-
Amounts receivable for services	6,497	6,497	-	-	-	-	-	-
	36,930	36,930	-	-	-	-	-	-

^(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Liquidity risk and interest rate exposure

The following table discloses the Department'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.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate %	Interest rate exposure				Maturity dates					
		Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non-interest Bearing	Nominal Amount	Up to 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2012											
Financial Assets											
Cash and cash equivalents		20,477	-	-	20,477	20,447	20,477	-	-	-	-
Restricted cash and cash equivalents		846	-	-	846	846	-	-	-	846	-
Receivables ^(a)		9,110	-	-	9,110	9,110	8,262	440	350	58	-
Amounts receivable for services		6,497	-	-	6,497	6,497	-	-	385	6,112	-
		36,930			36,930	36,930	28,739	440	735	7,016	-
Financial Liabilities											
Payables		21,741	-	-	21,741	21,741	21,617	123	1	-	-
		21,741	-	-	21,741	21,741	21,617	123	1	-	-

^(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

Note 34. Explanatory statement – controlled items

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Account Appropriations and Income Estimates' are shown below. Significant variations are considered to be those greater than ten per cent of the principal amount. In respect of any item for which there is not a significant variation, no explanation is given.

Total appropriations provided to deliver services

Significant variances between estimates and actual 2012

	2012 Estimate \$000	2012 Actual \$000	2012 Movement \$000
Appropriation provided to deliver services	76,518	76,518	-
Section 25 – Transfer of Corporate Services to Department of Finance	-	(39,649)	(39,649)
Section 25 – Transfer of Strategic Information Management System from Department of Finance	-	593	593
2011-12 Voluntary Severance Offer adjustment	-	461	461
Transfer of direct Corporate Services cost from Department of Finance	-	23	23
State Superannuation Reforms adjustment	-	(100)	(100)
Total appropriations provided to deliver services	76,518	37,846	(38,672)

Expenses by services

Significant variances between estimates and actual 2012

	2012 Estimate \$000	2012 Actual \$000	2012 Variance \$000
Service 1 – Financial Management and Reporting	7,277	7,185	92
Service 2 – Economic and Revenue Forecasts and Policy Development ^(a)	9,781	8,541	1,240
Service 3 – Evaluation and Planning of Government Services Delivery and Infrastructure Provision	23,366	25,552	(2,186)
Service 4 – Leads the Planning and Delivery of New Government Buildings ^(b)	61,349	136,456	(75,107)
	101,773	177,733	(75,960)

^(a) *Economic and revenue forecasts and policy development* – The main reason for the variance is the reallocation between services 2 and 3 mainly due to reallocation of the costs associated with the Superannuation Management Branch expenses being spent out of Service 3.

^(b) *Leads the planning and delivery of new Government buildings* – The variance is mainly due to the underestimation related to transition from Combined Building Management Works/ Strategic Projects to works program under Department of Treasury and Finance to Strategic Projects standalone program.

Note 35. Explanatory statement – administered items

The summary of Administered Items discloses appropriations and other statutes expenditure, the actual expenditures made and the revenue estimates and revenue earned. The following table compares budget estimates and actual results for 2012 of items having significant variations, and explanations for the variations are given below. A significant variation is one that is in excess of ten per cent of the principal figure and \$10 million.

	2012 Estimate \$000	2012 Actual \$000	2012 Variance \$000
ADMINISTERED TRANSACTIONS			
RECURRENT ADMINISTERED			
Administered grants, subsidies and other transfer payments			
Item 36 – Sustainable funding and contracting with the Not-for-Profit sector	87,849	-	(87,849)
Item 37 – Department of Corrective Services	21,439	2,006	(19,433)
Item 40 – Provision for District Allowances	11,910	-	(11,910)
Item 41 – Provision for voluntary separation package	40,000	-	(40,000)
Authorised by Other Statutes			
Western Australian Treasury Corporation Act 1986 - Interest	323,000	253,798	(69,202)
ADMINISTERED CAPITAL			
Government Equity Contributions			
Item 124 – Fremantle Port Authority	14,500	450	(14,050)
Item 126 – Regional Power Corporation (Horizon Power)	17,468	2,066	(15,402)
Item 128 – WA Health	128,878	18,879	(109,999)
Other			
Item 131 – Perry Lakes Trust Account	14,940	2,775	(12,165)
DETAILS OF INCOME ESTIMATES			
Commonwealth Grants			
Compensation for Crude Oil Exercise Condensate	56,500	74,728	18,228
North-West Shelf Grants	1,027,900	924,825	(103,075)
Dividends and Taxes			
Income Tax – Tax Equivalent Regime	440,304	364,682	(75,622)
Other Revenue			
Other Revenue	9,520	38,383	28,863

Explanation of Variances in Department of Treasury Administered Expenditure – recurrent

Grants, Subsidies and Transfer Payments

Item 37 – Department of Corrective Services

Item 37

This item reflects the recurrent amount set aside for capital works for the Department of Corrective Services which is awaiting satisfactory business cases to be submitted in order to utilise these funds.

Relative to budget, \$19.4 million was unspent by 30 June 2012, reflecting:

- Realignment of operational funding allocated to the Eastern Goldfields Replacement Prison Project to be closer to the anticipated start-up date (\$5.1 million from 2011-12 to 2014-15). The project continues to progress and is currently at the tender evaluation stage under the State's Public Private Partnership framework;
- An amount of \$3.8 million was reflowed from 2011-12 to 2012-13, pending a robust business case for workcamp funding; and
- Delay in delivering the Rangeview Detention Facility for occupation, together with the timing of the Government's decision for Serco to operate the facility, funds totalling \$10.6 million allocated for the Young Adults Facility in 2011-12 will now be spent after 30 June 2012.

Authorised by Other Statutes

Western Australian Treasury Corporation Act 1986 – Interest

These items provide for the debt servicing costs of Consolidated Account borrowings raised from the Western Australian Treasury Corporation. Interest is payable on borrowings raised under the *Western Australian Treasury Corporation Act 1986*.

At \$253.8 million, the actual for 2011-12 was \$69.2 million lower than budget. This was due to the timing of borrowings raised later than expected during the second half of the year.

Explanation of Variances in Department of Treasury Administered Expenditure – capital

Government Equity Contributions

Item 124 – Fremantle Port Authority

The \$14.1 million variance reflects the timing of equity contributions that offset the tax implications of contributions made by customers for improvements to the Kwinana Bulk Terminal. It is anticipated that this equity contribution will be made in 2012-13.

Item 126 – Regional Power Corporation (Horizon Power)

The \$15.4 million variance relates to the timing of infrastructure spending against Horizon Power's Aboriginal and Remote Communities Power Supply Project Phase 2. This project has experienced delays due to the initial tender requirements being in excess of the approved costs of the project which is now subject to a scope review.

Item 128 – WA Health

The \$110.0 million variance relative to budget is mainly due to:

- the transfer of \$77.2 million to WA Health's capital contribution, reflecting approvals for ICT funds for Fiona Stanley Hospital Facilities Management contracts (\$62.5 million), Multi-Deck Car Park at the Queen Elizabeth II Medical Centre (QEII MC, \$4.1 million), the Royal Perth Hospital – Plastics Clinic Relocation project (\$2.4 million), Kimberley Renal projects (\$1.6 million) and the Pneumatic Tube System at the QEII MC (1.2 million); and
- \$32.8 million for rescheduled works (from 2011-12 to the forward estimates), largely reflecting projects at Princess Margaret Hospital (\$11.2 million), Armadale Kelmscott Hospital – Development (\$4.5 million), Minor Works (\$3.3 million), Royal Perth Hospital (\$3.0 million), Osborne Park Hospital – Stage 1 (\$1.6 million), the Health Services Development Fund (\$1.4 million), Kalamunda Hospital – Redevelopment Stage 2 (\$1.4 million), Country Staff Accommodation – Holding (\$1.1 million) and Harvey Hospital - Redevelopment 1 (\$1.0 million).

Other

Item 131 – Perry Lakes Trust Account

Borrowings to support the Western Australian Land Authority's Perry Lakes redevelopment was deferred from 2011-12 to 2012-13 reflecting delays in the project due to unexpected hazardous materials found on the demolition site.

Explanation of Variances in Department of Treasury Administered Revenue – recurrent

	2012 Estimate \$000	2012 Actual \$000	2012 Variance \$000	2012 Variation %
Commonwealth Grants				
Compensation for Crude Oil Excise Condensate	56,500	74,728	18,228	32.26%
North-West Shelf Grants	1,027,900	924,825	(103,075)	(10.03)%
Dividends and Taxes				
Income Tax – Tax Equivalent Regime	440,304	364,682	(75,622)	(17.17)%
Other Revenue				
Other Revenue	9,520	38,383	28,863	303.18%

Commonwealth Grants

Compensation for Crude Oil Excise Condensate

The Commonwealth pays a grant to compensate Western Australia for the loss of royalty revenue resulting from the removal of the exemption of condensate from national crude oil excise arrangements. Estimates at the time of the budget were based on a fixed share of the Department of Mines and Petroleum's forecasts of all State revenue from North West Shelf projects. The final outturn for 2011-12 represents the State's share of the Commonwealth's actual excise collections which on a year to year basis is sensitive to variations in production, exchange rate and commodity price movements. Other variations in North West Shelf revenue is discussed separately (see North West Shelf Grants).

North-West Shelf Grants

Lower than budget production volumes and higher allowable deductions for producers resulted in lower than expected North West Shelf grants received from the Commonwealth.

Income Tax – Tax Equivalent Regime

Lower tax equivalent regime revenue was driven by lower than expected profitability across a range of agencies. The largest of these movements were:

- Western Power (down \$41 million), resulting from higher tax deductions on asset replacement expenditure and depreciation costs;
- Verve Energy (down \$20 million), largely due to the effect of reduced profitability in 2011-12 delaying the utilisation of its deferred taxation losses. This lowered income tax equivalent accruals in 2011-12;
- Insurance Commission (down \$13 million), reflecting a significant increase in outstanding claims liabilities and lower than expected investment returns.

Other Revenue

The Consolidated Account was reimbursed \$27.4 million for excess Gold State Superannuation contributions following a periodic review of transactions by the Department of Treasury and Government Employees Superannuation Board. This included \$7.2 million in interest revenue foregone by the Consolidated Account over the 10 years where overpayments occurred.

Note 36. Supplementary financial information

Write-offs

There are no write-offs for the reporting period.

Note 37. Special Purpose Accounts

	2012 \$000
Accrued Salaries	
The purpose of the special purpose account is to hold funds in accordance with section 26(2) of the <i>Financial Management Act 2006</i> .	
Balance at the start of the year	113,996
Receipts	62,112
Payments	16
Balance at the end of the year	176,092
Bankwest Pension Trust	
The purpose of the special purpose account is to hold funds received from BankWest in satisfaction of its liabilities under the <i>Superannuation and Family Benefits Act 1938</i> and other receipts.	
Balance at the start of the year	8,121
Receipts	2,380
Payments	3,383
Balance at the end of the year	7,118
Commonwealth Payments For Specific Purposes Account	
The purpose of the special purpose account is to receive National Specific Purpose Payments and National Partnership Payments from the Commonwealth Government pursuant to the <i>Intergovernmental Agreement on Federal Financial Relations</i> for disbursement to relevant government agencies and the Consolidated Account.	
Balance at the start of the year	32,873
Receipts	3,983,413
Payments	3,909,490
Balance at the end of the year	106,796

2012
\$000**Departmental Receipts in Suspense**

The purpose of the special purpose account is to hold funds pending identification of the purpose for which these monies were received pursuant to section 10(f) of the *Financial Management Act 2006*.

Balance at the start of the year	12,287
Receipts	127,733
Payments	126,501
Balance at the end of the year	13,119

Fiona Stanley Hospital Construction Account

The purpose of the special purpose account is to hold funds appropriated from the Consolidated Account for the construction and establishment of the Fiona Stanley Hospital in accordance with the provisions of the *Fiona Stanley Hospital Construction Account 2007*.

Balance at the start of the year	808,496
Receipts	32,763
Payments	532,022
Balance at the end of the year	309,237

Independent Schools – General Building Grants

The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent capital grants to independent schools in accordance with the provisions of the *State Grants (Schools Assistance) Act 1976* pending payment to independent schools.

Balance at the start of the year	-
Receipts	40,495
Payments	40,495
Balance at the end of the year	-

2012
\$000**Independent Schools – Recurrent Grants Schools Assistance Acts**

The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent capital grants to independent schools in accordance with the provisions of the *State Grants (Schools Assistance) Act 1976* pending payment to independent schools.

Balance at the start of the year	-
Receipts	803,317
Payments	803,317
Balance at the end of the year	-

Jervoise Bay Infrastructure Development Trust Account

The purpose of the special purpose account is to hold funds received from the Commonwealth being a grant for the development of facilities at Jervoise Bay.

Balance at the start of the year	8,719
Receipts	440
Payments	-
Balance at the end of the year	9,159

Local Authorities Tax Sharing Entitlements Account

The purpose of the special purpose account is to hold funds received from the Commonwealth pursuant to the *Local Government (Financial Assistance) Grants Act 1995* pending payment to local authorities.

Balance at the start of the year	-
Receipts	325,185
Payments	325,185
Balance at the end of the year	-

2012
\$000**Mortgage Moneys Under Transfer of Land Act**

The purpose of the special purpose account is to hold funds paid to the Treasurer in accordance with section 126 of the *Transfer of Land Act 1893*.

Balance at the start of the year	72
Receipts	4
Payments	-
Balance at the end of the year	<u>76</u>

New Children's Hospital Account

The purpose of the special purpose account is to hold money for the construction and establishment of the New Children's Hospital.

Balance at the start of the year	-
Receipts	505,000
Payments	<u>81,828</u>
Balance at the end of the year	<u>423,172</u>

Non-government Schools – Other Recurrent Grants

The purpose of the special purpose account is to hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent grants to non-government schools in accordance with the *State Grants (Schools Assistance) Act 1976* pending payment to non-government schools.

Balance at the start of the year	-
Receipts	27,830
Payments	<u>27,830</u>
Balance at the end of the year	<u>-</u>

2012
\$000**Perry Lakes Maintenance Account**

The purpose of the special purpose account is to contribute to the costs of maintaining, operating and managing the athletics facilities at the AK Reserve.

Balance at the start of the year	5,320
Receipts	269
Payments	-
Balance at the end of the year	5,589

Perth's New Major Stadium Construction Account (Note 38)

The purpose of the special purpose account is to hold moneys for the construction of the New Major Stadium.

Balance at the start of the year	-
Receipts	-
Payments	-
Balance at the end of the year	-

Purchasing Card Common Use Arrangement – Financial Incentive Payments

The purpose of the special purpose account is to hold for disbursement to public authorities financial incentive moneys received from the Purchasing Card CUA suppliers - National Australia Bank Limited and Australia and New Zealand Banking Group Limited.

Balance at the start of the year	-
Receipts	5
Payments	5
Balance at the end of the year	-

Public Bank Account Interest Earned Account

The purpose of the special purpose account is to hold funds in accordance with section 10(d) of the *Financial Management Act 2006*.

Balance at the start of the year	62,772
Receipts	240,480
Payments	260,211
Balance at the end of the year	43,041

2012
\$000**Royalties For Regions Fund**

The purpose of the special purpose account is to facilitate investment in regional Western Australia in the areas of infrastructure and headworks, local government and community services.

Balance at the start of the year	670,330
Receipts	1,258,253
Payments	1,241,509
Balance at the end of the year	687,074

Statutory Authorities Investment Account

The purpose of the special purpose account is to hold funds received from statutory authorities for investment purposes as provided by section 39(2) of the *Financial Management Act 2006*.

Balance at the start of the year	146,092
Receipts	12,593
Payments	14,428
Balance at the end of the year	144,257

Tariff Equalisation Fund

The purpose of the special purpose account is to allow the transparent transfer of appropriate funds from the Electricity Networks Corporation (Western Power) to the Regional Power Corporation (Horizon Power) to enable it to maintain uniform tariff protection in its areas of operation in accordance with the provisions of the *Electricity Industry Act 2004*.

Balance at the start of the year	-
Receipts	181,200
Payments	181,200
Balance at the end of the year	-

2012
\$000**Toodyay Fire Victims Fund Account**

The purpose of the special purpose account is to hold funds pending distribution to residents directly affected by the Toodyay bushfire on 29 December 2009 and to meet associated costs.

Balance at the start of the year	3,172
Receipts	-
Payments	115
Balance at the end of the year	3,057

Note 38. Special Purpose Account created during the year

A special purpose account was created during the year to hold moneys for the construction of the new major stadium. Following is the new statement:

DEPARTMENT OF TREASURY SPECIAL PURPOSE STATEMENT PERTH'S NEW MAJOR STADIUM CONSTRUCTION ACCOUNT	
NAME	An account titled Perth's New Major Stadium Construction Account (the Account) shall be established and maintained as a Treasurer's special purpose account pursuant to section 10(a) of the <i>Financial Management Act 2006</i> by the Department of Treasury.
PURPOSE	To hold moneys for the construction of the New Major Stadium.
RECEIPTS	There shall be credited to the Account moneys appropriated by Parliament or transferred under the authority of the Treasurer's Advance for the purpose of the Account.
PAYMENTS	Moneys standing to the credit of the Account shall only be applied for the purposes of the construction of the New Major Stadium.
ADMINISTRATION OF ACCOUNT	The Account shall be administered by the Under Treasurer in accordance with the <i>Financial Management Act 2006</i> , <i>Financial Management Regulations 2007</i> and the Treasurer's instructions.
ACCOUNTING RECORDS	There shall be maintained a detailed record of transactions processed through the Account, together with such other accounting records and procedures as are prescribed in the Department of Treasury's financial management manual.
FINANCIAL STATEMENTS	There shall be prepared financial statements, together with supplementary information in accordance with the provisions of the <i>Financial Management Act 2006</i> , <i>Financial Management Regulations 2007</i> and the Treasurer's instructions.

- 2 -	
DISPOSAL OF FUNDS ON CESSATION	Any balance standing to the credit of the Account upon cessation of operations for which the Account was created shall be credited to the Consolidated Account.
I have examined and agree to the provisions of this special purpose statement	Approved
	
Michael Barnes ACTING UNDER TREASURER Department of Treasury	Hon C. Christian Porter MLA TREASURER
Date: <u>14/10/11</u>	Date: <u>19.10.11</u>

Note 39. Administered income and expenses

	2012 \$000
Expenses	
Superannuation	2,211,327
Borrowing costs	407,454
Appropriations	18,161,803
Capital contributions	2,929,436
Grants, subsidies and transfers	3,527,330
Transfer payments	181,200
Other expenses	859,095
Total Administered expenses	28,277,645
Incomes	
Commonwealth grants	9,449,287
Government enterprises:	
Dividends	703,116
Tax equivalent receipts	378,719
Interest	293,003
Pension recoups	15,180
Loan guarantee fees	27,090
Gold State superannuation reimbursement	159,765
Revenue for transfers	181,200
Other revenue	44,588
Community funding	140,469
Total Administered revenues	11,392,417

Note: The item 'Consolidated Account Revenue received from agencies', identified in the Budget Papers (2012 \$11.89 billion) as Treasury Administered, has not been included in this schedule as the collection of those revenues is administered by other agencies and disclosed as administered revenues in the financial statements of the relevant agencies.

Note 40. Disclosure of administered income and expenses by service

	2012 Financial Management and Reporting \$000	2012 Economic and Revenue Forecasts and Policy \$000	2012 Total \$000
COST OF SERVICES			
Expenses			
Superannuation	2,211,327	-	2,211,327
Borrowing Costs	407,454	-	407,454
Appropriations	18,161,803	-	18,161,803
Capital contributions	2,929,436	-	2,929,436
Grants, subsidies and transfers	3,527,330	-	3,527,330
Transfer payments	181,200	-	181,200
Other expenses	859,095	-	859,095
Total administered expenses	28,277,645	-	28,277,645
Income			
Commonwealth grants	-	9,449,287	9,449,287
Government enterprises:			
Dividends	-	703,116	703,116
Tax equivalent receipts	-	378,719	378,719
Interest	293,003	-	293,003
Pension recoups	15,180	-	15,180
Loan guarantee fees	27,090	-	27,090
Gold State Superannuation Reimbursement	159,765	-	159,765
Revenue for transfers	181,200	-	181,200
Other revenue	44,588	-	44,588
Community funding	140,469	-	140,469
Total administered income	861,295	10,531,122	11,392,417

Note 41. Administered assets and liabilities

	2012 \$000
Current Assets	
Cash and cash equivalent	6,460,763
Treasurer's advances	9,860
Government enterprises:	
Dividends receivable	1,505
Tax equivalents receivable	69,058
Recoverable advances	5,315
Other receivables	408,578
Total Administered Current Assets	6,955,079
Non-Current Assets	
Investments	7,118
Recoverable advances	49,313
Other receivables	13,269
Total Administered Non-Current Assets	69,700
TOTAL ADMINISTERED ASSETS	7,024,779
Current Liabilities	
Superannuation	52,258
Interest payable	102,680
Appropriations payable	182,643
Special purpose account liabilities	3,393,670
Other payables	247,658
Total Administered Current Liabilities	3,978,909

	2012 \$000
Non-Current Liabilities	
Borrowings	7,985,767
Superannuation	8,867,583
Appropriations payable	6,188,453
Other payables	23,807
Total Administered Non-Current Liabilities	23,065,610
TOTAL ADMINISTERED LIABILITIES	27,044,519

Note 42. Supplementary Funding

	2012 Amount Approved \$000	2012 Amount Expended \$000
Item 33 – WA Land Authority	1,695	1,674
Funding of \$1.7 million was approved mainly for the demolition and restoration of the Bunbury Timber Jetty project.		
	1,695	1,674
	2012 Amount Approved \$000	2012 Amount Expended \$000
Item 42 – Provision for Unfunded Liabilities in the Government Insurance Fund		
Supplementary funding of \$2.0 million was approved to meet an anticipated increase in the unfunded liabilities as determined by the Insurance Commission's actuary.	2,000	105
	2,000	105

	2012 Amount Approved \$000	2012 Amount Expended \$000
Item 43 – Refund of Past Years Revenue Collection – Public Corporations		
An additional \$15.0 million was approved for the refund of public corporation overpayments of National Tax Equivalent instalments.	15,000	4,603
	15,000	4,603

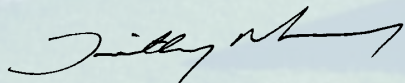
	2012 Amount Approved \$000	2012 Amount Expended \$000
Item 47 – All Other Grants, subsidies & Transfer Payments		
Supplementary funding was approved mainly for the Shark Hazard Response (\$2.5 million), and the Government Employees Superannuation Board (\$2.1 million) for the implementation of the Government’s superannuation reforms, including costs associated with Choice of Superannuation Fund arrangements.	6,000	4,142
	6,000	4,142

Key Performance Indicators

Certification of key performance indicators

For year ended 30 June 2012

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Treasury's performance, and fairly represent the performance of the Department for the financial year ended 30 June 2012.



Timothy Marney
Under Treasurer

11 September 2012

Fiona Stanley Hospital

Performance assessment

Outcomes

The Government desired outcomes that the Department works to achieve through its services are:

1. [Sustainable and transparent public sector finances](#)

Service 1: Financial management and reporting

2. [A strong and competitive State economy](#)

Service 2: Economic and revenue forecasts and policy development

3. [Value for money outcomes in service delivery and infrastructure provision](#)

Service 3: Evaluation and planning of Government service delivery and infrastructure provision

4. [Value for money from the management of the Government's non-residential buildings and public works](#)

Service 4: Leads the planning and delivery of new Government buildings

Measuring our performance

The Department of Treasury measures its performance through statistical information. Statistical indicators are included to help report performance in both outcome and service areas. The use of statistical data adds scope and objectivity to the sources of information used in measuring performance.

Key effectiveness indicators

Treasury business

Outcome 1: Sustainable and transparent public sector finances

The Department works to maintain sustainable and transparent public sector finances. Its commitment to this key role is reflected in advice to the Government on its fiscal strategy and targets; publication of reports on the State's finances; advice to Government and its agencies on the legislative framework underpinning financial management and accountability; management of the Public Ledger; and management of the investment of the Public Bank Account.

The key indicators of effectiveness demonstrate measurable outcomes of our effectiveness in this role.

Key indicators of effectiveness	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Target	2011-12 Actual
Status of the State's credit rating ⁽¹⁾	Triple-A	Triple-A	Triple-A	Triple-A	Triple-A
Unqualified audit opinion on the Annual Report on State Finances	Yes	Yes	Yes	Yes	Yes

⁽¹⁾ Standard and Poor's and Moody's currently assess the credit rating for Western Australia.

The State's Triple-A credit rating was confirmed by both Moody's and Standard and Poor's (S&P) during 2011-12.

The 2010-11 Annual Report on State Finances, which was released in September 2011 and details whole of government outcomes for the Western Australian public sector, was also given an unqualified audit opinion by the Auditor General.

Outcome 2: A strong and competitive State economy

Accurate forecasting of Western Australia's economic and fiscal outlook is a major factor in the maintenance of the State's triple-A credit rating and, in turn, the foundation of a strong and competitive State economy. Good government decision making requires accurate revenue and economic forecasting to achieve the best possible economic, fiscal and service delivery outcomes for the State.

Key indicators of effectiveness	2008-09 Actual	2009-10 Actual	2010-11 Actual ¹	2011-12 Target	2011-12 Actual ²
Accuracy of key general government revenue forecasts:					
– Tax and mining revenue	-10.5%	2.8%	8.2%	+/-5.0%	-1.0%
– GST revenue	-10.8%	7.7%	-6.4%	+/-3.0%	-4.5%
Accuracy of key economic forecasts (percentage point difference):					
– Employment growth	1.4	2.3	1.5	+/-0.5	0.0
– Real State Final Demand (SFD) growth	-0.6	5.8	-0.3	+/-2.0	4.9

¹ The results for GST revenue and real state final demand growth for 2010-11 were updated since publication of the Department's 2010-11 Annual Report. The latest available estimates were used at the time of the Annual Report.

² Final tax, mining and GST revenue data, and real state final demand growth data for 2011-12 will not be available until September 2012. The latest available estimates have been used.

GST revenue in 2011-12 is lower than the Budget forecast, due to lower than expected national GST collections.

Real SFD growth in 2011-12 is higher than the Budget estimate as a result of the stronger than expected domestic economic performance. This is mainly due to greater than forecast growth in business investment.

Outcome 3: Value for money outcomes in service delivery and infrastructure provision

The Department has put in place quality assurance mechanisms to shape the preparation of submissions and advice to Government.

The Service Provision Analysis Framework (SPAF) and the Strategic Asset Management Framework (SAMF) were established to set a high standard of preparation and analysis, and to maximise value for money outcomes in service delivery and infrastructure provision. The SPAF aims to improve evaluation and enhance value for money outcomes for service delivery. The SAMF provides a sound basis for decisions on the investment in, and the management and disposal of, assets required for Government service delivery. Internal compliance with SPAF and SAMF will help ensure submissions and issues meet Government service delivery needs and demonstrate value for money.

Key indicators of effectiveness	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Target	2011-12 Actual
Percentage of the Department's material resource allocation recommendations complying with the service provision analysis framework	N/A	88%	99%	100%	100%
Percentage of highest value agencies complying with the Strategic Asset Management Framework or equivalent accredited mechanism	N/A	75%	69%	75%	75%

100 per cent compliance with SPAF represents 56 EERC papers involving a resource allocation recommendation of more than \$5 million over the forward estimates period. This improved upon the 2010-11 performance and met the 2011-12 target.

Twelve of the 16 highest-value agencies' asset investment programs (i.e. 75 per cent) complied with the SAMF or equivalent accredited mechanism for 2011-12. The SAMF has recently been reviewed and Treasury analysts will work with their agencies throughout 2012-13 towards compliance with the revised framework.

Strategic Projects business

Outcome 4: Value for money from the management of the Government's non residential buildings and public works

A key factor in the transfer of the works function to the Department was the objective of improving value for money from the management of the Government's non residential buildings and public works.

The Department continues to work closely with agencies involved in the high value, high risk projects through joint development of business cases and Project Definition Plans as well as joint governance arrangements to reflect respective responsibilities between the agency and Treasury.

Key indicators of effectiveness	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Target	2011-12 Actual
Percentage of significant projects in the New Buildings program delivered within approved:					
– Budget	N/A	N/A	N/A	100%	88%
– Timeframe	N/A	N/A	N/A	100%	82%

Effectiveness indicators reflect performance against current approved budget and current approved completion, based on anticipated final cost and anticipated completion for Strategic Projects' portfolio of 17 projects, as at 30 June 2012.

The 2011-12 Actual Budget indicator is below the 2011-12 Target Budget indicator due to:

- the anticipated final cost of the Albany Health Campus being over budget by \$0.3 million (0.2 per cent of the current approved budget of \$170.5 million); and
- the anticipated final cost of the Busselton Health Campus being over budget by \$2.5 million (2.1 per cent of the current approved budget of \$117.9 million), pending confirmation of additional Commonwealth Government funding.

The 2011-12 Actual Timeframe indicator is below the 2011-12 Target Timeframe indicator due to:

- Albany Health Campus anticipated completion in March 2013 being three months later than the current approved completion date of December 2012;
- Old Treasury Buildings Redevelopment anticipated completion in June 2015 being one month later than the current approved completion date of May 2015; and
- Perth Arena anticipated completion in October 2012 being one month later than the current approved completion date of September 2012.

Key efficiency indicators

The Department has a major role in the compilation of State Budgets, which includes monitoring and advising the Government on relevant issues. Key efficiency indicators in this area are designed to measure the unit cost and other performance-related measures of the services.

Treasury business

Service 1: Financial management and reporting

This service involves the provision of advice on the Government's fiscal strategy, advice on the legislative framework underpinning financial management and accountability in the Western Australian public sector, the preparation and publication of regular reports on the State's finances, and maintenance of the Public Ledger.

This service contributes to the desired outcome of sustainable and transparent public sector finances.

Key indicators of efficiency	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Target	2011-12 Actual
Cost of financial management and reporting per million dollars general government sector expenses	\$421	\$311	\$292	\$294	\$292
Percentage of financial reports released as per agreed timeframes	100%	100%	100%	100%	100%

The 2011-12 actual for the cost of financial management and reporting is consistent with budget.

Treasury publishes a number of publications under the statutory reporting requirements of the *Government Financial Responsibility Act 2000*. This includes the budget projections, Quarterly Financial Results Reports, the Government Mid-year Financial Projections Statement and the Annual Report on State Finances. Treasury has met all statutory reporting deadlines under the Act for these publications in the past and expects to continue to do so throughout 2012-13.

Service 2: Economic and revenue forecasts and policy development

This service involves analysis and advice on economic and revenue policy issues, including the State's major revenue sources, Commonwealth-State financial relations, regulatory gatekeeping and reform, and economic, social and environmental developments.

It contributes to the desired outcome of a strong and competitive State economy.

Key indicators of efficiency	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Target	2011-12 Actual
Percentage of Ministerials, briefings or reports provided on economic issues within agreed timelines	85%	93%	87%	90%	81%
Percentage of regulatory impact statements assessed within agreed timeframes	N/A	100%	95%	90%	97%

The 2011-12 actual of 81 per cent represents 250 completed ministerials, briefings or reports concerning economic issues within agreed timeframes from a total of 307 received. This is below the target of 90 per cent, reflecting the combined impact of a small increase in the volume and complexity of issues dealt with during 2011-12 relative to 2010-11.

The percentage of regulatory impact statements assessed within agreed timeframes exceeded the target, with 36 out of 37 (i.e. 97 per cent) assessed within the agreed timeframe of ten business days for 2011-12.

Service 3: Evaluation and planning of Government service delivery and infrastructure provision

This service aims at investigating agencies' operations in respect of efficiency and effectiveness and to advise Government on the allocation of taxpayers' resources to achieve Government desired outcomes. It includes the analysis, evaluation and planning of Government services to ensure value for money outcomes in key areas including Health, Law and Order, Education and infrastructure delivery.

This service contributes to the desired outcome of value for money outcomes in service delivery and infrastructure provision.

Key indicators of efficiency	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Target	2011-12 Actual
Cost of expenditure budget management per million dollars general government sector expenses	\$577	\$532	\$481	\$500	\$598
Percentage of ministerials, briefings or reports provided on service delivery and infrastructure within agreed timeframes	98%	95%	94%	90%	70%
Cost of infrastructure management per million dollars of forward estimates capital program	\$178	\$236	\$302	\$336	\$409

The 2011-12 actual in relation to the cost of budget management is higher than budget due to costs associated with the establishment of the Department of Treasury including the transfer of functions and budgets from the Department of Finance (e.g. state fleet, fringe benefits tax, and insurance) and expenditure for voluntary severances and risk and audit.

The 2011-12 actual of 70 per cent represents 341 completed ministerials, briefings or reports concerning service delivery and infrastructure within agreed timeframes from a total of 484 received. This result is below target due to the combined impact of the complexity and volume of issues and key resources availability. The volume of 484 received in 2011-12 is a 47 per cent increase when compared to the total received in 2010-11.

The 2011-12 actual in relation to the cost of infrastructure management is higher than budget due to:

- the reasons detailed above for cost of budget management, and
- higher than budgeted expenditure for superannuation management reform.

Strategic Projects business

Service 4: Leads the planning and delivery of new Government buildings

This encompasses strategic leadership and facilitation in the planning, project management and procurement of major new non-residential buildings.

Key indicators of efficiency	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Target	2011-12 Actual
Cost as a percentage of the total annual value of the planning and delivery of capital works projects	N/A	N/A	N/A	0.7%	0.3%

The 2011-12 Actual Cost indicator is less than the 2011-12 Target Cost indicator, as a result of lower than expected operational costs associated with the program and a more accurate allocation of costs to individual projects. No comparison is applicable to 2010-11 due to the split of the Department of Treasury and Finance. The Actual Cost indicator for 2011-12 is considered the new benchmark for Department of Treasury.

Ministerial directives

No ministerial directives were received during the financial year.

Other financial disclosures

Capital works

In 2011-12, \$2.74 million was spent on the Strategic Information Management System (SIMS). The project implementation was delayed by 12 months due to resourcing and technical issues, with implementation now scheduled for October 2012. The estimated total cost of the project has increased from \$7.81 million to \$10.16 million due to costs associated with the 12 month delay plus a more comprehensive allocation of indirect costs to the project. All costs have been met from within the Department's existing budget allocation.

Senior officers

In accordance with the Treasurer's Instruction 903 (14(iii)), senior officers of the department are required to disclose particulars, other than normal contracts of employment of service, of any interest in any existing or proposed contract which a senior officer; or a firm of which a senior officer is a member; or an entity in which a senior officer has a substantial financial interest, has made with the agency or any subsidiary body, related body or affiliated body of the agency.

For 2011-12, other than normal contracts of employment of service, no senior officers, or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the department and senior officers.

In accordance with the Treasurer's Instruction 903 (14(ii)), senior officers of the department are required to disclose the particulars of any shares in any subsidiary body of the agency held as a nominee or held beneficially.

In 2011-12, no senior officers held shares in any subsidiary body of the agency held as a nominee or held beneficially.

Project	Expected completion date	Actual expenditure to 2010-11 \$000	Actual expenditure 2011-12 \$000	Estimated cost to complete \$000	Estimated total cost \$000
Strategic Information Management System	2012	6,045	2,739	1,376	10,160

Other legal requirements

Advertising

In accordance with section 175ZE of the *Electoral Act 1907*, the Department incurred the following expenditure for advertising, market research, polling, direct mail and media advertising. Total expenditure for 2011-12 was \$48,064.

	\$
Advertising agencies	
Adcorp	\$34,601
Beilby	\$13,463
Market research organisations	Nil
Polling organisations	Nil
Direct mail organisations	Nil
Media advertising organisations	Nil

