



Government of **Western Australia**  
Department of **Treasury**

# Chief Financial Officer's Forum

May 2019





Government of **Western Australia**  
Department of Treasury

# Chief Financial Officer's Forum

## May 2019

**Welcome**  
**Audrey Formentin**





Government of **Western Australia**  
Department of **Treasury**

# 2019-20 Budget

**Michael Court**

**DEPUTY UNDER TREASURER**



# KEY POINTS

- Economic growth (GSP) in 2018-19 revised down from 3% to 2%
  - Mainly due to weaker than expected household consumption
  - Lower than previously planned increase in household fees and charges
- GSP growth forecast to lift to 3.5% in 2019-20
  - Mainly due to rebound in business investment
  - Increase in Government investment also contributing
- Housing (both new construction and established) remains weak
  - Temporary relaxation of Keystart eligibility criteria

# KEY POINTS CONT.

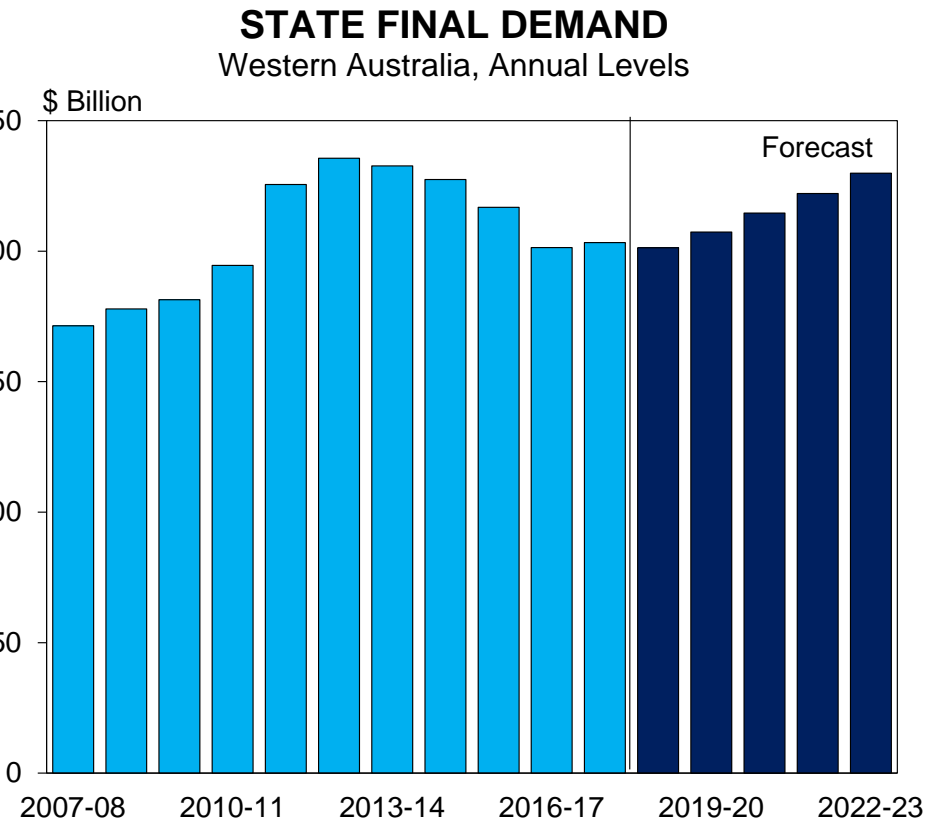
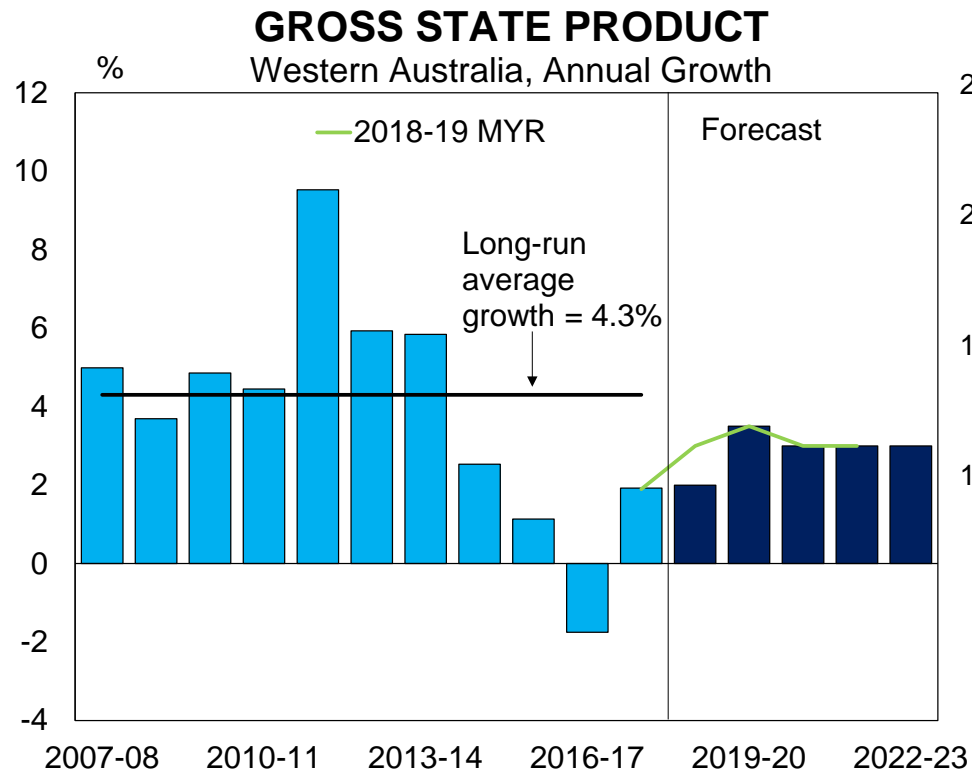
- Estimated operating surplus of \$553m in 2018-19
  - \$1.2b turnaround from \$674m deficit forecast in the MYR
- Operating surpluses forecast across forward estimates period
  - Including \$1.5b surplus in 2019-20
  - Based on continuation of low expense growth, including \$1,000 wages policy
- Net debt forecast to peak at 30 June 2020 and then gradually decline
  - Underpinned by expected return to cash surplus position from 2020-21



# **WA Economic Outlook**

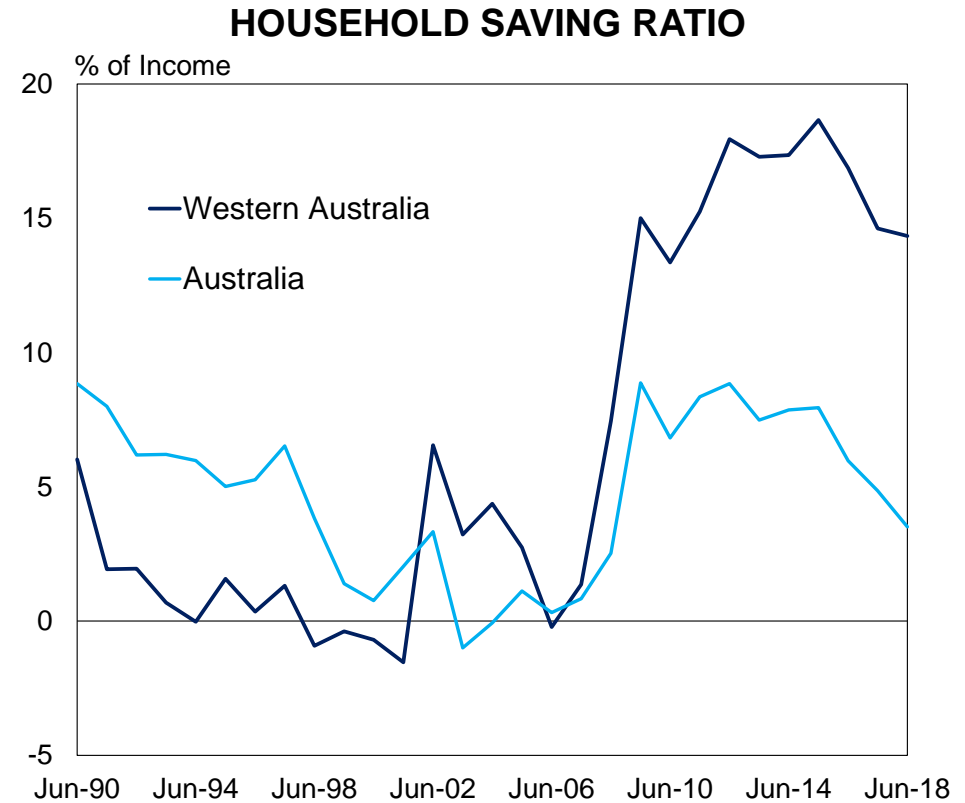
# WA ECONOMY

▶ Economy forecast to grow by 3.5% in 2019-20 and 3% p.a. out to 2022-23, underpinned by a stronger domestic economy



# CAUTIOUS CONSUMERS

- WA households have been cautious over the last decade – reflected by a high savings rate, well above the national average
- This has been acting as a drag on household consumption



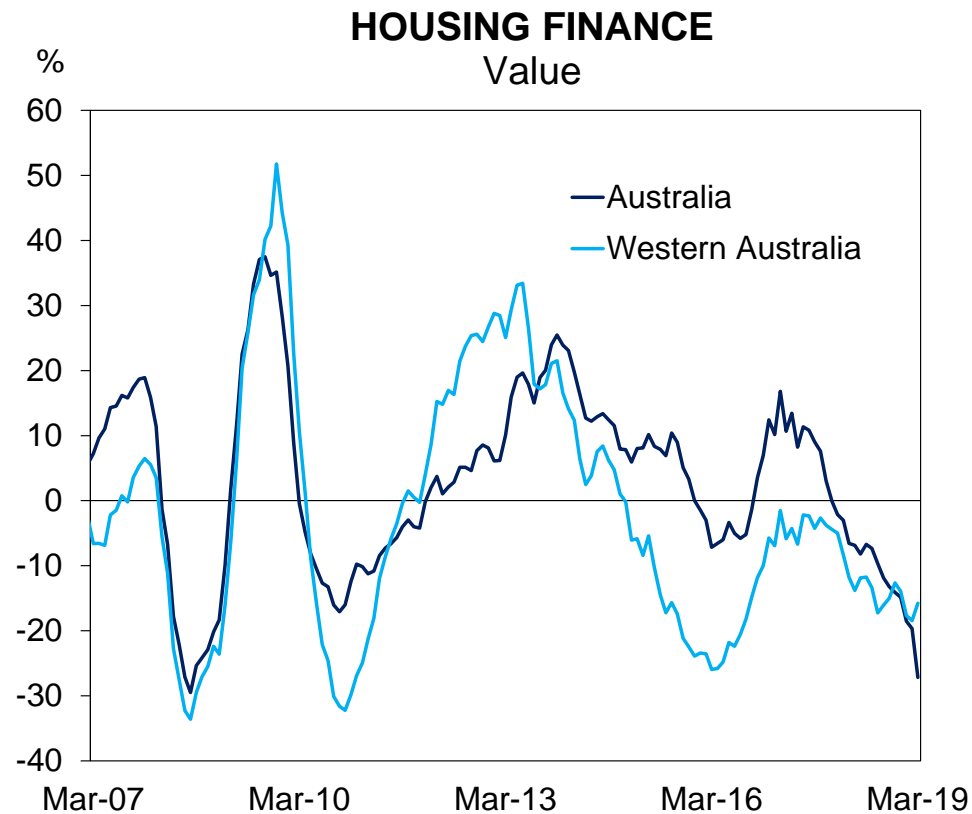


# HOUSEHOLD TARIFFS, FEES AND CHARGES

▶ Basket of household tariffs, fees and charges to rise by 2% in 2019-20 – \$301m net debt impact relative to previous assumptions

	% change	\$ change
<b>Motor Vehicles</b>		
Vehicle licence charge	3.0	10.88
Recording fee	-6.4	-0.70
Drivers licence	0.0	0.00
Motor Injury Insurance	3.1	12.15
<b>Utility Charges</b>		
Electricity	1.75	30.81
Water, sewerage and drainage	2.5	43.39
<b>Public Transport</b>		
Student fares	0.0	0.00
Standard fares	2.0	23.04
<b>Emergency Services Levy</b>	2.7	8.21
<b>Stamp Duty</b>	0.0	0.00
<b>Total Expenditure</b>	<b>2.0</b>	<b>127.77</b>

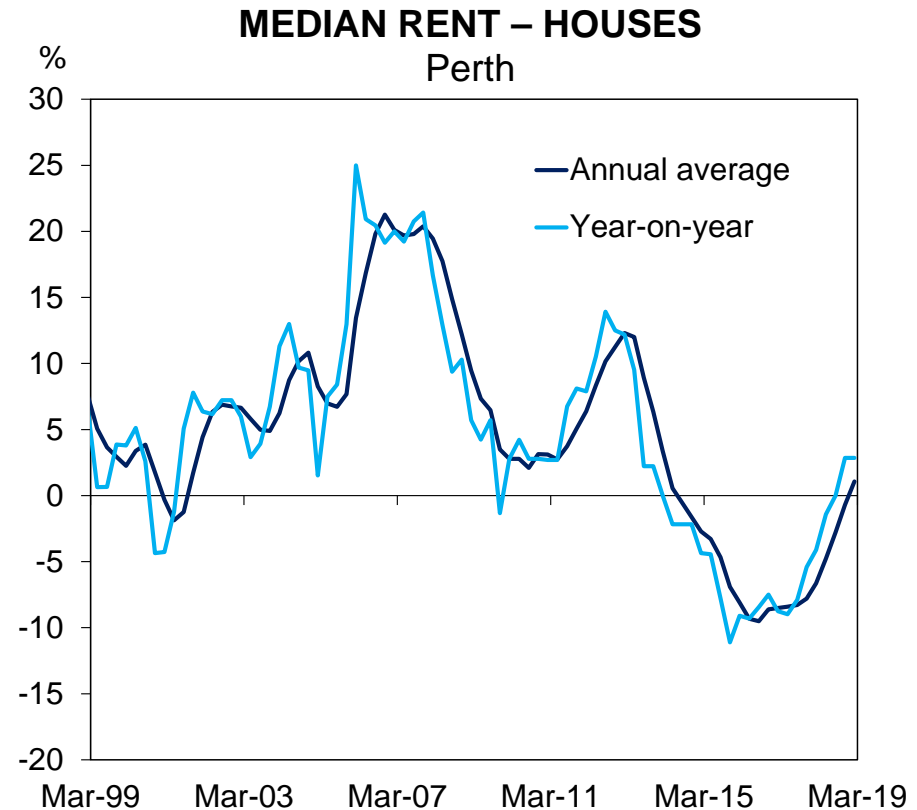
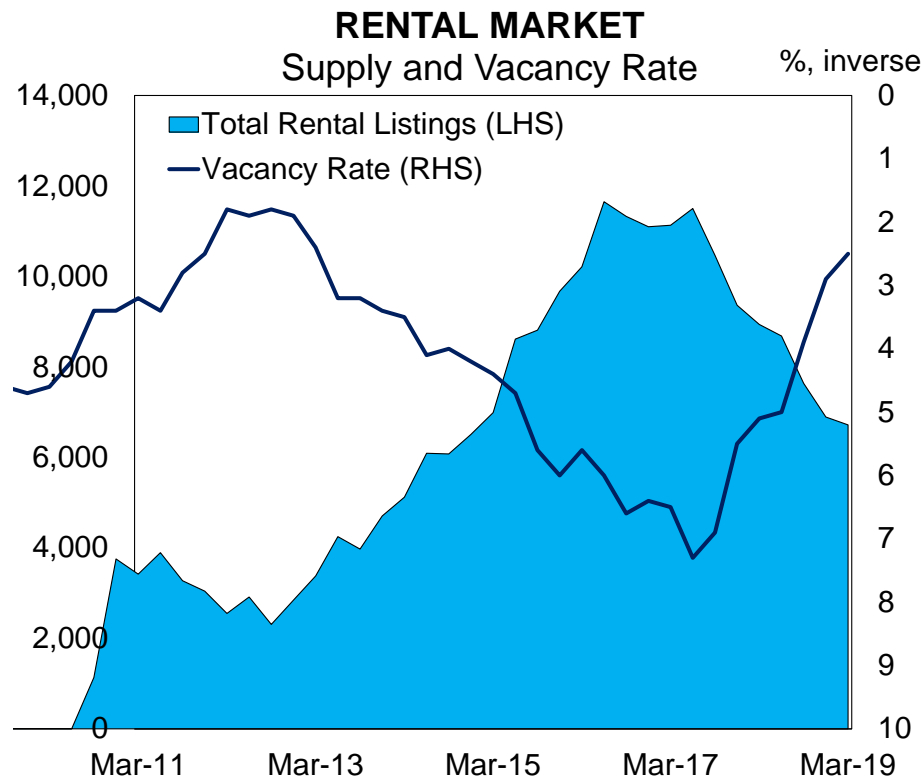
# KEYSTART STIMULUS PACKAGE TO SUPPORT HOUSING SECTOR



- Banks tightening access to credit in response to the Royal Commission is limiting access to home ownership and has weighed on construction activity
- In response, Keystart income limits have been temporarily increased by \$15-20k (1 July to 31 December 2019)

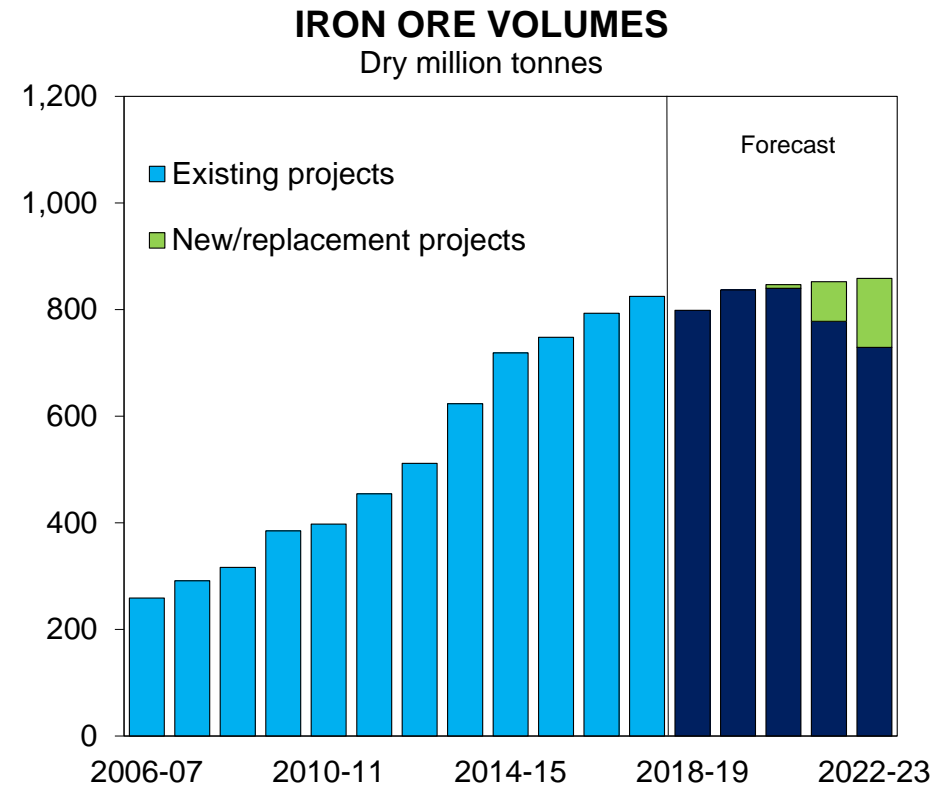
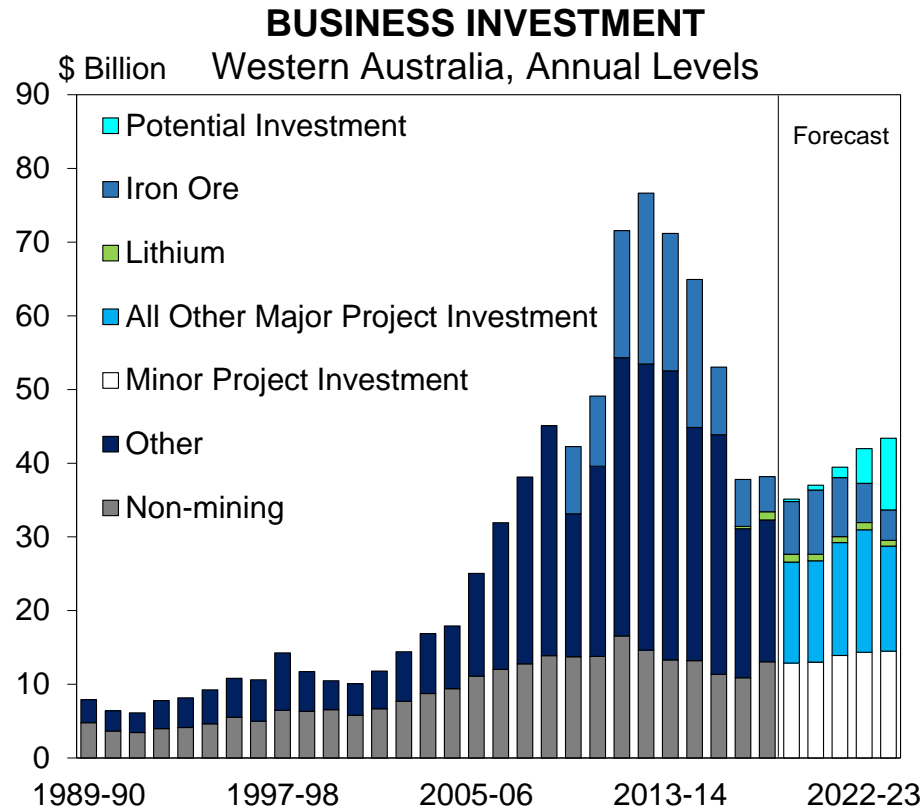
# TIGHTENING RENTAL MARKET

▶ The rental vacancy rate has declined sharply (suggesting that supply has tightened), which has increased rents and is expected to support construction and prices as renters look to build



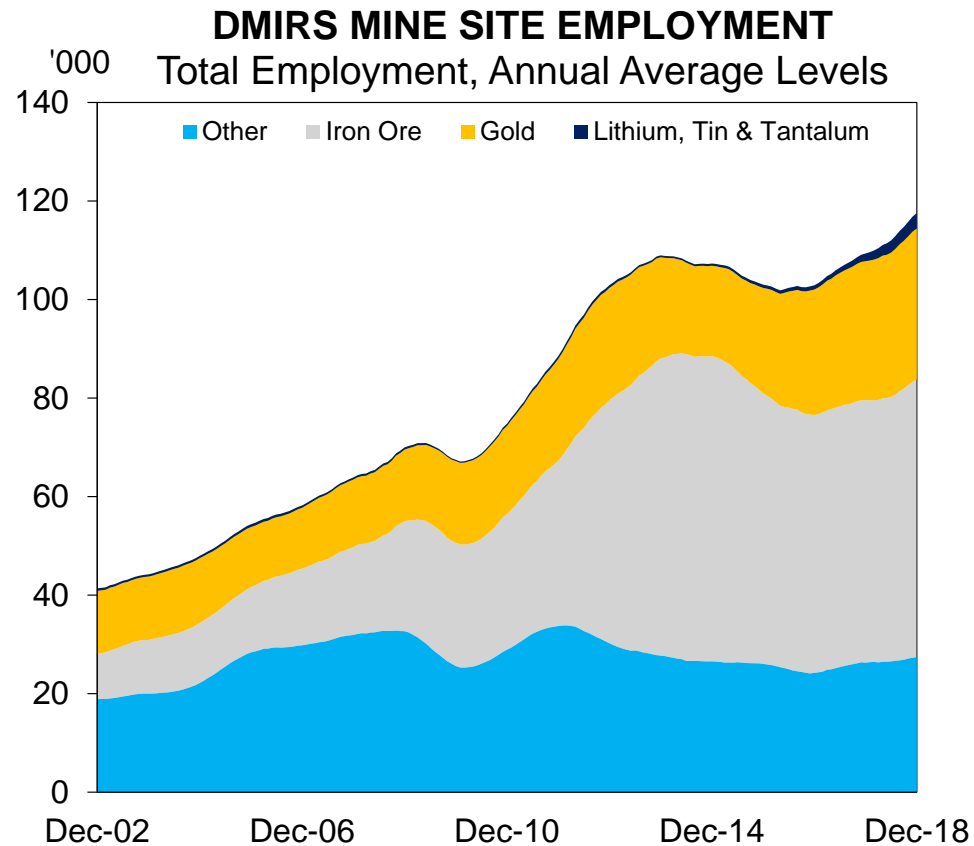
# BUSINESS INVESTMENT RETURNS TO GROWTH

▶ Last of the mega LNG projects completed in 2018-19, with return to growth from 2019-20 supported by replacement iron ore and new lithium mines

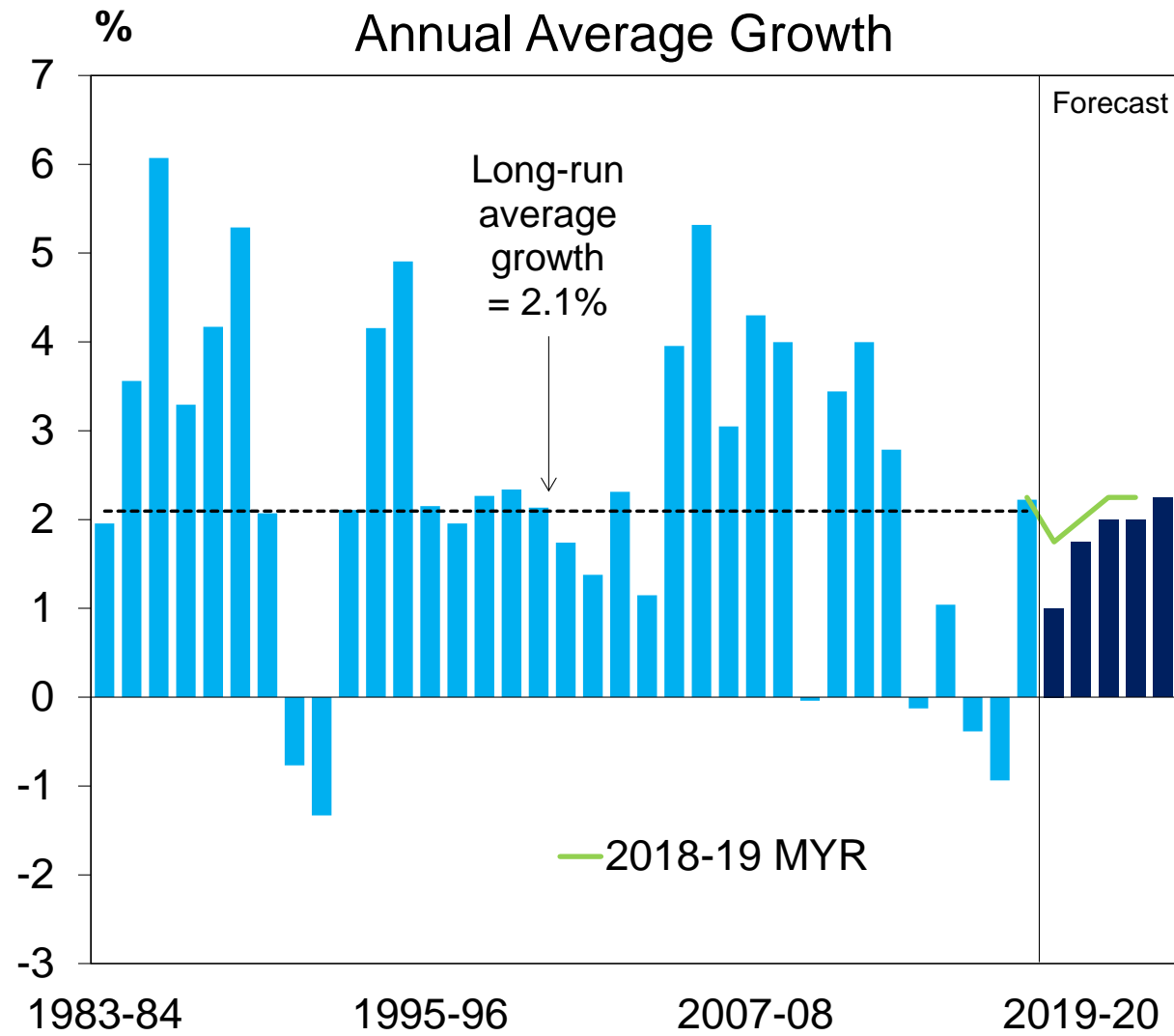


# RECORD MINE SITE EMPLOYMENT AS PROJECTS RAMP UP

▶ Upturn in mine site employment across key commodities

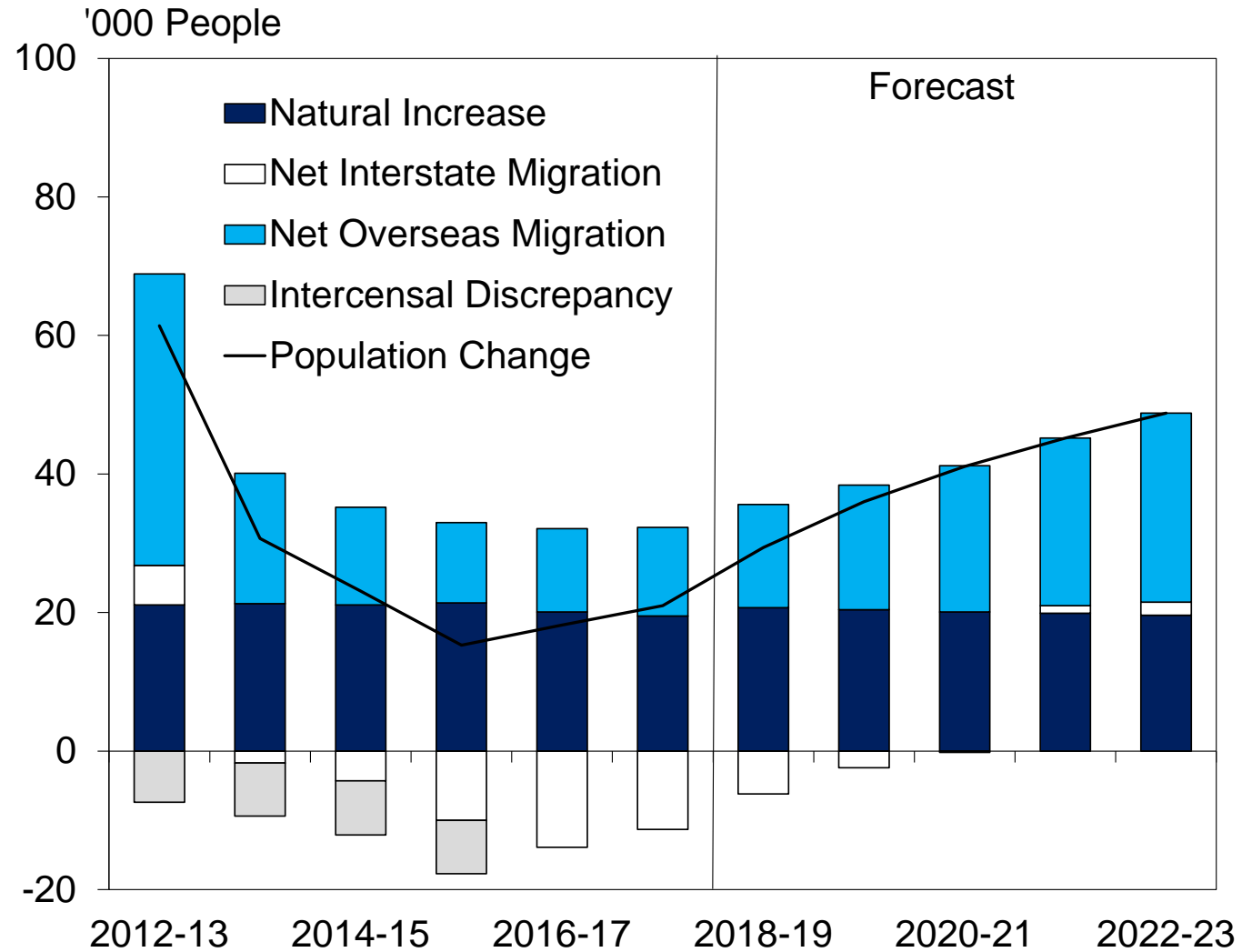


# EMPLOYMENT GROWTH



# POPULATION GROWTH

## Additions/ Subtractions to Growth

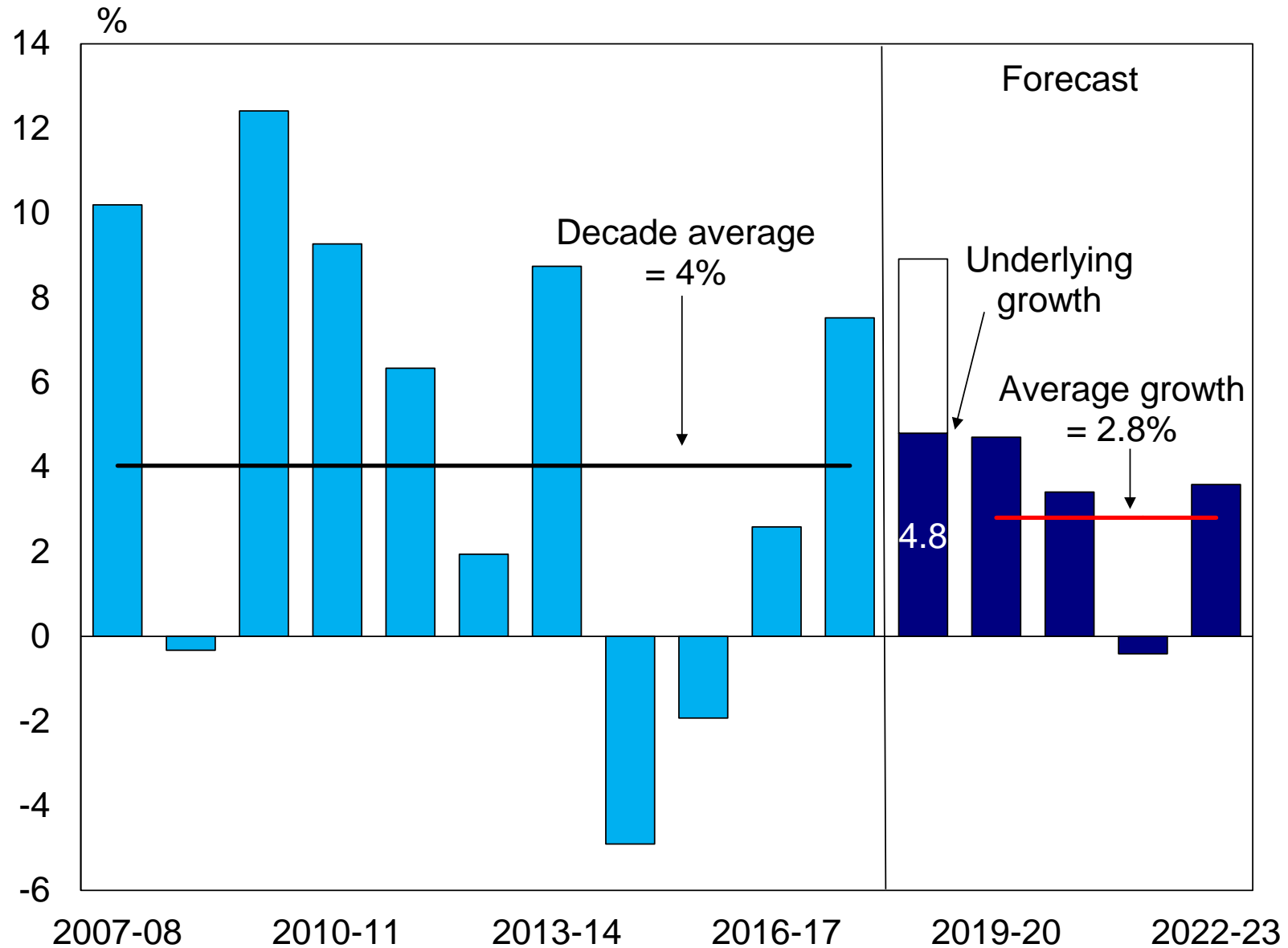




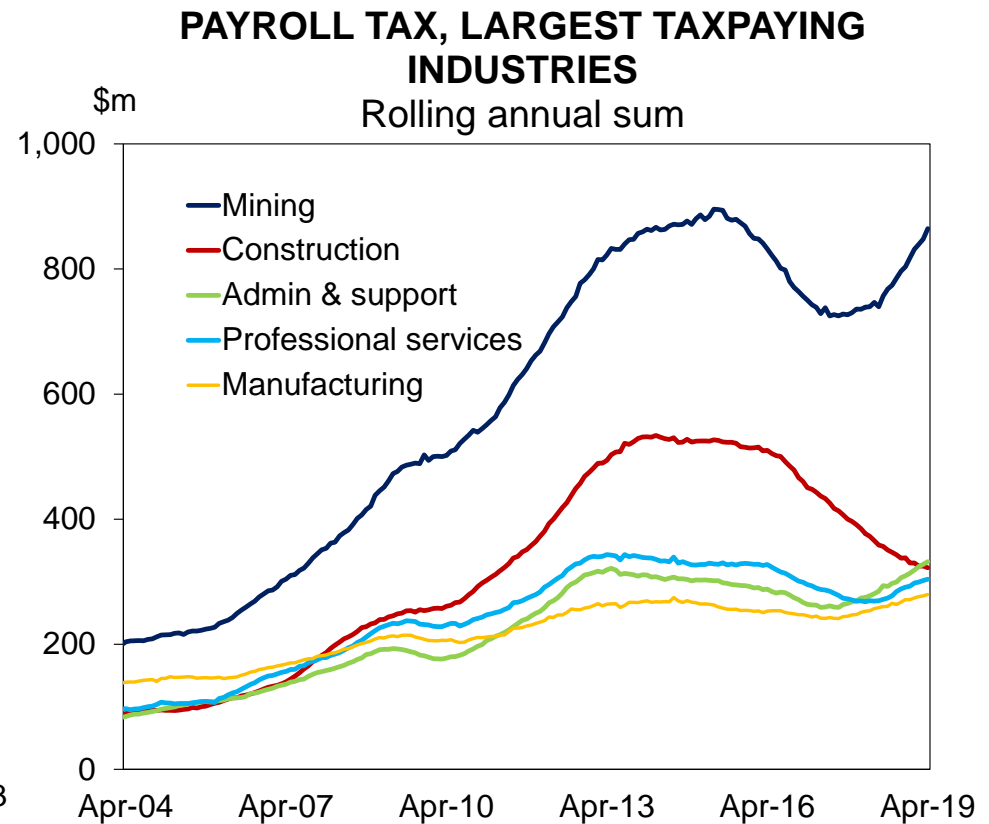
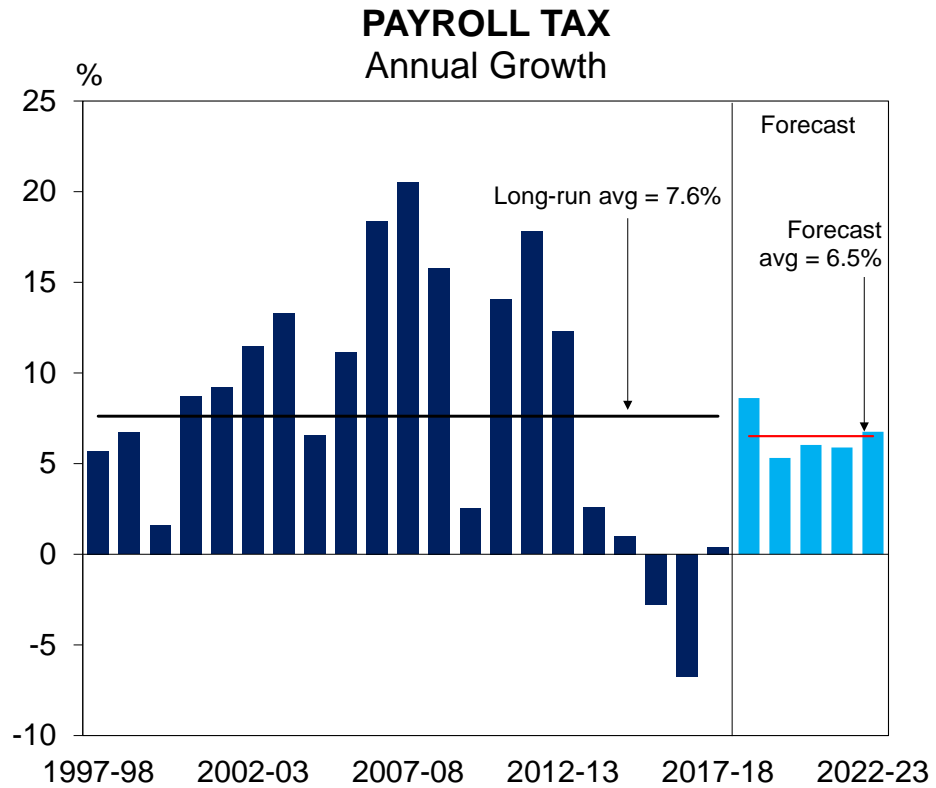
# Revenue Outlook



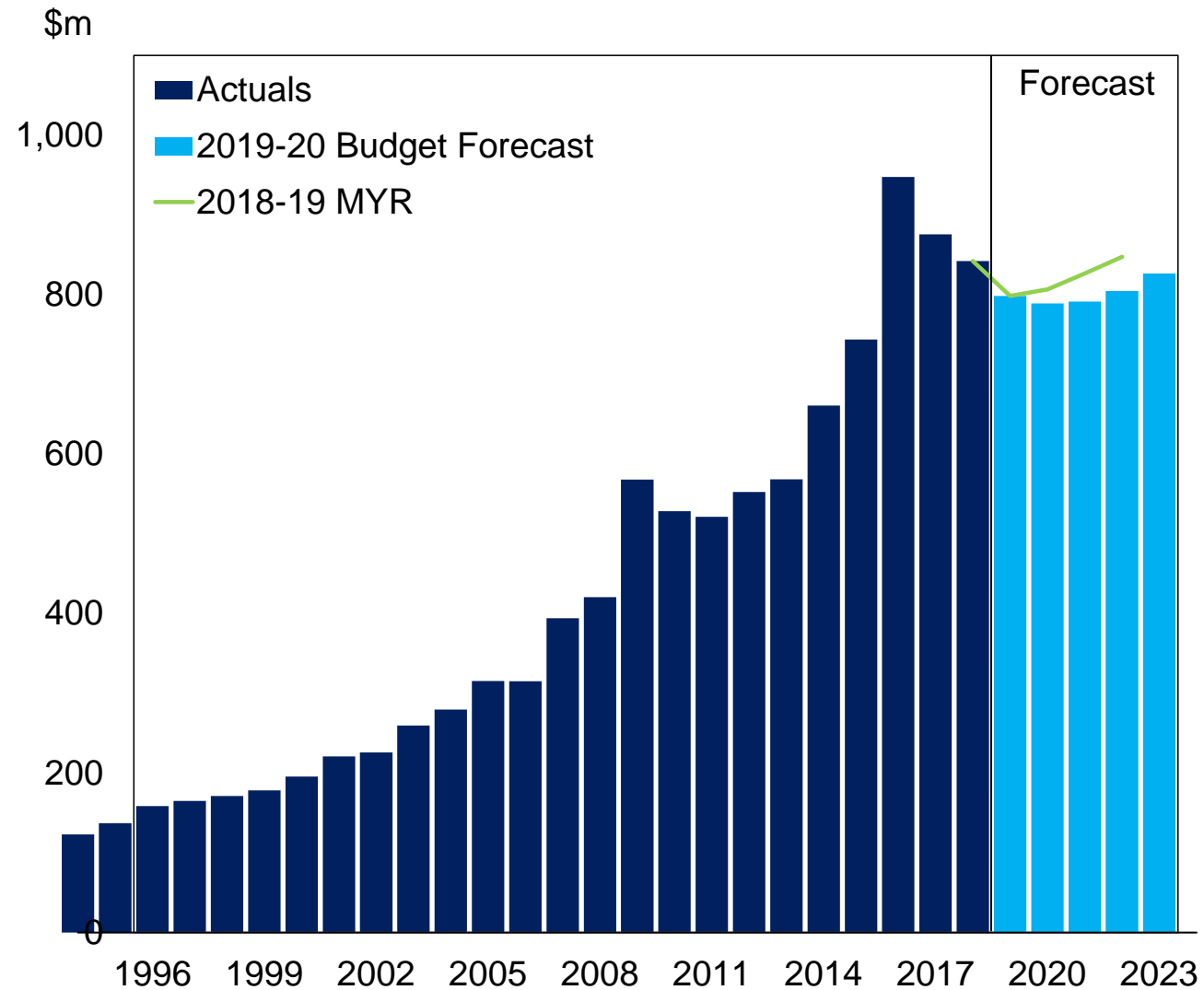
# GENERAL GOVERNMENT REVENUE



# PAYROLL TAX SUPPORTED BY HIRING IN RESOURCES SECTOR

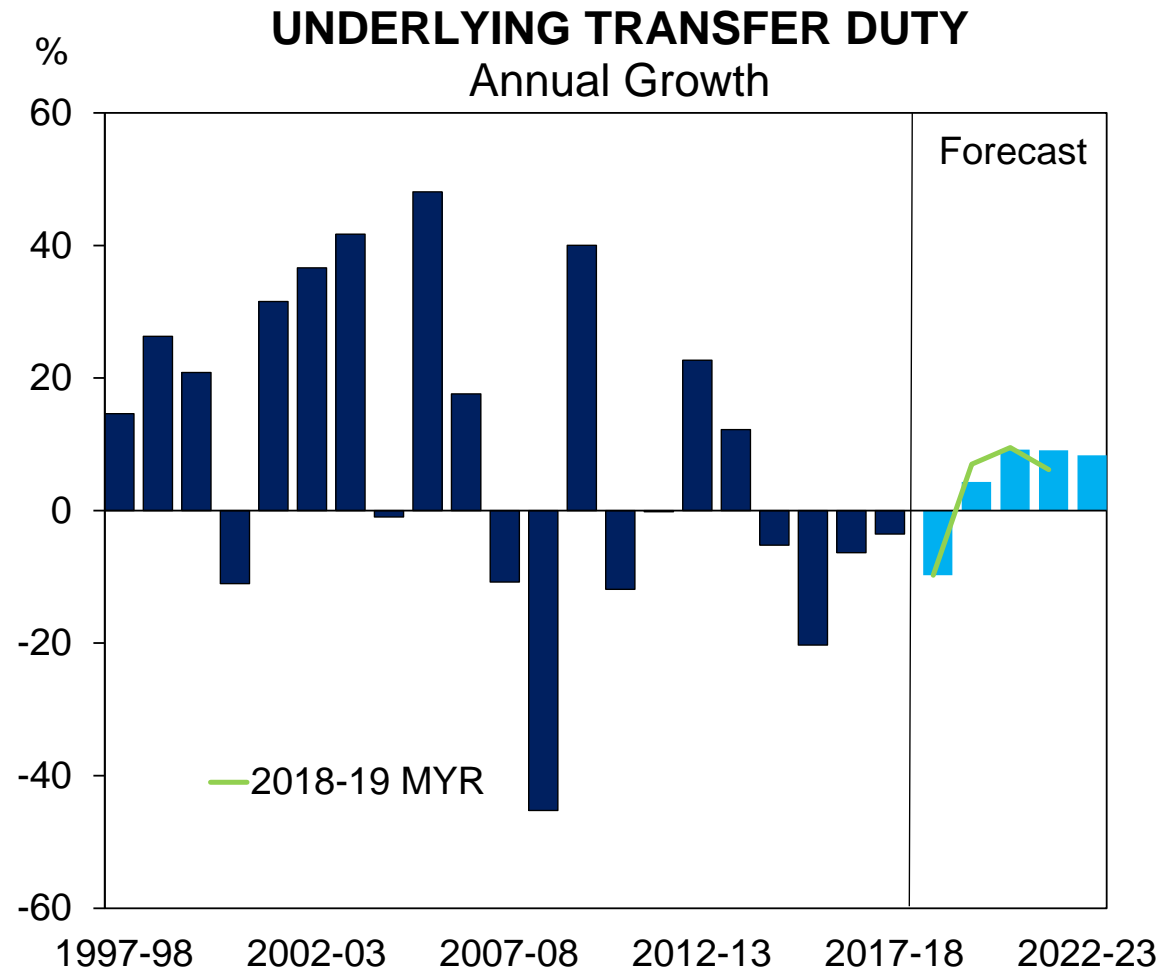


# LAND TAX EXPECTED TO REMAIN RELATIVELY FLAT



# TRANSFER DUTY

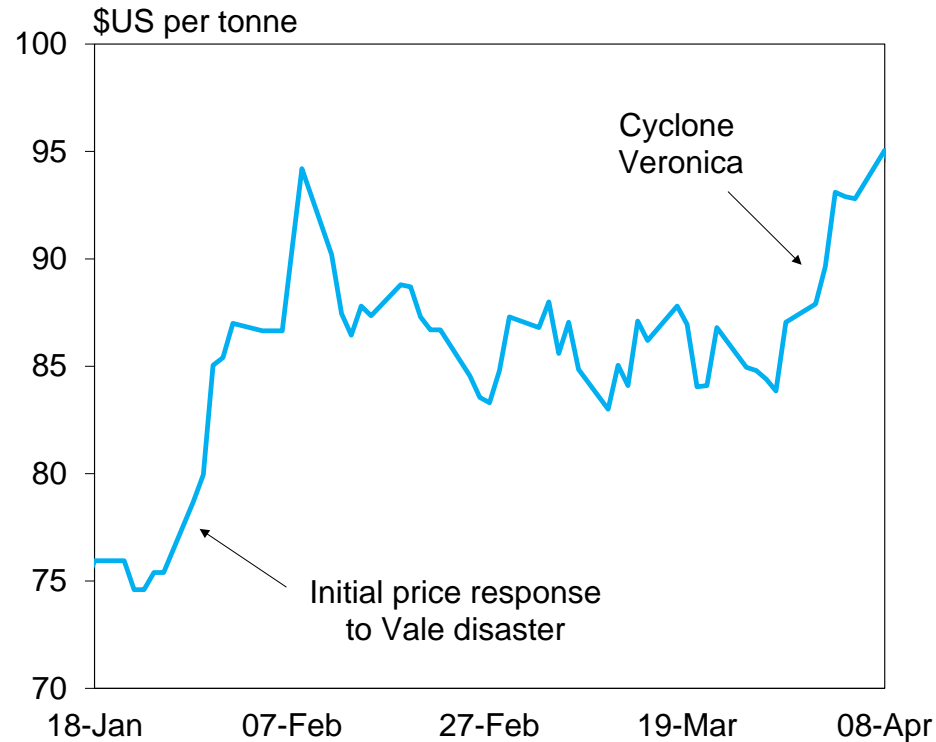
▶ Transfer duty expected to recover from 2019-20, but at modest rates of growth



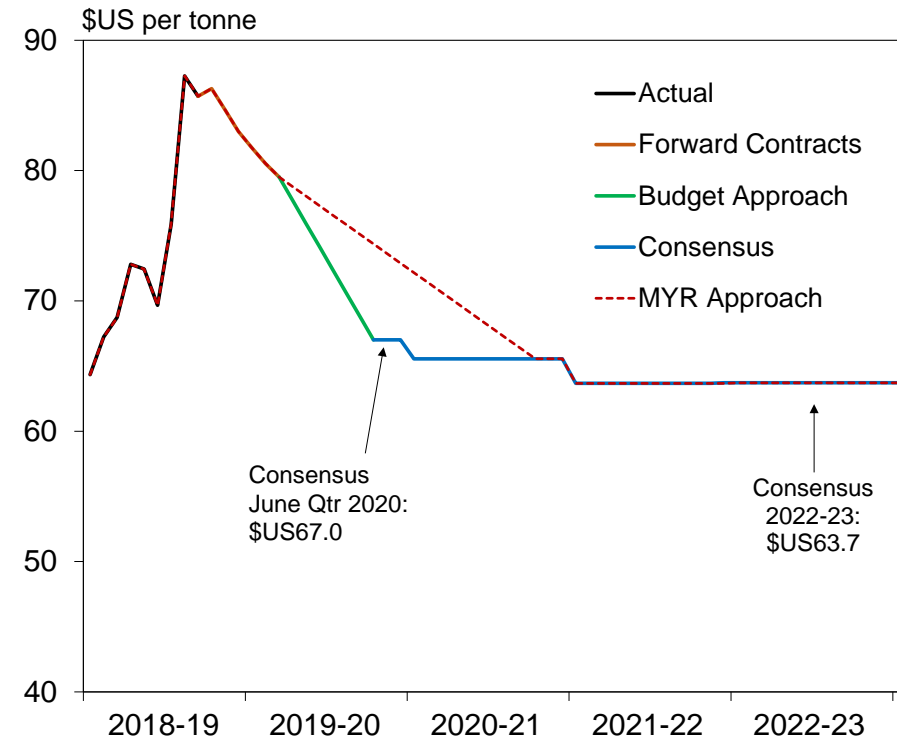
# IRON ORE PRICE VOLATILITY

▶ Prices higher in the short-term due to Brazilian tragedy reducing supply, but these prices are not assumed to last

### BENCHMARK IRON ORE PRICE

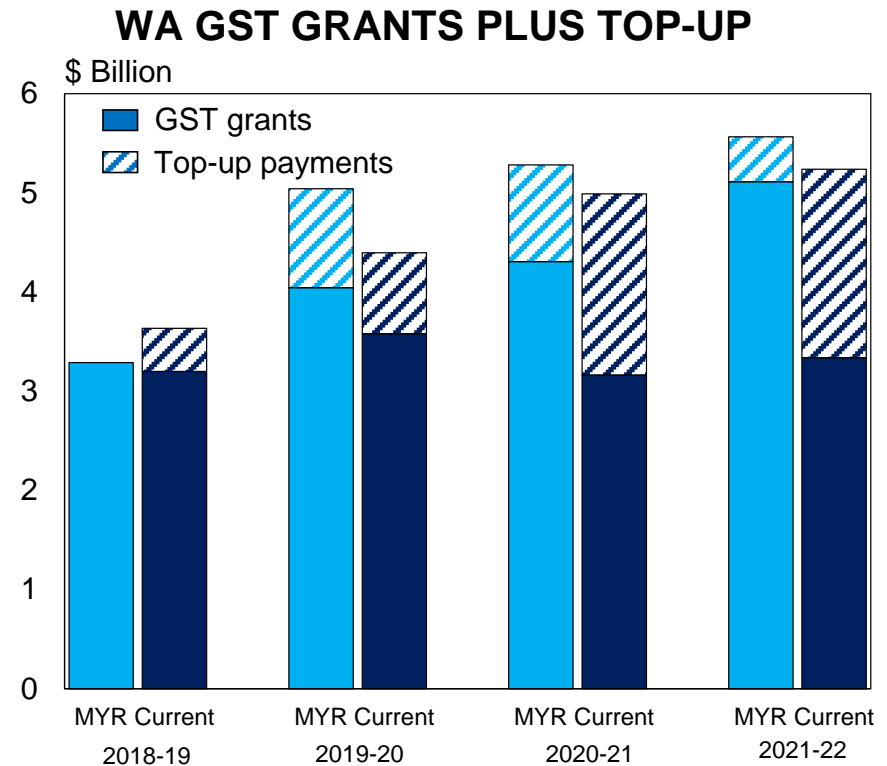


### IRON ORE PRICE FORECASTS



# GST REFORM

- \$5b of GST top-up payments over 2018-19 to 2021-22 (inc. \$434m pre-payment in 2018-19)
- But not immune from movements in national GST pool
  - Net \$921m downward revision since MYR





# **Fiscal Outlook**

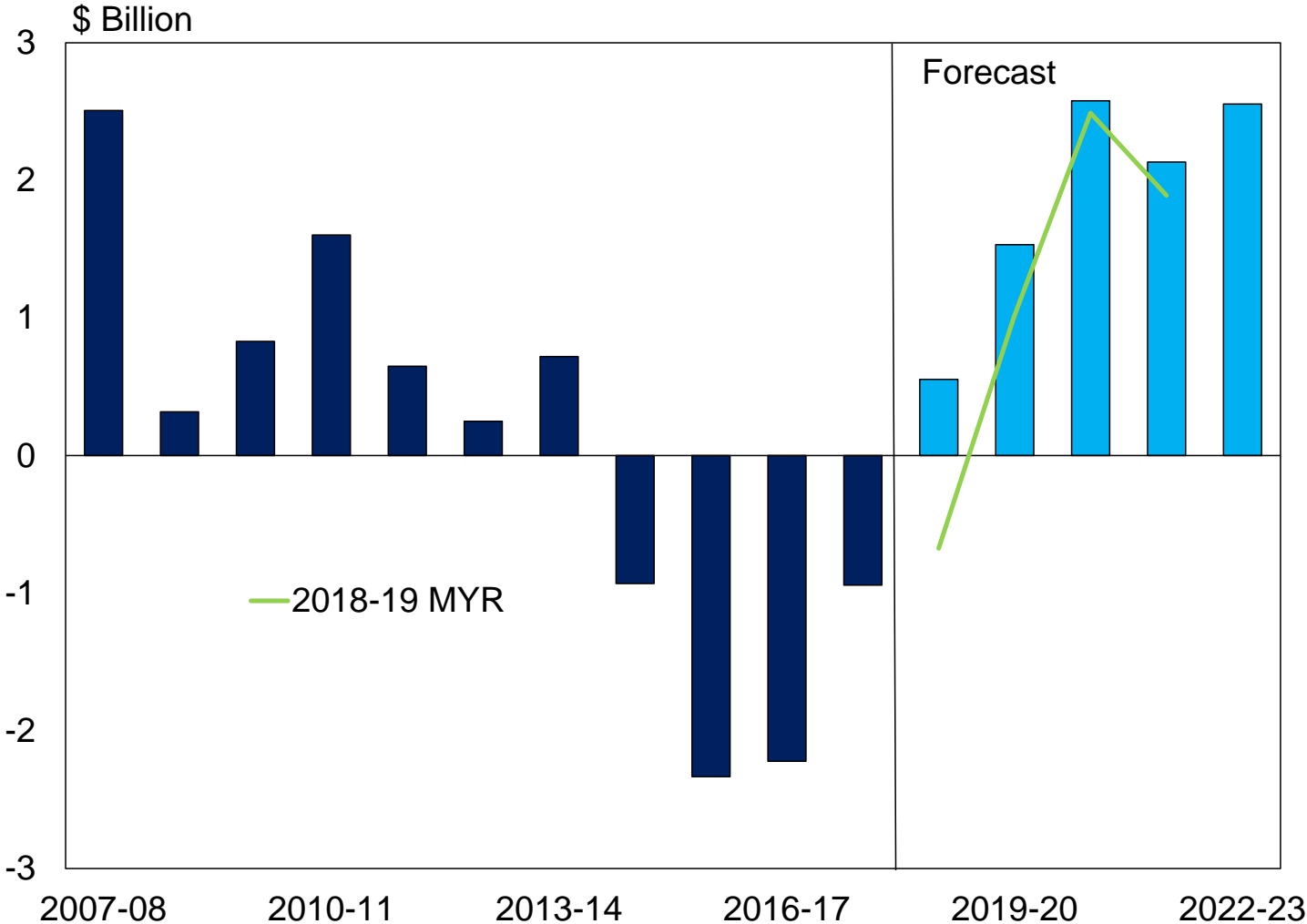
# KEY BUDGET AGGREGATES

	2018-19 Estimated Actual	2019-20 Budget Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate	2022-23 Forward Estimate
<b>GENERAL GOVERNMENT SECTOR</b>					
<b>Net Operating Balance (\$m)</b>	<b>553</b>	<b>1,533</b>	<b>2,579</b>	<b>2,133</b>	<b>2,554</b>
Revenue (\$m)	29,925	31,334	32,402	32,270	33,427
Revenue Growth (%)	8.9 <sup>(a)</sup>	4.7	3.4	-0.4	3.6
Expenses (\$m)	29,372	29,801	29,823	30,136	30,873
Expense Growth (%)	3.4 <sup>(a)</sup>	1.5	0.1	1.0	2.4
<b>TOTAL PUBLIC SECTOR</b>					
<b>Net Debt at 30 June (\$m)</b>					
- before AASB 16	36,281	36,970	36,384	35,983	35,604
- impact of AASB 16	2,824	2,560	2,432	2,306	2,195
<b>Net Debt at 30 June</b>	<b>39,106</b>	<b>39,531</b>	<b>38,816</b>	<b>38,289</b>	<b>37,799</b>
Net Debt as a Share of GSP (%)	13.1	13.0	12.8	12.3	11.6
Asset Investment Program (\$m)	5,519	5,646	5,592	5,802	5,737
Cash Surplus/Deficit (\$m)	-1,438	-248	954	747	729

<sup>(a)</sup> Abstracting from the impact of accounting standards changes implemented in this Budget and Commonwealth funding changes, growth in revenue and expenses in 2018-19 is 4.8% and 2.4% in underlying terms respectively.

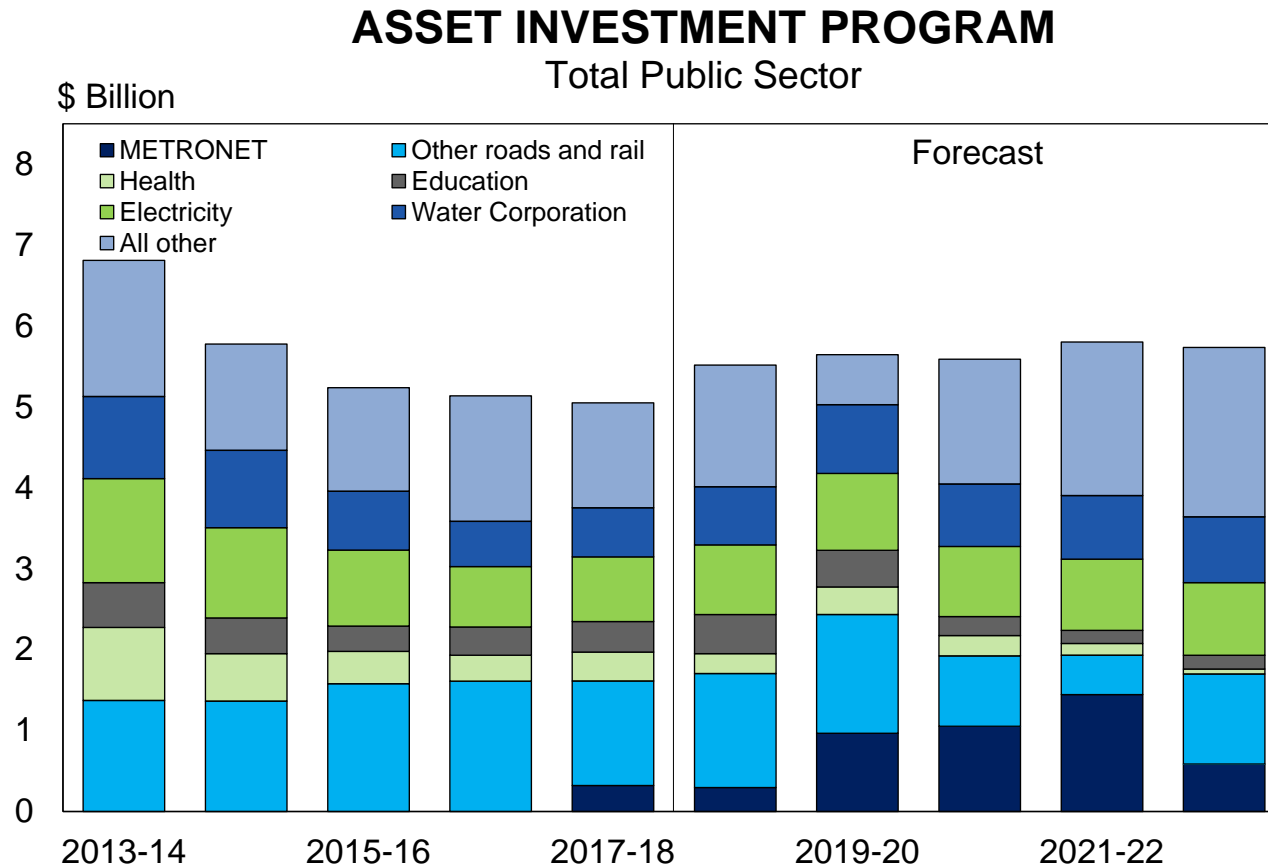


# GENERAL GOVERNMENT NET OPERATING BALANCE

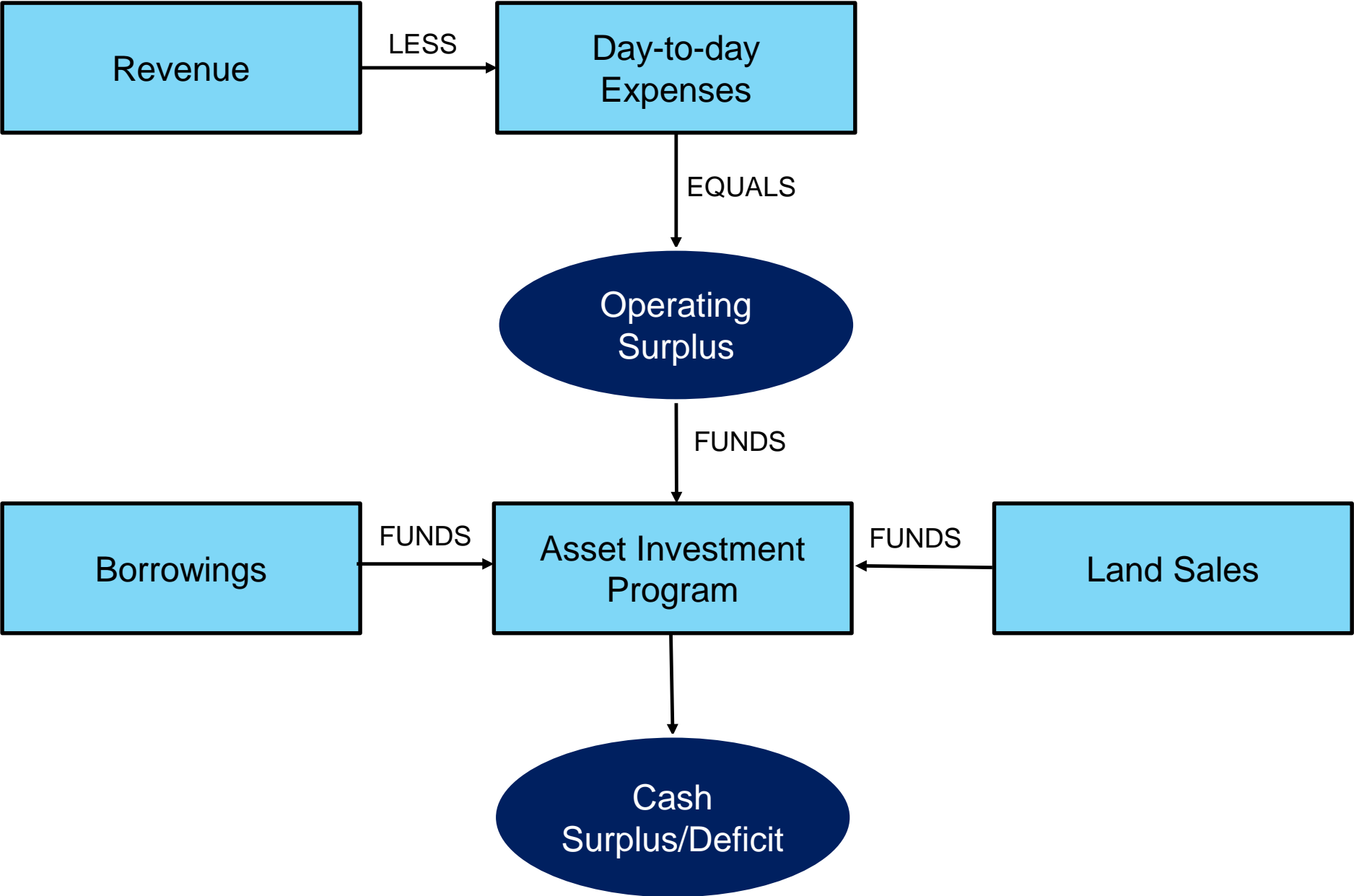


# INFRASTRUCTURE INVESTMENT

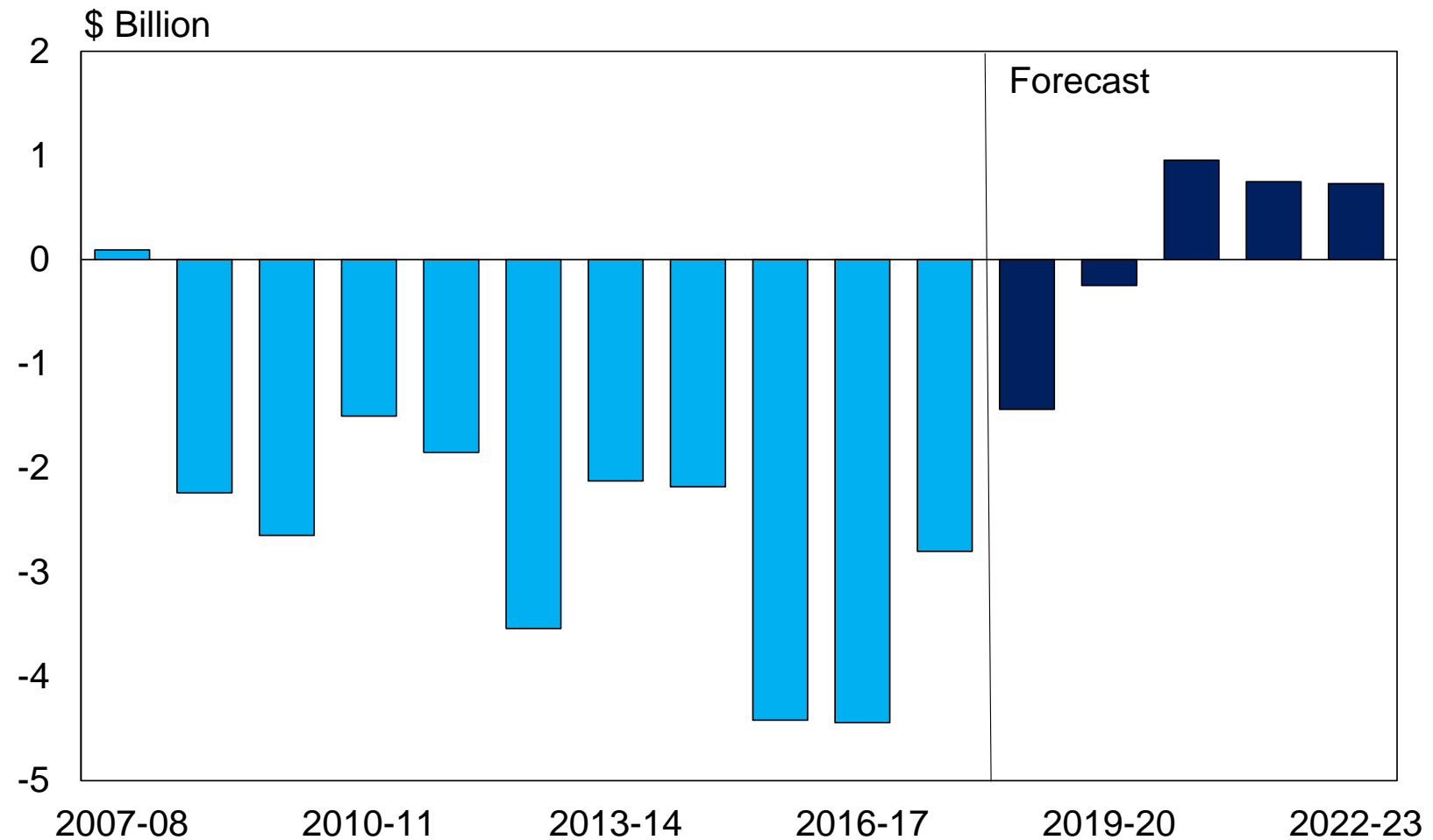
▶ The Asset Investment Program totals \$22.8b over next four years, with over \$8b of this on METRONET and roads



# OPERATING VS CASH SURPLUS/DEFICIT

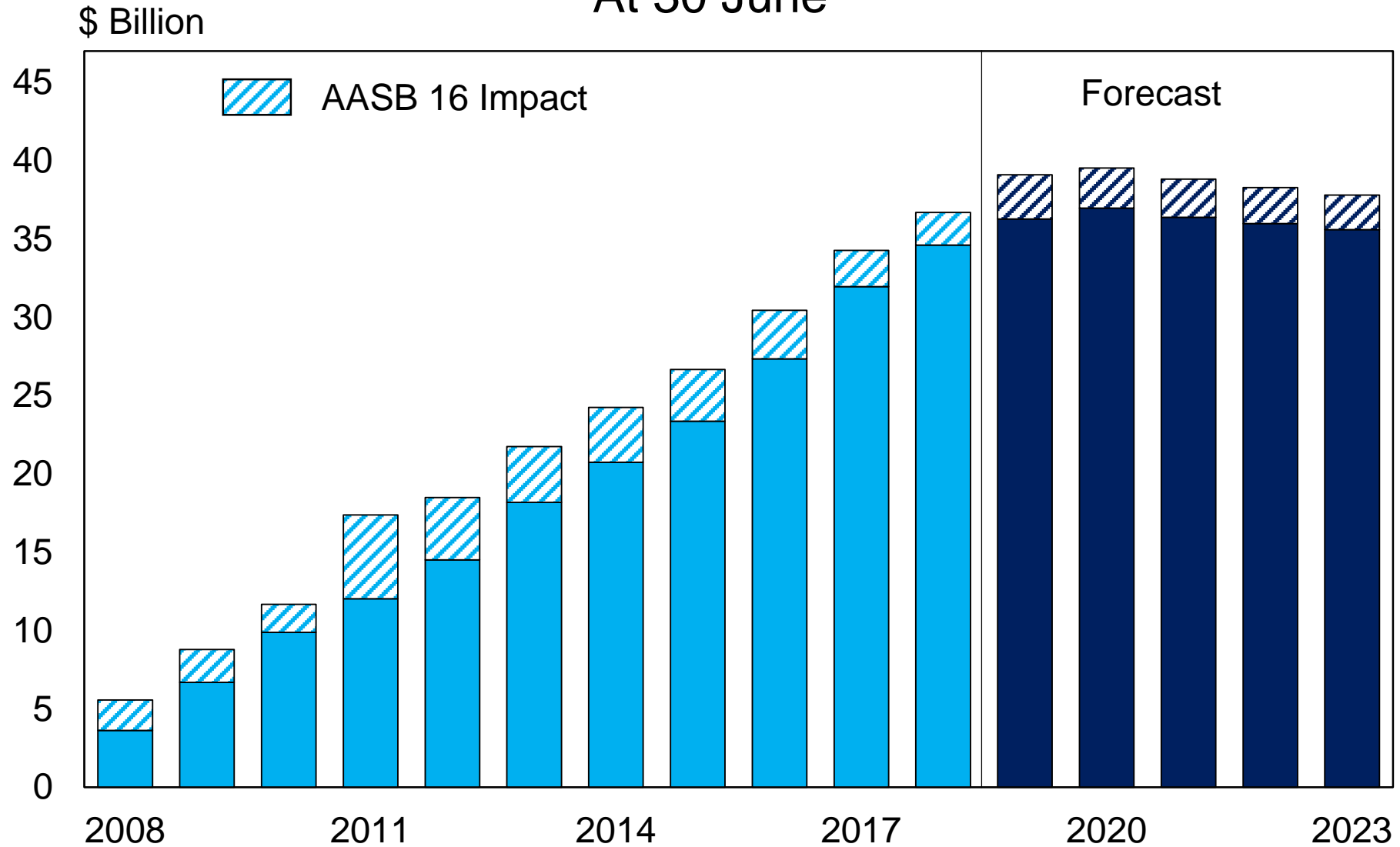


# TOTAL PUBLIC SECTOR CASH SURPLUS/DEFICIT

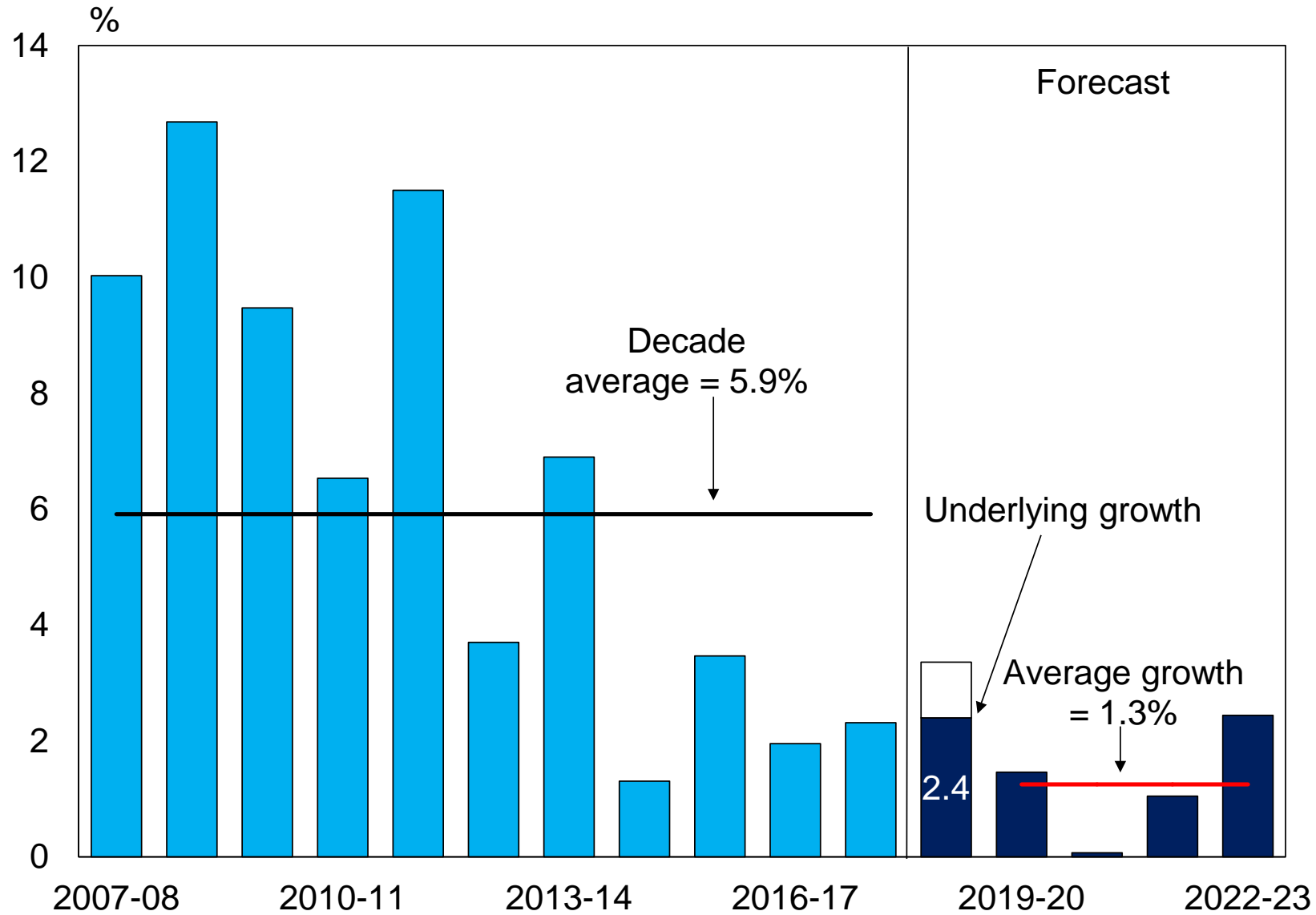


# TOTAL PUBLIC SECTOR NET DEBT

At 30 June



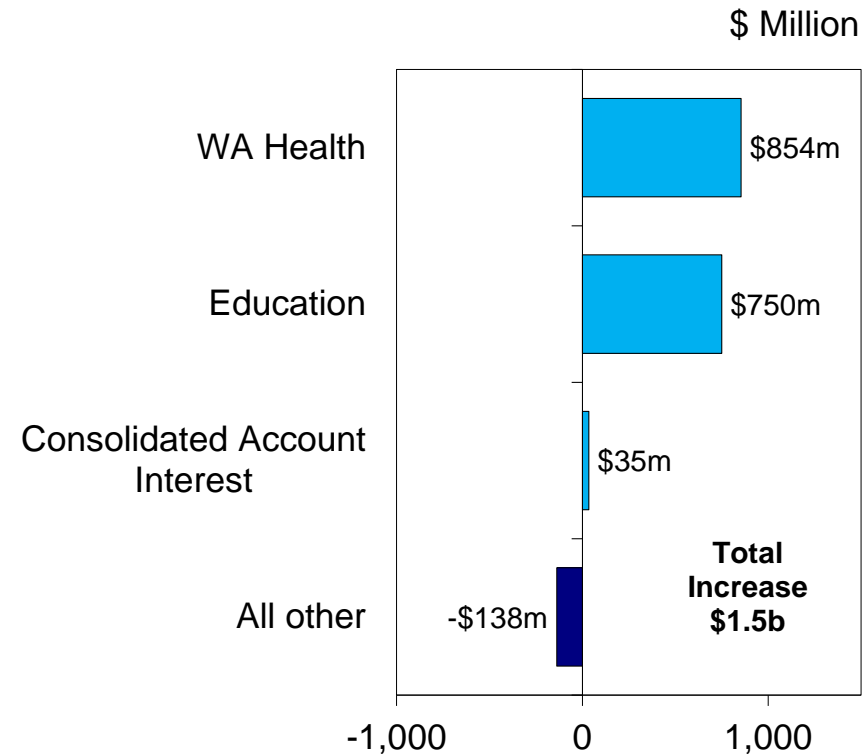
# GENERAL GOVERNMENT EXPENSES



# GENERAL GOVERNMENT EXPENSES CONT.

- General government expenses forecast to increase by average of 1.3% p.a. over next four years
- Largest increases in WA Health (up \$854m) and Education (up \$750m)

## Increase 2019-20 to 2022-23



**QUESTIONS?**





Government of **Western Australia**  
Department of **Treasury**

# Agency Financial Reporting Update

**Anthony Smith**  
**Manager**  
**Financial Policy**



# OVERVIEW

- Financial Administration Bookcase (FAB)
- Reporting Issues for 30 June 2019
- Financial Policy Issues
- Financial Management Issues
- Leases

# FINANCIAL ADMINISTRATION BOOKCASE (FAB)

- Update No's 82 to 84
- Revisions include:
  - Model Annual Reports – Tier 1 and Tier 2 agencies
  - Treasurer's instructions
  - Accounting Policy Guidelines (APGs)
  - Treasury Circulars

# TREASURER'S INSTRUCTIONS

- New, revised and amended:
  - TI 804 *Retention of Accounting Records*
  - TI 807 *Write-offs*
  - TI 810 *Review of Fees and Charges*
  - TI 813 *Variances in Capital Expenditure (New)*
  - TI 819 *Treasury and Other Accounting Forms*
  - TI 821 *Register of Guarantees and Indemnities*
  - TI 824 *Chief Finance Officers*
  - TI 903 *Agency Annual Reports*

# TREASURER'S INSTRUCTIONS

- New, revised and amended:
  - TI 945 *Explanatory Statement*
  - TI 953 *Publication and Presentation of Estimates*
  - TI 1102 *Statements of Comprehensive Income*
  - TI 1103 *Statements of Financial Position*
  - TI 1106 *Application of Financial Reporting Changes (Transition)* (New)

# TREASURER'S INSTRUCTIONS

- New, revised and amended:
  - TI 1107 *Application of Tiered Reporting – Reduced Disclosure Requirements* (New) → consequential amendments to –
    - TI 954
    - TI 1101
    - TI 1103
  - TI 1201 *Structure of the Internal Audit Function*
  - TI 1202 *Conduct of Internal Audits and Consultancy*

# TREASURER'S INSTRUCTIONS

- Deletions:
  - TI 501 *Employment Records*
  - TI 502 *Records of Attendance and Time Worked*
  - TI 505 *Conversion of Rates*
  - TI 506 *Pay Records*
  - TI 507 *Pay Period and Pay in Advance*
  - TI 515 *Deductions*
  - TI 816 *Preparation, Publication and Presentation of Annual Estimates for Certain Special Purpose Accounts of Departments*
  - TI 1203 *Management of the Internal Audit Function*

# TREASURER'S INSTRUCTIONS

Currently under review for future FAB updates:

- TI 304 *Authorisation of Payments*
- TI 308 *Payment Records*
- TI 321 *Credit Cards – Authorised Use*
- TI 820 *Register of Contracts*
- TI 822 *Borrowings*
- TI 825 *Risk Management and Security*
- TI 954 *Revaluation of Non-current Physical Assets*



# TREASURY CIRCULARS

Implementation of new accounting standards:

- AASB 16 *Leases*
  - May 2018
  - July 2018
  - August 2018
  - September 2018
  - December 2018
  - May 2019 (to be released shortly)

# TREASURY CIRCULARS

Implementation of new accounting standards:

- *AASB 15 Revenue from Contracts with Customers*  
*AASB 1058 Income of Not-for-Profit Entities*
  - September 2018
- *AASB 1059 Service Concession Arrangements: Grantors*
  - April 2019

# REPORTING ISSUES

- AASB 9 *Financial Instruments*
- Valuations
- Financial Statements
  - Model statements – Tier 1 and Tier 2 agencies
  - AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* → disclosure of future financial impact of the new accounting standards e.g. leasing and revenue

# REPORTING ISSUES

- AASB 124 / TI 924 *Related Party Disclosures*
- Section 40 / TI 953 annual estimates
- Tabling of annual reports (FMA s. 65)
- Financial Management Issues

# AASB 9 – FINANCIAL INSTRUMENTS

- AASB 9 is mandatory for year ending 30 June 2019
- Agencies are required to recognise a loss allowance for expected credit losses on a financial asset that is measured at amortised cost
- **Expected credit losses** are expected to be higher than the amount of impairments under the existing AASB 139
- **Disclosure** requirements found in AASB 7

# AASB 9 – FINANCIAL INSTRUMENTS

## Recognition of expected credit losses

- No credit losses are expected for cash and cash equivalents.
- Amounts receivable for services (i.e. holding account receivables) are not considered impaired.
- Expected credit losses are required to be recognised for trade receivables, loans and advances.
  - TI 1101 **mandates** loss allowance for trade receivables, contract assets and lease receivables to be measured at **lifetime expected credit losses**.

# SECTION 40/TI 953 ANNUAL ESTIMATES

- FMA section 40 annual estimates only applies to statutory authorities
- TI 953 *Publication and Presentation of Estimates* extends those requirements to:
  - departments and sub-departments that are **not** separate divisions of the estimates
  - submitted estimates comprising:
    - a Statement of Comprehensive Income
    - a Statement of Cash Flows
    - a Statement of Financial Position
- TI 945 *Explanatory Statement*

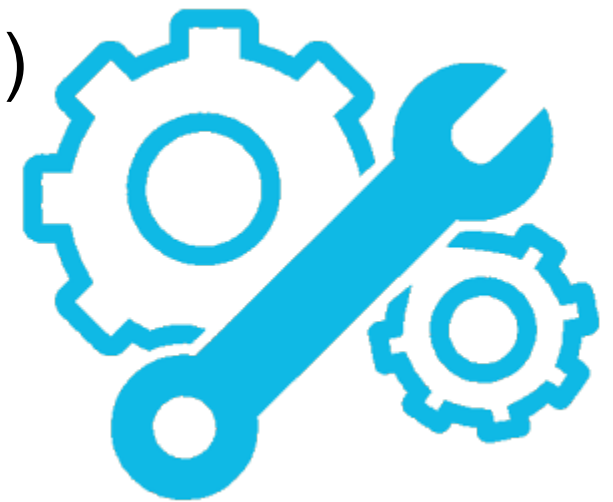
# AASB 124 – RELATED PARTY DISCLOSURES

- Refer to TI 924 and APG 4
- Formal data collection process for Ministers
- Treasury and DPC to facilitate the ministerial data collection/ dissemination process
- Treasury will distribute information as relevant to agencies.
- Agencies
  - not to contact Ministers or their offices; and
  - to collect information from Senior Officers



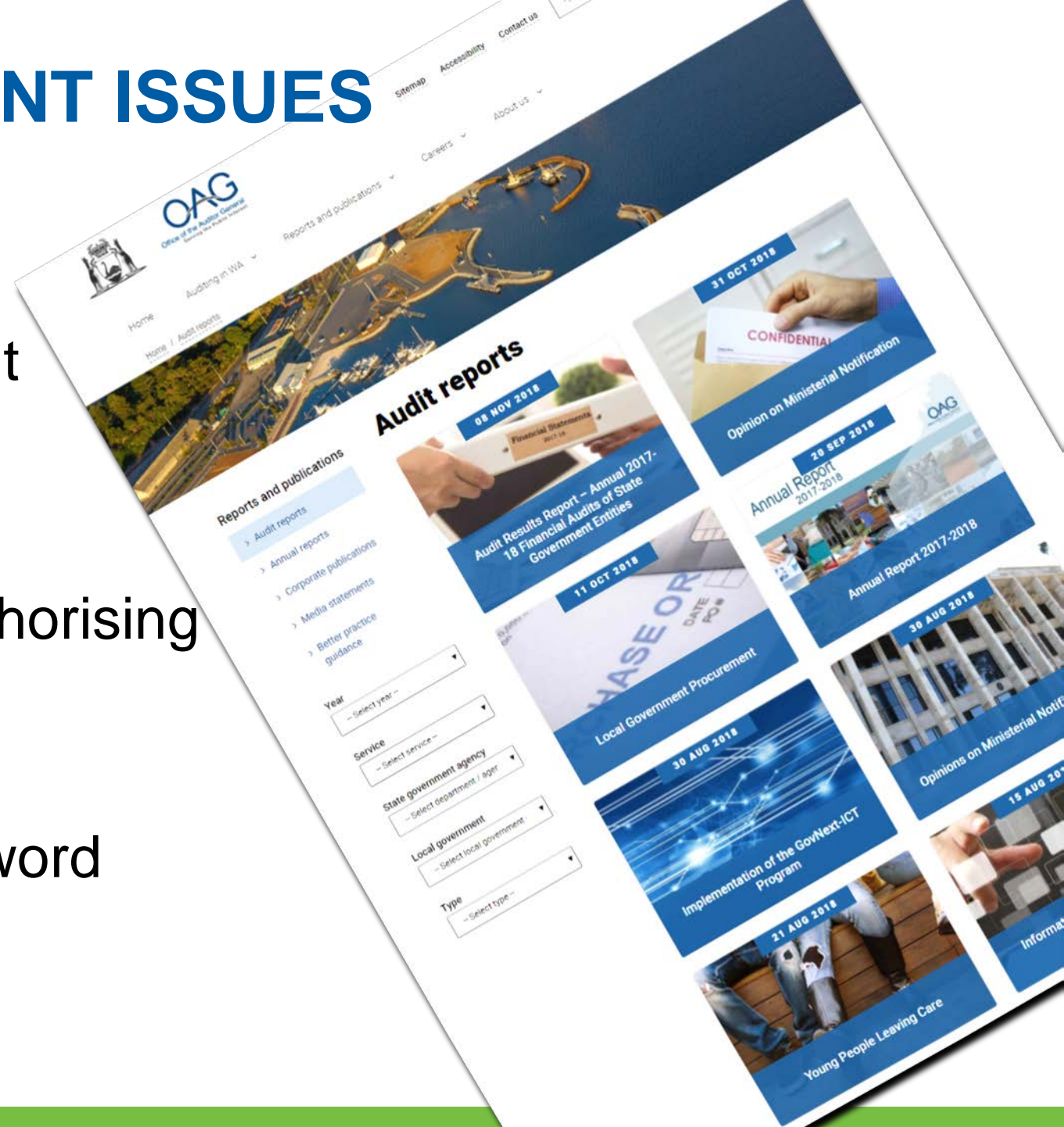
# FINANCIAL POLICY ISSUES

- On the workbench
  - *Modern Slavery Act 2018 (Cth): Draft Guidance for Reporting Entities*
  - *AASB 16 Leases*
  - *AASB 1059 Service Concession Arrangements: Grantors*
  - *AASB 15 / AASB 1058 – Revenue and Income*
  - *Timely Payment of Accounts (COAG Decision)*
  - *Emerging theme – climate-related risk and assessing financial statement materiality*
  - *2017 FMA Review update*



# FINANCIAL MANAGEMENT ISSUES

- Consequential changes to agency financial management manuals
- Audit Findings:
  - control weaknesses for authorising payments
  - ministerial notifications
  - network security and password control



# DISCLOSURE AT 30 JUNE 2019

- Updated disclosures are required at 30 June 2019:
  - Nature of change
  - Impact: including estimated dollar value impact and policy positions taken
  - Transition approach
- Updated disclosures will be included as part of the updated models in the upcoming FAB #84 update

AASB 16	Leases	1 Jan 2019
<i>Nature of Change</i>	This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.	
<i>Impact</i>	<p><i>The recognition of additional assets and liabilities, mainly from operating leases, will increase the agency's total assets by \$xxx and total liabilities by \$xxx. This will have an equity impact of \$xxx on 1 July 2019. In addition, interest and depreciation expenses will increase, offset by a decrease in rental expense for the year ending 30 June 2020 and beyond.</i></p> <p><i>The above assessment is based on the following accounting policy positions :</i></p> <ul style="list-style-type: none"> <li>• <i>Option 1/Option 2 of the modified retrospective approach on transition;</i></li> <li>• <i>the 'low value asset' threshold set at AUD \$5,000 (unless GROH, GOA or State Fleet);</i></li> <li>• <i>For leases classified as 'short term' (12 months or less), these are not recognised under AASB 16 (unless GROH, GOA or State Fleet);</i></li> <li>• <i>Land, buildings and investment property ROU assets are measured under the fair value model, subsequent to initial recognition; and</i></li> <li>• <i>Discount rates are sourced from WA Treasury Corporation (WATC).</i></li> </ul>	
<i>Transition</i>	<p><i>The agency will adopt the modified retrospective approach on transition to AASB 16. No comparative information will be restated under this approach, and the agency will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.</i></p>	

# EMPLOYEE BENEFITS

- The interplay between AASB 16 (leases) and AASB 119 (employee benefits) is not explicitly stated in either standard.
- To ease the reporting impact, Treasury have adopted the policy position that employee benefits will be reported at cost, on a gross basis.
- Agencies will still need to record the impact of AASB 16 on the underlying lease, reflecting the ROU assets and associated lease liabilities on the balance sheet, and income/depreciation on the balance sheet.
- Depreciation and interest expense become the effective 'employee benefit'.
- An example disclosure is provided to the right →

Employee benefits reported under AASB 16	230
Employee contributions received as income	160
Net benefit provided to employee	70

*Gross (cost) of interest and depreciation per income statement.*

*Employee contributions per contractual arrangement.*

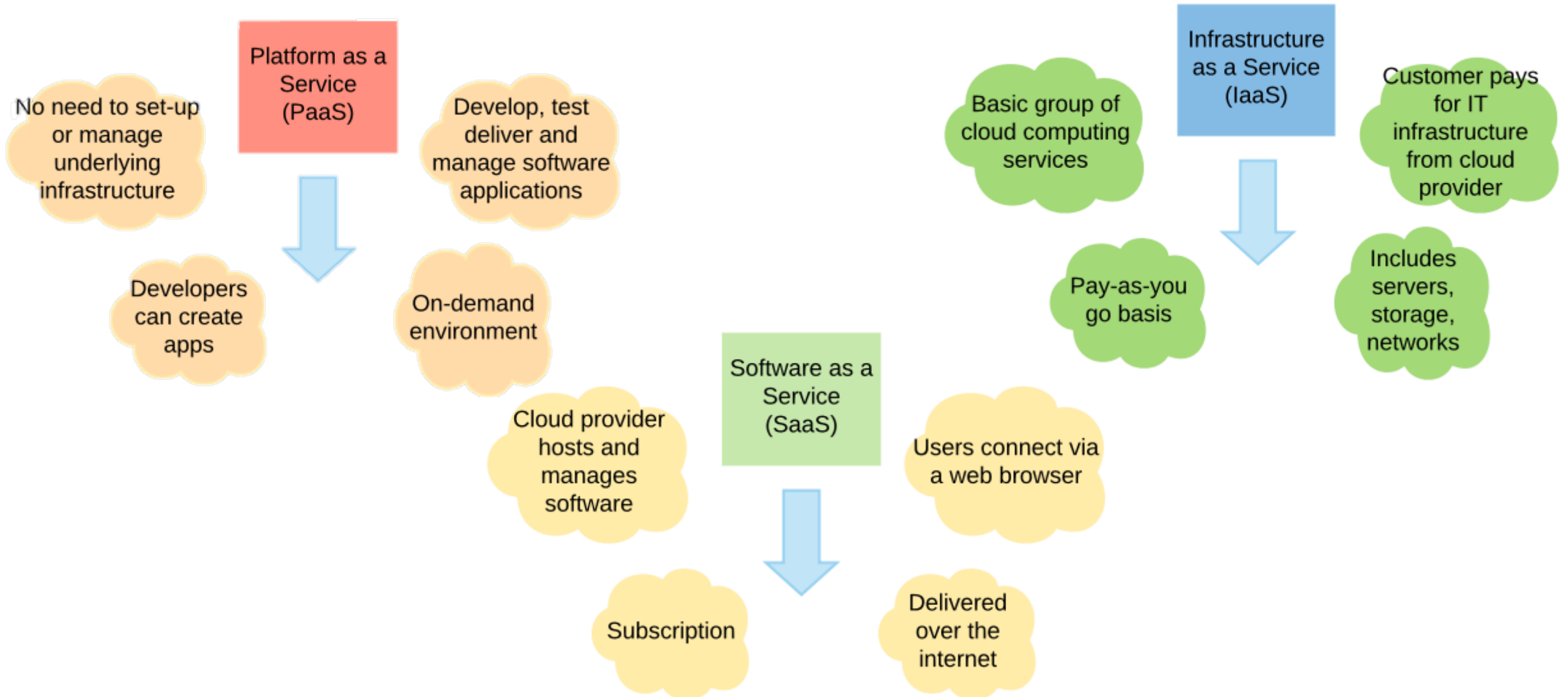
# GROH, GOA AND STATE FLEET AASB 16 MODEL UPDATE

- Models will be provided to agencies again this year.
- Communication from the central agencies is due on 1 July 2019 to enable agencies to update their opening balance position.
- Assumptions in the models have been updated from mid-year review to better reflect the nature and concepts of AASB 16.

# GROH PERIODIC LEASE ASSUMPTION

- Open ended (periodic leases) that GROH has with an agency will have an assumed period applied.
- This will be based on a probability assessment performed at the GROH level.
- The lease term assumptions will effectively become a management estimate, so if an agency does have a differing opinion on the lease term, this is to be communicated to GROH.

# RENTAL SOFTWARE – TYPES OF CLOUD HOSTING SOLUTIONS



# RENTAL SOFTWARE – LEASE OR NOT?

- IT expenditure costs may be capitalised under AASB 116, AASB 16 or AASB 138 only where an agency:
  - acquires legal title for the hardware and IP licences;
  - expects to derive a future economic benefit; and
  - the benefit is expected to be for a period 1 year or greater.
- Where a cloud arrangement includes a software license (primarily PaaS or IaaS), the arrangement will fall within the AASB 138 intangible asset standard.
- Where no software is included (SaaS), the arrangement is typically a service contract.





Government of **Western Australia**  
Department of **Treasury**

# Whole-of-Government Reporting 30 June 2019



# KEY DATES

- **Thursday 25<sup>th</sup> July 2019** – Agency SIMS data due
- Requirements:
  - Audit quality data
  - Completed questionnaire
  - Signed certification
  - Schedules to be completed (please refer to release notes and CFO letter to be available on the SIMS webpage)
  - Tight timeframe for preparation and audit.

## KEY DATES (CONTD)

- **16<sup>th</sup> August 2019** – All agency and/or audit initiated adjustments advised to Treasury
- **30<sup>th</sup> August 2019** – Any further material audit changes as they arise. Confirmation to Treasury of all material audit adjustments
- **26<sup>th</sup> September 2019** – Tabling of 2018-19 Annual Report on State Finances (ARSF)
- **15<sup>th</sup> of October 2019** – Deadline for 2019-20 September quarterly submissions

# SUBMISSION ISSUES (CONTD)

- Reporting concerns
  - Schedule data should agree to audited statement notes
  - Composition of sectors:
    - Correct Counter-Party Identifier (CPID) classification (see 2018-2019 ARSF Appendix 1 (Note 33) for agency listing)
  - Staff be available and informed
  - Access for at least 2 users and approver

# CONTACTS

- SIMS Data Issues

Email: [financial.reporting@treasury.wa.gov.au](mailto:financial.reporting@treasury.wa.gov.au)

- SIMS System Issues

Email: [Sims.Helpdesk@treasury.wa.gov.au](mailto:Sims.Helpdesk@treasury.wa.gov.au)

WESTERN AUSTRALIAN  
**TREASURY CORPORATION**

**AASB 16 Implementation & Liquid Assets Update**

CFO Forum

16 May 2019

Richard McKenzie – Head of Client Debt Finance and Investments

FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

# Introduction

Information session will cover:

- Core purpose of WATC
- New WATC data service → incremental borrowing rates for AASB 16 lease valuation
- Update on purpose and usage of Agency monthly data collection of liquid financial asset holdings (agency investments)

# Western Australian Treasury Corporation (WATC)

- WATC established as the central borrowing authority for the State by the Western Australian Treasury Corporation Act 1986.
- WATC borrows funds in domestic and overseas markets for lending to over 160 State Government and Local Government Authorities in WA.
- WATC manages over \$50 billion of debt on behalf of its client base.

## Credit Ratings

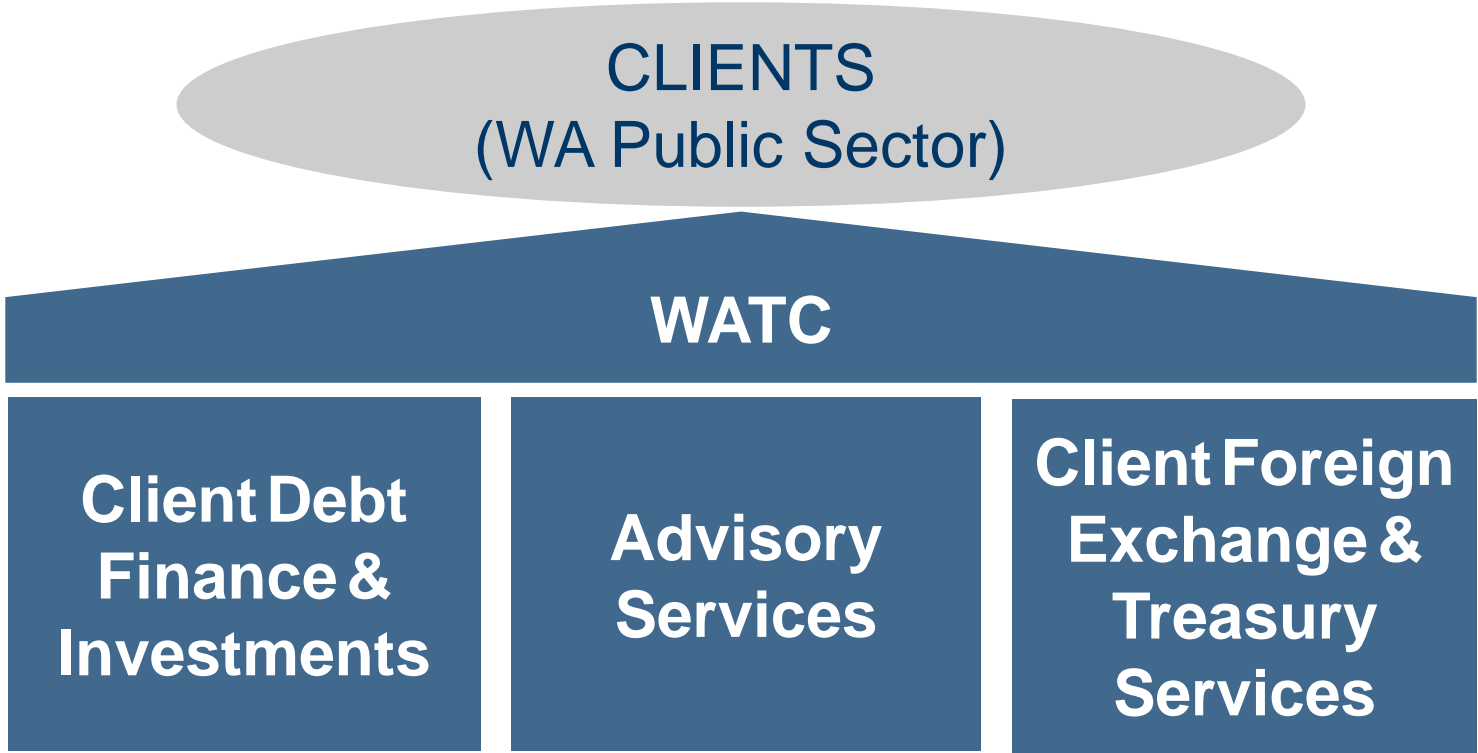
Rating Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	AA+	A-1+	Negative
Moody's Investors Service	Aa2	Prime-1	Stable

- WATC provides advisory, investment, and foreign exchange services to the WA public sector.



# Western Australian Treasury Corporation

## Client Focused Branches



**Vision:** To be recognised as the best at providing financial solutions for the benefit of the Western Australian public sector

WESTERN AUSTRALIAN  
TREASURY CORPORATION

FINANCIAL SOLUTIONS FOR THE BENEFIT OF ALL WESTERN AUSTRALIANS

# AASB 16 Leases

- Treasury has released a range of circulars (and CFO forum presentations!) on implementation of this new standard – brings all leases onto the State Balance sheet
  - Direction and advice on all technical aspects relating to implementation and ongoing application lie with Department of Treasury
- WATC has the roll of providing Agencies with relevant incremental borrowing rates to use as discount rates for lease valuation where the discount rate implicit in the lease is unknown / can't be determined
  - August 2018 circular provided discount rates estimated for inception (1 Jan 19 / 1 July 19) to enable budget submissions

# AASB 16 Guidance – December circular from DT

- *Modified retrospective method* ... on transition (i.e. 1 Jan 19 or 1 July 19), leases previously categories as operating leases shall use incremental borrowing rate provided by WATC
- Lease contracts entered after implementation date, if discount rate not known / can't be determined → use incremental borrowing rate provided by WATC
  - Exception is for State Fleet leases, as State Fleet will provide the agency with the relevant discount rate to apply
- Disclosure of future liability needs to be included in 2018 / 2018-19 annual accounts

# Practical implications and data provision

Agencies need:

- actual incremental borrowings rates at 1/1/19 or 1/7/19 to use as discount rates for existing operational leases for 2018 and 2018/19 accounts
- Actual incremental borrowing rates for any new leases entered after these dates (i.e. to include in your accounting system)
- Estimated future incremental borrowing rates to budget for prospective future leases BUT
- Any future estimated rates used for budget entries must be replaced with actual incremental borrowings rates if / when lease commences

# WATC website dedicated page

To be referenced in all applicable Treasury circulars on where Agencies can sources the necessary data on incremental borrowing rates

<https://www.watc.wa.gov.au/client-services/debt-finance/lease-valuation-aasb-16/>

[About WATC](#)

[Client Services](#)

[Economic Services](#)

[Investors](#)

[About Western Australia](#)



Our Values



Excellence



Partnership



Integrity



Commitment

## Client Services

### Debt Finance

[Debt Finance Team](#)

[Products and Services](#)

- [Loan Products](#)
- [Working Capital Facility](#)
- [Interest Rate Swap Facility](#)
- [Interest Cost Projection Service](#)
- [Debt Structure Analysis and Advice](#)

[Local Government](#)

- [Local Government Loan Applications](#)
- [Resources for Local](#)

# Lease Valuation AASB 16

## Incremental borrowing rates for AASB 16 lease valuation – Instructions to Agencies

### Actual rates for use in annual accounts

The database below provides incremental borrowing rates for use by WA public sector agencies as discount rates for determining the present value of lease payment obligations for which the implicit interest rate is unknown, in accordance with the requirements of AASB 16.

For leases commencing after inception, apply the rate for the month in which the lease commenced for the contracted term rounded to the nearest half year interval. This database is updated monthly, at the beginning of the month, by WATC.

# Lease Valuation AASB 16

## Incremental borrowing rates for AASB 16 lease valuation – Instructions to Agencies

### Actual rates for use in annual accounts

The database below provides incremental borrowing rates for use by WA public sector agencies as discount rates for determining the present value of lease payment obligations for which the implicit interest rate is unknown, in accordance with the requirements of AASB 16.

For leases commencing after inception, apply the rate for the month in which the lease commenced for the contracted term rounded to the nearest half year interval. This database is updated monthly, at the beginning of the month, by WATC.

For leases transitioning to AASB 16 on 1 Jan 2019 (for Calendar Year reporting) or 1 July 2019 (for Financial Year reporting), apply the rate listed for Jan 19 / Jul 19 for the remaining term of the lease rounded to the nearest half year.

WESTERN AUSTRALIAN

### TREASURY CORPORATION

Agency incremental borrowing rates for lease valuation as per AASB 16 requirements. For use by WA Public sector agencies only.

Term (yrs)	Jan-19	Feb-19	Mar-19	Apr-19	May-19
------------	--------	--------	--------	--------	--------

# TREASURY CORPORATION

Agency incremental borrowing rates for lease valuation as per AASB 16 requirements.  
For use by WA Public sector agencies only.

Term (yrs)	Jan-19	Feb-19	Mar-19	Apr-19	May-19
<b>1.0</b>	3.1%	3.0%	2.8%	2.7%	2.5%
<b>1.5</b>	2.9%	2.9%	2.8%	2.5%	2.3%
<b>2.0</b>	2.9%	2.9%	2.8%	2.5%	2.3%
<b>2.5</b>	2.9%	2.9%	2.8%	2.5%	2.4%
<b>3.0</b>	3.0%	2.9%	2.8%	2.5%	2.4%
<b>3.5</b>	3.0%	2.9%	2.8%	2.6%	2.4%
<b>4.0</b>	3.1%	3.0%	2.9%	2.6%	2.5%
<b>4.5</b>	3.1%	3.0%	2.9%	2.6%	2.5%
<b>5.0</b>	3.2%	3.0%	3.0%	2.7%	2.6%
<b>5.5</b>	3.2%	3.1%	3.0%	2.7%	2.7%
<b>6.0</b>	3.3%	3.2%	3.1%	2.8%	2.7%
<b>6.5</b>	3.3%	3.2%	3.1%	2.8%	2.8%



## Forecast rates for future leases – for budgeting purposes only

The database below provides forecast incremental borrowing rates for WA public sector agencies to estimate future lease liability for new (or replacement) leases expected to be implemented within the budget out-years for the purpose of budget reporting only. It will be updated annually by WATC and is only available from August to February.

Apply the rate applicable for the (future) quarter within which a lease is expected to commence, for an expected contractual term rounded to the nearest half year interval. Forecast rates for future leases must only be applied for budgeting purposes – when / if the actual lease commences, the actual rate from the above database must be applied.

WESTERN AUSTRALIAN

### TREASURY CORPORATION

Forecast incremental borrowing rates for expected future lease commitments. For use by WA Public sector agencies only.

Term (yrs)	Budget Year (2020-21)				OY1 (2021-22)				OY2 (2022-23)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

## TREASURY CORPORATION

Forecast incremental borrowing rates for expected future lease commitments. For use by WA Public sector agencies only.

Term (yrs)	Budget Year (2020-21)				OY1 (2021-22)				OY2 (2022-23)				OY3 (2023-24)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.0	2.5%	2.6%	2.7%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.7%
1.5	2.6%	2.6%	2.7%	2.8%	2.9%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.4%	3.5%	3.6%	3.7%	3.8%
2.0	2.6%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.7%	3.8%
2.5	2.6%	2.7%	2.8%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%
3.0	2.7%	2.7%	2.8%	2.9%	3.0%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.6%	3.7%	3.8%	3.9%
3.5	2.7%	2.8%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%
4.0	2.8%	2.8%	2.9%	3.0%	3.1%	3.2%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	3.9%	4.0%
4.5	2.8%	2.9%	3.0%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%
5.0	2.9%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.1%
5.5	2.9%	3.0%	3.1%	3.2%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.8%	3.9%	4.0%	4.1%	4.2%
6.0	3.0%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.2%
6.5	3.1%	3.1%	3.2%	3.3%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	3.9%	4.0%	4.1%	4.2%	4.3%
7.0	3.1%	3.2%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.3%
7.5	3.2%	3.2%	3.3%	3.4%	3.5%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.1%	4.2%	4.3%	4.4%
8.0	3.2%	3.3%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.4%
8.5	3.3%	3.3%	3.4%	3.5%	3.6%	3.7%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.2%	4.3%	4.4%	4.5%
9.0	3.3%	3.4%	3.5%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.5%
9.5	3.4%	3.4%	3.5%	3.6%	3.7%	3.8%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.3%	4.4%	4.5%	4.6%
10.0	3.5%	3.5%	3.6%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.6%
10.5	3.5%	3.5%	3.6%	3.7%	3.8%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.3%	4.4%	4.5%	4.6%	4.7%
11.0	3.5%	3.6%	3.6%	3.7%	3.8%	3.9%	4.0%	4.0%	4.1%	4.2%	4.3%	4.4%	4.4%	4.5%	4.6%	4.7%
11.5	3.6%	3.6%	3.7%	3.8%	3.8%	3.9%	4.0%	4.1%	4.2%	4.2%	4.3%	4.4%	4.5%	4.6%	4.6%	4.7%
12.0	3.6%	3.6%	3.7%	3.8%	3.9%	3.9%	4.0%	4.1%	4.2%	4.3%	4.3%	4.4%	4.5%	4.6%	4.7%	4.7%

## Queries

All queries on application of AASB 16 should be directed to the Department of Treasury at [Lease.StandardEnquiries@treasury.wa.gov.au](mailto:Lease.StandardEnquiries@treasury.wa.gov.au). Issues with the above databases or the instructions for use can be made to WATC through [csoperations@watc.wa.gov.au](mailto:csoperations@watc.wa.gov.au).

# Agency financial 'liquid' assets collection update

- Established May 2018 after letter to Agency CEO's from the Under Treasurer
- Agencies with > \$1m regularly held in investments outside of the Public Bank Account are in scope for monthly collection
  - If you qualify and didn't hear from me please let me know!!

# Agency liquid financial assets collection - purpose

- State's liquid financial asset position contributes up to 20% of State's credit rating score in assessments by rating agencies
  - State has policy targets on desired liquid asset position, WATC tracks this monthly and reports to rating agencies annually
- Previously only liquid financial assets held by WATC and Treasury (through Public Bank Account (PBA) and Future Fund) were being tracked and reported for this purpose
- Now over \$2 billion of Agency assets held outside the PBA are included

# Agency cooperation has been fantastic!

- Big thankyou from WATC to the contributors

Botanic Gardens and Parks Authority	Building and Construction Industry Training Board	Bunbury Water Corp (AQWEST)
Burswood Park Board	Busselton Water Corp	Country Housing Authority
Economic Regulation Authority	Forest Products Commission	Fremantle Port Authority
Gold Corporation	Greyhounds WA (WAGRA)	Horizon Power
Insurance Commission of WA	Keystart	Kimberley Ports Authority
Landgate	Lotterywest	Metro Cemeteries Board
Mid-West Ports Authority	National Trust of Australia (WA)	Pilbara Ports Authority
Pilbara Ports Authority	RiskCover	Rottnest Island Authority
Racing and Wagering WA	Southern Ports Authority	Synergy
WA Land Authority (LandCorp)	WA Meat Industry Authority	WA Tourism Commission
Water Corporation	Western Power	WorkCover

# Collection since May 2018 – Provided by EOM + 2 !!

## Total Liquid Financial Assets - Agencies outside of PBA



# So What? ..... Savings

- The collection and reporting has enabled:
  - Public Bank Account target balance to be reduced by \$1 billion
    - directly reducing State's borrowing requirement in 2018-19 by \$1 billion
    - Enabling net interest saving of \$44 million over budget out-years
  - ✓ A better understanding of Whole of State counterparty investment exposure – more work to come in this area



# So What? ..... External recognition

- Was specifically referenced by S&P's when they upgraded WA's credit outlook to AA+ 'stable' in October 2018
  - Associated lowering in State borrowing costs = more savings!!

*During the past year, WATC and the Western Australian Treasury have reviewed short-term cash and investment holdings across government authorities, identifying additional assets to be included in the state's liquid financial asset position.*

**Questions?**

Thank you.



Office of the Auditor General Western Australia

Public Sector CFO Forum

# Doing good – the role of a WA public sector CFO

Caroline Spencer

Auditor General

Serving the Public Interest



# Outline

## Role of the Auditor General

- Last line of defence

## Working together for good governance and financial management

- Informed decision making
- Influence and persuasion

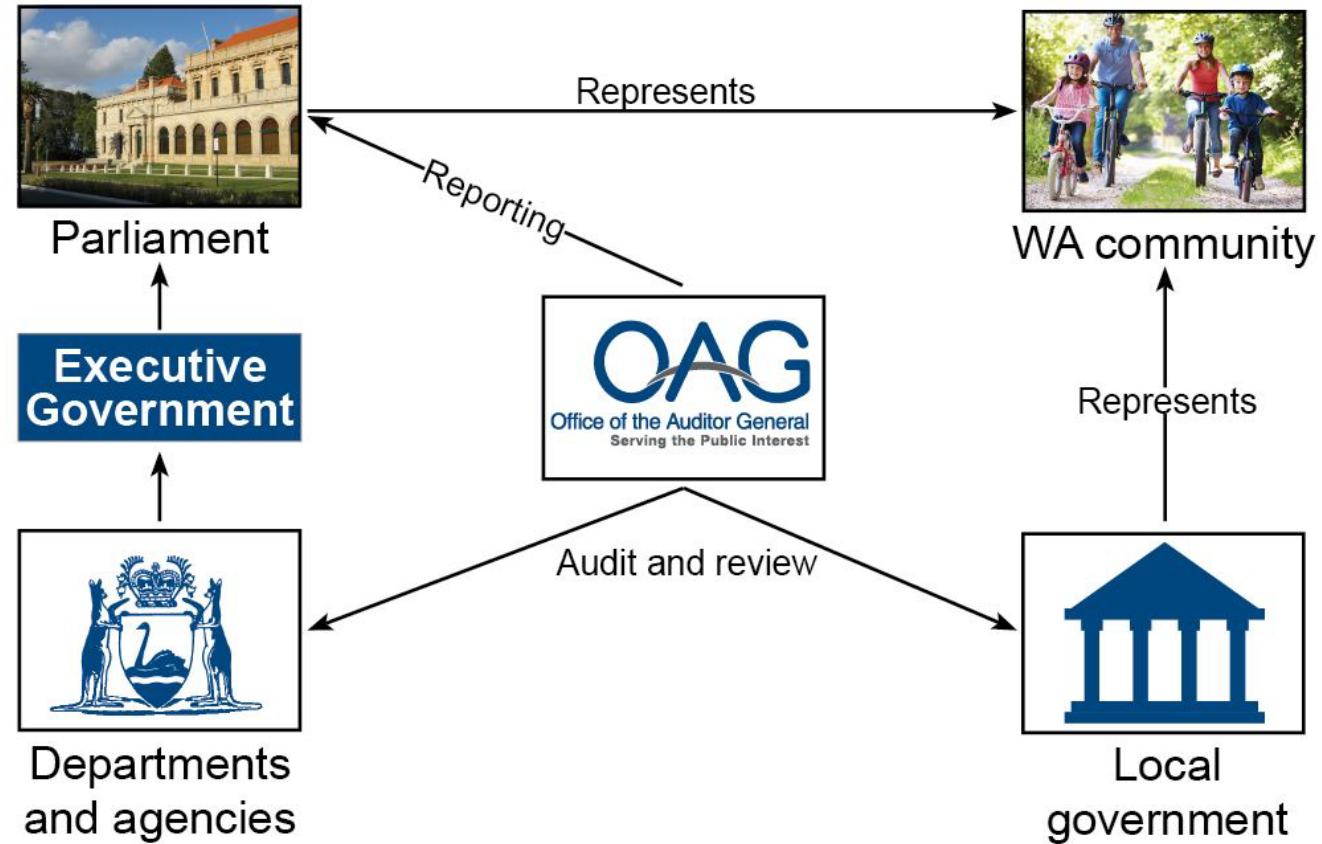
## Public sector financial management

- Vital in governance and culture
- Looking forward

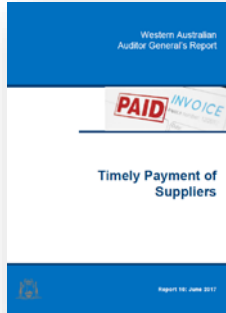
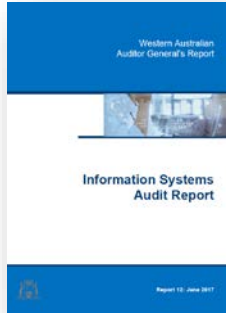


# Role of the Auditor General

- Independent and impartial
- Historic and evolving
- Provide information to the Parliament
- Public sector accountability
- Serving the public interest
- **Not alone in pursuit of good governance and continuous improvement**



# Audit reports = clarity for leadership



**Audit report tabled  
in Parliament**

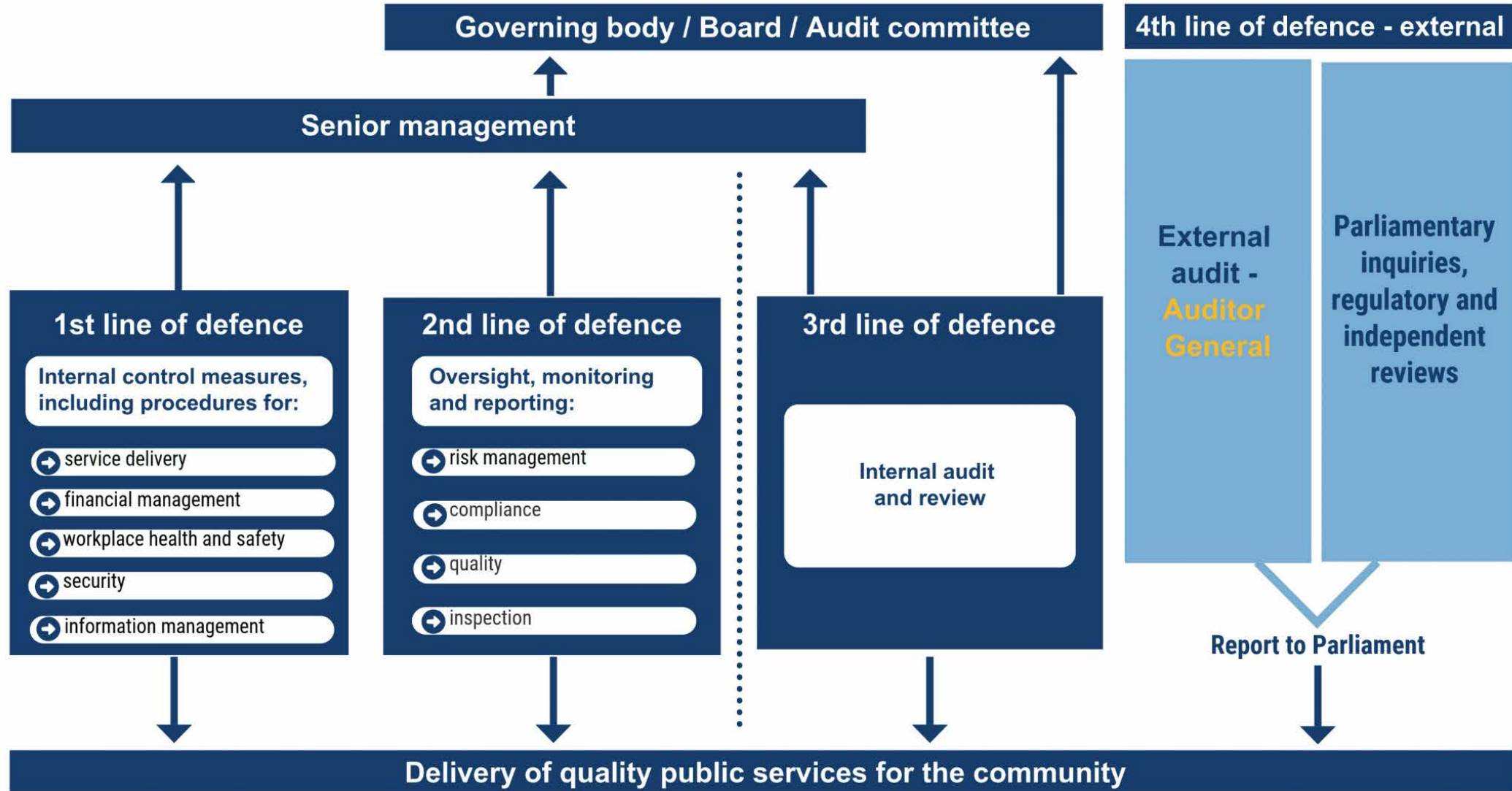
**Managers and  
CFOs can  
identify relevant  
messages and  
opportunities**

**Stimulate  
continuous  
improvement and  
informed decision  
making**

- key findings and recommendations
- better practice guidance
- relevant to entities beyond those audited – apply to internal audit plan

**Better practice = tips  
Poor practice = traps**

# Lines of defence – for strong governance



# Influence and persuasion – my role and yours

We are all required to assist the Parliament and management with recommendations and advice that:

- is fair, balanced and worldly
- is proportional to the circumstances
- considers the costs, benefits and potential consequences
- gives due regard for practical implementation

**We must always aim for continuous improvement – NOT additional red tape**





# Public sector financial management

- Customer service focus
- Rules vs principles
- Do Good
- **Financial reporting is not an end in itself – it is there to promote ethical, accountable and transparent use of public money.**



# Thank you

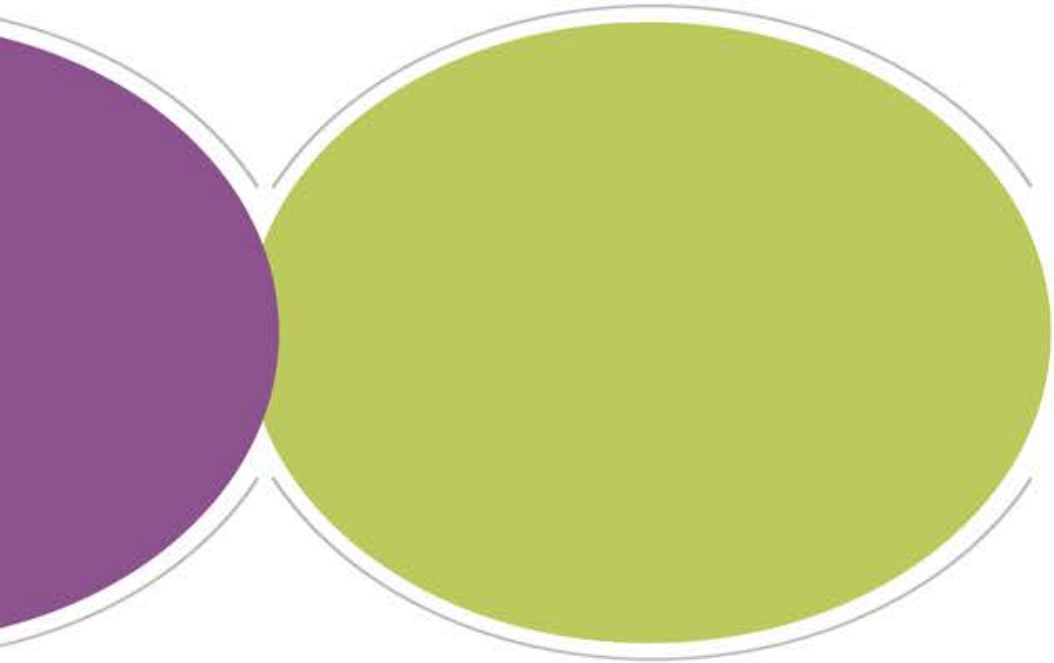


**Caroline Spencer**

Auditor General for Western Australia

[info@audit.wa.gov.au](mailto:info@audit.wa.gov.au)

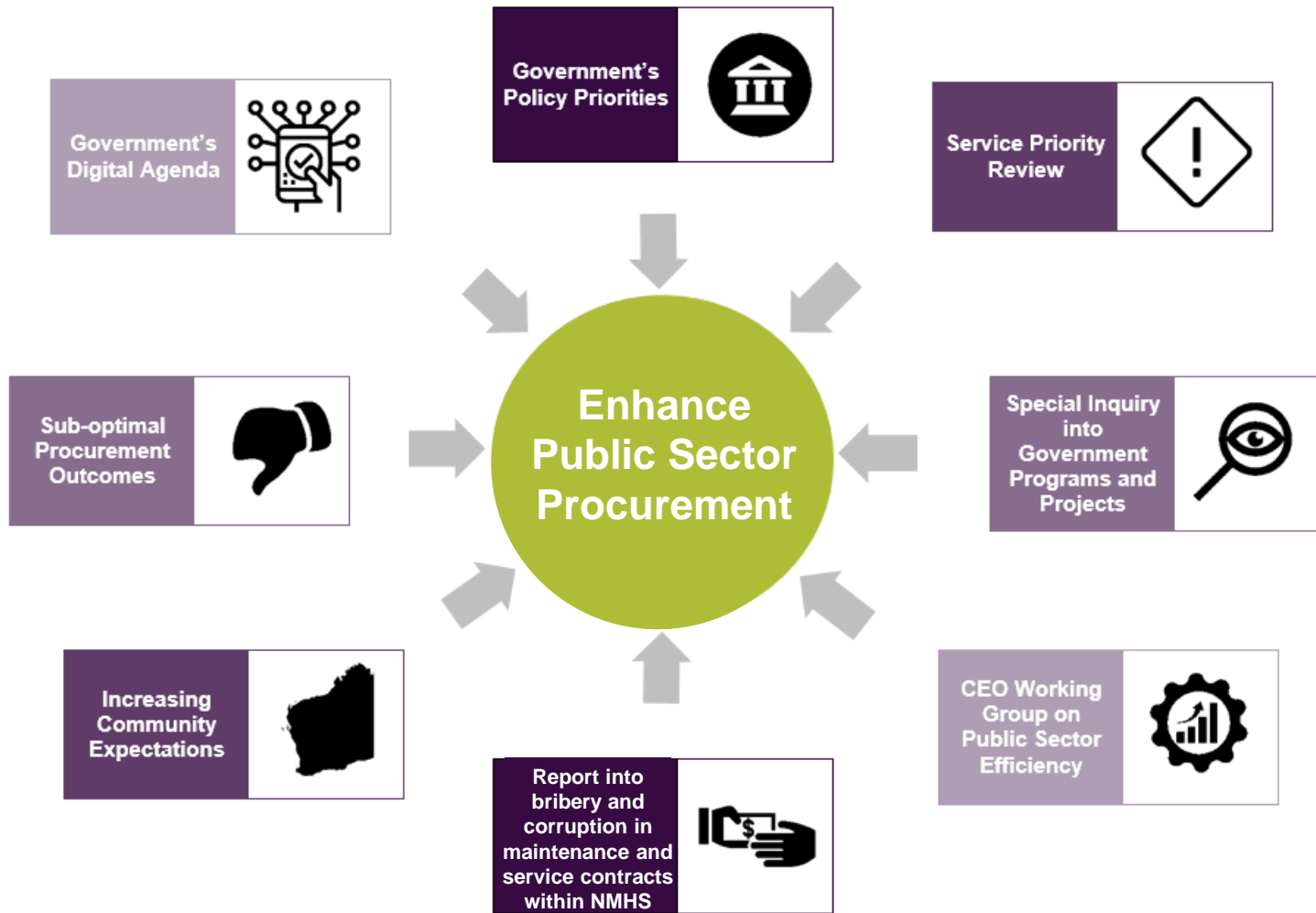
[www.audit.wa.gov.au](http://www.audit.wa.gov.au)



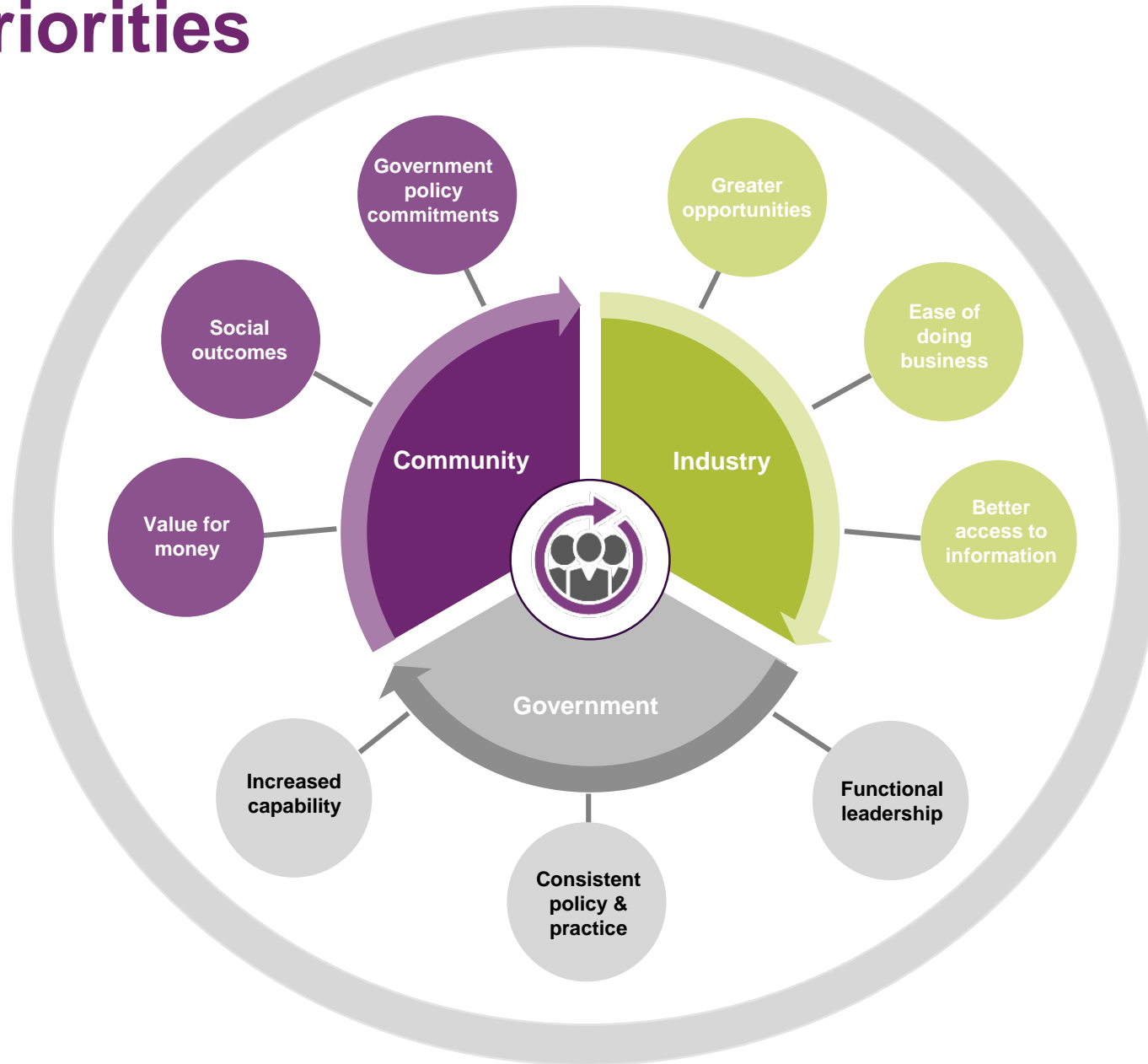
# Procurement Reform

Kate Ingham and Phil Heise  
16 May 2019

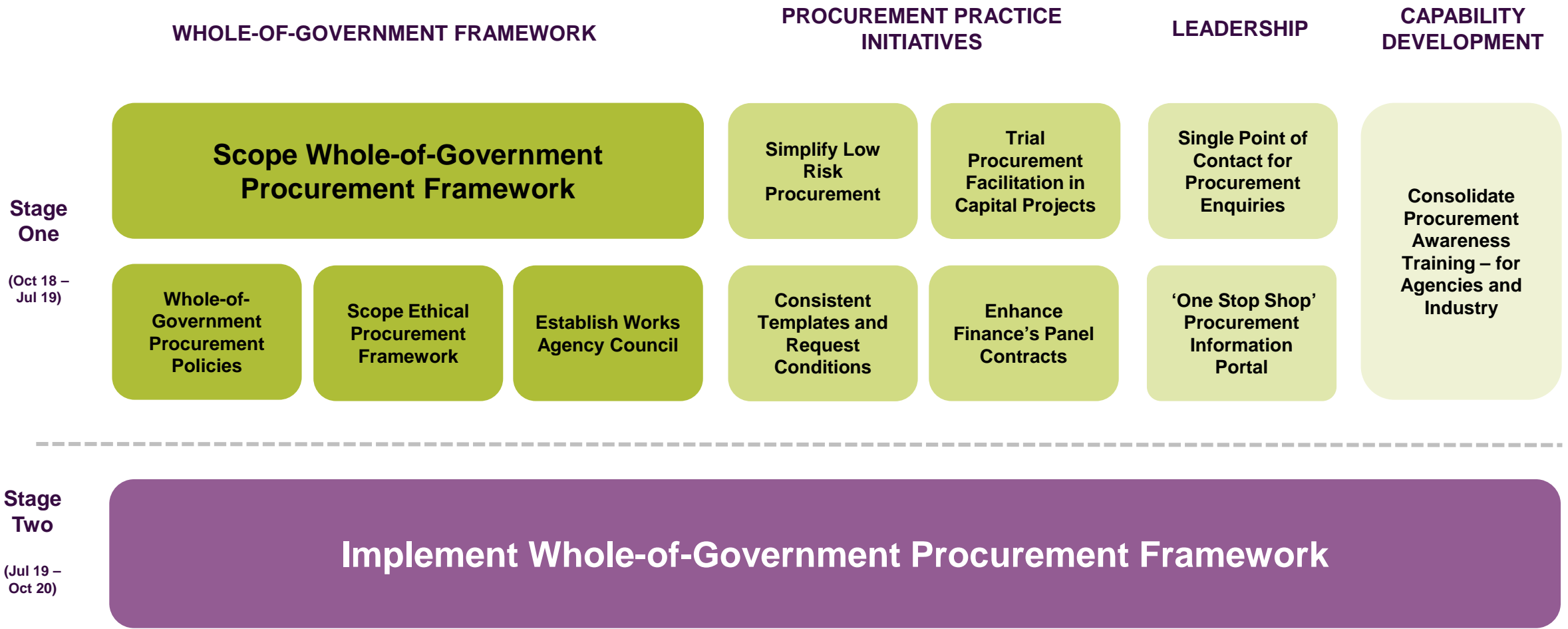
# Drivers for reform



# Reform priorities



# Proposed Initiatives





# How to get involved

---

## **Direct consult**

- Christopher.Thomson@finance.wa.gov.au

## **General contact:**

- Procurementreform@finance.wa.gov.au

## **Procurement Reform page on Finance website:**

- Government Procurement > Public Sector Reform > Enhance Public Sector Procurement

# CFO Forum 2019

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*Chartered Accountants Australia & New Zealand  
Difference Makers: Empowering Sustainable Futures.*

16<sup>th</sup> May 2019





# Member Stats: **Western Australia**



As of July 2018...

Number of Members in WA: 8,094

Members in Government Sector: 333

Members in Government: 4.1%

	# members	% members
Federal	51	15.3%
State	251	75.4%
Local	31	9.3%

## Key Employer Groups:

- OAG WA
- ATO (WA)
- Western Power
- Perth Mint
- Synergy
- ASIC (WA)

# Government Sector Activity

*What can people in the Government Sector utilise of our services?*

- Advocacy
- Thought Leadership
- Relevant Professional Development
- Career Paths for Finance Professionals
- Services for Members in Government



# Advocacy

- Government Department Committee Representation
  - State Revenue Liaison Committee
  - ASIC Regional Liaison Committee
- Political Representation and Commentary
  - Submissions and Contribution
  - Government Lunches
  - Lobbying on State Issues
  - Budget Announcements
- Support of State Department Success
  - Lonnie Awards, CFO of the Year



# WA STATE BUDGET

2019/20



DEBT IS EXPECTED TO BE  
**\$4.1 billion LOWER**  
IN 2019-20



**23,500 JOBS**  
ARE EXPECTED TO  
BE CREATED  
IN 2019-20



THE ECONOMY TO  
**GROW BY 3.5%**  
(GROSS STATE PRODUCT)  
IN 2019-20



**\$182.4 M**  
FOR **NEW EMPLOYER**  
INCENTIVE SCHEME  
HELPING WITH THE  
COSTS OF EMPLOYING  
**APPRENTICES AND  
TRAINEES**



**INCREASING**  
ELIGIBILITY LIMITS FOR  
**KEYSTART TO SUPPORT  
HOME OWNERSHIP  
AND CONSTRUCTION  
JOBS**



**\$4.1 billion**  
TOWARDS BUILDING THE  
**METRONET**



**\$452.80 million**  
TO BUILD,  
REDEVELOP AND  
**IMPROVE SCHOOLS**  
ACROSS THE STATE



**\$52 Million**  
FOR A FUTURE HEALTH  
AND RESEARCH AND  
**INNOVATION  
FUND**



**INVESTMENT  
IN TOURISM**  
TO INCREASE THE  
NUMBER OF  
**INTERNATIONAL  
AND INTERSTATE  
VISITORS**



**\$131.5 million**  
TO SUPPORT  
**AGRICULTURE, GROW  
EXPORT MARKETS  
AND CREATE  
LONG-TERM JOBS**



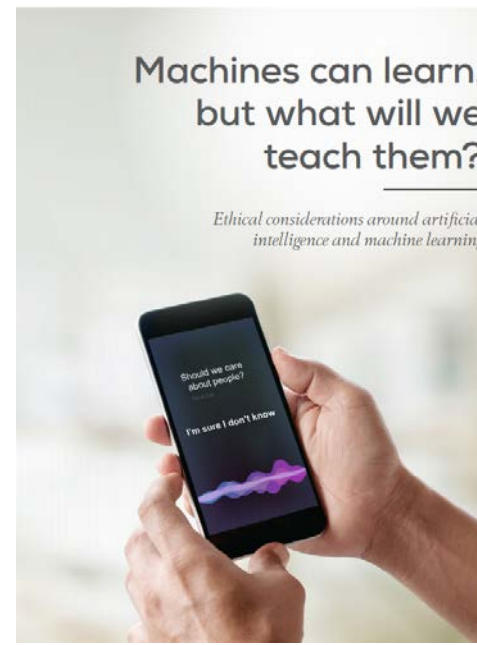
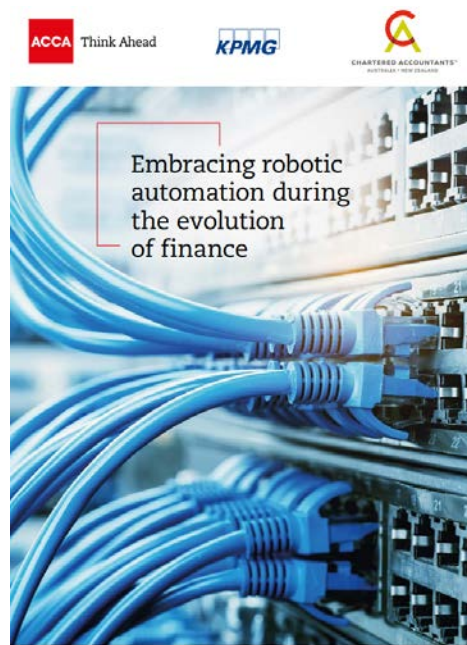
**\$48.4 million**  
TO UPGRADE  
**PORT FACILITIES  
ACROSS THE STATE**



**\$4.2 billion**  
OVER 4 YEARS IN  
ROYALTIES FOR  
**REGIONS  
PROGRAM**

# Thought Leadership

- Advocacy and Professional Standards Team, Sydney
- Production of 'Thought Leadership' papers and commentary
- Available for all online - [charteredaccountantsanz.com](http://charteredaccountantsanz.com)



# Professional Development

- Sessions from 1 hr (1CPD) up to full-day or longer
- More online / web-based learning
- WA – specific sessions
- Technical and ‘soft-skills’ training and updates
- Available for members and non-members (mostly)



## THE FORUM 2019 BUSINESS Full Day 26<sup>th</sup> June 2019

### The WA Business Landscape

- 8am: Registration  
8.30am: Welcome  
8.40am: S1 "WA Economic Outlook"  
9.30am: S2 "On the Ground - Translating the Economic Outlook to WA Business"  
10.20am: Morning Tea & Networking  
10.45am: S3 "Automation and Robotics, and the Effect on the Business Landscape"  
11.35am: S4 "Data Science – A Resources Industry Approach"

### 12.30pm: Lunch Presentation with Special Guest Professor Peter Klinken

- S5: "New Technologies – Prospects and Pitfalls"

### Trust, Ethics and Future Business Conditions

- 1.15pm: S6 "The Banking Royal Commission and Impact on Industry"  
2.15pm: S7 "The Future of Trust in Business"  
3.05pm: Afternoon Tea & Networking  
3.30pm: S8 "Maintaining Trust and Trusted WA Brands"  
4.20pm: S9 "Well-Rested in the Digital World - The Importance of Switching Off"  
5.10pm: Event Close & Networking Drinks



# Career Pathways

## Careers Team

**Aim – to Create demand for the CA Public Sector as a career.**

Secondary and Tertiary work to promote the Public Sector CA pathway.

Identifying and promoting dynamic CA's working in Public Sector and showcase them to the future member segment

- High Achievers Meet Business Leaders (Secondary)
- Achiever Program (Tertiary)
- Careers Fairs (Tertiary)



# Services for Members in Government

- Local Voice for members in this sector
- Mentoring and support
- Library and Technical Resources
- MyCA and Social Media

## CHARTERED ACCOUNTANTS IN BUSINESS PANEL WESTERN AUSTRALIA

**ABOUT US**  
The Chartered Accountants Business Panel (CABs) is an advisory group which represents Western Australian Chartered Accountants in Business.  
Its goal is to act on behalf of the members to promote networking, knowledge sharing, training and development.  
CABs seeks to present the opinions and ideas of its members to the Chartered Accountants Australia and New Zealand at a local and national level.

<b>Chair</b> Jane Muirsmith Lenox Hill	<b>Vice Chair</b> Tracy Lee Mack Hall & Associates	<b>Sam Piantadosi</b> Amana Living	<b>Andrew Zuvela</b> BAM International	<b>Meagan Hamblin</b> Wesfarmers	<b>Julien Wong</b> ATO
<b>Wei Gah</b> SRG Limited	<b>Caitlin Smith</b> National Australia Bank	<b>David Pereira</b> Chevron	<b>Anna Lane</b> WA Football Commission	<b>Kendal Moss</b> Multiplex Constructions	<b>Govin Lockyer</b> Arafura Resources

**CONTACT**  
To find out more information about the Chartered Accountants Business Panel in Western Australia, contact a panel member by LinkedIn, alternatively send your email to: [Marnie.LazarSelf@charteredaccountantsanz.com](mailto:Marnie.LazarSelf@charteredaccountantsanz.com)

**UPCOMING EVENTS**  
Please visit our store to register for up and coming WA events  
[» Store](#)

## YOUNG CHARTERED ACCOUNTANTS PANEL WESTERN AUSTRALIA

**ABOUT US**  
The Young Chartered Accountants Panel (YCA) is an advisory group chosen to represent you. Our aim is to raise awareness on issues facing provisional members and newly qualified CA's and present the opinions and ideas of members to Chartered Accountants Australia and New Zealand at a local and national level.  
We also understand the importance of networking and educational development during your CA journey. Please make sure to pencil in some of our up and coming networking, knowledge sharing or training and development sessions.

<b>Chair</b> Arnaud Bruder Crown Resorts	<b>Vice Chair</b> Sarah Eardley - Wilmot Wesfarmers	<b>Vivian Wang</b> R E Ledger	<b>Lihan Oliver</b> Perth Energy	<b>Rhys Lavis</b> Chevron	
<b>Tim Leach</b> Perth Mint	<b>Trent Desai</b> KPMG	<b>Joshua Wong</b> RSM	<b>Katrina Pansacola</b> Grant Thornton	<b>Nik Trajceviski</b> JBC Corporate	<b>Josh Snow</b> Moore Stephens

**CONTACT**  
To find out more information about the Young Chartered Accountants Panel in Western Australia, contact a panel member by LinkedIn, alternatively send your email to Aymee Mastaglia, Regional Manager WA: [aymee.mastaglia@charteredaccountantsanz.com](mailto:aymee.mastaglia@charteredaccountantsanz.com)

**UPCOMING EVENTS**  
Please visit our store to register for up and coming WA events  
[» Store](#)



# Thank you

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*We're working for  
Western Australia.*

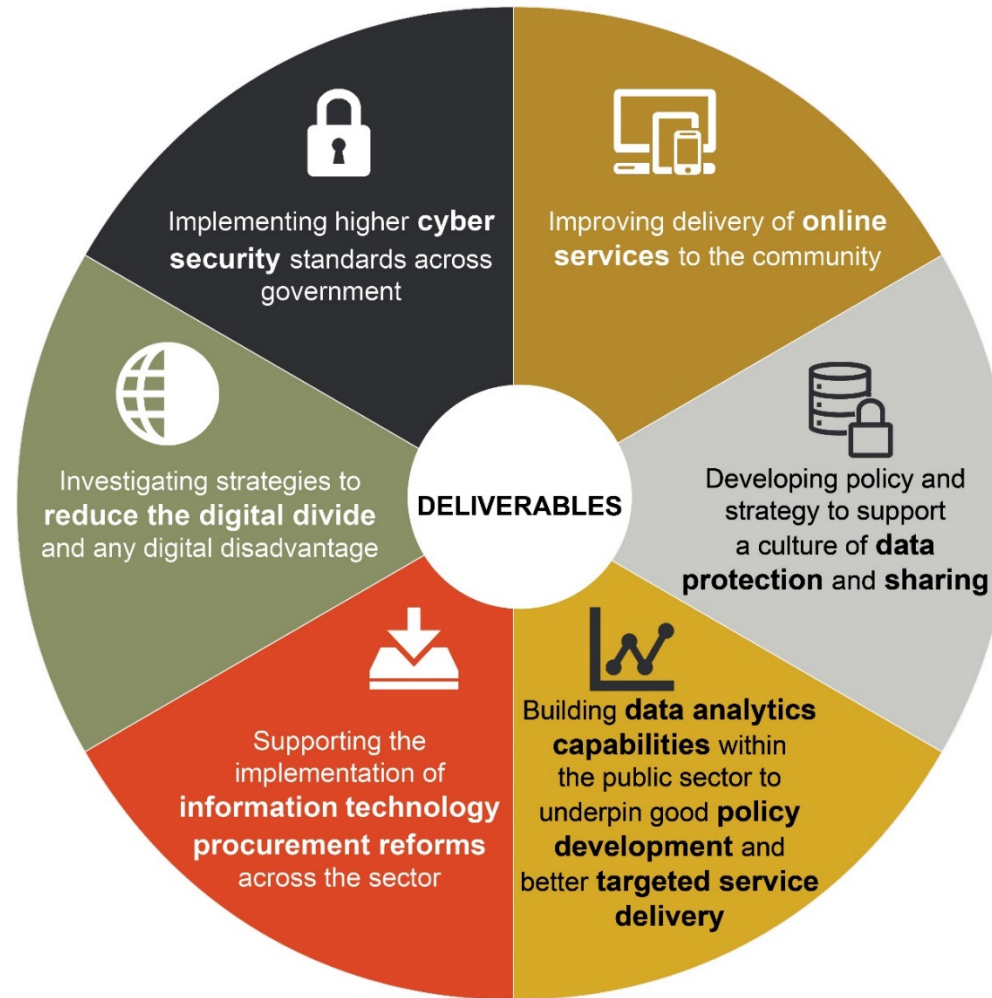
# Department of Treasury CFO Forum 2019

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Greg Italiano  
Government Chief Information Officer

16 May 2019

# Delivering digital reform in Western Australia



# Supporting data sharing and analytics



- Open Data policy
- Data protection and sharing legislation
- Information classification Pilot

# Implementing ICT procurement reforms



Supporting the  
implementation of  
**information technology  
procurement reforms**  
across the sector

- Supporting ICT procurement reform through GovNext-ICT
- Shifting government to a consumer of ICT infrastructure services
- Collaboration with industry partners to add value to government service delivery models and operations

# Promoting digital inclusion



## Addressing the core challenges

- Access - digital infrastructure, particularly for regional and remote areas
- Affordability - influence of the cost of access
- Ability – skills and mechanisms to engage in our digital future

# Implementing higher cyber security standards



Implementing higher **cyber security** standards across government

- State Cyber Security Strategy
- Cyber Security Response portal
- Cyber Security Cooperative Research Centre
- Research partnerships and student placements with Edith Cowan University

# Improving the delivery of online services



Improving delivery of **online services** to the community

- WA.gov.au platform
- Improving user experience and accessibility
- Whole of Government Digital Services Policy



**Thank you**