



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

## **FINANCIAL ADMINISTRATION BOOKCASE**

Welcome to the Financial Administration Bookcase (FAB), a compendium of financial management legislation and related instructions maintained by the Financial Policy Branch at the Department of Treasury.

This edition contains all amendments up to and including Update No. 90 issued on 18 November 2022.

For information on what is new in this Update, please go to 'New in this Release'.

[\*\*NEW IN THIS RELEASE – UPDATE NO.90\*\*](#)

[\*\*FINANCIAL MANAGEMENT ACT 2006\*\*](#)

[\*\*FINANCIAL MANAGEMENT REGULATIONS 2007\*\*](#)

[\*\*TREASURER'S INSTRUCTIONS\*\*](#)

[\*\*SPECIAL TREASURER'S INSTRUCTIONS\*\*](#)

[\*\*MODEL ANNUAL REPORTS\*\*](#)

[\*\*ACCOUNTING POLICY GUIDELINES\*\*](#)

[\*\*GOVERNMENT FINANCIAL RESPONSIBILITY ACT 2000\*\*](#)

[\*\*GOVERNMENT FINANCIAL RESPONSIBILITY REGULATIONS 2006\*\*](#)

[\*\*STATE TRADING CONCERNS ACT 1916\*\*](#)

[\*\*STATE TRADING CONCERNS \(AUTHORISATION\) REGULATIONS 1998\*\*](#)

[\*\*FINANCIAL MANAGEMENT \(NET APPROPRIATIONS\) DETERMINATION 2015\*\*](#)

[\*\*OPPORTUNITY COST OF CAPITAL\*\*](#)

[\*\*CONTACTS\*\*](#)

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## NEW IN THIS RELEASE

### Update 90

The amendments contained in this Update are summarised below.

Amendments to the instructions are indicated by a vertical bar on the left side of the page alongside the amended text.

#### FINANCIAL MANAGEMENT ACT 2006

The Act has been updated to mirror the current version as at 1 July 2022 as published on the WA Legislation website. Schedule 1 to the Act has been amended by:

- the removal of Perth Theatre Trust and addition of Arts and Culture Trust under section 75 of the *Arts and Culture Trust Act 2021*;
- the removal of Landcare Trust under the *Soil and Land Conservation Amendment Act 2022* section 21; and
- the removal of Legal Contribution Trust under the Financial Management (Statutory Authorities) Regulations 2022.

#### STATE TRADING CONCERNS (AUTHORISATION) REGULATIONS 1998

The *State Trading Concerns (Authorisation) Regulations 1998* has been updated to reflect amendments effected by the *State Trading Concerns (Authorisation) Amendment Regulations 2022*:

- Schedule 2 Part 1 and Part 2 have been amended to remove Perth Theatre Trust.

#### TREASURER'S INSTRUCTIONS

##### **TI 206 *Banking of Money***

This instruction has been amended to require agencies to provide Treasury with a remittance advice when making payment into the Government of Western Australia Bank Account – Main Account.

##### **TI 309 *Duplicate Claims***

This instruction has been deleted. Control procedures to prevent duplicate payments must be incorporated into agencies' financial management manuals.

##### **TI 319 *Act of Grace Payments***

The Background was amended to remove reference to the Financial Management Regulation 8 which has been deleted. The Guidelines was amended to clarify that ex gratia payments are authorised by Cabinet.

##### **TI 323 *Timely Payment of Accounts***

This instruction has been amended to exclude purchases where payment in advance is required.

### **TI 406 Custody of Public Property and Other Property**

Minor amendments for clarity.

### **TI 410 Records of Public Property and Other Property**

Minor amendments for clarity.

### **TI 802 Special Purpose Statements and Trust Statements**

The requirement for agencies to publish new or amended special purpose statements and trust statements in their annual reports has been transferred to this instruction from the deleted TI 950 *Publication of Special Purpose Statements and Trust Statements*.

### **TI 809 Loan Indebtedness**

This instruction has been deleted. The requirement to establish and maintain a register of borrowings has been incorporated in TI 822 *Borrowings*.

### **TI 822 Borrowings**

The requirement for agencies to establish and maintain a register of borrowings has been transferred to this instruction from the deleted TI 809 *Loan Indebtedness*.

### **TI 823 Requirements of Accounting Systems**

This instruction has been amended to clarify the requirement for agencies to have access to suitable management systems.

### **TI 824 Chief Finance Officers**

Minor amendments for clarity.

### **TI 825 Risk Management**

Minor amendments for clarity.

### **TI 826 Managing Foreign Exchange Risk**

Minor amendments for clarity.

### **TI 902 Statement of Compliance**

Paragraph (4) of this instruction is considered redundant and has been deleted.

### **TI 904 Key Performance Indicators**

This instruction has been amended to clarify its application.

### **TI 904U Key Performance Indicators for Universities**

This instruction has been amended to clarify its application.

### **TI 945 Explanatory Statement**

This instruction has been amended to reflect the recently amended TI 953 *Annual Estimates*.

### **TI 945P Explanatory Statement for Non-GGS Agencies**

This instruction has been amended to reflect the recently amended TI 953 *Annual Estimates*.

### **TI 950 *Publication of Special Purpose Statements and Trust Statements***

This instruction has been deleted. The requirements of this instruction have been incorporated into TI 802.

### **TI 955 *Contributions by Owners Made to Wholly-Owned Public Sector Entities***

A template for the designation of a transfer of asset(s) as a contribution by owners has been attached to this instruction.

### **MODEL ANNUAL REPORT**

The Tier 2 Model Annual Report has been updated for the annual reporting period ended 31 December 2022.

### **OPPORTUNITY COST OF CAPITAL**

The opportunity cost of capital rate has been updated.



Western Australia

# **Financial Management Act 2006**

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# Financial Management Act 2006

## Contents

<b>Part 1 — Preliminary</b>		
1.	Short title	2
2.	Commencement	2
3.	Terms used	2
4.	Relationship of this Act with other laws	5
5.	Act modified for administration of certain bodies (Sch. 2)	6
6.	Sch. 1 may be amended by regulations	6
<b>Part 2 — Accounts</b>		
<b>Division 1 — Public Ledger</b>		
7.	Public Ledger	7
8.	Consolidated Account	7
9.	Treasurer's Advance Account	7
10.	Treasurer's special purpose accounts	8
<b>Division 2 — Public Bank Account and other bank accounts</b>		
11.	Public Bank Account	8
12.	Public Bank Account, application of money in	9
13.	Bank accounts for agencies, restrictions on	9
14.	Bank accounts not to be overdrawn except with Treasurer's approval	9
15.	Bank accounts for public money etc., restrictions on	10
<b>Division 3 — Agency special purpose accounts</b>		
16.	Agency special purpose accounts	10



	<b>Division 4 — Administration of special purpose accounts</b>	
17.	Special purpose statements and trust statements for accounts, preparation of etc.	11
18.	Payments to and from accounts	11
19.	Accounts not to be overdrawn except with Treasurer's approval	12
20.	Unrequired money in accounts, transfer of from	12
21.	Closing accounts and consequences of	12
22.	Other written laws not affected by this Division	13
	<b>Part 3 — Funds management</b>	
	<b>Division 1 — Supply and appropriation</b>	
23.	Money received by agency, agency may retain in certain cases	14
24.	Payments before supply granted, Treasurer's powers to make etc.	15
25.	Appropriations, saving and transfer of in certain cases	17
26.	Appropriations, transfer of to suspense account in certain cases	18
27.	Expenditure not provided for in, or in excess of amount appropriated by, Appropriation Acts	19
27A.	Transitional provision for <i>Financial Legislation Amendment Act 2021</i>	19
28.	Advances, Treasurer may authorise etc.	20
29.	Expenditure under s. 27 and 28 limited	21
30.	Unexpended appropriations lapse	22
31.	Public Bank Account Interest Earned Account, application of money in	22
	<b>Division 2 — Payments and transfers</b>	
32.	Certain payments and transfers to be authorised	23
33.	Consolidated Account, payments from to be under Governor's warrant etc.	23
34.	Public etc. money received, how to be dealt with	24
35.	Public Bank Account, how payments into to be credited	24
36.	Other money, how to be dealt with	24

	<b>Division 3 — Investments</b>	
37.	Public Bank Account, investment of	25
38.	Investment under s. 37, application of proceeds of	26
39.	Investment by agencies	27
	<b>Division 4 — Annual estimates of agencies</b>	
40.	Preparation of draft annual estimates	28
41.	Approval of annual estimates	29
	<b>Division 5 — Resource agreements</b>	
42.	Preparation of draft resource agreements	30
43.	Agreeing on resource agreements	31
44.	Modifying resource agreements	32
	<b>Division 6 — Write-offs and recoveries</b>	
47.	Terms used	33
48.	Write-offs	33
49.	Loss of official money or property, liability of officers for	34
50.	Recovering amounts from officers liable under s. 49	35
51.	Official losses, investigating	36
	<b>Division 7 — Financial difficulty</b>	
51A.	Notices of financial difficulty	38
	<b>Part 4 — Accountable authorities</b>	
52.	Each agency to have accountable authority	39
53.	Functions of accountable authorities	39
54.	Department, who is accountable authority of etc.	40
55.	Statutory authority, who is accountable authority of etc.	41
56.	Sub-departments, entities that are and accountable authorities of	41
57.	Chief finance officers, designation and functions of	42
58.	Financial management system, duties of accountable authorities as to	43
	<b>Part 5 — Reports</b>	
	<b>Division 1 — Treasurer's reports</b>	
59.	Financial reports and statements, application of <i>Government Financial Responsibility Act 2000</i>	44

	<b>Division 2 — Annual reports by agencies</b>	
60.	Terms used	44
61.	Annual reports, contents of etc.	46
62.	Financial statements for s. 61(1)(a), standards for etc.	47
63.	Financial reports etc. to be submitted to Auditor General and Minister	48
64.	Minister to table agency's annual report etc.	48
65.	Minister to inform Parliament if annual report and Auditor General's opinion cannot be tabled on time	49
	<b>Division 3 — Reporting on abolition of agencies</b>	
66.	Terms used	50
67.	Purpose of this Division	50
68.	Abolition of agency, reporting after	50
69.	Final report, contents of	51
70.	Directions by Treasurer for this Division	52
71.	Reporting officers entitled to access to accounts etc.	52
72.	Reporting officers to submit financial statements etc. to Auditor General	53
	<b>Part 6 — Miscellaneous</b>	
	<b>Division 1 — Delegations and authorisations</b>	
73.	Term used: Treasury Corporation official	54
74.	Delegation by Treasurer	54
75.	Delegation by Ministers	54
76.	Delegation and authorisation by Under Treasurer	54
77.	Delegations and authorisations, general provisions about	55
	<b>Division 2 — Treasurer's instructions</b>	
78.	Treasurer's instructions, issue of etc.	56
	<b>Division 3 — Miscellaneous powers and duties</b>	
79.	Treasurer's power to require information	56
80.	Act of grace payments	57
81.	Actions etc. inhibiting etc. Minister's parliamentary functions prohibited	57

82. Ministerial decisions not to give Parliament certain information about agency to be reported to Parliament etc. 57

**Division 4 — General**

83. Laying documents before Parliament, supplementary provision about 58
84. Regulations 58
85. Review of Act 59

**Schedule 1 — Statutory authorities**

**Schedule 2 — Modifications to the Act as to certain administrations**

**Schedule 3 — Modifications to the Act as to the Office of the Auditor General**

**Notes**

- Compilation table 70
- Uncommenced provisions table 73
- Other notes 73

**Defined terms**



Western Australia

# **Financial Management Act 2006**

**An Act to provide for the management, administration and reporting of the public finances of the State, and for related purposes.**

## Part 1 — Preliminary

### 1. Short title

This is the *Financial Management Act 2006*.

### 2. Commencement

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

### 3. Terms used

In this Act, unless the contrary intention appears —

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

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

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

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

**annual estimates**, of an agency for a financial year, means the annual estimates of the financial operations of the agency for the whole of the financial year under section 41(3);

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

**bank** means —

- (a) an ADI (authorised deposit-taking institution) as defined in the Commonwealth *Banking Act 1959* section 5; or
- (b) a bank constituted by a law of a State or the Commonwealth; or
- (c) in relation to a bank not in Australia — a bank approved by the Treasurer;

**Consolidated Account** means the account of that name established by the *Constitution Act 1889* section 64 and referred to in section 8;

**department** means a department of the Public Service other than —

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

**draft annual estimates** has the meaning given in section 40(1)(a);

**draft resource agreement** has the meaning given in section 42(1)(a);

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

**expense limit** has the meaning given in section 42(2)(b)(iii);

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

**Minister** means —

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



**officer** means a person —

- (a) who is employed or engaged for the purposes of an agency, whether as a public service officer under the *Public Sector Management Act 1994*, under a contract for services or otherwise; and
- (b) who is charged with or performs any duty consisting of or relating to —
  - (i) keeping the accounts of the agency; or
  - (ii) collecting, receiving, keeping in custody, banking or accounting for public money or other money or statutory authority money; or
  - (iii) disbursing public money or other money or statutory authority money; or
  - (iv) purchasing, receiving, issuing, selling, keeping in custody, controlling, managing or disposing of, or accounting for, public property or other property;

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

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

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

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

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

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

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

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

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

**statutory authority** means a person or body listed in Schedule 1;

**statutory authority money** means money collected, received or held by any person for or on behalf of a statutory authority;

**sub-department** means an entity in respect of which a declaration under section 56(2) has effect;

**submission date** —

- (a) in relation to draft annual estimates — means the date designated under section 40(2)(a) by which the draft annual estimates must be submitted to the Minister; and
- (b) in relation to a draft resource agreement — means the date designated under section 42(3)(a) by which the draft resource agreement must be submitted to the Treasurer;

**Treasurer** means the Treasurer of the State;

**Treasurer's instructions** means instructions issued under section 78;

**Treasury** means the department of the Public Service principally assisting in the administration of this Act;

**Under Treasurer** means the chief executive officer of the Treasury.

*[Section 3 amended: No. 12 of 2021 s. 4.]*

#### **4. Relationship of this Act with other laws**

- (1) Except as stated in subsection (2) or another provision of this Act, this Act prevails to the extent of any inconsistency with

**s. 5**

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another written law (whether enacted before or after the commencement of this Act).

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

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

- (1) Despite the definition of *department* in section 3, the administration of each of the following —
- (a) the Legislative Assembly;
  - (b) the Legislative Council;
  - (c) the Parliamentary Services Department;
  - (d) the Parliamentary Commissioner for Administrative Investigations;
  - (e) the Information Commissioner,

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

- (2) This Act has effect in relation to an administration that is referred to in subsection (1) subject to the modifications that are set out in Schedule 2.
- (3) This Act has effect in relation to the department of the Public Service known as the Office of the Auditor General subject to the modifications that are set out in Schedule 3.

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

Schedule 1 may be amended by the regulations.

## **Part 2 — Accounts**

### **Division 1 — Public Ledger**

#### **7. Public Ledger**

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

- (a) the Consolidated Account;
- (b) the Treasurer's Advance Account;
- (c) the Treasurer's special purpose accounts.

#### **8. Consolidated Account**

- (1) The Consolidated Fund established under the *Constitution Act 1889* and in existence immediately before the commencement of this section constitutes the Consolidated Account for the purposes of this Act.
- (2) There is to be credited to the Consolidated Account all public money or statutory authority money required by or under this Act or another written law to be credited to the Consolidated Account.
- (3) There may be credited to the Consolidated Account any grants, advances, contributions, repayments or other amounts as —
  - (a) determined by the Treasurer; or
  - (b) prescribed by the regulations for the purposes of this subsection.

#### **9. Treasurer's Advance Account**

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

**10. Treasurer's special purpose accounts**

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

- (a) any account established by the Treasurer as a Treasurer's special purpose account for the purposes determined by the Treasurer; and
- (b) suspense accounts established for the purposes of section 26; and
- (c) any account established to hold money transferred under section 39(5); and
- (d) the Public Bank Account Interest Earned Account established for the purpose of holding money credited to that account under section 38(9) pending its allocation and payment as required or permitted under this Act or another written law; and
- (e) any account established under a written law and determined by the Treasurer to be a Treasurer's special purpose account; and
- (f) any account established to hold other money and determined by the Treasurer to be a Treasurer's special purpose account.

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

**11. Public Bank Account**

- (1) The account called the Public Bank Account that —
  - (a) was opened and maintained by the Treasurer under the *Financial Administration and Audit Act 1985*<sup>1</sup> in the name of the Government of Western Australia; and
  - (b) was in existence immediately before the commencement of this section,

constitutes the Public Bank Account for the purposes of this Act.

- (2) The Public Bank Account is to be operated on the terms and conditions agreed between the Treasurer and the bank or banks with which it is maintained and under the subdivisions determined by the Treasurer —
- (a) for the receipt, custody, payment and transmission of money; and
  - (b) for advances to be made and for charges in respect of advances; and
  - (c) for interest to be payable by the bank or banks on balances and to the bank or banks on advances; and
  - (d) for the conduct generally of the banking business of the State.

**12. Public Bank Account, application of money in**

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

- (a) an account forming part of the Public Ledger; or
- (b) an agency special purpose account.

**13. Bank accounts for agencies, restrictions on**

- (1) If an agency is not authorised to open and maintain a bank account under another written law, the Treasurer may authorise the agency to open and maintain a bank account for the purposes, and subject to the terms and conditions, approved by the Treasurer.
- (2) Except as otherwise directed by the Treasurer, a bank account opened and maintained under subsection (1) forms part of the Public Bank Account.

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

Except with, and in accordance with, the prior approval of the Treasurer, the accountable authority of an agency is not to cause

or permit a bank account maintained under this Division to be overdrawn.

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

- (1) A bank account for the receipt, custody, payment or transmission of public money, statutory authority money or other money is not to be opened or maintained otherwise than in accordance with this Division or another written law.
- (2) In subsection (1) —  
*other money* means other money to which section 36(2) applies.

**Division 3 — Agency special purpose accounts**

**16. Agency special purpose accounts**

- (1) The agency special purpose accounts of an agency consist of —
  - (a) any account established for the purposes of the operations of the agency; and
  - (b) any account established for the agency under a written law and stated in the written law to be, or determined by the Treasurer to be, an agency special purpose account; and
  - (c) any account established to hold other money and determined by the Treasurer to be an agency special purpose account; and
  - (d) any account established by the agency for the purposes approved by the Treasurer and determined by the Treasurer to be an agency special purpose account.
- (2) The accountable authority of an agency is to maintain records that enable the accountable authority to account separately for each agency special purpose account of the agency.

**Division 4 — Administration of special purpose accounts**

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

- (1) The accountable authority of an agency is to prepare —
  - (a) a special purpose statement for a special purpose account operated by the agency that is referred to in section 10(a) or 16(1)(d); and
  - (b) a trust statement for a special purpose account operated by the agency that is referred to in section 10(f) or 16(1)(c).
- (2) A special purpose statement or a trust statement is to contain the information prescribed by the Treasurer's instructions for the special purpose account concerned.
- (3) The accountable authority is to send the special purpose statement or trust statement to the Treasurer.
- (4) When the Treasurer approves the special purpose statement or trust statement, the accountable authority is to send a copy of it to the Auditor General.

**18. Payments to and from accounts**

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



- (2) There is to be charged to a special purpose account —
- (a) any expenditure required or authorised by this Act or another written law to be charged to the account; and
  - (b) any other expenditure lawfully incurred for the purposes for which the account is established.

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

- (1) Except with, and in accordance with, the prior approval of the Treasurer, the accountable authority of an agency is not to cause or permit a special purpose account operated by the agency to be overdrawn.
- (2) If the Treasurer approves a special purpose account to be overdrawn, the overdraft —
- (a) is taken to be an advance to be charged in the relevant financial year to the Treasurer's Advance Account; and
  - (b) is subject to the terms and conditions determined by the Treasurer.

**20. Unrequired money in accounts, transfer of from**

- (1) If satisfied that there is money standing to the credit of a special purpose account that is not reasonably required for the purposes of that account, the Treasurer may direct that all or part of that money be credited to the Consolidated Account.
- (2) Subsection (1) does not apply if another written law expressly provides otherwise.

**21. Closing accounts and consequences of**

- (1) The Treasurer may, after consulting with the Minister, direct that a special purpose account operated by an agency, other than a special purpose account established by an Act, be closed.

- (2) Subject to subsection (3), when a special purpose account is closed and all the liabilities of the account have been paid, the money standing to the credit of the account is to be credited —
- (a) to any account or fund, or in any other manner, specified in the special purpose statement or trust statement relating to that account; or
  - (b) to the Consolidated Account if —
    - (i) there is no special purpose statement or trust statement relating to that account; or
    - (ii) no account, fund or manner is specified in the special purpose statement or trust statement relating to that account.
- (3) If a special purpose account has been established in relation to the provision of a particular service or performance of a particular function (the *relevant service*) and —
- (a) the account is closed; or
  - (b) the responsibility for the provision of the relevant service is transferred,

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

**22. Other written laws not affected by this Division**

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

## **Part 3 — Funds management**

### **Division 1 — Supply and appropriation**

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

- (1) In this section —  
*determination* means a determination under subsection (2);  
*prescribed receipts*, in relation to an agency, means any money lawfully received by the agency other than money received —
  - (a) by way of taxes or fines under a written law; or
  - (b) by way of royalty in respect of forest produce or in respect of minerals, petroleum, water or other natural resources of the State; or
  - (c) from the Commonwealth in the form of a general purpose grant; or
  - (d) from any other source prescribed by the regulations for the purposes of this definition.
- (2) The Treasurer may make a determination providing for prescribed receipts that are not greater than the monetary limit specified in the determination to be retained by the agency that receives them.
- (3) A determination —
  - (a) applies to the financial year or financial years referred to in the determination; and
  - (b) may be made before or after the start of a financial year to which the determination applies; and
  - (c) may be revoked by the Treasurer at any time.
- (4) If a determination is made before the estimates for a financial year to which the determination applies have been tabled in the Legislative Assembly, the appropriation item that includes the service or function to which the determination relates is to be

expressed in the estimates for the year to be subject to a deduction in respect of retained receipts.

- (5) If a determination is made after the estimates for a financial year to which the determination applies have been tabled in the Legislative Assembly, the Treasurer is to cause a copy of the determination to be laid before each House of Parliament, or dealt with under section 83, within 60 days after making the determination.
- (6) If, after a determination is made, the responsibility for the service or function to which the determination relates is transferred to another agency, the determination continues to have effect as if it had been made in relation to prescribed receipts received by that agency.
- (7) An amount equal to the receipts retained for a financial year under a determination is taken to have been appropriated for the year for the service or function to which the determination relates, and may be applied accordingly.

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

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

- (1A) In this section —

*election year* means a year in which a general election, as defined in the *Electoral Act 1907* section 4(1), for the Legislative Assembly is held.

- (1) If, before the end of a financial year (the *previous year*), no supply is granted to meet the requirements of the next financial year (the *current year*), the Treasurer may make and charge to the Consolidated Account any payments and advances to meet those requirements at and after the start of the current year that do not exceed in total an amount equal to —

- (a) if the end of the previous year is in an election year — 35% of the total amount appropriated for the previous year by the Appropriation Acts; or
  - (b) otherwise — 20% of the total amount appropriated for the previous year by the Appropriation Acts.
- (2) The authority conferred on the Treasurer by subsection (1) authorises payments and advances to be made only for the purposes —
  - (a) for which expenditure was authorised for the previous year by the Appropriation Acts; or
  - (b) for which expenditure was authorised under section 27(1) to meet the requirements of the previous year.
- (3) The authority conferred on the Treasurer by subsection (1) ceases to have effect when the first of the following occurs —
  - (a) if the end of the previous year —
    - (i) is in an election year — at the end of the first 4 months of the current year;
    - (ii) is not in an election year — at the end of the first 2 months of the current year;
  - (b) on the commencement of an Act granting supply for the current year.
- (4) On the commencement of the Appropriation Acts appropriating the Consolidated Account for the current year, the payments and advances made by the Treasurer under subsection (1) to meet the requirements of the current year are taken to be expenditure appropriated by those Acts for the current year in respect of the purposes for which the payments and advances were made.

*[Section 24 amended: No. 12 of 2021 s. 5.]*

**25. Appropriations, saving and transfer of in certain cases**

- (1) In this section —  
*general purpose* means a purpose —
- (a) that is described in the estimates in general terms; and
  - (b) that is of a kind likely to require expenditure from 2 or more appropriation items to meet that purpose in a financial year.
- (2) If, after the commencement of an Appropriation Act, the responsibility for a service or function for which an appropriation is made by the Act is transferred —
- (a) the appropriation does not lapse; and
  - (b) any unexpended amount of the appropriation may be issued and applied, in accordance with a determination made by the Treasurer, for the purposes of that service or function.
- (3) Subsection (2) has effect despite the provisions of any Appropriation Act.
- (4) Subject to subsection (5), if an amount is appropriated by an Appropriation Act for a financial year by way of a central appropriation for a general purpose, the Treasurer may direct the transfer of a portion of that amount to another appropriation item.
- (5) The transfer may be made only to meet all or part of the actual or estimated expenditure that accords with both the general purpose and the purpose of the item to which the transfer is made.
- (6) If a portion of an amount is transferred under subsection (4) from a central appropriation to another appropriation item, expenditure against that portion —
- (a) is taken to be expenditure under that item; and
  - (b) is to be recorded and reported under this Act accordingly.

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

(1) In this section —

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

*relevant commitment* means —

- (a) a commitment relating to salaries, wages, superannuation, leave or depreciation that is relevant to the financial year referred to in subsection (2); or
- (b) any other commitment prescribed by the Treasurer's instructions that is relevant to the financial year referred to in subsection (2).

(2) The Treasurer may direct that an appropriation by an Appropriation Act for a financial year may be transferred to a suspense account to the extent necessary to meet a relevant commitment, and such a transfer is taken to be a payment correctly chargeable against that appropriation for that financial year.

(3) Money standing to the credit of a suspense account under subsection (2) may only be —

- (a) transferred when it needs to be applied for any relevant commitment; or
- (b) credited to the relevant operating account at the time or times directed by the Treasurer.

(4) Despite subsection (3), the Treasurer may at any time direct that all or part of the money standing to the credit of a suspense account under subsection (2) be credited to the Consolidated Account.

*[Section 26 amended: No. 12 of 2021 s. 6.]*

**27. Expenditure not provided for in, or in excess of amount appropriated by, Appropriation Acts**

- (1) The Governor may, on the recommendation of the Treasurer, authorise expenditure in a financial year that is not provided for by an appropriation by an Appropriation Act for that year.
- (2) The Treasurer may authorise expenditure in a financial year that exceeds the amount appropriated by an Appropriation Act for that year for expenditure of that kind.
- (3) Payments made under subsection (1) or (2) in a financial year must be charged to the Consolidated Account, and the Consolidated Account is appropriated accordingly by this section.
- (4) Payments made under subsection (1) or (2) in a financial year must be included in the Annual Report on State Finances relating to that financial year released under the *Government Financial Responsibility Act 2000* section 14A.

*[Section 27 amended: No. 12 of 2021 s. 7.]*

**27A. Transitional provision for *Financial Legislation Amendment Act 2021***

- (1) In this section —  
***commencement day*** means the day on which the *Financial Legislation Amendment Act 2021* section 8 comes into operation;  
***former section 27*** means section 27 as in force immediately before commencement day;  
***relevant payment*** means a payment made under former section 27 before commencement day that —
  - (a) had been charged to the Consolidated Account; but
  - (b) had not been provided for in an Appropriation Act in accordance with former section 27.



- (2) On commencement day, the amount of a relevant payment is, by this section, appropriated from the Consolidated Account for the purpose for which the relevant payment was made.

*[Section 27A inserted: No. 12 of 2021 s. 8.]*

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

- (1) The Treasurer may authorise advances to be made —
- (a) on the terms and conditions determined by the Treasurer —
    - (i) for the temporary financing of works and services of the State (other than works and services referred to in paragraph (b)); or
    - (ii) to a public authority; or
    - (iii) to the credit of a special purpose account; or
    - (iv) for the purchase of stores;or
  - (b) on the terms and conditions determined by the Treasurer for the temporary financing of works and services undertaken —
    - (i) in conjunction with, or on behalf of, the Commonwealth, another State, a Territory, a local government or other person; or
    - (ii) by the Commonwealth, another State, a Territory, a local government or other person on behalf of the State.
- (2) In subsection (1)(a) —
- public authority*** means —
- (a) a Minister of the State; or
  - (b) an agency, authority or instrumentality of the State; or
  - (c) a local government; or

- (d) a body, whether corporate or unincorporate, that is established or continued for a public purpose by or under a written law.
- (3) Advances made under subsection (1)(a) in a financial year are —
  - (a) to be charged in that year to the Treasurer's Advance Account; and
  - (b) to be recovered from the persons to whom or which, or on whose behalf, the advances were made.
- (4) Advances made under subsection (1)(b) in a financial year are —
  - (a) to be charged in that year to the Treasurer's Advance Account; and
  - (b) to be recovered from the Commonwealth, other State, Territory, local government or other person to, or on whose behalf, the advances were made.
- (5) An amount of an advance made under subsection (1)(a) or (b) that is recovered is to be credited to the Treasurer's Advance Account.
- (6) An advance made under this section —
  - (a) is to be recovered before the end of the financial year for which the advance is authorised under subsection (1); or
  - (b) is to be subject to a further authorisation under that subsection.

**29. Expenditure under s. 27 and 28 limited**

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

- (2) For the purpose of determining the total amount referred to in subsection (1) in respect of a financial year, any advance made under section 28(1)(a) or (b) that has been recovered in that financial year, whether in respect of that financial year or a previous financial year, is to be disregarded.
- (3) Expenditure that exceeds the limit specified in subsection (1) may be authorised by a Treasurer's Advance Authorisation Act to make payments under section 27(1) or (2) or to make advances for the purposes referred to in section 28(1).

*[Section 29 amended: No. 12 of 2021 s. 9.]*

**30. Unexpended appropriations lapse**

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

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

- (1) Money standing to the credit of the Public Bank Account Interest Earned Account at any time may be credited to the Consolidated Account if the Treasurer so determines.
- (2) Money standing to the credit of the Public Bank Account Interest Earned Account at the end of a financial year is to be credited at that time to the Consolidated Account.
- (3) A reference in this section to money standing to the credit of the Public Bank Account Interest Earned Account does not include a reference to money held in that account pending payment as provided for in a determination under section 38(5) or as required under another written law.

## **Division 2 — Payments and transfers**

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

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

(2) In subsection (1) —

*regulated payment* means —

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

*regulated transfer* means —

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

### **33. Consolidated Account, payments from to be under Governor's warrant etc.**

A payment that is to be charged to the Consolidated Account may be made —

- (a) only in accordance with a warrant under the hand of the Governor; and
- (b) only if —
  - (i) the payment may be made under an appropriation made by an Act; or
  - (ii) the payment is authorised to be charged to the Consolidated Account by or under an Act.

**34. Public etc. money received, how to be dealt with**

A person who collects or receives public money or statutory authority money is to deposit the money to the credit of a bank account in accordance with the Treasurer's instructions.

**35. Public Bank Account, how payments into to be credited**

- (1) Unless otherwise expressly provided in another written law, money paid into the Public Bank Account is to be credited to, as appropriate, the Consolidated Account, the Treasurer's Advance Account, the Treasurer's special purpose accounts or an agency special purpose account.
- (2) If it is not possible to determine the appropriate account that is to be credited with money paid into the Public Bank Account, the money is to be credited to the Consolidated Account.

**36. Other money, how to be dealt with**

- (1) In this section —  
*relevant accountable authority* means the accountable authority of the agency for the purposes of which the relevant person is employed or engaged;  
*relevant person* means a person employed or engaged for the purposes of an agency.
- (2) This section applies to other money —
  - (a) that, under a written law, is directed to be paid into the Treasury or to the Treasurer for or on account of, or for the use and benefit of, any person; or
  - (b) that comes into the possession or under the control of a relevant person, in that person's capacity as a relevant person, for or on account of, or for the use and benefit of, any person.
- (3) Other money that comes into the possession or under the control of a relevant person is to be —
  - (a) paid into the Public Bank Account; or

- (b) paid into a bank account maintained under section 13 that does not form part of the Public Bank Account, and credited to a special purpose account.
- (4) When other money is credited to a special purpose account under subsection (3), the relevant accountable authority is to prepare a trust statement, containing the information prescribed by the Treasurer's instructions, for the account.
- (5) The relevant accountable authority is to send the trust statement to the Treasurer.
- (6) When the Treasurer approves the trust statement, the relevant accountable authority is to send a copy of it to the Auditor General.
- (7) Another written law that applies to other money prevails to the extent of any inconsistency with this section.

### **Division 3 — Investments**

#### **37. Public Bank Account, investment of**

- (1) The Treasurer may invest any money standing to the credit of the Public Bank Account in a manner prescribed by the regulations.
- (2) Regulations made for the purposes of subsection (1) are not to provide that money may be invested otherwise than in a manner that trust funds may be invested under the *Trustees Act 1962* Part III.
- (3) A withdrawal of money for the purposes of investment under subsection (1) does not have to be charged to any of the accounts forming part of the Public Ledger.
- (4) Subject to section 38(8), subsection (1) is in addition to, and does not limit, a written law concerning the investment of particular money.

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

- (1) In this section —  
*investment* means investment by the Treasurer under section 37.
- (2) Money received from investment in repayment of principal is to be paid into the Public Bank Account.
- (3) Subject to this section, money received from investment is to be paid into the Public Bank Account and credited to the Consolidated Account.
- (4) Money received from investment that is money to which the *Road Safety Council Act 2002* section 12(2)(d) applies is to be credited in accordance with that provision.
- (5) The Treasurer may make and give effect to a determination that provides for money received from investment —
  - (a) to be credited to one or more special purpose accounts specified in the determination; or
  - (b) to be paid to one or more statutory authorities or other persons specified in the determination,at the rate determined by the Treasurer and specified in the determination.
- (6) The rate determined by the Treasurer under subsection (5) is not to exceed the rate of return on the investment of money in the Public Bank Account.
- (7) Subsection (5) does not apply in relation to the investment of public money held in a special purpose account unless another written law provides, either expressly or by implication, that income derived from that public money is to be credited to the special purpose account.
- (8) Another written law has no effect to the extent that it authorises or requires a person (other than the Treasurer) or a statutory authority to invest particular money, if there is a determination in effect under subsection (5), made by agreement between the

Treasurer and the person or statutory authority, relating to a special purpose account in which that money is held.

- (9) Money received from investment may be credited to the Public Bank Account Interest Earned Account pending being dealt with under subsection (3), (4) or (5).
- (10) Subject to subsection (4), this section has effect despite any written law concerning the distribution of income derived from the investment of particular money.

**39. Investment by agencies**

- (1) Subsection (2) applies if —
  - (a) a department or sub-department holds other money; or
  - (b) a statutory authority holds statutory authority money or other money,

whether in the Public Bank Account or in a bank account maintained under section 13 that does not form part of the Public Bank Account.

- (2) If this subsection applies, the Treasurer may authorise the department, sub-department or statutory authority to invest money referred to in subsection (1) —
  - (a) in the same manner as money in the Public Bank Account may be invested under section 37; and
  - (b) in accordance with any written directions issued by the Treasurer, which may include directions about how income from investment under this section is to be dealt with.
- (3) Subsection (2) has effect —
  - (a) subject to another written law concerning the investment of particular money; and
  - (b) for money in an agency special purpose account — subject to the terms of any trust statement relating to the account.



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

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

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

in a bank account that does not form part of the Public Bank Account, the department, sub-department or statutory authority may transfer that money to the Public Bank Account for investment under section 37.

- (6) Subsection (5) has effect —
- (a) subject to another written law concerning the investment of particular money; but
  - (b) despite another written law requiring money to be held in a particular bank account.

#### **Division 4 — Annual estimates of agencies**

*[Heading inserted: No. 12 of 2021 s. 10.]*

#### **40. Preparation of draft annual estimates**

- (1) Unless otherwise directed in writing by the Treasurer, the accountable authority of an agency must, in each financial year —
- (a) prepare draft annual estimates of the financial operations of the agency for the next financial year (*draft annual*

*estimates*) in the manner prescribed by the Treasurer's instructions; and

- (b) submit the draft annual estimates to the Minister on or before the date designated by the Treasurer under subsection (2).
- (2) For the purposes of subsection (1)(b), the Treasurer must —
- (a) for each financial year, designate the date by which the accountable authority must submit the draft annual estimates to the Minister; and
  - (b) make the date known to the accountable authority in a manner that the Treasurer considers appropriate.

*[Section 40 inserted: No. 12 of 2021 s. 10.]*

#### **41. Approval of annual estimates**

- (1) After receiving draft annual estimates submitted by an accountable authority under section 40(1), the Minister must, within the period of 1 month after the submission date for the draft annual estimates or such other period as is specified in a determination under subsection (2), either —
  - (a) approve the draft annual estimates; or
  - (b) present the accountable authority of the agency with annual estimates of the financial operations of the agency for the financial year to which the draft annual estimates relate, and direct that they are to be the annual estimates of the financial operations of the agency for the financial year.
- (2) The Treasurer may, in writing, determine the period that applies for the purposes of subsection (1) in a particular case.
- (3) When the Minister approves draft annual estimates under subsection (1)(a), or gives a direction under subsection (1)(b) in relation to annual estimates, they become the annual estimates of the financial operations of the agency to which they relate for the whole of the financial year to which they relate.

- (4) Subsection (3) has effect even if the approval or direction was given after the start of the financial year.
- (5) The accountable authority of an agency must make the annual estimates of the financial operations of the agency for a financial year available to the public —
  - (a) as soon as is practicable after they become the annual estimates of the financial operations of the agency for the financial year; and
  - (b) in the manner prescribed by the Treasurer's instructions.

*[Section 41 inserted: No. 12 of 2021 s. 10.]*

### **Division 5 — Resource agreements**

*[Heading inserted: No. 12 of 2021 s. 11.]*

#### **42. Preparation of draft resource agreements**

- (1) Unless otherwise directed in writing by the Treasurer, the accountable authority of an agency must, in each financial year —
  - (a) prepare a draft resource agreement for the agency for the next financial year (a ***draft resource agreement***) in accordance with subsection (2); and
  - (b) submit the draft resource agreement to the Treasurer on or before the date designated by the Treasurer under subsection (3).
- (2) The draft resource agreement must —
  - (a) be in a form prescribed by the Treasurer's instructions; and
  - (b) contain —
    - (i) the total amount of resources that are expected to be made available to the agency for the financial year to which it relates; and
    - (ii) the services proposed to be provided by the agency during the financial year; and

- (iii) the estimated total cost of services for the agency for the financial year (the *expense limit*); and
  - (iv) any other matters required by the Treasurer's instructions to be specified in the resource agreement.
- (3) For the purposes of subsection (1)(b), the Treasurer must —
- (a) for each financial year, designate the date by which the accountable authority must submit the draft resource agreement to the Treasurer; and
  - (b) make the date known to the accountable authority in a manner that the Treasurer considers appropriate.

*[Section 42 inserted: No. 12 of 2021 s. 11.]*

#### **43. Agreeing on resource agreements**

- (1) After receiving a draft resource agreement submitted by an accountable authority of an agency under section 42(1), the Treasurer must, within the period of 1 month after the submission date for the draft resource agreement, either —
- (a) agree on the draft resource agreement with the accountable authority; or
  - (b) present the accountable authority with a resource agreement for the agency for the financial year to which the draft resource agreement relates, and direct that it is to be the resource agreement for the agency for the financial year.
- (2) The accountable authority of an agency must obtain the Minister's approval before agreeing with the Treasurer on a draft resource agreement for the agency.
- (3) When the Treasurer and an accountable authority of an agency agree on a draft resource agreement under subsection (1)(a), it becomes the resource agreement for the agency for the whole of the financial year to which it relates, unless it is superseded by a modified resource agreement under section 44(3).

- (4) When the Treasurer gives a direction to the accountable authority of an agency under subsection (1)(b) in relation to a resource agreement for the agency, it becomes the resource agreement for the agency for the whole of the financial year to which it relates, unless it is superseded by a modified resource agreement under section 44(3).
- (5) Subsections (3) and (4) have effect even if the draft resource agreement was agreed on, or the direction was given, after the start of the financial year.

*[Section 43 inserted: No. 12 of 2021 s. 11.]*

**44. Modifying resource agreements**

- (1) The Treasurer may, at any time in a financial year, modify an agency's resource agreement by giving written notice to the accountable authority of the agency —
  - (a) specifying the modification; and
  - (b) directing that the resource agreement, with that modification, is to be the resource agreement for the agency for the remainder of the financial year.
- (2) Without limiting subsection (1), a modification to a resource agreement may relate to the expense limit contained in the resource agreement.
- (3) When the Treasurer gives the accountable authority of an agency a notice under subsection (1) in relation to the agency's resource agreement, the resource agreement, with the modification specified in the notice, becomes the resource agreement for the agency for the remainder of the financial year to which it relates.

*[Section 44 inserted: No. 12 of 2021 s. 11.]*

*[45, 46. Deleted: No. 12 of 2021 s. 11.]*

## **Division 6 — Write-offs and recoveries**

### **47. Terms used**

In this Division —

*loss* means —

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

*official money* means —

- (a) in relation to a statutory authority — statutory authority money and other money; or
- (b) otherwise, public money and other money;

*official property* means public property and other property;

*relevant authority* means —

- (a) in relation to a loss incurred by a statutory authority — the statutory authority; or
- (b) in relation to a loss otherwise incurred — the State.

### **48. Write-offs**

- (1) In this section —

*relevant amounts* means —

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

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

- (3) Subject to the monetary limit and any conditions prescribed by the regulations for the purposes of this subsection, the Minister may write off relevant amounts.
- (4) Subject to any conditions prescribed by the regulations for the purposes of this subsection, the Minister may, with the prior approval of the Treasurer, write off relevant amounts that are greater than the monetary limit prescribed for the purposes of subsection (3).
- (5) Another written law that applies to a statutory authority prevails to the extent of any inconsistency with this section.

*[Section 48 amended: No. 12 of 2021 s. 12.]*

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

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

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

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

- (3) The officer is not liable in respect of the loss if the officer shows that he or she took reasonable steps in all the circumstances to prevent the loss.

- (4) Subject to subsection (5), if —
- (a) a loss of official money or official property occurs; and
  - (b) an officer caused or contributed to the loss by misconduct or a deliberate or serious disregard of reasonable standards of care,

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

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

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

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

- (1) The amount that an officer is liable to pay under section 49 is recoverable as a debt due to the relevant authority in a court of competent jurisdiction.
- (2) A relevant authority is not entitled to recover amounts from the same person under both section 49(2) and (4) for the same loss.



- (3) In proceedings to recover an amount that an officer is liable to pay under section 49, the amount for which the officer is liable according to a determination under section 51 is prima facie evidence of the amount that he or she is liable to pay.
- (4) Section 49 does not affect a right of a relevant authority to recover an amount from an officer otherwise than under that section, but the relevant authority is not entitled to recover amounts under both section 49 and otherwise than under that section for the same loss.

**51. Official losses, investigating**

- (1) In this section —  
*authorised person* means a person authorised by a responsible person under subsection (2);  
*official loss* means a loss of official money or official property;  
*responsible person* means the Under Treasurer or the relevant accountable authority.
- (2) If a responsible person considers that an official loss may have occurred in circumstances that make an officer liable under section 49 to pay an amount to the relevant authority, the responsible person may direct an investigation to be held by a person authorised in writing by the responsible person.
- (3) For the purposes of the investigation, the authorised person has all the powers conferred on a special inquirer by the *Public Sector Management Act 1994* sections 24I and 24J and Schedule 3, and those provisions apply to and in relation to —
  - (a) the authorised person as if he or she were a special inquirer under that Act; and
  - (b) the investigation as if it were a special inquiry under that Act.
- (4) Within the period specified by the responsible person, the authorised person is to —
  - (a) complete the investigation; and

- (b) prepare a report setting out the relevant facts and findings; and
  - (c) send the report to the responsible person.
- (5) Without limiting subsection (4) and subject to any requirements prescribed by the regulations relating to the rules of natural justice (including any duty of procedural fairness), the report may include a recommendation that the officer be held liable under section 49 to pay a specified amount to the relevant authority.
- (6) After considering the report and anything else prescribed by the regulations, and having regard to all the circumstances of the case, the responsible person is to determine —
  - (a) that the official loss occurred in circumstances that make the officer liable under section 49 and the amount the officer is liable to pay to the relevant authority; or
  - (b) that no further action is to be taken in relation to the matter.
- (7) The responsible person is to give written notice of the determination to the officer.
- (8) In determining the amount that an officer is liable to pay under subsection (6)(a), the responsible person —
  - (a) may have regard to mitigating facts or circumstances relevant to the official loss or to the officer; and
  - (b) may determine that the officer is liable to pay only so much as is just and equitable of the amount that, apart from this subsection, the officer would be liable to pay.

*[Section 51 amended: No. 39 of 2010 s. 76.]*

### **Division 7 — Financial difficulty**

*[Heading inserted: No. 12 of 2021 s. 13.]*

#### **51A. Notices of financial difficulty**

- (1) The accountable authority of an agency must notify the Minister if the accountable authority forms the opinion that the agency is unable to, or will be unlikely to be able to, satisfy any of its financial obligations from the financial resources available, or likely to be available, to it at the time a financial obligation is due.
- (2) Subsection (1) does not apply if the accountable authority is required to give notice to the Minister under another written law that corresponds to subsection (1).
- (3) The notice under subsection (1) must be in writing, giving reasons for the accountable authority's opinion.
- (4) Within 7 days after receipt of the notice, the Minister must confer with the Treasurer and the accountable authority of the agency for the purpose of determining what action is required to ensure that the agency is able to satisfy the relevant financial obligation when it is due.

*[Section 51A inserted: No. 12 of 2021 s. 13.]*

## **Part 4 — Accountable authorities**

### **52. Each agency to have accountable authority**

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

### **53. Functions of accountable authorities**

- (1) Without limiting section 52, an accountable authority of an agency has the functions of —
- (a) ensuring that the agency operates in a manner that is efficient and economic and achieves the agency's objectives; and
  - (b) ensuring that the agency complies with this Act, the Treasurer's instructions and any other written law that applies to the agency; and
  - (c) having the custody, control and management of, and accounting for, all the public property or other property under the control of the agency; and
  - (ca) ensuring that the agency's total cost of services in a financial year does not exceed the expense limit for the agency contained in the resource agreement, as modified from time to time, for the agency for the financial year; and
  - (cb) ensuring that —
    - (i) the agency complies with any State government policy prescribed by the Treasurer's instructions; and
    - (ii) in particular, officers of the agency who commit and incur expenditure on behalf of the agency do so in a manner that is not inconsistent with any State government policy prescribed by the Treasurer's instructions;
- and

**s. 54**

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- (cc) ensuring that the agency has documented policies and procedures relating to —
    - (i) making delegations, or giving authorisations, to officers of the agency that authorise them to enter into financial obligations on behalf of the agency or the State; and
    - (ii) how officers of the agency exercise the authority to enter into such financial obligations;and
  - (cd) establishing and maintaining records relating to, and a register of, all delegations made, and authorisations given, to officers of the agency that authorise them to enter into financial obligations on behalf of the agency or the State; and
  - (d) unless otherwise directed in writing by the Treasurer, developing and maintaining an effective internal audit function for the agency.
- (2) The accountable authority of an agency also has any other function given to the accountable authority under this Act or another written law.

*[Section 53 amended: No. 12 of 2021 s. 14.]*

**54. Department, who is accountable authority of etc.**

- (1) Subject to subsection (2), the chief executive officer of a department is the accountable authority of the department.
- (2) While a declaration of a sub-department under section 56(2) has effect in respect of an entity that forms a part of a department, the chief executive officer of the department —
  - (a) is not responsible to the Minister for the financial management of the services under the control of the entity; and
  - (b) is not the accountable authority in relation to those services.

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

- (1) Subject to subsection (2), the person or body (however described) having the general direction and control of, and the overall responsibility for, the operations of a statutory authority is the accountable authority of the statutory authority.
- (2) If the Treasurer considers that there is, or may be, some doubt as to the application of subsection (1) to a particular statutory authority, the Treasurer may, by notice published in the *Gazette*, appoint a person or body to be the accountable authority of the statutory authority.
- (3) On the publication of a notice under subsection (2), the person or body appointed is to assume and perform all the functions conferred on an accountable authority under this Act.

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

- (1) For the purposes of this section, the *prescribed conditions*, in relation to an entity, are the conditions that —
  - (a) the entity forms a part of a department; and
  - (b) the entity maintains separate accounts; and
  - (c) the entity is the subject of —
    - (i) a separate division within the estimates; or
    - (ii) a separate head of expenditure created by a determination under section 25(2)(b); or
    - (iii) expenditure authorised under section 27(1);and
  - (d) the holder of an office in the department, who is not the chief executive officer of the department, has functions in relation to the entity under —
    - (i) a written law; or

- (ii) a delegation made under the *Public Sector Management Act 1994* section 33 by that chief executive officer.
- (2) The Treasurer may declare that, for the purposes of this Act —
  - (a) an entity that satisfies the prescribed conditions is a sub-department; and
  - (b) the holder of an office referred to in subsection (1)(d) is the accountable authority of the sub-department.
- (3) If, after a declaration is made under subsection (2) in relation to a sub-department and its accountable authority, the entity that comprises the sub-department ceases to satisfy any of the prescribed conditions, the declaration is revoked by operation of this subsection.
- (4) If the holder of an office has been declared to be an accountable authority on the basis of a delegation referred to in subsection (1)(d)(ii), the chief executive officer who made the delegation is to notify the Treasurer immediately if the delegation is amended or revoked.
- (5) The Treasurer may at any time revoke a declaration under subsection (2).
- (6) Part 5 Division 3 applies in relation to the revocation of a declaration under subsection (2) as if a reference in that Division to the abolition of an agency were a reference to that revocation.

**57. Chief finance officers, designation and functions of**

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

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

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

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



## **Part 5 — Reports**

### **Division 1 — Treasurer's reports**

#### **59. Financial reports and statements, application of *Government Financial Responsibility Act 2000***

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

### **Division 2 — Annual reports by agencies**

#### **60. Terms used**

(1) In this section and section 61 —

***affiliated body***, of an agency, means —

(a) a body —

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

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

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

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

or

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

**operational control**, of an agency in relation to a body, means that the agency has the capacity to exercise direction over the operation of the body;

**related body**, of an agency, means —

- (a) a body —
  - (i) that is formed or incorporated under a written law or by administrative action taken independently of the agency; and
  - (ii) that is financially dependent on the agency; and
  - (iii) that is subject to the operational control of the agency; and
  - (iv) that is not a subsidiary body of an agency nor itself an agency;

or

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

**subsidiary body**, of an agency, means —

- (a) a body —
  - (i) that is a company as defined in the Commonwealth *Corporations Act 2001* section 9 or formed or incorporated under equivalent laws of a place other than a State or Territory; and
  - (ii) in respect of which the agency has the capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the body so as to enable the body to operate with the agency in pursuing the agency's objectives; and
  - (iii) that is not itself an agency;

or

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

- (c) a body that is determined by the Treasurer, by written notice given to the agency, to be a subsidiary of the agency.
- (2) Despite the definitions of *affiliated body* and *related body* in subsection (1), the regulations may prescribe that, for the purposes of this Part, a specified body is taken not to be an affiliated body or a related body of a specified agency.
- (3) In subsection (2) —  
*specified* means specified in the regulations.

**61. Annual reports, contents of etc.**

- (1) After the end of each financial year the accountable authority of an agency is to prepare an annual report that contains —
  - (a) financial statements for the financial year; and
  - (b) unless otherwise directed in writing by the Treasurer, key performance indicators; and
  - (c) a report on the operations of the agency during the financial year; and
  - (d) any information prescribed by the Treasurer's instructions; and
  - (e) if applicable, the reports referred to in subsections (2) and (3); and
  - (f) any other information required by a written direction given by the Minister.
- (2) The accountable authority of an agency is to include in the annual report for a financial year covered by a resource agreement a report on the extent to which the agency achieved any targets described in the resource agreement.
- (3) An agency that —
  - (a) is a department or statutory authority; and

(b) has an affiliated body or a related body,

is to include in the annual report for a financial year a report on the affiliated body or related body that contains in respect of the financial year the information prescribed by the Treasurer's instructions.

- (4) Unless an Act provides otherwise, the financial year of an agency ends on 30 June.
- (5) An agency that has a subsidiary body is to exercise its control over that subsidiary body so as to ensure that the accountable authority of the agency is provided with all the information relating to the subsidiary body that the accountable authority needs to comply with this section, section 62 and the Treasurer's instructions.

*[Section 61 amended: No. 12 of 2021 s. 15.]*

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

- (1) Unless the Treasurer approves otherwise, the financial statements referred to in section 61(1)(a) are to be prepared in accordance with the accounting standards and other requirements issued by the Australian Accounting Standards Board.
- (2) Without limiting subsection (1), the financial statements referred to in section 61(1)(a) —
- (a) are to include —
    - (i) any financial statements and information prescribed by the Treasurer's instructions; and
    - (ii) any other financial information required by a written direction given by the Minister;
- and
- (b) are to be certified in the manner prescribed by the Treasurer's instructions.

- (3) In subsection (1) —

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

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

- (1) The accountable authority of an agency is to submit to the Auditor General —
- (a) the financial statements and key performance indicators referred to in section 61(1)(a) and (b); and
  - (b) any other information referred to in section 61(1)(d) that is required by the Treasurer's instructions to be submitted to the Auditor General under this subsection.
- (2) The accountable authority of an agency is to submit to the Minister —
- (a) the annual report prepared by the accountable authority under section 61(1); and
  - (b) unless the audit of the agency's accounts in respect of the relevant financial year has been dispensed with under the *Auditor General Act 2006* section 14(2) — a copy of the opinion of the Auditor General prepared and signed under section 15 of that Act.

**64. Minister to table agency's annual report etc.**

- (1) The Minister is to cause to be laid before each House of Parliament, or dealt with under section 83, within the prescribed period after the end of a financial year of an agency —
- (a) a copy of the annual report for the financial year prepared by the accountable authority of the agency under section 61; and
  - (b) unless the audit of the agency's accounts in respect of the financial year has been dispensed with under the *Auditor General Act 2006* section 14(2) — a copy of the

opinion of the Auditor General prepared and signed  
under section 15 of that Act.

(2) In subsection (1) —

*prescribed period* means —

- (a) 90 days; or
- (b) any shorter period that is prescribed by the regulations for the purposes of this definition.

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

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

- (a) the Minister's inability to do so; and
- (b) the reasons for that inability; and
- (c) the anticipated date on which those documents will be tabled.

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

(3) In this section —

*prescribed period* means the prescribed period referred to in section 64.

### **Division 3 — Reporting on abolition of agencies**

#### **66. Terms used**

In this Division —

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

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

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

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

#### **67. Purpose of this Division**

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

#### **68. Abolition of agency, reporting after**

- (1) Before, on or after the abolition of an agency, the Treasurer is to appoint a person to perform the duties set out in this section.
- (2) If the abolition takes effect at the end of a financial year of the agency, the reporting officer is to comply with the provisions of sections 61 and 63 in respect of the agency —
  - (a) for that financial year; and
  - (b) to the extent that those provisions have not been complied with for any earlier financial year of the agency.

- (3) If the abolition takes effect at a time other than the end of a financial year of the agency, the reporting officer is to —
  - (a) comply with the provisions of sections 61 and 63 in respect of the agency to the extent that those provisions have not been complied with for any financial year of the agency that ended before the abolition; and
  - (b) prepare and submit to the Minister a report in respect of the agency for the period starting from the end of the last financial year of the agency to have ended before the abolition and ending with the abolition.
- (4) The Treasurer may give the reporting officer written directions as to the preparation and submission of the final report.
- (5) On appointment under subsection (1), the reporting officer has a duty to prepare and submit any report required under this section and to comply with any directions given by the Treasurer under subsection (4).

**69. Final report, contents of**

- (1) The reporting officer is to include in the final report —
  - (a) financial statements of the kind referred to in section 61(1)(a); and
  - (b) information of the kind referred to in section 61(1)(f).
- (2) The reporting officer is also to include in the final report, to the extent that it is practicable for the reporting officer to do so —
  - (a) information of the kind referred to in section 61(1)(b) and (d); and
  - (b) a report of the kind referred to in section 61(1)(c); and
  - (c) if applicable, reports of the kind referred to in section 61(1)(e).



**70. Directions by Treasurer for this Division**

- (1) Directions given by the Treasurer for the purposes of this Division may include directions —
  - (a) that specify information to be included in the final report; and
  - (b) so far as is necessary to enable the purposes of this Division to be achieved effectively and without delay — that modify the application of Division 2 and any related regulations to the final report; and
  - (c) that relate to any supplementary and incidental matters that the Treasurer thinks desirable to ensure proper accountability in respect of the abolished agency; and
  - (d) if the abolition of the agency takes effect otherwise than on 30 June in any year — that specify the date by which the final report is to be prepared and submitted to the Minister; and
  - (e) if there is no Minister responsible or there is doubt as to whether there is a Minister responsible — that specify (after necessary consultations) the Minister who is to be the Minister for the purposes of the application of sections 61, 64 and 83 to the final report.
- (2) The Treasurer may amend or cancel a direction given for the purposes of this Division.

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

- (1) For the purposes of this Division, the reporting officer is entitled to be provided with reasonable assistance and facilities and to have full and free access at all reasonable times to all accounts and any other information, documents and records, in the possession of any person, that the reporting officer considers necessary for those purposes.
- (2) The reporting officer may make copies of, or take extracts from, any of those accounts, documents or records or make a record of any of that information.

- (3) A person who has possession of any accounts, information, documents or records of the kind referred to in subsection (1) must at any reasonable time, on the request of the reporting officer, produce any of those accounts, documents or records, or any of that information, specified in the request.

Penalty: a fine of \$10 000.

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

- (1) Subject to any directions given by the Treasurer for the purposes of this Division, the reporting officer is to submit for the opinion of the Auditor General —
- (a) the financial statements referred to in section 69(1)(a); and
  - (b) the information (if applicable) referred to in section 69(2)(a).
- (2) Subject to any necessary modifications, this Act applies to those financial statements and that information (if applicable) in the same way that it applies to —
- (a) financial statements referred to in section 61(1)(a); and
  - (b) information referred to in section 61(1)(b) and (d).
- (3) Sections 64, 65 and 83 apply to the final report in the same way that they apply to an annual report referred to in section 61, but the prescribed period referred to in section 64(1) is taken to be 14 days after the final report is submitted to the Minister.

## **Part 6 — Miscellaneous**

### **Division 1 — Delegations and authorisations**

#### **73. Term used: Treasury Corporation official**

In this Division —

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

#### **74. Delegation by Treasurer**

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

#### **75. Delegation by Ministers**

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

#### **76. Delegation and authorisation by Under Treasurer**

- (1) The Under Treasurer may delegate to a Treasury Corporation official any power of the Treasurer under section 37 delegated to the Under Treasurer under section 74(2).
- (2) The Under Treasurer may authorise an officer of the Treasury to exercise or perform any power or duty —
  - (a) delegated to the Under Treasurer under section 74(2); or

- (b) conferred on the Under Treasurer by the Treasurer's instructions.

**77. Delegations and authorisations, general provisions about**

- (1) A delegation under this Division or an authorisation under section 76(2) is to be in writing signed by the person making the delegation or giving the authorisation.
- (2) A person exercising or performing a power or duty —
  - (a) that has been delegated to the person under this Division; or
  - (b) that the person is authorised to exercise or perform under section 76(2),

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

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

is to do so in accordance with any directions given to the delegate by the person —

- (c) who delegated the power or duty to the delegate; or
  - (d) who authorised the delegate to exercise or perform the power or duty.
- (4) The *Interpretation Act 1984* sections 58 and 59 apply to an authorisation under section 76(2) in the same way as they apply to a delegation.
- (5) Unless the contrary is proved, it is to be presumed that a document purporting to have been signed by a delegate of the Treasurer, a Minister or the Under Treasurer, or by a person

authorised by the Under Treasurer under section 76(2), was signed by a person who at the time —

- (a) was such a delegate or was so authorised; and
  - (b) was authorised to sign it.
- (6) Nothing in this Division limits the ability of the Treasurer, a Minister or the Under Treasurer to perform a function through an officer or agent.

### **Division 2 — Treasurer's instructions**

#### **78. Treasurer's instructions, issue of etc.**

- (1) The Treasurer may issue, amend or revoke instructions concerning the principles, practices and procedures to be complied with in the financial management of the State.
- (2) The Treasurer's instructions are not to be inconsistent with this Act.
- (3) A person who is an accountable authority or an officer is to comply with the Treasurer's instructions.
- (4) The Treasurer is to cause notice to be published in the *Gazette* of the issue, amendment or revocation of Treasurer's instructions, but a notice under this subsection does not need to include the text of the instructions or amendments.
- (5) The validity of the Treasurer's instructions is not affected by any failure to comply with subsection (4).

### **Division 3 — Miscellaneous powers and duties**

#### **79. Treasurer's power to require information**

- (1) The Treasurer may require the accountable authority or an officer of an agency to provide the Treasurer with any information relating to the financial management of the agency that the Treasurer thinks necessary for the purposes of this Act.

- (2) A person given a direction under subsection (1) is to provide the information to the Treasurer in the manner and form directed by the Treasurer.

**80. Act of grace payments**

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

*[(2) deleted]*

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

*[(4) deleted]*

*[Section 80 amended: No. 12 of 2021 s. 16.]*

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

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

- (a) no action is taken or omitted to be taken; and
- (b) no contractual or other arrangement is entered into,

by or on behalf of the Minister or agency that would prevent or inhibit the provision by the Minister to Parliament of information concerning any conduct or operation of the agency.

**82. Ministerial decisions not to give Parliament certain information about agency to be reported to Parliament etc.**

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

making the decision the Minister is to cause written notice of the decision —

- (a) to be laid before each House of Parliament or dealt with under section 83; and
  - (b) to be given to the Auditor General.
- (2) A notice under subsection (1)(a) is to include the Minister's reasons for making the decision that is the subject of the notice.

#### **Division 4 — General**

**83. Laying documents before Parliament, supplementary provision about**

- (1) If —
- (a) at the start of a period referred to in section 23(5), 64(1) or 82(1) in respect of a document a House of Parliament is not sitting; and
  - (b) the Minister is of the opinion that that House will not sit during that period,

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

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

**84. Regulations**

The Governor may make regulations prescribing all matters that are required or permitted by this Act to be prescribed, or are

necessary or convenient to be prescribed for giving effect to the purposes of this Act.

**85. Review of Act**

- (1) The Minister is to carry out a review of the operation and effectiveness of this Act as soon as is practicable after —
  - (a) the fifth anniversary of its commencement; and
  - (b) the expiry of 10 years after the tabling of each subsequent report on a review under subsection (5).
- (2) In the course of a review under subsection (1) the Minister is to consider and have regard to —
  - (a) whether there is a need for this Act to continue; and
  - (b) any other matters that appear to the Minister to be relevant to the operation and effectiveness of this Act.
- (3) The Minister is to prepare a report based on a review under subsection (1) and, as soon as is practicable after the report is prepared, is to cause a copy of it —
  - (a) to be laid before each House of Parliament; and
  - (b) to be given to the Joint Standing Committee on Audit.
- (4) The Joint Standing Committee on Audit —
  - (a) is to carry out a review of the report; and
  - (b) in the course of that review, may consider and have regard to any matters that appear to the Joint Standing Committee on Audit to be relevant to the report or the operation and effectiveness of this Act.
- (5) The Joint Standing Committee on Audit is to prepare a report based on the review and, as soon as is practicable after the report is prepared, is to cause it to be laid before the Legislative Council and the Legislative Assembly.

*[Section 85 amended: No. 12 of 2021 s. 17.]*



## **Schedule 1 — Statutory authorities**

[s. 3 and 6]

Agricultural Produce Commission  
Animal Resources Authority  
Arts and Culture Trust

Botanic Gardens and Parks Authority  
Building and Construction Industry Training Board

Chemistry Centre (WA)  
Colleges established under the *Vocational Education and Training Act 1996*  
section 35

Combat Sports Commission  
Commissioner of Main Roads  
Construction Industry Long Service Leave Payments Board  
Corruption and Crime Commission  
Country Housing Authority

Curtin University

Disability Services Commission

Economic Regulation Authority  
Edith Cowan University

Fire and Emergency Services Superannuation Board  
Forest Products Commission

Gaming and Wagering Commission of Western Australia  
Gascoyne Development Commission  
Gold Corporation  
Goldfields-Esperance Development Commission  
Government Employees Superannuation Board  
Great Southern Development Commission

Health and Disability Services Complaints Office  
Health service providers established by order under the *Health Services*  
*Act 2016* section 32(1)

Heritage Council of Western Australia  
Housing Authority

Infrastructure WA  
Insurance Commission of Western Australia

Keep Australia Beautiful Council (W.A.)  
Kimberley Development Commission  
Law Reform Commission of Western Australia  
Legal Aid Commission of Western Australia  
Legal Costs Committee  
Local Health Authorities Analytical Committee  
Lotteries Commission

Metropolitan Cemeteries Board  
Metropolitan Redevelopment Authority  
Mid West Development Commission  
Minerals Research Institute of Western Australia  
Murdoch University

Parliamentary Inspector of the Corruption and Crime Commission  
Peel Development Commission  
Pilbara Development Commission  
Professional Standards Council  
Public Transport Authority of Western Australia  
Public Trustee

Racing and Wagering Western Australia  
Racing Penalties Appeal Tribunal of Western Australia  
Rottnest Island Authority  
Rural Business Development Corporation

School Curriculum and Standards Authority  
Small Business Development Corporation  
South West Development Commission  
Swan Bells Foundation Incorporated

The Aboriginal Affairs Planning Authority  
The Anzac Day Trust  
The Board of the Art Gallery of Western Australia  
The Burswood Park Board  
The Coal Miners' Welfare Board of Western Australia  
The Library Board of Western Australia  
The National Trust of Australia (W.A.)  
The Queen Elizabeth II Medical Centre Trust

The University of Western Australia  
The Western Australian Museum  
Trustees of the Public Education Endowment

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

Zoological Parks Authority

*[Schedule 1 amended: No. 77 of 2006 Sch. 1 cl. 63; No. 10 of 2007 s. 43; Gazette 13 Jul 2007 p. 3454; No. 24 of 2007 s. 36; No. 38 of 2007 s. 195; Gazette 4 Jan 2008 p. 29; 8 Feb 2008 p. 323; No. 28 of 2008 s. 13; No. 16 of 2009 s. 69; Gazette 20 Aug 2010 p. 4072; No. 33 of 2010 s. 56; No. 45 of 2011 s. 138; No. 54 of 2011 s. 5; No. 37 of 2011 s. 56; No. 22 of 2012 s. 125; No. 25 of 2012 s. 212; Gazette 7 Dec 2012 p. 5998; 9 Jul 2013 p. 3048; No. 23 of 2013 s. 77; Gazette 11 Nov 2014 p. 4262; No. 3 of 2015 s. 16; No. 6 of 2015 s. 55; Gazette 12 May 2015 p. 1641; No. 40 of 2015 s. 55; No. 11 of 2016 s. 289; No. 22 of 2016 s. 15; No. 32 of 2016 s. 181; No. 41 of 2016 s. 22; Gazette 8 Sep 2017 p. 4698; No. 13 of 2019 s. 75(2); No. 24 of 2020 s. 62; No. 15 of 2021 s. 75(2) and (3); No. 19 of 2022 s. 21(2); SL 2022/169 r. 4.]*

## **Schedule 2 — Modifications to the Act as to certain administrations**

[s. 5(2)]

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

<b>Column 1</b>	<b>Column 2</b>
<b>Section</b>	<b>Modified form</b>
21	21. (1) The Treasurer may direct that a special purpose account operated by an agency, other than a special purpose account established by an Act, be closed.
48	48. (4) The accountable authority of an agency may, with the prior approval of the Treasurer, write off relevant amounts that are greater than the monetary limit prescribed for the purposes of subsection (2), subject to any conditions prescribed by the regulations.
52	52. The accountable authority of an agency is responsible for the financial management of the services under the control of the agency.
54	54. (1) The accountable authority of the agency taken to be constituted under section 5(1) by the administration of — <ul style="list-style-type: none"><li>(a) the Legislative Council is the Clerk of the Legislative Council; or</li><li>(b) the Legislative Assembly is the Clerk of the Legislative Assembly; or</li><li>(c) the Parliamentary Services Department is the Executive Manager (however designated) of the Parliamentary Services Department; or</li></ul>

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<b>Column 1</b>	<b>Column 2</b>
<b>Section</b>	<b>Modified form</b>
	<p>(d) the Parliamentary Commissioner for Administrative Investigations is the chief executive officer of the department of the Public Service principally assisting in the administration of the <i>Parliamentary Commissioner Act 1971</i>; or</p> <p>(e) the Information Commissioner is the chief executive officer of the department of the Public Service principally assisting in the administration of the <i>Freedom of Information Act 1992</i>,</p> <p>and the accountable authority of an agency taken to be constituted under section 5(1) by the administration of a body or office that is the subject of regulations referred to in that provision is the person appointed, in writing, by the Treasurer to be the accountable authority of that agency.</p>
61	<p>61. (1) After the end of each financial year the accountable authority of an agency is to prepare an annual report that contains —</p> <p>(a) financial statements for the financial year; and</p> <p>(b) unless otherwise directed in writing by the Treasurer, key performance indicators; and</p> <p>(c) a report on the operations of the agency during the financial year; and</p> <p>(d) any information prescribed by the Treasurer’s instructions; and</p> <p>(e) if applicable, the reports referred to in subsections (2) and (3).</p>

<b>Column 1</b>	<b>Column 2</b>
<b>Section</b>	<b>Modified form</b>
62	62. (2) Without limiting subsection (1), the financial statements referred to in section 61(1)(a) — <ul style="list-style-type: none"> <li>(a) are to include any financial statements and information prescribed by the Treasurer’s instructions; and</li> <li>(b) are to be certified in the manner prescribed by the Treasurer’s instructions.</li> </ul>
63	63. (2) The accountable authority of an agency is to submit to the Treasurer — <ul style="list-style-type: none"> <li>(a) the annual report prepared by the accountable authority under section 61(1); and</li> <li>(b) unless the audit of the agency’s accounts in respect of the relevant financial year has been dispensed with under the <i>Auditor General Act 2006</i> section 14(2) — a copy of the opinion of the Auditor General prepared and signed under section 15 of that Act.</li> </ul>
64	64. (1) The accountable authority of an agency is to transmit to both Houses of Parliament within the prescribed period after the end of a financial year of the agency — <ul style="list-style-type: none"> <li>(a) a copy of the annual report for the financial year prepared by the accountable authority under section 61(1); and</li> <li>(b) unless the audit of the agency’s accounts in respect of the financial year has been dispensed with under the <i>Auditor General Act 2006</i> section 14(2) — a copy of the opinion of the Auditor General prepared and signed under section 15 of that Act.</li> </ul> 64. (1A) A copy of an annual report or opinion transmitted to a House of Parliament is to be regarded as having been laid before that House.

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<b>Column 1</b>	<b>Column 2</b>
<b>Section</b>	<b>Modified form</b>
	64. (1B) The laying of a copy of an annual report or opinion that is regarded as having occurred under subsection (1A) is to be recorded in the Minutes, or Votes and Proceedings, of the House on the first sitting day of the House after it is transmitted to the House.
65	65. (1) If the accountable authority of an agency is not able to transmit a copy of the annual report and, if applicable, the opinion of the Auditor General referred to in section 64(1) to both Houses of Parliament within the prescribed period after the end of the financial year, the accountable authority is to inform both Houses of Parliament, on or before the expiry of that period, of —  (a) the accountable authority's inability to do so; and  (b) the reasons for that inability; and  (c) the anticipated date on which those documents will be transmitted.
	65. (2) If the accountable authority of an agency is not able to comply with subsection (1) in respect of a House of Parliament because that House is not then sitting, the accountable authority is to inform that House as required by that subsection as soon as is practicable after the expiry of the prescribed period.

For the purposes of section 5(2), section 43(2) does not have effect.

*[Schedule 2 amended: No. 12 of 2021 s. 18.]*

### Schedule 3 — Modifications to the Act as to the Office of the Auditor General

[s. 5(3)]

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

<b>Column 1</b>	<b>Column 2</b>
<b>Section</b>	<b>Modified form</b>
21	21. (1) The Treasurer may direct that a special purpose account operated by the Office of the Auditor General, other than a special purpose account established by an Act, be closed.
48	48. (4) The accountable authority of the Office of the Auditor General may, with the prior approval of the Treasurer, write off relevant amounts that are greater than the monetary limit prescribed for the purposes of subsection (2), subject to any conditions prescribed by the regulations.
52	52. The accountable authority of the Office of the Auditor General is responsible for the financial management of the services under the control of the Office of the Auditor General.
54	54. (1) The Auditor General is the accountable authority of the Office of the Auditor General.
61	61. (1) After the end of each financial year the accountable authority of the Office of the Auditor General is to prepare an annual report that contains — <ul style="list-style-type: none"> <li>(a) financial statements for the financial year; and</li> <li>(b) unless otherwise directed in writing by the Treasurer, key performance indicators; and</li> <li>(c) a report on the operations of the Office of the Auditor General during the financial year; and</li> </ul>



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<b>Column 1</b>	<b>Column 2</b>
<b>Section</b>	<b>Modified form</b>
	(d) any information prescribed by the Treasurer's instructions unless, in the opinion of the Auditor General, this information would compromise the Auditor General's independence; and
	(e) if applicable, the reports referred to in subsections (2) and (3).
62	62. (2) Without limiting subsection (1), the financial statements referred to in section 61(1)(a) —  (a) are to include any financial statements and information prescribed by the Treasurer's instructions; and  (b) are to be certified in the manner prescribed by the Treasurer's instructions.
63	63. (2) After receiving the opinion of the independent auditor appointed in accordance with the <i>Auditor General Act 2006</i> section 38, the Auditor General is to transmit a copy of the annual report for a financial year prepared by the accountable authority under section 61(1) together with a copy of the opinion of the independent auditor to both Houses of Parliament within 90 days after the end of the financial year.  63. (2A) A copy of an annual report or opinion transmitted to a House of Parliament is to be regarded as having been laid before that House.  63. (2B) The laying of a copy of an annual report or opinion that is regarded as having occurred under subsection (2A) is to be recorded in the Minutes, or Votes and Proceedings, of the House on the first sitting day of the House after it is transmitted to the House.

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<b>Column 1</b>	<b>Column 2</b>
<b>Section</b>	<b>Modified form</b>
65	<p>65. (1) If the Auditor General is not able to transmit a copy of the annual report and the opinion of the independent auditor referred to in section 63(2) to both Houses of Parliament within 90 days after the end of the financial year, the Auditor General is to inform both Houses of Parliament, on or before the expiry of that period, of —</p> <ul style="list-style-type: none"><li>(a) the Auditor General’s inability to do so; and</li><li>(b) the reasons for that inability; and</li><li>(c) the anticipated date on which those documents will be transmitted.</li></ul> <p>65. (2) If the Auditor General is not able to comply with subsection (1) in respect of a House of Parliament because that House is not then sitting, the Auditor General is to inform that House as required by that subsection as soon as is practicable after the expiry of the period referred to in that subsection.</p>

For the purposes of section 5(3), sections 43(2) and 64 do not have effect.

*[Schedule 3 amended: No. 12 of 2021 s. 19.]*



## Notes

This is a compilation of the *Financial Management Act 2006* and includes amendments made by other written laws<sup>2</sup>. For provisions that have come into operation, and for information about any reprints, see the compilation table. For provisions that have not yet come into operation see the uncommenced provisions table.

### Compilation table

Short title	Number and year	Assent	Commencement
<i>Financial Management Act 2006</i>	76 of 2006	21 Dec 2006	s. 1 and 2: 21 Dec 2006; Act other than s. 1 and 2: 1 Feb 2007 (see s. 2 and <i>Gazette</i> 19 Jan 2007 p. 137)
<i>Financial Legislation Amendment and Repeal Act 2006</i> Sch. 1 cl. 63	77 of 2006	21 Dec 2006	1 Feb 2007 (see s. 2(1) and <i>Gazette</i> 19 Jan 2007 p. 137)
<i>Chemistry Centre (WA) Act 2007</i> s. 43	10 of 2007	29 Jun 2007	1 Aug 2007 (see s. 2(1) and <i>Gazette</i> 27 Jul 2007 p. 3735)
<i>Financial Management (Statutory Authorities) Regulations 2007</i> published in <i>Gazette</i> p. 3453-4			13 Jul 2007
<i>Biosecurity and Agriculture Management (Repeal and Consequential Provisions) Act 2007</i> s. 36	24 of 2007	12 Oct 2007	18 Dec 2010 (see s. 2(1) and <i>Gazette</i> 17 Dec 2010 p. 6349)
<i>Water Resources Legislation Amendment Act 2007</i> s. 195	38 of 2007	21 Dec 2007	1 Feb 2008 (see s. 2(2) and <i>Gazette</i> 31 Jan 2008 p. 251)
<i>Financial Management (Statutory Authorities) Regulations (No. 2) 2007</i> published in <i>Gazette</i> p. 29			4 Jan 2008
<i>Financial Management (Statutory Authorities) Regulations 2008</i> published in <i>Gazette</i> p. 322-3			r. 1 and 2: 8 Feb 2008 (see r. 2(a)); Regulations other than r. 1 and 2: 9 Feb 2008 (see r. 2(b))
<i>Eastern Goldfields Transport Board Repeal Act 2008</i> s. 13	28 of 2008	1 Jul 2008	29 Jul 2008
<b>Reprint 1: The <i>Financial Management Act 2006</i> as at 26 Sep 2008</b> (includes amendments listed above except those in the <i>Biosecurity and Agriculture Management (Repeal and Consequential Provisions) Act 2007</i> )			

Short title	Number and year	Assent	Commencement
<i>National Gas Access (WA) Act 2009</i> s. 69	16 of 2009	1 Sep 2009	1 Jan 2010 (see s. 2(b) and <i>Gazette</i> 31 Dec 2009 p. 5327)
<i>Financial Management (Statutory Authorities) Regulations 2010</i> published in <i>Gazette</i> 20 Aug 2010 p. 4071-2			r. 1 and 2: 20 Aug 2010 (see r. 2(a)); Regulations other than r. 1 and 2: 21 Aug 2010 (see r. 2(b))
<i>Health and Disability Services Legislation Amendment Act 2010</i> s. 56	33 of 2010	30 Aug 2010	30 Nov 2010 (see s. 2(b) and <i>Gazette</i> 17 Sep 2010 p. 4757)
<i>Public Sector Reform Act 2010</i> s. 76	39 of 2010	1 Oct 2010	1 Dec 2010 (see s. 2(b) and <i>Gazette</i> 5 Nov 2010 p. 5563)
<i>Curriculum Council Amendment Act 2011</i> Pt. 3 Div. 2	37 of 2011	13 Sep 2011	1 Mar 2012 (see s. 2(b) and <i>Gazette</i> 28 Feb 2012 p. 841)
<i>Metropolitan Redevelopment Authority Act 2011</i> s. 138	45 of 2011	12 Oct 2011	31 Dec 2011 (see s. 2(b) and <i>Gazette</i> 30 Dec 2011 p. 5573)
<i>Agricultural Practices (Disputes) Repeal Act 2011</i> s. 5	54 of 2011	9 Nov 2011	7 Dec 2011 (see note under s. 1)
<b>Reprint 2: The Financial Management Act 2006 as at 8 Jun 2012</b> (includes amendments listed above)			
<i>Fire and Emergency Services Legislation Amendment Act 2012</i> Pt. 7 Div. 7	22 of 2012	29 Aug 2012	1 Nov 2012 (see s. 2(b) and <i>Gazette</i> 31 Oct 2012 p. 5255)
<i>Water Services Legislation Amendment and Repeal Act 2012</i> s. 212	25 of 2012	3 Sep 2012	18 Nov 2013 (see s. 2(b) and <i>Gazette</i> 14 Nov 2013 p. 5028)
<i>Financial Management (Statutory Authorities) Regulations 2012</i> published in <i>Gazette</i> 7 Dec 2012 p. 5998			r. 1 and 2: 7 Dec 2012 (see r. 2(a)); Regulations other than r. 1 and 2: 8 Dec 2012 (see r. 2(b))
<i>Financial Management (Statutory Authorities) Regulations 2013</i> published in <i>Gazette</i> 9 Jul 2013 p. 3048			r. 1 and 2: 9 Jul 2013 (see r. 2(a)); Regulations other than r. 1 and 2: 10 Jul 2013 (see r. 2(b))

<b>Short title</b>	<b>Number and year</b>	<b>Assent</b>	<b>Commencement</b>
<i>Minerals Research Institute of Western Australia Act 2013 s. 77</i>	23 of 2013	18 Dec 2013	1 Feb 2014 (see s. 2(b) and <i>Gazette</i> 14 Jan 2014 p. 43)
<b>Reprint 3: The <i>Financial Management Act 2006</i> as at 11 Apr 2014</b> (includes amendments listed above)			
<i>Financial Management (Statutory Authorities) Regulations 2014</i> published in <i>Gazette</i> 11 Nov 2014 p. 4262			r. 1 and 2: 11 Nov 2014 (see r. 2(a)); Regulations other than r. 1 and 2: 12 Nov 2014 (see r. 2(b))
<i>Alcohol and Drug Authority Amendment Act 2015 s. 16</i>	3 of 2015	25 Feb 2015	1 Jul 2015 (see s. 2(b) and <i>Gazette</i> 10 Apr 2015 p. 1249)
<i>Swan and Canning Rivers Management Amendment Act 2015 s. 55</i>	6 of 2015	9 Mar 2015	1 Jul 2015 (see s. 2(b) and <i>Gazette</i> 19 Jun 2015 p. 2095)
<i>Financial Management (Statutory Authorities) Regulations 2015</i> published in <i>Gazette</i> 12 May 2015 p. 1641			r. 1 and 2: 12 May 2015 (see r. 2(a)); Regulations other than r. 1 and 2: 13 May 2015 (see r. 2(b))
<i>Perth Market (Disposal) Act 2015 s. 55</i>	40 of 2015	8 Dec 2015	31 Mar 2016 (see s. 2(2) and <i>Gazette</i> 31 Mar 2016 p. 969)
<i>Health Services Act 2016 s. 289</i>	11 of 2016	26 May 2016	1 Jul 2016 (see s. 2(b) and <i>Gazette</i> 24 Jun 2016 p. 2291)
<i>Marketing of Potatoes Amendment and Repeal Act 2016 s. 15</i>	22 of 2016	12 Sep 2016	22 May 2021 (see s. 2(d) and SL 2021/60 cl. 2)
<i>Biodiversity Conservation Act 2016 s. 315</i>	24 of 2016	21 Sep 2016	1 Jan 2019 (see s. 2(b) and <i>Gazette</i> 14 Sep 2018 p. 3305)
<i>Universities Legislation Amendment Act 2016 Pt. 7 Div. 3</i>	32 of 2016	19 Oct 2016	2 Jan 2017 (see s. 2(b) and <i>Gazette</i> 9 Dec 2016 p. 5557)
<i>School Boarding Facilities Legislation Amendment and Repeal Act 2016 s. 22</i>	41 of 2016	28 Nov 2016	1 Jul 2017 (see s. 2(b) and <i>Gazette</i> 23 Jun 2017 p. 3173)
<i>Financial Management (Statutory Authorities) Regulations 2017</i> published in <i>Gazette</i> 8 Sep 2017 p. 4698			r. 1 and 2: 8 Sep 2017 (see r. 2(a)); Regulations other than r. 1 and 2: 9 Sep 2017 (see r. 2(b))

Short title	Number and year	Assent	Commencement
<b>Reprint 4: The <i>Financial Management Act 2006</i> as at 6 Oct 2017</b> (includes amendments listed above except those in the <i>Biodiversity Conservation Act 2016</i> s. 315)			
<i>Infrastructure Western Australia Act 2019</i> s. 75	13 of 2019	24 Jun 2019	24 Jul 2019 (see s. 2(c))
<i>Procurement Act 2020</i> Pt. 10 Div. 3	24 of 2020	19 Jun 2020	1 Jun 2021 (see s. 2(b) and SL 2020/244 cl. 2(c))
<i>Financial Legislation Amendment Act 2021</i> Pt. 2	12 of 2021	24 Aug 2021	21 Sep 2021 (see s. 2(b))
<i>Arts and Culture Trust Act 2021</i> s. 75	15 of 2021	9 Sep 2021	1 Jul 2022 (see s. 2(b) and SL 2022/77 cl. 2)
<i>Soil and Land Conservation Amendment Act 2022</i> s. 21	19 of 2022	24 Jun 2022	25 Jun 2022 (see s. 2(b))
<i>Financial Management (Statutory Authorities) Regulations 2022</i> (SL 2022/169)			r. 1 and 2: 21 Oct 2022 (see r. 2(b)); Regulations other than r. 1 and 2: 22 Oct 2022 (see r. 2(b))

### Uncommenced provisions table

To view the text of the uncommenced provisions see *Acts as passed* on the WA Legislation website.

Short title	Number and year	Assent	Commencement
<i>TAB (Disposal) Act 2019</i> s. 149	21 of 2019	18 Sep 2019	To be proclaimed (see s. 2(1)(b)(xiii))
<i>Animal Resources Authority Amendment and Repeal Act 2022</i> s. 16	12 of 2022	14 Apr 2022	To be proclaimed (see s. 2(1)(c))

### Other notes

- <sup>1</sup> Repealed by the *Financial Legislation Amendment and Repeal Act 2006* s. 3.
- <sup>2</sup> The amendment in the *State Superannuation Amendment Act 2007* s. 79 is not included because it was repealed by the *State Superannuation Amendment Act 2011* s. 4 before the amendment purported to come into operation.

## Defined terms

*[This is a list of terms defined and the provisions where they are defined.  
The list is not part of the law.]*

<b>Defined term</b>	<b>Provision(s)</b>
abolition .....	66
accountable authority .....	3
accounts .....	3
affiliated body .....	60(1)
agency .....	3
agency special purpose account .....	3
annual estimates .....	3
Appropriation Act .....	3
Australian Accounting Standards Board .....	62(3)
authorised person .....	51(1)
bank .....	3
commencement day .....	27A(1)
Consolidated Account .....	3
current year .....	24(1)
delegate .....	77(3)
department .....	3
determination .....	23(1)
draft annual estimates .....	3, 40(1)
draft resource agreement .....	3, 42(1)
election year .....	24(1A)
estimates .....	3
expense limit .....	3, 42(2)
final report .....	66
former section 27 .....	27A(1)
general purpose .....	25(1)
investment .....	38(1)
Joint Standing Committee on Audit .....	3
loss .....	47
Minister .....	3
officer .....	3
official loss .....	51(1)
official money .....	47
official property .....	47
operating account .....	26(1)
operational control .....	60(1)
other money .....	3, 15(2)
other property .....	3
prescribed conditions .....	56(1)
prescribed period .....	64(2), 65(3)
prescribed receipts .....	23(1)

previous year .....	24(1)
public authority .....	28(2)
Public Bank Account .....	3
Public Bank Account Interest Earned Account .....	3
Public Ledger .....	3
public money .....	3
public property .....	3
regulated payment .....	32(2)
regulated transfer .....	32(2)
related body .....	60(1)
relevant accountable authority .....	36(1)
relevant amounts .....	48(1)
relevant authority .....	47
relevant commitment .....	26(1)
relevant payment .....	27A(1)
relevant person .....	36(1)
relevant service .....	21(3)
reporting officer .....	66
resource agreement .....	3
responsible person .....	51(1)
special purpose account .....	3
specified .....	60(3)
statutory authority .....	3
statutory authority money .....	3
sub-department .....	3
submission date .....	3
subsidiary body .....	60(1)
Treasurer .....	3
Treasurer's instructions .....	3
Treasury .....	3
Treasury Corporation official .....	73
Under Treasurer .....	3





Western Australia

Financial Management Act 2006

## **Financial Management Regulations 2007**



## Financial Management Regulations 2007

### Contents

1.	Citation	1
2.	Commencement	1
3A.	Administration of certain offices taken to constitute department (s. 5(1))	1
3.	Amounts that may be credited to the Consolidated Account (s. 8(3)(b))	2
4.	Certain money received by agencies excluded from “prescribed receipts” (s. 23(1))	2
5.	Investment by Treasurer of money in Public Bank Account (s. 37)	3
6.	Inspection by Under Treasurer of accounting records etc.	5
7.	General monetary limits for write-offs (s. 48)	5
8A.	Monetary limits for write-offs involving debts under <i>Motor Vehicle (Third Party Insurance) Act 1943</i> (s. 48)	5
8.	Maximum amount for act of grace payments by Treasurer without Governor’s approval (s. 80)	5
	<b>Notes</b>	
	Compilation table	6
	<b>Defined terms</b>	



## Financial Management Regulations 2007

### 1. Citation

These regulations are the *Financial Management Regulations 2007*.

### 2. Commencement

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

[2A. Deleted: Gazette 10 Dec 2010 p. 6276.]

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

- (1) The administration of the office of Governor under the *Constitution Act 1889* (that administration being the Governor's Establishment referred to in the *Governor's Establishment Act 1992*) is taken to constitute a department for the purposes of the Act.
- (2) The administration of the office of Commissioner for Children and Young People under the *Commissioner for Children and Young People Act 2006* is taken to constitute a department for the purposes of the Act.

[Regulation 3A inserted: Gazette 10 Dec 2010 p. 6276.]

**3. Amounts that may be credited to the Consolidated Account (s. 8(3)(b))**

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

- (a) grants or advances of a capital nature provided by the government of the Commonwealth; and
- (b) contributions of a capital nature made by any person or from any fund or account; and
- (c) loan repayments.

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

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

- (a) tax equivalent sums paid under the *State Enterprises (Commonwealth Tax Equivalents) Act 1996* section 5;
- (b) fees paid under the *Western Australian Treasury Corporation Act 1986* section 13(3);
- (c) payments in the nature of dividends, returns of surplus or payments in lieu of local government rates made to the State by —
  - (i) a department established under the *Public Sector Management Act 1994* section 35; or
  - (ii) a body, whether corporate or unincorporate, or the holder of an office, post or position, being a body, office, post or position that is established or continued for a public purpose by or under a written law;
- (d) payments under arrangements made under paragraph (i) of the proviso to the second paragraph of the definition of “department” in section 6(1) of the *Superannuation and Family Benefits Act 1938* (as continued in force by

the *State Superannuation (Transitional and Consequential Provisions) Act 2000* section 26);

- (e) debt charges recovered on loans by the State to agencies, authorities or instrumentalities of the State;
- (f) repayments made on loans of the type described in paragraph (e).

**5. Investment by Treasurer of money in Public Bank Account (s. 37)**

- (1) In this regulation —

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

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

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

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

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

- (2) For the purposes of section 37(1) of the Act, money standing to the credit of the Public Bank Account may be invested, in Australian dollars, in an investment to which this regulation applies that is made in accordance with the criteria specified in investment and credit policies approved by the Treasurer.
- (3) Subject to subregulation (4), this regulation applies to an investment —
- (a) on deposit with an ADI; or
  - (b) in negotiable or transferable certificates of deposit issued by an ADI; or
  - (c) in bills of exchange that are drawn, accepted or endorsed by an ADI.

- (4) This regulation applies to an investment in relation to an ADI only if the ADI has assigned to it a long-term unsecured debt credit rating that is not lower than —
- (a) a “BBB-” rating by Standard & Poor’s or Fitch Ratings; or
  - (b) a “Baa3” rating by Moody’s Investors Service.
- (5) Subject to subregulation (6), this regulation applies to an investment in debt securities —
- (a) in respect of which the repayment of the amount secured, and payment of interest on that amount, are guaranteed by the government of the Commonwealth or of a State or Territory; or
  - (b) issued in Australia by —
    - (i) a corporation listed on a recognised stock exchange, or by a wholly owned subsidiary of such a corporation whose financial obligations are guaranteed by the corporation; or
    - (ii) a supranational institution whose members are countries (whether or not including Australia); or
    - (iii) an institution, operated by the government of a country other than Australia, whose financial obligations are guaranteed by that government.
- (6) This regulation does not apply to an investment in debt securities issued by a corporation, subsidiary or institution referred to in subregulation (5)(b) unless the corporation, subsidiary or institution has assigned to it a long-term unsecured debt credit rating that is not lower than —
- (a) an “A” rating by Standard & Poor’s or Fitch Ratings; or
  - (b) an “A2” rating by Moody’s Investors Service.
- (7) This regulation applies to an investment whether or not it is to be held until maturity.



**6. Inspection by Under Treasurer of accounting records etc.**

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

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

- (1) For the purposes of section 48(2) of the Act, the monetary limit is \$100 000 unless regulation 8A applies.
- (2) For the purposes of section 48(3) of the Act, the monetary limit is \$250 000 unless regulation 8A applies.

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

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

- (1) This regulation applies if relevant amounts to be written off under section 48 of the Act are debts due to the Insurance Commission of Western Australia under the *Motor Vehicle (Third Party Insurance) Act 1943*.
- (2) For the purposes of section 48(2) of the Act, the monetary limit is \$1.5 million.
- (3) For the purposes of section 48(3) of the Act, the monetary limit is \$3 million.

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

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

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

**Notes**

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

**Compilation table**

<b>Citation</b>	<b>Gazettal</b>	<b>Commencement</b>
<i>Financial Management Regulations 2007</i>	19 Jan 2007 p. 155-61	1 Feb 2007 (see r. 2 and <i>Gazette</i> 19 Jan 2007 p. 137)
<i>Financial Management Amendment Regulations (No. 2) 2007</i>	21 Dec 2007 p. 6381-2	r. 1 and 2: 21 Dec 2007 (see r. 2(a)); Regulations other than r. 1 and 2: 22 Dec 2007 (see r. 2(b))
<i>Financial Management Amendment Regulations 2010</i>	2 Jul 2010 p. 3197-8	r. 1 and 2: 2 Jul 2010 (see r. 2(a)); Regulations other than r. 1 and 2: 3 Jul 2010 (see r. 2(b))
<i>Financial Management Amendment Regulations (No. 2) 2010</i>	10 Dec 2010 p. 6276	r. 1 and 2: 10 Dec 2010 (see r. 2(a)); Regulations other than r. 1 and 2: 11 Dec 2010 (see r. 2(b))

## Defined terms

*[This is a list of terms defined and the provisions where they are defined.*

*The list is not part of the law.]*

<b>Defined term</b>	<b>Provision(s)</b>
ADI .....	5(1)
authorised deposit taking institution .....	5(1)
debt securities .....	5(1)
Fitch Ratings .....	5(1)
Moody's Investors Service .....	5(1)
Standard & Poor's.....	5(1)

# TREASURER'S INSTRUCTIONS

## TABLE OF CONTENTS

### FOREWORD

### DEFINED TERMS

#### **PART 1        PRELIMINARY**

101	Commencement ( <i>Deleted</i> )
102	Interpretation
103	Treasurer's Instructions
104	Exemptions
104C	Annual Reporting 2021-22 Exemption
105	Duties of Officers ( <i>Deleted</i> )
107	Authorisations
108	Operative Dates

#### **PART II        RECEIPT OF MONEY**

	Introduction
202	Collection Agents
204	Cashing of Cheques, Change ( <i>Deleted</i> )
206	Banking of Money
213	Receipt of Money by Credit/Debit Card ( <i>Deleted</i> )
214	Personal Cash and Cheques ( <i>Deleted</i> )

#### **PART III       PAYMENT OF MONEY**

	Introduction
302	Supplementation of Appropriations
304	Authorisation of Payments
307	Treasurer's Advances ( <i>Deleted</i> )
308	Payment Records
309	Duplicate Claims ( <i>Deleted</i> )
310	Payments and Returned Payments
319	Act of Grace Payments
320	Refunds of Revenue
321	Credit Cards – Authorised Use
322	Debit Cards
323	Timely Payment of Accounts

#### **PART IV        PUBLIC AND OTHER PROPERTY**

406	Custody of Public Property and Other Property
410	Records of Public Property and Other Property
411	Motor Vehicles

**PART V SALARIES AND WAGES**

- Introduction
- 501 Employment Records (*Deleted*)
- 502 Records of Attendance and Time Worked (*Deleted*)
- 505 Conversion of Rates (*Deleted*)
- 506 Pay Records (*Deleted*)
- 507 Pay Period and Pay in Advance (*Deleted*)
- 515 Deductions (*Deleted*)
- 520 Transfer of Employees
- 521 Portability of Employer's Unfunded Liability for Superannuation under Schemes Administered by the Government Employees Superannuation Board

**PART VII FINANCIAL MANAGEMENT MANUALS**

- 701 Financial Management Manuals

**PART VIII MISCELLANEOUS**

- 801 Accounting for Public Money, Statutory Authority Money and Other Money (Money Held in Trust) (*Deleted*)
- 802 Special Purpose Statements and Trust Statements
- 803 Shortages and Surpluses of Money (*Deleted*)
- 804 Retention of Accounting Records
- 805 Operating Accounts for Departments and Sub-Departments
- 806 Accounting for Specific Purpose and Other Money (Money Held in Trust)
- 807 Write-offs
- 808 Resource Agreements
- 809 Loan Indebtedness (*Deleted*)
- 810 Tariffs, Fees and Charges
- 811 Register of Security Documents
- 812 Insurance
- 813 Variances in Capital Expenditure
- 816 Preparation, Publication and Presentation of Annual Estimates for Certain Special Purpose Accounts of Departments (*Deleted*)
- 819 Treasury and Other Accounting Forms
- 820 Register of Contracts (*Deleted*)
- 821 Register of Guarantees and Indemnities
- 822 Borrowings
- 823 Requirements of Accounting Systems
- 824 Chief Finance Officers
- 825 Risk Management
- 826 Managing Foreign Exchange Risk

**PART IX GENERAL ACCOUNTING AND REPORTING REQUIREMENTS**

- Introduction to Parts IX and XI
- 902 Statement of Compliance
- 903 Agency Annual Reports
- 904 Key Performance Indicators
- 905 Certification of Key Performance Indicators
- 916 Leases
- 924 Related Party Disclosures
- 945 Explanatory Statement
- 947 Certification of Financial Statements
- 948 Rounding of Figures (*Deleted*)
- 949 Comparative Figures (*Deleted*)

950	Publication of Special Purpose Statements and Trust Statements ( <i>Deleted</i> )
951	Related and Affiliated Bodies
952	General Information in Financial Statements
953	Annual Estimates
954	Revaluation of Non-Current Physical Assets
955	Contributions by Owners Made to Wholly Owned Public Sector Entities

**PART XI FINANCIAL STATEMENTS**

	Introduction
1101	Application of Australian Accounting Standards and Other Pronouncements
1102	Statements of Comprehensive Income
1103	Statements of Financial Position
1105	Consolidated Financial Statements
1106	Application of Financial Reporting Changes (Transition)
1107	Application of Tiered Reporting - Simplified Disclosures

**PART XII INTERNAL AUDIT**

1201	Internal Audit
1202	Conduct of Audits and Consultancy
1203	Management of the Internal Audit Function ( <i>Deleted</i> )

# TREASURER'S INSTRUCTIONS

## FOREWORD

### INTRODUCTION

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

Under transitional provisions in the *Financial Management (Transitional Provisions) Act 2006*, all Treasurer's instructions issued and exemptions granted prior to the commencement of the Act (being 1 February 2007) continue to have effect on and after that day, as if they were issued under [section 78](#) of the Act.

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

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

### PRESENTATION

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

(i) Background

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

(ii) Guidelines

The Guidelines that follow the Treasurer's instruction are an indication of the means by which the requirements can be satisfied. They provide suggested procedures, techniques and/or considerations to assist agencies in implementing

procedures and practices that will achieve compliance with the requirements of the Treasurer's instruction. Where the Guidelines provide suggested procedures, agencies are free to adopt them or to employ alternatives more in keeping with the nature of the organisation, but which will still provide the same level of control and accountability.

## IMPLEMENTATION

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

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

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

There are five essential components of effective internal control:

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

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



Control Activities – Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to the achievement of the entity's objectives. Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Information and Communication – Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information that make it possible to run and control the organisation. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across and up the organisation. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators, Ministers, Parliament and the public.

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

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

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

## Defined Terms

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

<b>Defined Term</b>	<b>Section/Treasurer's instruction</b>
Accountable authority.....	3
Act of grace.....	80
Agency.....	3
Agency special purpose account.....	16
Annual report.....	61
Appointment.....	TI 102
Certifying officer.....	TI 304
Chief finance officer.....	57
Consolidated Account.....	3
Minister.....	3
Net appropriation determination.....	23(1)
Officer.....	3
Other money.....	3, 15(2)
Other property.....	3
Public Bank Account.....	3
Public Ledger.....	7
Public money.....	3
Public property.....	3
Special purpose statement.....	17
Statutory authority money.....	3
Sub-department.....	56(2)
The Act.....	TI 102
Treasurer.....	3
Treasurer's special purpose account.....	10
Treasurer's instruction.....	78
Trust statement.....	17
Under Treasurer.....	3

## Defined Terms

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### Budget statements

- Chapter 1: Consolidated Account Expenditure Estimates
- Chapter 2: Net Appropriation Determinations
- Chapter 3: Agency Information in Support of the Estimates as contained in the Budget Statements

Treasury ..... Department of Treasury

## **PART 1 - PRELIMINARY**

### **102 INTERPRETATION**

#### **TREASURER'S INSTRUCTION**

(1) Words and expressions used in the Treasurer's instructions shall have the same respective meanings as in the Act.

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

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

'the Act' means the *Financial Management Act 2006*;

'notes' means the notes to the financial statements which accompany the financial statements and are prepared in accordance with standards issued by the Australian Accounting Standards Board;

'regulations' means the *Financial Management Regulations 2007*.

## **103            TREASURER'S INSTRUCTIONS**

### **BACKGROUND**

The Treasurer's instructions are issued in accordance with [section 78](#) of the Act. All accountable authorities and officers must comply with the Treasurer's instructions, as stated under section 78(3) of the Act, and any written direction issued by the Treasurer applicable to the agency.

### **TREASURER'S INSTRUCTION**

- (1)    The accountable authority of an agency shall ensure that every officer has ready access to the Act, the Regulations, the Treasurer's instructions, any written direction or determination issued by the Treasurer and any approved exemptions to the Treasurer's instructions applicable to the agency.**
  
- (2)    In every material case where the Act, the Regulations, the Treasurer's instructions, written directions issued by the Treasurer, or the agency's financial management manual do not specify requirements in terms of a financial management matter, the matter shall be referred to the chief finance officer, who is to provide guidance to the agency.**
  
- (3)    The Treasurer may delegate to an officer of the Treasury any power or duty of the Treasurer under the Treasurer's instructions.**

## **104 EXEMPTIONS**

### **TREASURER'S INSTRUCTION**

- (1) The Treasurer may in writing exempt an agency, or a class of agencies, from the provisions of the Treasurer's instructions, whether unconditionally or on specified conditions and either wholly or to such an extent as is specified or otherwise determined.**
- (2) Where the accountable authority of an agency seeks an exemption from one or more of the Treasurer's instructions, the application for exemption shall state the reasons why the exemption is necessary and specify proposed alternative actions or procedures, if applicable. The application, together with supporting documentation, is to be submitted to the Under Treasurer.**
- (3) An Agency must continue to comply with the Treasurer's instructions, until an exemption is approved by the Treasurer under this instruction.**
- (4) The accountable authority shall ensure a register of exemptions granted by the Treasurer is established and maintained, and is available for inspection by the Auditor General.**

# 104C ANNUAL REPORTING 2021-22 EXEMPTION

## BACKGROUND

Accountable authorities are encouraged to adopt a simplified disclosure regime as set out in this instruction. These requirements are intended to reduce the reporting compliance burden on agencies, whilst ensuring the value to stakeholders in obtaining a good understanding of the agency's performance is not diminished.

[Sections 61 and 62](#) of the Act specify the minimum content requirements for agency annual reports. This includes financial statements, key performance indicators and a report on the operations of the agency.

This instruction is not applicable to reporting periods ending after 31 July 2022.

## TREASURER'S INSTRUCTION

- (1) This instruction applies to accountable authorities of agencies for the reporting periods ending between 30 June and 31 July 2022.
- (2) Notwithstanding the requirements of [Treasurer's instruction 903 Agency Annual Reports](#), an accountable authority may exclude the following components from the Annual Report:
  - (i) Overview;
  - (ii) Significant Issues Impacting the Agency;
  - (iii) Other Financial Disclosures; and
  - (iv) Governance Disclosures.
- (3) This instruction prevails to the extent of any inconsistency with other Treasurer's instructions.

## GUIDELINES

### Annual Reporting Requirements

Accountable authorities should focus their effort on those key elements required to be reported under sections 61 and 62 of the Act and any other written law, and may exclude or avoid expansive commentary in areas which are considered more 'discretionary'.

### Public Sector Commission – Annual Report Guidelines

Annual reports should also include any additional requirements specified under the Public Sector Commission 2021-22 Annual Report Guidelines.

In this regard, disclosures of Government Policy Requirements may be limited to those required in the 2021-22 Annual Report Guidelines.

## 107 AUTHORISATIONS

### BACKGROUND

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

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

### TREASURER'S INSTRUCTION

- (1) Where the Treasurer's instructions require the accountable authority to 'appoint', 'designate', 'approve' or 'authorise', the accountable authority may not authorise another officer to make the required appointment, designation, approval or authorisation.
- (2) Notwithstanding paragraph (1), where the Treasurer's instructions require the accountable authority to cause anything to be done (including cause to be 'appointed', 'designated', 'approved' or 'authorised') then the accountable authority may authorise an officer to perform the required action.
- (3) Where the Treasurer's instructions require the accountable authority to do any act or thing other than those acts or things referred to in paragraph (1), the accountable authority may authorise an officer to do that act or thing.
- (4) Any authorisation made pursuant to paragraphs (2) and (3) shall be in writing.
- (5) This Treasurer's instruction is subject to any express statement in another Treasurer's instruction that a specific act or thing referred to in that Treasurer's instruction may or may not be authorised by the accountable authority to be done by another officer.



## GUIDELINES

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

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

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

## **108 OPERATIVE DATES**

### **BACKGROUND**

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

The operative date of a Treasurer's instruction is the date on which the Treasurer approved the instruction, which is generally the date recorded in the footer of each Treasurer's instruction.

### **TREASURER'S INSTRUCTION**

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

## PART II - RECEIPT OF MONEY

### INTRODUCTION

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

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

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

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

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

## **202            COLLECTION AGENTS**

### **BACKGROUND**

The use of collection agents (in addition to online payment options) can provide greater convenience to the general public and can be of particular benefits to the agency and the general public where the collection agent has a large branch network.

Accordingly, subject to any particular requirements contained in a statutory authority's enabling legislation, this instruction provides for the appointment of a person as a collection agent for the collection of money on behalf of the agency.

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

The purposes of this instruction are to:

- (i) provide for the appointment of collection agents for the collection of money on behalf of agencies;
- (ii) provide the authority for agencies to enter into arrangements that permit collection agents to deduct relevant fees and costs from money collected prior to banking or remitting that money to the agency; and
- (iii) detail the legal obligations in respect of money collected and payable to the Consolidated Account.

### **TREASURER'S INSTRUCTION**

- (1) Subject to another written law, the accountable authority of an agency may appoint a person as a collection agent.**
- (2) Subject to another written law and paragraph (3), the accountable authority may enter into a written arrangement for a collection agent to deduct relevant fees and costs from money collected prior to banking or remitting that money to the agency.**
- (3) Where money collected on behalf of an agency is to be credited to the Consolidated Account:**
  - (i) the agency must first obtain the Under Treasurer's written approval before entering into an arrangement contemplated in paragraph (2); and**

- (ii) **the agency must deposit the full amount collected (including the amount that would be deducted for the collection agent's fees and costs) into the Government of Western Australia Bank Account – Main Account with the shortfall to be paid from an appropriate expenditure item or account.**

## **GUIDELINES**

Prior to the appointment of a collection agent, consideration should be given to the following:

- (i) whether a State government organisation is available to provide collection services;
- (ii) the costs associated with such an arrangement, not only for commissions and fees that would be paid but also for the necessary control procedures that must be established;
- (iii) the perceived advantages associated with the appointment of a collection agent and whether these outweigh the costs mentioned above; and
- (iv) all reasonable measures will be taken to minimise the State's financial exposure.

### **Netting off fees and costs**

Departments may net off the collection agent's fees and costs from prescribed receipts that are to be retained under a [section 23\(2\)](#) determination.

Where money is to be credited to the Consolidated Account, section 64 of the *Constitution Act 1889* requires the full amount of revenues to be paid into that Account. Therefore, even though agencies have arrangements for netting off the collection agent's fees and costs, agencies must deposit the full amount collected into the Consolidated Account. The requirement for the agency to obtain the Under Treasurer's written approval under paragraph (3)(i) of this instruction is to ensure appropriate funding will be available to cover these fees and costs.

Whether or not a statutory authority can enter into an arrangement for netting off the collection agent's fees and costs will be dependent on the specific legislation governing the operation of that statutory authority. A statutory authority contemplating such an arrangement should seek legal counsel if uncertain as to its legal authority to do so.

## 206 BANKING OF MONEY

### BACKGROUND

An agency must bank all money it receives into a bank account that forms part of the public bank account, or is established under [section 13](#) of the FMA, or is specified by other legislation.

Banking should be performed daily whenever practicable to aid collection security and to maximise earnings on investment.

Daily banking does not necessarily mean that money must be banked the day it is received. In remote areas, for example, it may not be practicable or cost beneficial to bank each day. Money that has been received after the daily banking has been conducted may be carried over to the next day's banking. Nor does daily banking preclude more than one banking on a given day. Agencies may consider it appropriate to bank more frequently, particularly if they have received an unusually high collection of cash that would otherwise remain on the premises overnight.

Accountable authorities may exercise discretion and vary the frequency of banking where it is not practicable to bank daily, provided that money:

- (i) does not remain unbanked for a period exceeding ten working days [paragraph (5)]; or
- (ii) does not remain unbanked for a period exceeding twenty working days and the amount does not exceed \$1,000 where the distance and travelling costs make it uneconomical, or where the service delivery is adversely affected [paragraph (6)]; and
- (iii) is adequately secured [paragraphs (5) and (6)].

### TREASURER'S INSTRUCTION

- (1) The chief finance officer shall ensure that any public money, statutory authority money or other money, other than cash advances, received by an officer is deposited to the Public Bank Account, or a bank account maintained in accordance with [section 13](#) of the Act that does not form part of the Public Bank Account, or a bank account established in accordance with any other written law on a daily basis or other basis in accordance with paragraph (5) or (6).**
- (2) Where public money, statutory authority money or other money is received by a person who is not an officer as defined in [section 3](#) of the Act, that money shall be banked in the same manner as required in paragraph (1) unless there is an agreement with the relevant accountable authority that such money may be banked in a bank account other than one specified in paragraph (1), pending being banked in a bank account that is specified in paragraph (1).**
- (3) Where money received is deposited to the Government of Western Australia Bank Account – Main Account:**

- (i) the chief finance officer shall ensure that the agency provides Treasury daily, or at such times as banking is undertaken in accordance with paragraph (5) or (6) of this instruction, with a remittance advice. Where appropriate, the relevant bank receipts shall be attached; and
  - (ii) adequate procedures and records are established to ensure that all money received is brought to account in the manner provided in the Treasurer's instructions, including reconciliations of money received, amounts deducted and amounts recorded on the remittance advice.
- (4) Subject to paragraphs (5) and (6) of this instruction, all money received shall be banked on a daily basis.
- (5) The accountable authority may approve banking on a basis less frequently than daily only under circumstances where daily banking is not practicable and adequate security of the money exists, provided that such money shall not remain unbanked for a period exceeding ten working days.
- (6) Notwithstanding paragraph (5) of this instruction, the accountable authority may approve the period which money remains unbanked be extended to a period not exceeding twenty working days, provided that the amount does not exceed \$1,000 and adequate security of the money exists, and where either or both of the following special circumstances exist:
  - (i) The distance to banking facilities from the office is such that the travelling cost involved would make the banking of lesser amounts uneconomical; and
  - (ii) The banking involves an interruption or a temporary suspension of services to the public than would otherwise be the case.
- (7) The chief finance officer shall ensure separate records are maintained for each bank account under his or her control.

## **GUIDELINES**

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

- (1) When deciding whether it is appropriate to reduce the frequency of banking from daily, the following factors should be considered:
  - (i) the availability of staff to conduct the banking and whether services to the public or general workflow will be affected;
  - (ii) the amount of money, particularly cash, that will be retained on the premises and the security arrangements in respect of that money;
  - (iii) where the distance to banking facilities makes banking of small amounts uneconomical;
  - (iv) insurance cover for money on the premises and in transit; and
  - (v) possible effects of delays in banking.

- (2) Banking at the same time each day should be avoided, where possible, to minimise any risk to the safety of officers and money through unlawful interception of banking.
- (3) The chief finance officer should implement the relevant procedures for daily collections and subsequent banking, which may include the following:
  - (i) all cheques should be stamped 'not negotiable' when received;
  - (ii) where banking facilities are of an intermittent nature and post office facilities are available, accumulated cash collections may be converted to a money order whenever their value becomes substantial;
  - (iii) the reconciliation between cash and/or cheques held and receipts issued should be conducted each day; and
  - (iv) the progressive recording of cheque details for control and reference purposes should be done daily on an abstract or bank deposit slip.
- (4) In exercising discretion on the frequency of banking for the purposes of paragraphs (5) and (6) of this instruction, the accountable authorities should consider the risks, costs and benefits. For example, agencies in remote locations and with a limited number of staff should weigh the benefit of earning interest from prompt banking of collections against the cost of conducting the banking, taking into account the risk of loss. The impact on service delivery should also be assessed.
- (5) The remittance advice required by paragraph (3) of this instruction should include:
  - (i) the date of the deposit;
  - (ii) a description of the deposit;
  - (iii) the payor(s);
  - (iv) the amount of the deposit; and
  - (v) the contact details of an officer who has sufficient knowledge of the deposit to be able to respond to follow-ups.



## PART III – PAYMENT OF MONEY

### INTRODUCTION

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

The legislative requirements in respect of payment can be grouped in three broad categories:

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

In the public sector, the authority to make payment is provided within enabling legislation, or in the *Constitution Act 1889* and the Act where expenditure is charged against the Consolidated Account or a special purpose account.

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

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

Instructions relating to procedural issues in making payment and subsequent recording of transactions have been deleted from Part III and a requirement has been inserted into [Treasurer's instruction 701 \*Financial Management Manuals\*](#) that such matters shall be dealt with in the financial management manual of the agency. Major considerations in this area are:

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

Payments are to be made promptly to help small businesses to create new jobs and opportunities for Western Australians.

## **302 SUPPLEMENTATION OF APPROPRIATIONS**

### **BACKGROUND**

The Act provides three methods by which an agency may be able to obtain supplementary funding during a financial year.

First, if the agency requires supplementary funding for a service or purpose that is not included in the estimates for the financial year, the Governor may (on the recommendation of the Treasurer) authorise the expenditure under [section 27\(1\)](#) of the Act. In this instruction, this form of supplementary funding is referred to as **new funding**.

Second, if the agency requires supplementary funding for a service or purpose because the amount provided in the estimates for the financial year in respect of the service or purpose is insufficient, the Treasurer may authorise the expenditure under [section 27\(2\)](#) of the Act. In this instruction, this form of supplementary funding is referred to as **additional funding**.

Third, supplementary funding may take the form of an advance authorised by the Treasurer under [section 28\(1\)](#) of the Act. In this instruction, this form of supplementary funding is referred to as an **advance**. Under [section 28\(6\)](#) of the Act, an advance must be: (a) recovered before the end of the financial year in which it is authorised; or (b) subject to a further authorisation under section 28(1).

Supplementary funding is not guaranteed. Consequently, agencies should avoid entering into contractual arrangements in relation to the supply of goods, services or capital expenditure until supplementary funding has been approved.

### **TREASURER'S INSTRUCTION**

- (1) If an agency requires new funding during a financial year, the accountable authority of the agency shall seek the Governor's authorisation for the expenditure under [section 27\(1\)](#) of the Act by using [Treasury Form 12 \(new item\)](#).
- (2) If an agency requires additional funding during a financial year, the accountable authority of the agency shall seek the Treasurer's authorisation for the expenditure under [section 27\(2\)](#) of the Act using [Treasury Form 11 \(existing item\)](#).
- (3) If an agency requires an advance under [section 28](#) of the Act, the accountable authority of the agency shall seek the Treasurer's authorisation for the advance using [Treasury Form 8](#).
- (4) If an agency cannot repay an advance before the end of the financial year in which the advance was authorised, the accountable authority of the agency shall seek the Treasurer's further authorisation for the advance for the next financial year using [Treasury Form 8](#).

## **GUIDELINES**

### **General guidelines about supplementary funding**

Officers should monitor expenditure against appropriation items and the agency's expense limit before entering into financial obligations to ensure that appropriated amounts are not exceeded.

Supplementary funding has the potential to impact on the government's financial targets (including net debt). Therefore, prior to the submission of any application for supplementary funding, every effort is to be made within the agency to absorb the additional expenditure within existing resources (i.e. through reprioritising current spending or through improving cost recovery on existing user charges to generate additional revenue).

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

### **Guidelines about advances**

Section 28(1) of the Act allows the Treasurer to authorise an advance to be made on the terms and conditions determined by the Treasurer. The advance is charged to the Treasurer's Advance Account in the financial year in which it is made (**the financial year**). Under section 28(6) of the Act, the advance must be repaid before 30 June of the financial year or, if it is necessary to extend the advance beyond the financial year, further authorisation under section 28 must be obtained from the Treasurer prior to the start of the next financial year. A Treasury Form 8 must be completed each time authority for an advance is required from the Treasurer, including when the advance is to be rolled-over to the next financial year.

## 304 AUTHORISATION OF PAYMENTS

### BACKGROUND

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

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

This instruction is not intended to cover the use of the Western Australian Government Purchasing Cards (credit cards) as their use is governed by [Treasurer's instruction \(TI\) 321 Credit Cards – Authorised Use](#) and the agency's approved credit card policy. Note that credit cards should only be used for low value and high volume transactions.

The procurement of goods and services is one of the most significant processes at agencies. All procurement must be completed in accordance with Western Australian Procurement Rules (which are available at <https://www.wa.gov.au/government/multi-step-guides/western-australian-procurement-rules>). These rules are to ensure that the best value for money is achieved, taking into consideration the Government's economic, social and environmental priorities. In addition, payments for those goods and services need to be governed by appropriate levels of controls to ensure operational effectiveness and efficiency.

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

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

- (i) all payments and transfers must be authorised;
- (ii) potential risks to the payment authorisation process (e.g. fraud) must be identified and mitigated through implementing appropriate levels of controls including robust procedures and practices;
- (iii) all information required for the payment authorisation process is to be effectively communicated both within and outside the agency to all parties concerned; and
- (iv) the levels of controls in place are to be regularly monitored for their appropriateness and effectiveness, including being reviewed at least annually by the Internal Audit Committee.

Any additional control mechanism should be developed in regard to the agency's risk management framework which is required by TI 825 *Risk Management*. Together they are to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud.

## TREASURER'S INSTRUCTION

- (1) The accountable authority of an agency shall cause the appointment, in writing, of one or more officers as a certifying officer, and, if required, an incurring officer.
- (2) The accountable authority shall ensure that a register of appointments of certifying and incurring officers is established and maintained.
- (3) Subject to paragraph (4), an officer shall be authorised to perform no more than one of the following functions in relation to a payment or transfer:
  - (i) ordering;
  - (ii) receiving;
  - (iii) incurring;
  - (iv) certifying.
- (4) Where it is not reasonably practicable for an agency to comply with paragraph (3), an alternative arrangement may be agreed between the agency's accountable authority and Internal Audit Committee. However, such alternative arrangements shall not allow the same officer to perform the functions of incurring and certifying in relation to a payment or transfer.
- (5) Before authorising a payment or transfer, a certifying officer must ensure that money is lawfully available for making the payment or transfer and be satisfied that:
  - (i) there is a valid claim;
  - (ii) the creditor's name, address and any other relevant identifying information are correctly recorded;
  - (iii)
    - (a) goods have been satisfactorily supplied or services have been satisfactorily performed, except where payment in advance is required as a condition of purchase; or
    - (b) where the payment is not for goods or services, such as a payment of a grant or travel advance, the payment has been approved in accordance with relevant procedures and practices operating at the agency;
  - (iv) the account to be charged is correct and the payment or transfer is correctly classified;
  - (v) rates of charges and calculations are correct;
  - (vi) a discount for early payment has been considered, if applicable; and
  - (vii) the payment record complies with [Treasurer's instruction 308 Payment Records](#).
- (6) No payment or transfer shall be made from a bank account or charged to a special purpose account unless the payment or transfer has been authorised by a certifying officer, except in the case of an arrangement permitted by [Treasurer's instruction 310 Payments and Returned Payments paragraph \(1\)\(iii\)](#).

## GUIDELINES

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

- (1) In respect to the appointment of certifying and incurring officers in paragraph (1) of this instruction, the term 'in writing' also includes electronic forms of writing.
- (2) The accountable authority in exercising his/her duty under paragraph (1) of this instruction may authorise the chief finance officer (CFO) to appoint certifying and incurring officers. However, the CFO should not be charged with the duty to appoint certifying and incurring officers if he/she is a certifying or incurring officer.
- (3) The accountable authority may appoint a person external to the agency as a certifying or incurring officer, provided that the person is engaged for the purposes of the agency (e.g. under a contract for services).
- (4) The accountable authority may centralise the incurring function by appointing an incurring officer for each division at the agency. Where the accountable authority does not appoint an incurring officer, Incurring could be performed by any manager (or above) within that division. Furthermore, in an electronic environment, Incurring may have been performed by a system operating at the agency (e.g. through the 3-way matching process\*) and thus there is no need for an officer to incur the transaction. Such details should be documented in the agency's financial management manual as required by TI 701 *Financial Management Manuals*.
- (5) [TI 102 Interpretation](#) permits appointments of certifying and incurring officers to be made by either name or position to minimise the need to constantly update the register.
- (6) The register required in paragraph (2) of this instruction should include:
  - (i) an appropriate identifier for each certifying and incurring officer;
  - (ii) details of conditions of the appointment;
  - (iii) cost centres/accounts/functions against which a transaction may be approved;
  - (iv) monetary limits; and
  - (v) variation or cancellation of the appointment.
- (7) To preserve the integrity of the register, certifying and incurring officers should not be responsible for the custody and maintenance of the register. Furthermore, the accountable authority should ensure that access to the register is secured at all times. Regular reviews of the register should be conducted to ascertain its integrity.
- (8) **No single officer should be able to control all aspects of the payment authorisation process**, such that different officers should be responsible for ordering goods or services, receiving goods or services, incurring transactions and authorising payments. Where this is not reasonably practicable at an agency, an alternative arrangement may be endorsed by the agency's Internal Audit Committee (which is required to be chaired independently under TI 1201 *Internal Audit*) and approved by the accountable authority. Note that under any

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\* The 3-way matching process is a process of matching the invoice, purchase order, and receiving report to verify the details of a purchase before making a payment.

alternative arrangement, the same officer shall not be authorised to perform Incurring and Certifying in relation to a payment or transfer. The approved arrangement is to be detailed in the agency's financial management manual.

- (9) An officer should be authorised to perform only one of the four functions. However, it does not require the four functions to be performed for a transaction. A transaction may arise without Ordering, for example under the supply of water or electricity. A transaction may also arise with automated ordering, for example cartridges will be ordered when you pull out the cartridge tray from a printer.
- (10) The four functions are generally understood as follows:
  - (i) **Ordering:** Goods or services are generally ordered by an authorised officer raising a purchase order, after seeking quotations or completion of a tender process (if applicable). Full details or specifications of the goods or services, the agreed price and delivery instructions are to be included in the order. If an order is made with prior approval, Ordering is not performed by the ordering officer but by the approving officer (i.e. the ordering officer assists the approving officer in Ordering). In such an instance, the ordering officer could perform Receiving. Where goods or services (e.g. water and electricity) are received without Ordering, relevant policies and practices are to be adhered to.
  - (ii) **Receiving:** Goods or services ordered are generally received by an authorised officer, with evidence retained of the receipt. For practical reasons, the ordering officer could perform Receiving in relation to the procurement of services (subject to endorsement of the Internal Audit Committee). Nevertheless, segregation of duties between Ordering and Receiving a service could be maintained by requiring the ordering officer to seek prior approval for Ordering.
  - (iii) **Incurring:** An authorised officer (if appointed) will check the purchase order, receiving report and tax invoice for any difference. This review should be documented before the officer incurs the transaction. In some instances, Incurring is fully performed by the 3-way matching process and thus not required to be done by an officer.
  - (iv) **Certifying:** An authorised officer will review evidence of the transaction, check account balances (bank account and special purpose account) and certify the invoice for payment. The officer shall not authorise the payment until all the requirements in paragraph (5) of this instruction have been satisfied.
- (11) In this regard, delegations and authorisations play a vital part in internal control that ensures appropriately skilled, management appointed personnel perform key functions, including approval of financial transactions. If well implemented, delegations and authorisations could save costs, minimise the risk of fraud or error resulting from inappropriate approval of transactions, and maximise efficiency, decision making and timeliness.
- (12) The CFO should ensure that certifying and incurring officers are aware of their responsibilities under this instruction.
- (13) Certifying and incurring officers should undertake checks and make enquiries as necessary to verify and authorise each transaction. They need not have personal knowledge of each transaction but are required to do all that a reasonable person would do in the circumstance.

- (14) The term 'claim' in paragraph (5)(i) of this instruction refers to a creditor's invoice, contract, agreement or any other document evidencing the supply of goods or services. In the case of grants, the 'claim' may be evidenced by a letter or other appropriate document.
- (15) Agencies may be operating along a continuum from a highly integrated electronic system to a paper-based manual system in making payments and transfers. A variation of the following may be adopted depending on an agency's risk management framework:
- (i) In a manual environment, a certifying officer may place reliance on an incurring officer to verify the requirements in paragraph (5) of this instruction. As a result, the CFO may authorise an incurring officer to verify the requirements in subparagraphs (i), (ii), (iii), (v) and (vii).
  - (ii) In an electronic environment, a certifying or incurring officer may place reliance on the system operating at the agency to verify that the requirements in paragraph (5) of this instruction have been met (e.g. through the 3-way matching process). It is possible that, in an electronic environment, an incurring officer may verify a payment or transfer by physically signing a payment record.
- (16) In ensuring that money is lawfully available for making a payment or transfer, a certifying officer should ensure that the payment or transfer will not exceed the balance of a special purpose account and that there is adequate money in the agency's bank account to make the payment or transfer when it becomes due.
- (17) It should be noted that adjustments between accounts which are within an appropriation item or a special purpose account are generally not considered transfers for the purposes of this instruction. Nevertheless, policies and practices should be established to ensure that such adjustments are authorised in a manner appropriate to the circumstance.

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



## **308 PAYMENT RECORDS**

### **BACKGROUND**

In accordance with [Treasurer's instruction 304 Authorisation of Payments](#), a certifying officer will only authorise a payment or transfer of funds if he/she is satisfied that the requirements in paragraph (5) of that instruction have been met. A payment record that contains sufficient data would assist a certifying officer in meeting those requirements.

This instruction requires the accountable authority of an agency to authorise what constitutes a payment record. Appropriate controls shall also be established to ensure that all payment records are processed correctly.

### **TREASURER'S INSTRUCTION**

- (1) The accountable authority of an agency shall authorise what constitutes a payment record.**
- (2) Appropriate controls shall be established to ensure that all payment records are processed correctly.**

### **GUIDELINES**

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

- (1) The accountable authority of an agency may authorise the chief finance officer to determine a payment record as required by paragraph (1) of this instruction.
- (2) Where a payment record does not embody the creditor's claim, the creditor's claim should be attached to that payment record or, alternatively, sufficient reference should be recorded on the payment record to identify the claim and the claim should be endorsed with the details for payment.
- (3) A payment record should provide, wherever possible, sufficient data to establish:
  - (i) the name, address and any other relevant identifying information of the claimant;
  - (ii) particulars of the goods or services supplied;
  - (iii) dates of supply or periods of service;
  - (iv) the order, requisition, contract or arrangement under which the goods or services have been supplied;
  - (v) invoice number;
  - (vi) the amount of the claim;
  - (vii) discounts, if any;
  - (viii) the account to which the posting is to be applied; and
  - (ix) the classification of the expenditure or transfer of money.

- (4) In an electronic environment, a certifying officer may rely on the systems operating at the agency to satisfy the requirements in paragraph (5) of Treasurer's instruction 304 Authorisation of Payments. Therefore, the accountable authority must authorise at which point in the payment process the agency has a payment record and the form it will take for the purpose of authorisation by a certifying officer. However, it is possible for a certifying officer to authorise a payment manually (by physically signing a payment record) even though the payment process is carried out on the systems. In such circumstances, the accountable authority shall authorise the form of a payment record for authorisation by a certifying officer.
- (5) In a manual environment, the accountable authority shall authorise the form of a payment record.
- (6) Appropriate controls established in accordance with paragraph (2) of this instruction should include a procedure for alteration of a payment record. In an electronic environment where the incurring officer is not appointed, such an alteration shall be authorised by a person other than the certifying officer. In addition, the alteration must be appropriately logged into the systems. In a manual environment, the alteration shall be initiated by both the incurring and certifying officers.

## 309            **DUPLICATE CLAIMS** (DELETED)

This instruction has been deleted.

The agency financial management manual should be updated as required by paragraph (5)(ii) of Treasurer's instruction 701 *Financial Management Manuals* to ensure detailed control procedures are specified.

### **BACKGROUND**

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

### **TREASURER'S INSTRUCTION**

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

### **GUIDELINES**

- ~~(1) In a manual environment, the incurring officer should investigate the circumstances surrounding the presentation of duplicate claims and, once satisfied about the integrity of the claim through manual checking and placing reliance on controls built into the financial system or processes to avoid dual payments being made, should endorse duplicate claims as 'not previously paid'.~~
- ~~(2) In an electronic environment, the agency should have procedures in place for dealing with duplicate claims. However, where invoices are received electronically, there should be sufficient controls built into the system or processes implemented to avoid dual payments being made.~~
- ~~(3) Duplicate payments can be prevented by agencies implementing appropriate internal controls such as:
  - ~~(i) establishing a policy for consistently creating invoice numbers for invoices without invoice numbers;~~
  - ~~(ii) establishing a policy of reconciling payments to statements;~~
  - ~~(iii) actively managing the master vendor files;~~
  - ~~(iv) avoiding manual cheques where possible;~~
  - ~~(v) eliminating the overriding of built-in system controls unless appropriately approved;~~
  - ~~(vi) routinely reconciling paid invoices and local purchase orders;~~~~

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

~~(viii) documenting the procedure for getting invoices approved.~~

~~It is essential that agencies identify and eliminate control weaknesses that would allow duplicate payments.~~

## **310 PAYMENTS AND RETURNED PAYMENTS**

### **BACKGROUND**

A payment may be made once the payment has been authorised in accordance with Treasurer's instruction [\(TI\) 304 Authorisation of Payments](#).

This instruction provides that a payment may be made by cheque, electronic funds transfer (EFT) or direct debit. Additional level of controls should be implemented for the use of cheques.

Appropriate controls over returned, uncollected and stale cheques, as well as returned EFTs should also be implemented to ensure that they are not fraudulently converted and that the interests of those rightfully entitled to the payments are protected.

### **TREASURER'S INSTRUCTION**

**(1) Payments may be made by:**

- (i) cheque;**
- (ii) electronic funds transfer (EFT), to an account at a bank or another financial institution nominated by the creditor; or**
- (iii) direct debit of an agency's bank account for payments of a recurring nature or for payments to the Western Australian Treasury Corporation.**

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

- (i) payments by the Western Australian Government Purchasing Cards (credit cards); or**
- (ii) payments for salaries and wages in accordance with any written law, industrial award or industrial agreement.**

**(2) All cheques shall be signed:**

- (i) by two officers, appointed in writing for the purpose, unless otherwise approved by the accountable authority; and**
- (ii) in handwriting except where the accountable authority has approved the use of facsimile signatures.**

**(3) Notwithstanding the provisions of paragraph (2) of this instruction, a certifying officer shall not be approved to be the sole signatory on a cheque in respect of a payment that the certifying officer has authorised.**

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

- (5) **All appointments of signatories for cheques shall be confirmed on an appropriate bank form and either notified to:**
  - (i) **the Under Treasurer – for cheques drawn against the Government of Western Australia Bank Account – Main Account; or**
  - (ii) **the accountable authority – for cheques drawn against all other accounts of the Public Bank Account.**
- (6) **Pursuant to paragraph (2)(ii) of this instruction where the accountable authority has approved the use of facsimile signatures, appropriate controls shall be implemented to provide for the security, transfer and custody of the facsimile stamps or plates, or the electronic medium containing the encoded signature(s).**
- (7) **A record shall be maintained for all returned, uncollected and stale cheques and returned EFTs (unclaimed moneys) held by an agency in a sundry creditors account.**

## **GUIDELINES**

- (1) To ensure that proper control is maintained within an agency when appointing signatories to sign cheques, consideration should be given to:
  - (i) the placing of a monetary limit on the value of each individual cheque that the signatories may draw and sign; and
  - (ii) limiting the purposes and accounts for which signatories may draw and sign cheques.
- (2) To be useful as a control and reference document, the record of appointments of cheque signatories should not be maintained by a cheque signatory.
- (3) The record of returned, uncollected and stale cheques, as well as returned EFTs must be reviewed annually at the end of each calendar year (i.e. 31 December) to identify any amount that has been unclaimed for six years and is therefore required to be credited to the Consolidated Account in accordance with the *Unclaimed Money Act 1990*.

The procedure for lodging unclaimed moneys with Treasury and to credit the Consolidated Account is available at <https://www.wa.gov.au/service/business-support/business-accounting-and-reporting/unclaimed-money>.

- (4) The *Cheques Act 1986* (Cth) defines a stale cheque as one “where, at any time, a cheque appears on its face to have been drawn more than 15 months before that time, the cheque is, at that time, a stale cheque.” It is the drawee institution on whom the cheque is drawn that may refuse payment of a stale cheque.
- (5) Paragraph (1)(iii) of this instruction enables the accountable authority to enter into direct debit agreements for payments:
  - (i) of a recurring nature e.g. credit card payments, merchant fees, bank fees, superannuation contributions, rentals etc; or

(ii) to the Western Australian Treasury Corporation.

Agencies should ensure, as far as practicable, that the authorisation of payments is carried out in accordance with [TI 304](#) prior to the bank account being debited for the above transactions, and that controls are in place for ensuring the accuracy of such amounts.

## **319 ACT OF GRACE PAYMENTS**

### **BACKGROUND**

A payment made under [section 80](#) of the Act is referred to as an act of grace payment.

Even when payment would not otherwise be authorised by law or necessary to meet a legal liability, the Treasurer has the power to authorise payment to a person if satisfied that it is appropriate to do so because of special circumstances.

The Treasurer has also delegated the power to authorise act of grace payments of up to \$250,000 to Ministers of the Crown under [section 74\(1\)](#).

### **TREASURER'S INSTRUCTION**

- (1) When recommending that the Treasurer or a Minister authorise an act of grace payment under section 80 of the Act, an agency must provide adequate justification in writing as to why it is appropriate to make the payment.**
- (2) An agency shall maintain a register of all act of grace payments made by it.**
- (3) An agency shall disclose all act of grace payments made by it during a reporting period in the annual report of the agency.**

### **GUIDELINES**

#### **Approval process for act of grace payments**

The Act does not define what constitutes 'special circumstances' for the purposes of section 80.

An agency must consider the circumstances and assess the reasonableness and validity of each request for act of grace payments before recommending that the Treasurer or a Minister authorise payment under section 80.

An agency should seek advice from the State Solicitor's Office or guidance from Treasury if, in a particular case, it is uncertain:

- (i) whether it is appropriate to make a payment; or
- (ii) about the quantum of a payment,

Where a request for an act of grace payment is not directly attributable to actions of an agency, or the matter is considered to be contentious, complex or uncertain, the agency should refer the matter to Cabinet ahead of seeking authorisation.

When an agency recommends that a Minister other than the Treasurer authorise an act of grace payment, it must ensure that the Minister authorises the payment "under delegated authority from the Treasurer".



## **Costs not considered to be act of grace payments**

Costs relating to the following matters are not act of grace payments:

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

Unlike act of grace payments, which are authorised by section 80 of the Act, ex gratia payments are not authorised with specific legislative authority. They are authorised by Cabinet under non-statutory executive power.

## **Funding for act of grace payments**

Ordinarily, an act of grace payment should be funded from the relevant agency's existing budget. Where supplementary funding is required, the agency must obtain the Treasurer's approval for such funding in accordance with [Treasurer's instruction 302 \*Supplementation of Appropriations\*](#).

As agency appropriations are to 'deliver services', any act of grace payment should be linked to, or be incidental to, the services delivered by the agency. In cases where there is no apparent linkage, the agency should seek guidance from Treasury as to the appropriate funding arrangement.

## **Disclosures of act of grace payments**

Paragraph (3) of this instruction requires an agency to disclose its act of grace payments in the annual report.

Although not required, for transparency, an agency should also consider disclosing ex-gratia payments in the annual report.

## **320 REFUNDS OF REVENUE**

### **BACKGROUND**

Section 64 of the *Constitution Act 1889* (Constitution Act) requires all duties and revenues of the State to be credited to the Consolidated Account.

These revenues include:

- taxes and fines under written law;
- royalties in respect of forest produce, minerals, petroleum, water or other natural resources of the State;
- general purpose grants from the Commonwealth; and
- income tax equivalents, local government rate equivalents, dividends and returns of surplus.

In addition, section 72 of the Constitution Act provides that all payments from the Consolidated Account shall be appropriated.

Accordingly, where revenue is credited to the Consolidated Account and is required to be refunded, the refund needs to be appropriated.

However, a refund of revenue from the Consolidated Account made within the same financial year under extenuating circumstances such as in the case of an overpayment may be netted off against the revenue collected. Not doing so would result in revenue and expenditure being overstated.

### **TREASURER'S INSTRUCTION**

- (1) Where a refund is made from the Consolidated Account within the same financial year as the revenue is collected and credited to the Consolidated Account, the refund may be netted off against the revenue collected.**
- (2) Refunds of past years revenue collections shall be appropriated from the Consolidated Account for that purpose.**

**BACKGROUND**

The use of credit cards can result in significant benefits through reducing paperwork and streamlining purchasing activities for low value, high volume transactions. Recognising these benefits, the Western Australian Government introduced the use of credit cards for purchasing goods and services. The only credit cards to be used are those issued by a provider listed on the Common Use Arrangement (CUA) – Purchasing Card Services and Expense Management System. Information about this CUA is available at the following website –

<https://www.wa.gov.au/government/cuas/common-use-arrangements-cuas>.

This instruction complements the CUA and related Western Australian Government Purchasing Card Guidelines.

**TREASURER'S INSTRUCTION**

- (1) **The accountable authority of an agency may arrange for a Western Australian Government Purchasing Card (a 'credit card') to be issued to a person who is an officer of the agency or is performing functions for the agency. A person to whom a credit card is issued is a 'cardholder' for the agency.**
- (2) **A credit card is not to be used for a personal purpose. A 'personal purpose' is a purpose that is not directly related to performing functions for the agency.**
- (3) **The accountable authority must approve a credit card policy for the agency.**
- (4) **The accountable authority must ensure that each cardholder is aware of his or her obligations under this instruction and the agency's credit card policy.**
- (5) **The accountable authority must ensure that records showing each expenditure item on a credit card are regularly reviewed by someone other than the cardholder (a 'reviewer'), in order to monitor compliance with paragraph (2). If a reviewer is of an opinion that a credit card has been used for a personal purpose, the reviewer must give a written notice of that opinion, and his or her reasons for that opinion, to the cardholder and the cardholder's notifiable authority.**
- (6) **If a cardholder disagrees with a reviewer's opinion in a written notice under paragraph (5), the cardholder must, within five working days after receiving the written notice, give the cardholder's notifiable authority a written notice of his or her reasons for disagreeing with the opinion.**
- (7) **A cardholder must, within five working days after becoming aware that he or she used a credit card for a personal purpose –**
  - (i) **give a written notice of the use of the credit card for a personal purpose to the chief finance officer of the agency and to the notifiable authority; and**
  - (ii) **pay the agency the amount of the expenditure incurred for a personal purpose (the 'personal expenditure').**

- (8) The written notice under paragraph (7)(i) must include –
- (i) details of the circumstances giving rise to the use of the credit card for a personal purpose;
  - (ii) details of that use of the credit card; and
  - (iii) the amount of the personal expenditure.
- (9) Upon receipt of a written notice under paragraph (7)(i), the chief finance officer must record the personal expenditure as a debt in the agency's accounts.
- (10) Upon receipt of a payment under paragraph (7)(ii), the chief finance officer must credit the payment against the debt recorded in the agency's accounts under paragraph (9).
- (11) If a cardholder gives a written notice to the chief finance officer under paragraph (7)(i), but fails to comply with paragraph (7)(ii), the chief finance officer must inform the cardholder's notifiable authority of that failure as soon as is reasonably practicable.
- (12) An agency must disclose any personal expenditure in its annual report as specified in [Treasurer's instruction 903 Agency Annual Reports](#).
- (13) A review must be performed under paragraph (5) immediately upon a cardholder ceasing to hold a credit card.
- (14) In this instruction, the 'notifiable authority' for a cardholder of an agency that is a department or a sub-department means –
- (i) the accountable authority of the agency, except in a case to which subparagraphs (ii), (iii), (iv), (v) or (vi) applies;
  - (ii) if the cardholder is the accountable authority of the agency and has an employing authority under the *Public Sector Management Act 1994*, the cardholder's employing authority;
  - (iii) if the agency is the Legislative Assembly, the Clerk of the Legislative Assembly;
  - (iv) if the agency is the Legislative Council, the Clerk of the Legislative Council;
  - (v) if the cardholder is the accountable authority of the agency and none of subparagraphs (ii), (iii), (iv) and (vi) applies, the Minister responsible for the agency or, if there is no responsible Minister, the Treasurer; and
  - (vi) if the cardholder is the Clerk of the Legislative Assembly or the Legislative Council, the respective presiding officer.

- (15) In this instruction, the ‘notifiable authority’ for a cardholder of an agency that is a statutory authority means –
- (i) except in a case to which subparagraph (ii) applies, the accountable authority of the agency;
  - (ii) the Minister responsible for the agency if –
    - (a) the cardholder is the accountable authority of the agency; or
    - (b) the cardholder is a member, whether or not *ex officio* and whether described as a member, commissioner or otherwise, of the accountable authority of the agency; or
    - (c) the accountable authority of the agency comprises a number of persons, one of whom is the cardholder.

## GUIDELINES

- (1) For the purposes of paragraph (3) of this instruction, a credit card policy should (as a minimum) clearly articulate:
  - (i) processes and controls for the issue, management and cancellation of a credit card including credit card limits, validation and acquittal of expenditure;
  - (ii) the purposes for which a credit card may be used (including what is a reasonable expenditure);
  - (iii) a cardholder’s obligations (including during leave periods); and
  - (iv) processes for discharging any debt for personal expenditure on a credit card.
- (2) A credit card policy should also prohibit using the cash advance feature of a credit card, unless the accountable authority has given express approval in a particular instance.
- (3) Agencies should consider including in their internal policies the requirement that, if a credit card is used for a personal purpose in contravention of this instruction, the misuse must be recorded in the description against the particular transaction in their accounts.
- (4) Agencies should consider incorporating fraud prevention and detection control plans for credit cards in their risk management policies, procedures and practices as required by [Treasurer’s instruction 825 Risk Management and Security](#).
- (5) Any failure by a cardholder to repay a debt for personal expenditure may invoke the disciplinary provisions of the *Public Sector Management Act 1994*.
- (6) Misuse of a credit card may also constitute misconduct under the *Corruption and Crime Commission Act 2003*.
- (7) Agencies should consider conducting a periodic review of all credit cards issued, including resolving long-standing unacquitted transactions.

## **322 DEBIT CARDS**

### **BACKGROUND**

The use of debit cards is prohibited for agencies as the payments for purchases made using a debit card are directly debited against a nominated bank account. This direct debiting of the bank account precludes, for all practical purposes, the proper authorisation/certification of these payments in accordance with [Treasurer's instruction 304 \*Authorisation of Payments\*](#).

With the availability of the Western Australian Government Purchasing Card (credit card) to facilitate the purchasing of goods and services, the need for the use of a debit card is seen as not necessary.

### **TREASURER'S INSTRUCTION**

**An accountable authority shall not arrange with a company or organisation for debit card facilities (whereby goods and services may be purchased on account up to the amount of prepaid funds within that account) to be made available to an officer of the agency.**

## **323           TIMELY PAYMENT OF ACCOUNTS**

### **BACKGROUND**

Government can contribute to the continued viability of businesses by settling payments promptly. This instruction sets out the settlement timeframes that agencies must meet when making payments.

This policy also applies where agencies purchase goods or services from other agencies.

### **TREASURER'S INSTRUCTION**

- (1) For the purposes of this instruction, the following payments are excluded:**
  - (i) international purchases;**
  - (ii) purchases of real properties;**
  - (iii) purchases where payment in advance is required;**
  - (iv) transactions where the funding source is an administered appropriation**
  - (v) non-procurement arrangements, such as grants; and**
  - (vi) direct debit arrangements with a supplier, where the payment terms are at the discretion of the supplier and the supplier's systems.**
- (2) Subject to paragraphs (3) and (4), all payments shall be made within 30 calendar days of the receipt of a correctly rendered invoice, or within 30 calendar days of the provision of goods or services (whichever is the later).**
- (3) All payments under \$1 million for goods or services shall be made within 20 calendar days of the receipt of a correctly rendered invoice, or within 20 calendar days of the provision of goods or services (whichever is the later).**
- (4) All payments under \$1 million for works or construction shall be made within 20 calendar days of the receipt of a correctly rendered invoice.**

### **GUIDELINES**

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

- (1) Payments for invoices at \$1 million or above for goods or services are to be made in accordance with paragraph (2).**
- (2) Payments for invoices at \$1 million or above for works or construction will be governed by the contract's requirements.**
- (3) Agencies are to adhere to the payment terms in this instruction for invoices under \$1 million even where the contract allows for a longer term.**
- (4) Agencies should take reasonable steps to take advantage of supplier discounts to achieve economies.**
- (5) Where payment in advance is required as a condition of purchase, payment of the residual amount (if any) is to be made in accordance with this instruction.**

- (6) For the purposes of paragraphs (2), (3) and (4), the payment term begins on the next calendar day (other than a public holiday) after the receipt of the invoice or the goods or services, whichever is later. If the payment term ends on a day that is not a business day, payment must be paid by the next business day.
- (7) Transactional processing and posting times should be considered to ensure compliance with this instruction.
- (8) A 'correctly rendered invoice' is one that is compliant with the Australian Taxation Office requirements and includes amounts that are correctly calculated and due for payment and payable under the terms of the contract. The respective payment terms will not begin until a correctly rendered invoice is received.
- (9) Agencies are encouraged to use purchasing cards for low value, high volume procurement transactions in accordance with [Treasurer's instruction 321 Credit Cards – Authorised Use](#).
- (10) Agencies should have appropriate processes in place to facilitate payment of accounts in accordance with this instruction. This may include assurance that agency internal control (policies/practices and systems) are adequate and robust in accordance with [Treasurer's instruction 304 Authorisation of Payments](#).

### **Payment for goods or services**

- (11) Goods and services are those defined in the *Procurement Act 2020*.
- (12) Where the receipt date of goods or services is unknown, for example in the case of utility bills generated from meter readings, the receipt date of the invoice will be the basis for calculating the payment term.

### **Payment for works or construction**

- (13) The definition of 'work' and 'construction work' are as specified in the *Public Works Act 1902* and *Construction Contracts Act 2004* respectively, or any other relevant legislation if these Acts are repealed.
- (14) Schedule 1 Division 4 to the *Construction Contracts Act 2004* which deals with 'making claims for payment' and Division 5 'responding to claims for payment' are useful references for agencies applying paragraph (4).



## **PART IV – PUBLIC AND OTHER PROPERTY**

### **406 CUSTODY OF PUBLIC PROPERTY AND OTHER PROPERTY**

#### **BACKGROUND**

Under [section 53\(1\)\(c\)](#) of the Act, accountable authorities are responsible for the management of all public and other property under the control of their agencies. This instruction is designed to promote accountability, prevent fraud. It sets rules around the frequency of stocktakes and the integrity of public and other property records.

#### **TREASURER'S INSTRUCTION**

- (1) Public property and other property must be checked against the particulars recorded in the property register or records of property at such times as the accountable authority determines, with a complete check being undertaken at least once every three financial years (stocktake).**
- (2) The stocktake shall, as far as practicable, be undertaken by at least two officers not directly responsible for property management.**
- (3) Differences between the property register or records of property and the property in existence at the time of the stocktake must be reported, together with particulars of follow-up action, to the accountable authority. The property register or records of property shall be adjusted with the differences identified, which would be subsequently written off as appropriate.**

#### **GUIDELINES**

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

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

The frequency of stocktakes to be covered by property checking procedures should be decided after considering the risk profile and materiality of each class of property. Consideration should also be given to the agency's risk management framework as determined under [Treasurer's instruction \(TI\) 825 Risk Management](#). Property should be subject to stocktake on a rolling basis to ensure all property has been checked at least once every three financial years.

Where a public property is unable to be located as part of the stocktake, it is assumed to be lost and will need to be written off in accordance with [TI 807 Write-offs](#).

# **410 RECORDS OF PUBLIC PROPERTY AND OTHER PROPERTY**

## **BACKGROUND**

Records of public property and other property shall be established and maintained for the purposes of meeting the requirements in [Treasurer's instruction \(TI\) 406 \*Custody of Public Property and Other Property\*](#). The records of public property and other property may also contain information necessary for financial reporting purposes and for write-offs of public property under [section 48](#) of the Act.

This instruction requires a formal register to be established and maintained for public property and other property with a value of \$5,000 or more. In addition, property below that limit shall also be adequately recorded by the agency.

Note that this instruction does not impose a limit for the capitalisation of property for financial reporting purposes. Agencies shall follow the requirements for setting the capitalisation threshold in [TI 1101 \*Application of Australian Accounting Standards and Other Pronouncements\*](#) and the related guidance.

## **TREASURER'S INSTRUCTION**

- (1) The accountable authority of an agency shall ensure that registers are established and maintained for public property and other property controlled by the agency with a value of \$5,000 or more, which may include copyrights, patents, trademarks, licences and other similar property.**
- (2) The accountable authority shall ensure that adequate records are maintained for public property and other property controlled by the agency with a value of less than \$5,000.**
- (3) The accountable authority shall ensure that appropriate measures are taken to protect property that are portable and attractive.**

## **GUIDELINES**

### **Property referred to in paragraph (1)**

Details to be recorded in the register(s) should contain, where applicable, the:

- (i) description;
- (ii) original cost, or value if donated;
- (iii) date of acquisition;
- (iv) manufacturer's identification number (e.g. serial number);

- (v) agency identification number; and
- (vi) location.

Where a property has a value of less than \$5,000 but is part of a network with a total value of \$5,000 or more, it may be appropriate for the entire network to be recorded in the property register. There may be circumstances in which this is not appropriate, for example where a property could be sold separately from the network. In such instances, it may be appropriate for each property to be recorded separately despite having a value of less than \$5,000.

Despite the \$5,000 limit set in this instruction, the accountable authority may seek an exemption from this instruction for a higher limit (but not more than \$10,000).

The following items of property should be recorded in the property register:

- (i) plant, equipment and furniture including:
  - (a) items of office equipment and furniture;
  - (b) computing hardware and software;
  - (c) vehicles; and
  - (d) scientific equipment.
- (ii) land and buildings;
- (iii) copyrights, patents, trademarks and licences;
- (iv) personal property such as shares; and
- (v) any other property as considered appropriate by the accountable authority.

The value of a property for the purposes of applying the requirements of this instruction is the original cost of acquiring the property by the agency. Where the original cost is nominal, the fair value of the asset should be used.

Where the limit set in paragraph (1) of this instruction is the same as the asset capitalisation threshold set in [TI 1101 Application of Australian Accounting Standards and Other Pronouncements](#), agencies may utilise this property register as an asset register for financial reporting purposes.

## **Property referred to in paragraph (2)**

Paragraph (2) is intended to capture public property and other property that are not in the scope of paragraph (1). The term 'adequate records' is intended to imply those that are sufficient to identify the property, date of acquisition, and details of sale where appropriate.

[Section 48](#) of the Act provides that a write-off of public property may be authorised by the accountable authority, the Minister or the Treasurer in accordance with [TI 807 Write-offs](#). Therefore, agencies need to keep records of **all** public property to facilitate these write-offs.

### **Property referred to in paragraph (3)**

Property of attractive nature, such as television sets, laptops, cameras and mobile phones, should be further protected by appropriate measures under the agency's risk management framework.

## **411 MOTOR VEHICLES**

### **TREASURER'S INSTRUCTION**

- (1) Agency owned vehicles, hired or leased outside of State Fleet arrangements ('government owned vehicles') are permitted to be used only for movements which are necessary for the performance of the duties of an officer, the transacting of official business, in such other circumstances as may be approved by the accountable authority in accordance with government policy, or as may be permitted under contract of employment or terms of service.**
  
- (2) The accountable authority shall ensure that appropriate procedures and practices are in place for government motor vehicles, which are to be in accordance with government policy and specified in the financial management manual. This may include:**
  - (i) acquisition, custody and utilisation of government motor vehicles;**
  - (ii) security of government motor vehicles;**
  - (iii) maintenance of records of government motor vehicle usage, fuel consumption, running, maintenance and other costs associated with the motor vehicle fleet;**
  - (iv) charging of government motor vehicle costs to internal management unit; and**
  - (v) the identification of government motor vehicles.**

### **GUIDELINES**

Vehicles that are used by the agency through the Department of Finance's State Fleet Branch (State Fleet), are to follow the arrangements per the 'WA Government Fleet Policy and Guidelines'.

Refer below for the link to the 'WA Government Fleet Policy and Guidelines', governed by State Fleet:

<https://www.wa.gov.au/sites/default/files/2019-12/WA%20Government%20Fleet%20Policy%20and%20Guidelines%202019.pdf>

Agencies may be operating across a range of State Fleet initiatives, including the Government Vehicle Scheme and Senior Officer Vehicle Scheme. In these situations, agencies are required to follow the guidance in the above document.

## **PART V – SALARIES AND WAGES**

### **INTRODUCTION**

Agencies should refer to section 49D of the *Industrial Relations Act 1979* for employer's duties as to employment records.

To facilitate compliance with those requirements, agencies should implement and maintain an efficient and economic payroll system.

Such a payroll system should be designed to ensure that:

- (i) only bona fide employees are paid;
- (ii) employees are paid at the correct rate in accordance with written law, industrial award or agreement;
- (iii) employees are only paid for hours worked (unless appropriate leave is approved);
- (iv) adequate accounting and employee records are maintained;
- (v) all deductions are authorised and disbursed promptly; and
- (vi) an appropriate level of security is provided for payroll distribution.

These control procedures are to be built appropriate to the agency's own particular circumstances and documented in the financial management manual.

## BACKGROUND

The mobility of employees within the public sector and the portability of leave entitlements frequently leads to the situation where an employee carries over some form of leave that was accrued in another agency. This instruction details government policy on this matter and other aspects of remuneration costs where an employee is transferred.

Prior to 1998, where an employee permanently transferred from one agency to another, the transferee agency received no compensation from the transferor agency for assuming the liability (i.e. 'knock-for-knock').

Since then, transferor agencies have been required to pay transferee agencies an amount to compensate them for taking on additional leave liability when an employee transfers. This is to align the cost of providing services with the actual costs incurred by each agency in providing those services, and encourage agencies to better manage accrued leave liabilities.

From 1 July 2003, the following further changes apply to transfer payments:

- (i) including pre-conditional long service leave credits; and
- (ii) recognising leave purchase and deferred salary schemes.

It is still the case that no transfer payment is required in respect of temporary transfers.

## TREASURER'S INSTRUCTION

### (1) For the purposes of this instruction:

- (i) 'agency' includes departments and all statutory authorities listed in [Schedule 1](#) of the Act that are consolidated in the Annual Report on State Finances;
- (ii) 'temporary transfer' includes secondment or any other means of temporary transfer that may occur between agencies;
- (iii) 'permanent transfer' includes promotion, redeployment or any other means of permanent transfer that may occur between agencies;
- (iv) 'transferor agency' means the agency from which the employee is transferring;
- (v) 'transferee agency' means the agency to which the employee is transferring; and
- (vi) 'accrual' and 'accrued' in relation to leave entitlements, is the amount of leave entitlements earned but not taken rather than leave credits available to be taken.

- (2) Where an employee is temporarily transferred between agencies, the following procedures shall apply:**
- (i) the cost of the employee's remuneration shall be met by the transferee agency;**
  - (ii) changes in an employee's leave entitlements during the period of the transfer shall be accrued by the transferor agency; and**
  - (iii) notwithstanding the requirements in sub-paragraphs (2)(i) and (ii), agencies may make alternative arrangements regarding the cost of an employee's remuneration and the payment and accrual of leave entitlements.**
- (3) Where an employee is permanently transferred between agencies, the following procedures shall apply:**
- (i) any annual, long service or sick leave payable to the employee shall be charged to the agency employing the employee at the time the leave is taken notwithstanding that the employee may have accrued such leave entitlement in other agencies;**
  - (ii) the transferor agency shall pay the transfer value to the transferee agency, an amount equal to the employee's annual and long service leave entitlements, including pre-conditional entitlements and annual leave loading where it applies;**
  - (iii) with respect to the requirements of paragraph (3)(ii), where the employee would have been required, on resignation, to repay to the transferor agency an amount in respect of leave taken prior to the completion of the period of service necessary to qualify for that leave entitlement, the transferee agency shall pay that amount to the transferor agency; and**
  - (iv) if the employee is participating in a scheme whereby the employee receives a reduced salary in return for additional annual leave or other time off, and will continue in this scheme in the transferee agency, the transferor agency shall pay to the transferee agency the amount which the employee would receive if the employee had left the scheme and been compensated for the foregone salary.**



## GUIDELINES

### Temporary transfers

Sub-paragraph (2)(iii) of this instruction allows agencies to make alternative arrangements in respect of the cost of remuneration and the payment and accrual of leave entitlements for employees involved in temporary transfers. Such arrangements may be appropriate where the transfers are for an extended or indefinite period or where an agency has a policy of full cost recovery for temporary transfers. Except where agencies agree to such alternative arrangements, the provisions of sub-paragraphs (2)(i) and (ii) of this instruction require that:

- (i) the cost of the employee's remuneration is to be met by the transferee agency.. This includes the payment of remuneration during any leave taken within the period of the transfer (without compensation from the transferor agency); and
- (ii) any increase in an employee's leave entitlement during the transfer period is accrued by the transferor agency (without compensation from the transferee agency).

Refer also to the guidance in [TI 1103 'Statements of Financial Position'](#) on the accounting treatment for salary recoups – secondments and other temporary transfers.

### Permanent transfers – effect on agencies' statements of financial position

Sub-paragraphs (3)(i) and (ii) of this instruction provides for the transfer and payment of employee leave entitlements as a consequence of permanent transfers of employees between agencies.

The effects on the statements of financial position of both the transferor agency and transferee agency are shown in the following table:

<b>Effect on Agencies' Statements of Financial Position with regard to Employee Transfers</b>	
<b>Transferor</b>	<b>Transferee</b>
Decrease in Liability	Increase in Liability
Decrease in Asset/Cash	Increase in Asset/Cash

Because employees usually transfer at a different salary level, the transferor agency's decrease in liability will differ from the transferee agency's increase in liability. They may also differ from each other and from the transfer value because the liabilities include an estimate of the probability of the employee taking long service leave based on each agency's experience while the transfer value recognises long service leave according to the pro-rata progress of the pre-conditional entitlement.

Those employees who were on industrial agreements or awards which allowed for the paying out of accrued leave entitlements will still be able to access a payout if preferred.

## **Transfer value**

This instruction requires the transfer value to be equivalent to the annual and long service leave entitlements, including pre-conditional long service leave entitlements which the employee had accrued up to the time of the transfer, and any annual leave loading that will be required to be paid by the transferee agency when the employee eventually takes their annual leave. The transfer value must also include, where applicable, any additional leave purchased by an employee and/or any deferred salary arrangement, where the employee continues the arrangement with the transferee agency.

## **Salary rate to be used in calculating the transfer value**

The salary rate would normally be the nominal value of substantive salary prior to transfer. On costs, such as payroll tax, would not be included. The industrial agreement or industrial award under which the employee is currently employed should be used to calculate the substantive salary.

## **Fixed-term employees permanently transferring between agencies at the end of their fixed-term**

In circumstances where a fixed-term employee, at or soon after the completion of their fixed-term at an agency, takes up employment with another agency and that other agency is required to take up any annual leave, long service leave or sick leave due to the employee, whether accrued in the previous agency or other agencies, this take up of employment is considered to be a permanent transfer for the purposes of paragraphs (1)(iii) and (3) of this instruction.

## **Employees permanently transferring to another agency as a fixed-term employee**

If an employee transfers to another agency for a fixed-term (e.g. 12 month contract) and at the end of the fixed-term there is no obligation on the transferor agency to accept that employee back, then this type of transfer is considered to be a permanent transfer for the purposes of paragraphs (1)(iii) and (3) of this instruction. However, this circumstance may lead to potential inequity for the transferor agency in applying the requirements of paragraph (3) of this instruction especially in relation to any pre-conditional long service leave entitlements.

In this instance, it may be appropriate for an exemption to be granted from the requirements of sub-paragraph (3)(ii) of this instruction subject to an agreement between the relevant agencies being reached that results in a fair and equitable outcome for all parties concerned.

These matters should be discussed with the Financial Policy Division at the Department of Treasury (Treasury) before applying for an exemption from the requirements of sub-paragraph (3)(ii) of this instruction. Applications should be forwarded to the Under Treasurer.

## **Employees formally resigning from the public sector subsequently taking up employment at another agency**

Where an employee makes a formal resignation from an agency with the clear intention of permanently resigning from the public sector and is paid out in accordance with the requirements under the appropriate industrial agreement or industrial award, and the employee subsequently takes up employment with another agency, this is not considered to be a permanent transfer for the purposes of this instruction. However, there may be circumstances where an industrial agreement or industrial award requires the take up of those employee entitlements that were accrued at previous agencies and not paid out upon the resignation of the employee (for example, pro-rata long service leave not paid out on resignation). In this case, it may be considered as a permanent transfer under this instruction. These matters should be discussed with the Financial Policy Division at Treasury where the circumstances are unclear.

### **Long service leave entitlements**

The long service leave entitlements may include unconditional, conditional and pre-conditional leave entitlements, which are defined as follows:

*Unconditional* – exists where legal entitlement to payment arises after completion of a qualifying period of service.

*Conditional* – exists where legal entitlement to pro-rata payment in lieu of long service leave arises.

*Pre-conditional* – occurs where the qualifying period of service for pro-rata has not been reached. At this point there is no legal entitlement to any payment or leave.

All of an employee's long service leave entitlements are included in the transfer value, i.e. not only the long service leave which an employee is entitled to take when transferred (i.e. unconditional) but also any pre-conditional and pro-rata leave which an employee could only take when a qualifying period is completed. For example, when an employee transfers after completing one year of a seven year long service leave scheme the transfer value would include one-seventh of the value of the long service leave.

This means that the transfer value will be closer to the liability associated with the employee than in the past, when leave accumulated before a qualifying period was not included in the transfer value. Including all long service leave in the transfer value more accurately reflects the actual cost of employing staff.

When an employee transfers twice within a qualifying period, i.e. between three agencies, the difference between the first and second transfer values (to the extent they include long service leave) will reflect the length of service in the second agency.

### **Annual leave entitlements**

Accrued annual leave is an unconditional leave entitlement. The employee has a legal entitlement to annual leave accrued in respect of completed service and the entitlement must be paid out on resignation or retirement. That portion of the employee's current entitlement (leave credits) accrued in respect of service up to the transfer date should be included in the transfer value. Any annual leave loading that will be required to be paid by the transferee agency when the employee eventually takes their annual leave should

be included in the transfer value. Any credits in respect of future service should be excluded.

### **Example**

An employee is currently working for Agency A and has gained a permanent position at Agency B.

The transfer of the employee is to take effect from 1 July 20X1.

The employee has 20 days' accrued annual leave balance as at 31 December 20X0 and accrues a further 10 days' annual leave credits in the 6 months to 30 June 20X1 (assuming no leave has been taken between January and June).

The transfer value at 1 July 20X1, would include the transferred employee's accrued annual leave entitlements earned but not taken of 30 days and any annual leave loading that will be required to be paid by the transferee agency when the employee eventually takes their annual leave.

### **Differing qualifying periods**

An employer may offer multiple industrial agreements and/or industrial awards with differing leave provisions. This will not impact on the determination of an employee's leave entitlements, as the only relevant qualifying period for any employee in determining leave entitlements is the qualifying period in the industrial agreement/industrial award under which the employee was employed at the time of transfer.

### **Leave purchase, deferred salary schemes and salary packaging**

When an employee has sacrificed salary in order to purchase additional annual leave or other time off, and will continue the arrangement with the transferee agency, the transfer value must recognise it. The transfer value must include the amount to which the employee would be entitled if he or she left the scheme and was compensated for the foregone salary. The transfer value for employees on salary packaging schemes should be based on their salary packaging.

### **Leave taken prior to completion of the qualifying period of service**

Where an employee has taken leave prior to completing the period of service necessary to qualify for the leave, on resignation, the employee would have to repay the employer an amount equal to the leave taken before the entitlement had accrued.

In such circumstances, where the employee transfers to another agency, the employee would effectively carry negative leave entitlements to the transferee agency. This has the effect of reducing the assets of the transferor agency. To compensate the transferor agency, the transferee agency pays the transfer value to the transferor agency.

### **Restructuring**

A restructure includes any formal transfer of function and would generally be subject to the requirements of [Treasurer's instruction 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities'](#).

Where a restructure involves the transfer of employees, the application of sub-paragraph (3)(ii) of this instruction results in TI 955 not applying to the transferor agency or transferee agency with respect to the transfer of the employee entitlements liabilities and accompanying cash payment, as they are not considered to be non-reciprocal transfers under that instruction. This may have a significant financial impact on both the transferor and transferee agencies.

As with other liabilities and assets subject to the restructure, the funding of existing leave liability should be negotiated between the agencies prior to, or on the effective date of the restructure.

Where the transferee agency is entitled to receive payment for assuming the leave liability transferred, the application of sub-paragraph (3)(ii) of this instruction may not always be appropriate. For example, if a restructure results in the transferor agency being exposed to cash management difficulties and/or where the transferee agency is able to manage the leave liability it will receive from the transferor agency, it may be appropriate for an exemption to be granted from the requirements of sub-paragraph (3)(ii) of this instruction rather than seeking supplementary funding for payments which may not emerge for some time (i.e. until the leave is actually taken). These matters should be discussed with the Financial Policy Division at Treasury. It may be necessary for an agency to apply to the Treasurer for an exemption from the requirements of sub-paragraph (3)(ii) of this instruction. Applications should be forwarded to the Under Treasurer.

Where an exemption has been granted from the requirements of sub-paragraph (3)(ii) of this instruction, the transfer of employee entitlements becomes non-reciprocal and therefore subject to the requirements of TI 955.

If the transferor agency is abolished in the restructure, the provisions of this instruction do not apply. In such a case, AASB 1004 'Contributions' is to be applied to non-reciprocal transfers in relation to a restructure of administrative arrangements. The final report of the abolished agency would include all assets and liabilities of the agency prior to the restructure.

All employee benefit provisions in final reports and annual financial statements are to be calculated under AASB 119 'Employee Benefits'. The transfer value calculated under this instruction is not relevant to the calculation of employee benefit provisions under AASB 119.

## **Accounting treatments**

Where an employee permanently transfers from one agency to another, the accounting treatment of accrued employee entitlements should be as follows:

- (i) the sum of all accrued annual and long service leave entitlements shall comprise a transfer value that is to be paid to the transferee agency;
- (ii) where the transfer involves a change in salary, the transferor agency would calculate the transfer value using the pay rate applicable prior to transfer (generally this would be the substantive salary of the employee);

The transferee agency, however, will be required to recognise the liability calculated at the new pay rate, and will incur an expense as a consequence of the transfer (see Example 1 below);

- (iii) where the transfer value is more than the transferor agency's associated liability, the transferor agency shall recognise an expense equal to the amount of the shortfall (see Example 2 below). (This may occur as the transfer value is calculated on the pro-rata basis); and
- (iv) if the transfer value also exceeds the additional liability recognised by the transferee agency, then the transferee agency shall recognise an income for the excess (see also Example 2 below).

**Example 1**

An employee, with 10 weeks unconditional annual leave entitlements, permanently transfers from Agency A (transferor agency) to Agency B (transferee agency). The employee's current salary at Agency A is \$1,000 per week. The transfer to Agency B is a promotion, which increases his salary to \$1,200 per week.

The accounting treatments for Agency A and Agency B are as follows:

**Agency A (Transferor agency)**

The transferor agency shall extinguish liabilities and recognise a decrease in assets (cash). The required journal entry is:

DR Leave Provisions (Liability)	\$10,000	
CR Cash		\$10,000

**Agency B (Transferee agency)**

The transferee agency shall recognise the liability assumed (at the increased salary) and an increase in assets (cash). The required journal entry is:

DR Cash	\$10,000	
DR Employee Benefits Expense	\$ 2,000	
CR Leave Provisions (Liability)		\$12,000

**Example 2**

If the employee in the above example also had a pre-conditional long service leave entitlement of three weeks which had not been fully recognised by the transferor agency (i.e. the transferor agency estimates the provision for long service leave on the probability of the employee taking long service leave based on its experience), the required journal entries are:

**Agency A (Transferor agency)**

DR Leave Provisions (Liability)	\$10,000	
DR Employee Benefits Expense	\$ 3,000	
CR Cash		\$13,000

**Agency B (Transferee agency)**

DR Cash	\$13,000	
CR Income		\$ 1,000
CR Leave Provisions (Liability)		\$12,000

In the above example:

- \$10,000 represented the amount of unconditional annual leave entitlement (10 weeks at \$1,000) transferred from Agency A to Agency B.
- \$3,000 represented the amount of pre-conditional long service leave entitlement (3 weeks at \$1,000) recognised by Agency A as an employee benefits expense.
- \$12,000 represented the total amount of leave entitlements (10 weeks at \$1,200) recognised by Agency B.

**Example 3**

If the employee in the previous examples had a negative leave entitlement of two weeks in Agency A (i.e. had taken two weeks leave prior to completing the relevant service period), on transfer to Agency B he or she will carry that negative leave entitlement with him. The required journal entries are:

**Agency A (Transferor agency)**

DR Cash	\$2,000	
CR Leave Provisions (Liability)		\$2,000

**Agency B (Transferee agency)**

DR Leave Provisions (Liability)	\$2,400	
CR Cash		\$2,000
CR Employee Benefits Expense		\$ 400

**Example 4**

Where an employee with a deferred salary agreement is transferred and continues the arrangement with the transferee agency, the required journal entries are:

**Agency A (Transferor agency)**

DR Provision for Deferred Salary	\$10,000	
CR Cash		\$10,000

**Agency B (Transferee agency)**

DR Cash	\$10,000	
CR Provision for Deferred Salary		\$10,000

The amount transferred is the amount of salary foregone by the employee.

### **Transfer of employees between agencies not subject to this instruction**

This instruction addresses the funding arrangements applicable to the transfer of employees between agencies that are subject to the Act. The guidance provided below relates to transfers between WA state public sector agencies where one party is not subject to the Act.

There may be instances where the transfer of employees occurs between one or more WA state public sector agencies that are not subject to this instruction. For example, corporatised agencies such as the port authorities and Water Corporation are not subject to the Treasurer's instructions because of their enabling legislation. In addition, universities are only required to comply with those Treasurer's instructions relating to annual reporting.

Where a transfer of an employee involves one of these types of agencies this instruction does not apply to either party, as application to one party may be inequitable.

In the interests of equity and fairness, agencies involved in the situations described above are encouraged to liaise with each other to produce an overall equitable outcome for all parties concerned. In achieving an equitable outcome, agencies may choose to adopt the principles and guidance contained in this instruction. Alternatively, agencies may negotiate a mutually agreed outcome that does not disadvantage the employee or either agency. The Financial Policy Division at Treasury should be consulted where it is considered appropriate.

It should be noted that this instruction does not apply to the transfer of staff to WA state public sector agencies who was, immediately prior to the transfer, employed by:

- the Commonwealth government of Australia;
- another Australian State or Territory government; or
- a local government.



## 521 PORTABILITY OF EMPLOYER'S UNFUNDED LIABILITY FOR SUPERANNUATION UNDER SCHEMES ADMINISTERED BY THE GOVERNMENT EMPLOYEES SUPERANNUATION BOARD

### BACKGROUND

The Government Employees Superannuation Board (GESB) administers superannuation schemes of which employees of agencies may be members. This instruction concerns itself with the following schemes:

- (i) the pension and provident schemes established under the *Superannuation and Family Benefits Act 1938* and continued under the *State Superannuation Act 2000*, entry to which was closed on 15 August 1986; and
- (ii) the lump sum scheme established under the *Government Employees Superannuation Act 1987* and continued under the *State Superannuation Act 2000*, entry to which was closed on 29 December 1995.

Prior to 1 January 1995, where a member of the pension scheme transferred employment from one statutory authority to another, or between a statutory authority and a department, the practice of applying a "knock-for-knock" policy resulted in the new employing authority (or the Treasurer in the case of departments) having to assume responsibility for the pension liability with the previous employing authority (or the Treasurer in the case of departments) being discharged of the liability for the individual's past service. A similar transfer of responsibility occurred for liability arising from transfer benefits in the lump sum scheme. The above practice resulted in distortions in superannuation expense reported in financial statements (especially in some of the smaller authorities) where superannuation liability increased or decreased as a result of the transfer of an employee. The reason for introducing this instruction was to put in place arrangements to deal with these concerns.

From 1 January 1995, a system for the portability of an employee's unfunded superannuation entitlements in respect of the pension scheme or a transfer benefit in the lump sum scheme was established. Arrangements were modified in that certain statutory authorities (mainly hospitals) had an arrangement with the Treasurer that transfer benefits paid by the GESB to retiring employees were not recovered from the statutory authority.

From 1 July 2004, certain statutory authorities (i.e. non-liaible statutory authorities) have an arrangement with the Treasurer where pensions and transfer benefits are paid by the GESB to retiring employees without recovery from the statutory authority. Consequently, there is no responsibility for liability in respect of pensions and transfer benefits transferred to these authorities (such liability being assumed by the Treasurer). In this instruction such statutory authorities are defined as non-liaible statutory authorities.

In respect of employee membership of the lump sum scheme, the payment of concurrent contributions by an authority means that no unfunded employee entitlement arises in respect of that service (liability in respect of transfer benefits arises in respect of prior membership of the pension scheme). Where there has been previous service with an employer who did not pay concurrent contributions, then unfunded employee entitlements will have arisen in respect of such service. However, authorities making concurrent contributions have no further liability in respect of such amounts.

This instruction provides a system for the portability of an employee's unfunded entitlement amounts (and thus the associated employer's unfunded liability) in respect of membership of the pension scheme under the *Superannuation and Family Benefits Act* (as continued under the *State Superannuation Act*) or a transfer benefit in the lump sum scheme under the *Government Employees Superannuation Act* (as continued under the *State Superannuation Act*). This instruction applies to employees transferring subsequent to 30 June 2004.

In respect of secondments, no formal transfer of employment has occurred and thus any unfunded superannuation liability does not transfer to the agency to which the secondment has been made. Consequently any superannuation expense arising from an increase in unfunded superannuation liabilities in such circumstances should, where material, be recovered during the secondment through inter-organisation charging.

The general responsibilities for meeting unfunded superannuation liability from 1 July 2004 in respect of pension and transfer benefits are set out in the following table:

Employer	Responsibility for unfunded liability (Pension Scheme)	Responsibility for unfunded liability (Lump Sum Scheme) - Transfer Benefits
Department	Treasurer	Treasurer
Liabile Statutory Authority	Employer	Employer
Non-liabile Statutory Authority	Treasurer	Treasurer

The changes to superannuation arrangements on 30 June 2004, has resulted in a shift of responsibility for the unfunded liabilities of the pension scheme and the transfer benefit in the lump sum scheme for certain agencies from the previous arrangements.

Departments' responsibilities remain unchanged from the previous arrangements. This is also the case for those statutory authorities that are not predominantly funded by an appropriation from the Consolidated Account (now defined as liable statutory authorities). Those statutory authorities that are predominantly funded by an appropriation from the Consolidated Account, including the TAFE colleges, (now defined as non-liabile statutory authorities) now have their responsibilities for superannuation liabilities assumed by the Treasurer and are treated in the same way as departments.

For those statutory authorities such as hospitals, the responsibility for the unfunded liabilities in respect of the transfer benefit in the lump sum scheme remains unchanged (such liabilities already being assumed by the Treasurer), however responsibility for the unfunded liabilities of the pension scheme have now been assumed by the Treasurer. This means that these statutory authorities are also treated the same as departments (and defined as non-liaible statutory authorities).

Agencies affected by the change in superannuation arrangements have already been notified accordingly.

## **Superannuation Portability Obligations**

Under the portability scheme, the existing arrangements continue regarding liable statutory authorities being responsible for the amount of any unfunded employee entitlement for superannuation in respect of membership of the pension scheme or a transfer benefit in the lump sum scheme that is associated with each new employee transferring to the authority. However, the new employer will be compensated for assuming this liability. This compensation is in the form of superannuation portability obligations owed to the new employer by previous employers of each transferring employee.

Where an employee with such an associated employer's unfunded liability for superannuation leaves a liable statutory authority after 30 June 2004, the liable statutory authority will have a superannuation portability obligation to the new employer. This will be equivalent to the amount of employer's unfunded liability existing in respect of that employee at the time of transfer less any existing superannuation portability obligations (arising through the operation of this instruction) owed by previous employers in respect of that employee.

Where an employee with such an associated employer's unfunded liability for superannuation transfers into, or out of, a liable statutory authority, the GESB will advise the authority (authorities) involved. All amounts of employers' unfunded liability and superannuation portability obligations will be determined by the GESB.

Recognition of a superannuation portability obligation liability will ensure that the previous employer meets an appropriate share of the final unfunded superannuation liability. The superannuation portability obligation asset compensates the new employer for assuming the previous employer's (unfunded) liability for superannuation in respect of the transferred employee. Any existing superannuation portability obligations owed to the previous employer, in respect of the employee, will also be transferred to the new employer.

Where an employee who is a member of the pension scheme transfers to a liable statutory authority from a department or non-liaible statutory authority, any superannuation portability obligation in respect of that employee for periods of employment with a department or non-liaible statutory authority are owed by the Treasurer to the liable statutory authority. Similarly, where an employee transfers from a liable statutory authority to a department or non-liaible statutory authority, any superannuation portability obligation in respect of that employee for periods of employment with a liable statutory authority, are owed to the Treasurer.

The same principle applies for an employee who is entitled to the transfer benefit in the lump sum scheme.

Superannuation portability obligations are to be discharged following the payment of transfer benefits or pensions by the GESB. Settlement is also required in the case of employees who are members of the lump sum scheme and entitled to a transfer benefit who leave State public sector employment when resigning from a liable statutory authority as their deferred benefits are paid into the scheme at that point in time. Where employees leave the State public sector when resigning from a department or a non-liable statutory authority, settlement is not required until deferred benefits are paid out at normal retirement age (or on death or disablement).

For administrative convenience, upon the crystallisation of a member's lump sum scheme benefit (member becomes a deferred member) the GESB will recoup superannuation portability obligations from liable statutory authorities at a time before the benefit becomes payable to the member. However, for departments and non-liable statutory authorities the GESB recoups the superannuation portability obligations on emergence of a benefit payment.

In the case of pension payments, the GESB will recoup the employer's share of payments on behalf of the Treasurer against any related superannuation portability obligations, to the extent thereof, in the order that they were accrued (i.e. oldest first) or as determined by the GESB. Payments are recouped to the Treasurer as the employer's share of pension payments are met in the first place by the State.

In the case of transfer benefit payments, the GESB will recoup from the last employing liable statutory authority the amount of the transfer benefit paid out to an employee on retirement less any superannuation portability obligations owed in respect of that employee. Payment of this net amount will extinguish that statutory authority's obligations in respect of unfunded superannuation liability, and any claims in respect of any superannuation portability obligation assets in respect of that employee. The GESB will also recoup any superannuation portability obligation liability less any superannuation portability obligation asset for all previous employing liable statutory authorities.

Where amounts of superannuation portability obligations or other amounts of related unfunded employer liability for superannuation become due and payable, the collection procedure will be initiated through the issue of an invoice (or invoices) by the GESB to the relevant statutory authorities involved.

The assets and liabilities associated with the transfer of SPOs is illustrated by the following:

	Liability	Asset
New Employer	Total unfunded liability	SPO (A+B+C)
Previous Employer A	SPO A <sup>1</sup>	
Previous Employer B	SPO B <sup>2</sup>	
Previous Employer C	SPO C <sup>3</sup>	

Note 1: Unfunded liability accrued up to transfer to new employer less SPO (B+C)

Note 2: Unfunded liability accrued up to transfer to A less SPO C

Note 3: Unfunded liability accrued up to transfer to B

## **Measurement of employer's unfunded liability for superannuation**

Employer's unfunded liability for superannuation is identified for the portability scheme in respect of employees who are members of the pension scheme, or employees who are members of the lump sum scheme and are entitled to a transfer benefit in respect of prior membership of the pension scheme. Employer's unfunded liability for superannuation and superannuation portability obligation amounts will be calculated by the GESB.

Employer's unfunded liability in respect of the pension scheme arises in respect of the State's share of the pension. Where the full required service period has been served and the required number of pension units are held, the State's share of pensions is 50 per cent of the employee's final salary or wage. The required service period for full entitlement varies according to when the employee joined the scheme. For employees who joined the scheme before 28 December 1967 the period was 10 years of membership, for those who joined before 8 December 1976, 20 years, and for those who joined on or after 8 December 1976, 30 years. The formula used by the GESB to calculate the employer's unfunded liability for superannuation arising from membership of the pension scheme, takes into account these requirements.

The ratio of an employee's total service period (which includes completed and potential service to age 60) to the required service period is applied to determine the pension level and the ratio of completed service to total service is applied to apportion the pension entitlement equally over the total service period. Additionally a factor is applied to take into account actuarial assumptions concerning life expectancies and inflation and discount rates to arrive at the present value of the future expected pension payments.

Employer's unfunded liability in respect of the lump sum scheme transfer benefits occurs where an employee transferred from the pension scheme to the lump sum scheme. The transfer benefit amounts to one per cent of the employee's current salary or wage for every month that the employee was a member of the pension scheme prior to transfer to the lump sum scheme. No discount factor is applied in calculating the liability in order that a benefit emerging prior to retirement age through death, disability or resignation from State government service is fully provided for.

The superannuation portability obligation is set at the date of transfer at the current salary rate for superannuation purposes (i.e. salary at last birthday) applicable to the employee in the agency from which the transfer takes place, and thus no adjustment is to be made for subsequent events that would otherwise result in increases in liability (such as through a salary increase on transfer or a subsequent promotion).

The amount, however, is to be incremented annually and up to the date of discharge of the obligation, through the accrual of interest to compensate for the relevant transferee authority or the Treasurer not having use of the funds involved.

The interest rate to be applied is the CPI rate (1 July to 30 June) determined annually by the GESB, plus one per cent. Interest is calculated on a daily basis and compounded annually at the end of June and at the date of discharge of the liability. Annual adjustments to superannuation portability obligation amounts will be calculated by the GESB.

## **Records of Superannuation Portability Obligations**

The GESB will maintain a central record of superannuation portability obligations. Thus each liable statutory authority will only be required to maintain summary records of superannuation portability obligation amounts owed to or by the authority as advised to it by the GESB.

### **TREASURER'S INSTRUCTION**

- (1) This instruction applies to superannuation portability obligations, where applicable, in respect of employees taking up or terminating employment with a liable statutory authority on or after 1 July 2004.**
- (2) For the purposes of this instruction:**
  - (i) 'Board' means the Government Employees Superannuation Board;**
  - (ii) 'lump sum scheme' means the superannuation scheme established under the *Government Employees Superannuation Act 1987* and continued under the *State Superannuation Act 2000*;**
  - (iii) 'non-liable statutory authority' means a statutory authority which has an arrangement with the Treasurer that pension and transfer benefits are paid to retiring employees without recovery from the statutory authority;**
  - (iv) 'pension scheme' means the pension scheme established under the *Superannuation and Family Benefits Act 1938* and continued under the *State Superannuation Act 2000*;**
  - (v) 'liable statutory authority' means a statutory authority other than a non-liable statutory authority; and**
  - (vi) 'superannuation portability obligation (SPO)' means the obligation to an employer or the Treasurer in respect of the unfunded superannuation liability transferred to that employer or the Treasurer. The obligation is compensation from the previous employer or the Treasurer in respect of the liability transferred.**
- (3) For the purposes of this instruction an employer's unfunded liability for superannuation exists in respect of an employee where:**
  - (i) the employee is a member of the pension scheme; or**
  - (ii) the employee is entitled to a transfer benefit in the lump sum scheme.**
- (4) Where an employee with an associated employer's unfunded liability for superannuation in respect of the pension scheme takes up employment with a liable statutory authority:**
  - (i) the new employer shall assume the full obligation in respect of that liability;**

- (ii) the amount of that liability shall also become a superannuation portability obligation from the previous employer (where the previous employer was a liable statutory authority) or the Treasurer (where the previous employer was a department or non-liable statutory authority), to the new employer; and
  - (iii) any prior superannuation portability obligations owed to the previous employer (where the previous employer was a liable statutory authority) or to the Treasurer (where the previous employer was a department or non-liable statutory authority) in respect of that employee:
    - (a) shall be transferred to the new employer; and
    - (b) the amount of the superannuation portability obligation referred to in paragraph 4(ii) above shall be reduced by the total amount of the prior superannuation portability obligations, including interest accrued to the date of transfer, so transferred.
- (5) Where an employee with an associated employer's unfunded liability for superannuation in respect of the pension scheme takes up employment with a department or non-liable statutory authority and the previous employer was a liable statutory authority:
  - (i) the full obligation in respect of that liability will be assumed by the Treasurer;
  - (ii) the amount of that liability shall also become a superannuation portability obligation from the previous employer to the Treasurer; and
  - (iii) any prior superannuation portability obligations owed to the liable statutory authority in respect of that employee:
    - (a) shall be transferred to the Treasurer; and
    - (b) the amount of the superannuation portability obligation referred to in paragraph 5(ii) above shall be reduced by the total amount of the prior superannuation portability obligations, including interest accrued to the date of transfer, so transferred.
- (6) Where an employee with an associated employer's unfunded liability for superannuation in respect of a transfer benefit in the lump sum scheme takes up employment with a liable statutory authority:
  - (i) the new employer shall assume the full obligation in respect of that liability;
  - (ii) the amount of that liability shall also become a superannuation portability obligation from the previous employer (where the previous employer was a liable statutory authority) or the Treasurer (where the previous employer was a department or a non-liable statutory authority), to the new employer; and

- (iii) any prior superannuation portability obligations owed to the previous employer (where the previous employer was a liable statutory authority) or to the Treasurer (where the previous employer was a department or a non-liable statutory authority) in respect of that employee:
    - (a) shall be transferred to the new employer; and
    - (b) the amount of the superannuation portability obligation referred to in paragraph 6(ii) above shall be reduced by the total amount of the prior superannuation portability obligations, including interest accrued to the date of transfer, so transferred.
- (7) Where an employee with an associated employer's unfunded liability for superannuation in respect of a transfer benefit in the lump sum scheme takes up employment with a department or a non-liable statutory authority and the previous employer was a liable statutory authority:
  - (i) the full obligation in respect of that liability will be assumed by the Treasurer;
  - (ii) the amount of that liability shall also become a superannuation portability obligation from the previous employer to the Treasurer; and
  - (iii) any prior superannuation portability obligations owed to the liable statutory authority in respect of that employee:
    - (a) shall be transferred to the Treasurer; and
    - (b) the amount of the superannuation portability obligation referred to in paragraph 7(ii) above shall be reduced by the total amount of the prior superannuation portability obligations, including interest accrued to the date of transfer, so transferred.
- (8) All superannuation portability obligation amounts shall be as determined by the Board.
- (9) Superannuation portability obligation amounts shall, until settled, be incremented by interest charges as determined by the Board.
- (10) The following shall apply regarding payments by the Board in respect of pensions:
  - (i) where payment is made in respect of a pension of a former employee of a liable statutory authority who retired while employed with that liable statutory authority:
    - (a) any superannuation portability obligations owed to that liable statutory authority in respect of that former employee shall be paid to the Treasurer on demand to the extent of the employer's unfunded share of the pension payments made, in the order in which the superannuation portability obligations were first established or as determined by the Board; and



- (b) where no superannuation portability obligations are owed to that liable statutory authority in respect of that former employee, or following the discharge of such superannuation portability obligations, the employer's unfunded share of pension payments made shall be paid by that liable statutory authority to the Treasurer on demand;
  - (ii) where payment is made in respect of a pension of a former employee of a department or non-labile statutory authority who retired while employed with that department or non-labile statutory authority, any superannuation portability obligations owed to the Treasurer in respect of that former employee, shall be paid to the Treasurer on demand to the extent of the employer's unfunded share of the pension payments made, in the order in which the superannuation portability obligations were first established or as determined by the Board.
- (11) The following shall apply regarding payments in respect of transfer benefits:
- (i) where the Board makes a payment in respect of a transfer benefit of an employee who has retired from a liable statutory authority or where an employee on resigning from such a statutory authority and leaving the State public sector has elected to defer transfer benefits:
    - (a) that liable statutory authority shall pay to the Board on demand an amount equal to the transfer benefit less the amounts of any superannuation portability obligations owing to that liable statutory authority in respect of that employee; and
    - (b) other liable statutory authorities shall pay to the Board on demand the amount of any superannuation portability obligations owing to the liable statutory authority referred to in (i)(a) above, in respect of that employee;
  - (ii) where the Board makes a payment in respect of a transfer benefit of an employee who has retired from a department or a non-labile statutory authority or who has previously, on resigning from a department or a non-labile statutory authority and leaving the State public sector, elected to defer transfer benefits, any superannuation portability obligations owed to the Treasurer by liable statutory authorities in respect of that employee shall be paid to the Board on demand.
- (12) The amount of the payments required to be made to the Board or the Treasurer in terms of paragraphs (10) and (11) of this instruction shall be as determined by the Board, and shall take into account the financial effects of any specific agreement between a statutory authority and the Treasurer, or specific provisions in legislation, concerning the assumption of, or exemption from, all or part of the employer's unfunded liability for superannuation in respect of certain employees, or classes of employee, as applicable in each case.
- (13) Adequate records shall be maintained by a liable statutory authority of superannuation portability obligations owing to, or by, it.

## **GUIDELINES**

### **Superannuation liabilities assumed by the Treasurer**

On 30 June 2004, the (unfunded) superannuation liabilities relating to pensions and transfer benefits of non-liable statutory authorities were assumed by the Treasurer. The implication of this arrangement is for the Treasurer to also effectively assume the SPO liabilities and SPO assets from the relevant statutory authorities affected.

For the purposes of this instruction, [TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities'](#) shall apply to the assumption of pension and transfer benefit liabilities subject to this arrangement. The net liabilities (or net assets) transferred from the non-liable statutory authorities to the Treasurer on 30 June 2004 shall be treated as a Contribution by Owner (or Distribution to Owner) calculated by taking into consideration the (unfunded) superannuation liabilities relating to pensions and transfer benefits, and any related SPO liabilities and SPO assets.

## PART VII – FINANCIAL MANAGEMENT MANUALS

### 701 FINANCIAL MANAGEMENT MANUALS

#### **BACKGROUND**

The financial management manual is a key document within an agency that assists in promoting sound practices, procedures and policies in matters of financial management. It provides the means by which relevant changes in procedures, practices and policies are communicated and formalised throughout the organisation. The manual assists users to become fully conversant with the agency's method of operation and ensures that disruption to operations is minimised as a result of staffing changes.

This instruction is the instrument requiring agencies to maintain a financial management manual and prescribes the minimum contents.

The onus for preparing and maintaining a manual is placed upon the accountable authority as the head of the agency. In most instances the chief finance officer would also carry some responsibility for this role.

The manual should be tailored to suit the agency so that it becomes a practical document assisting employees to perform their duties effectively. The level of detail to be included in the manual would be at the discretion of the accountable authority, assisted by the chief finance officer and would be commensurate with the significance, scope and complexity of the organisation's operations.

Subsidiary financial management information system documentation may either be included in the manual or documented through references directing users to the relevant information.

The manual is the property of the agency and sufficient controls should be established to ensure that the accuracy and currency of the manual is maintained and that all officers have access to the current version. The manual may be either in hard copy or electronic form whichever is most appropriate.

#### **TREASURER'S INSTRUCTION**

- (1) Every accountable authority is to ensure that a financial management manual is prepared and maintained in an up to date form in respect of the agency for which he or she is responsible.**
- (2) The financial management manual is to comply with and be consistent with the Act and the *Auditor General Act 2006* and any other relevant legislation.**
- (3) The financial management manual shall be available to all members of staff of the agency and shall be complied with in all matters relating to financial management of the agency.**
- (4) The financial management manual shall contain all relevant details as to the policies and principles that apply to the financial management and external financial reporting of the agency. In particular, it shall include:**
  - (i) the purpose, scope and use of the manual;**
  - (ii) the legislative and other authority under which the agency operates together with the functions and activities it is required to perform;**

- (iii) a summary of any control exercised over the financial management of the agency by external parties;
  - (iv) authorisations by the accountable authority to the chief finance officer or other officers;
  - (v) a statement of accounting policies adopted in external financial reporting and the accounting standards adopted;
  - (vi) all necessary insurance requirements; and
  - (vii) a listing of any exemptions to the Treasurer's instructions granted by the Treasurer.
- (5) The financial management manual shall include detailed procedures and practices to be used or followed by officers engaged in duties that involve financial aspects of the activities of the agency, including:
  - (i) control of and accounting for money received, including:
    - (a) receipt of money by all methods utilised by the agency (including postal remittances);
    - (b) cancelled receipts;
    - (c) appointment of collection agents;
    - (d) dishonoured revenue collections and collections made on behalf of other agencies;
    - (e) custody and handing over of money, advances and monetary forms;
    - (f) banking; and
    - (g) accounting for all money received;
  - (ii) payment of money by all methods utilised by the agency;
  - (iii) recovery and writing off debts due to the State or statutory authority;
  - (iv) control of and accounting for amounts receivable (but not yet received) and amounts payable (but not yet paid);
  - (v) control of salaries and wages;
  - (vi) purchase, receipt, issue, sale, custody, control, management and disposal of public property or other property and accounting for all such property in accordance with agency adopted policy;
  - (vii) internal financial management reports as deemed appropriate by the accountable authority;
  - (viii) the establishment and keeping of financial records that will separately identify the costs and revenues relating to services provided by the agency and the costs and revenues relating to any manufacturing, trading, commercial or like activity conducted by the agency;
  - (ix) action to be taken on the occurrence of theft;
  - (x) the control of monetary forms and the storage and destruction of financial records;
  - (xi) amendments to the financial management manual; and

- (xii) any other matters as considered relevant by the accountable authority for the effective operation of the financial management function.
- (6) The financial management manual shall include:
    - (i) subject matter containing references to the relevant authority which may include the Act or any other Act, these instructions, any Regulations, Executive Council Minutes or other applicable authority;
    - (ii) a glossary of terms; and
    - (iii) risk management policies, procedures and standard checklists applicable to the agency.
  - (7) The accountable authority shall ensure that procedures are established that provide adequate control over the security and maintenance of the financial management manual.
  - (8) The financial management manual shall be made available to the Office of the Auditor General, upon request.

## **PART VIII - MISCELLANEOUS**

### **802 SPECIAL PURPOSE STATEMENTS AND TRUST STATEMENTS**

#### **BACKGROUND**

Under [section 17\(1\)](#) of the Act, the accountable authority must prepare and seek the Treasurer's approval to a special purpose statement for a special purpose account (established under [section 10\(a\)](#) or [section 16\(1\)\(d\)](#) of the Act) for specific purpose money, and a trust statement for a special purpose account (established under [section 10\(f\)](#) or [section 16\(1\)\(c\)](#) of the Act) for other money.

[Treasurer's instruction \(TI\) 806 \*Specific Purpose and Other Money \(Money Held in Trust\)\*](#) outlines the definitions of specific purpose money and other money.

The special purpose statement or trust statement details the accountability and stewardship arrangement which the accountable authority is required to comply with in order to protect the interests of all relevant parties. It prescribes the purpose of the account, the money which is to be credited to the account and how that money is to be spent.

Once approved, the accountable authority is required under [section 17\(4\)](#) of the Act to provide a copy of the statement to the Auditor General (which may be done by means of electronic communication).

#### **TREASURER'S INSTRUCTION**

- (1) The special purpose statement or trust statement shall detail, at a minimum, the information included in the Template attached to this instruction.**
- (2) The special purpose statement or trust statement shall be signed and dated by the accountable authority.**
- (3) The special purpose statement or trust statement is to be submitted to the Under Treasurer for the Treasurer's approval.**
- (4) The accountable authority should ensure that the approved special purpose statement or trust statement is reviewed each financial year ('annual review').**
- (5) For special purpose statements or trust statements, that are in existence before the date of this instruction, the annual review outlined in paragraph (4) should identify any changes and necessary updates to comply with paragraph (1) for the financial year ended 30 June 2022 or 31 December 2022 (as applicable).**

- (6) **The accountable authority shall ensure a copy of the approved special purpose statement or trust statement is published in the annual report for the financial year it is approved or amended.**

## GUIDELINES

- (1) The special purpose statement or trust statement is to reflect any agreement between the contributor and the agency, if applicable, and should therefore succinctly express the intent of that agreement (i.e. what money can or must be credited to the account and how money is to be applied). Any changes to the special purpose statement or trust statement should only mirror changes to the underlying agreement or legal instrument.
- (2) The special purpose statement or trust statement also complements any legislative, contractual or common law obligations which might apply to the money in the account. It is therefore essential that the provisions of the special purpose statement or trust statement are consistent with the statute and common law obligations.
- (3) Of particular importance is the 'Payments' clause outlined in the Templates. Payments must be clearly drafted so as to protect the agency, outline the agency's accountability, and ensure that money is being spent in accordance with the intent of the special purpose account. This is to ensure that the potential misuse of funds is avoided. Agencies must also be aware that they are under an obligation to disburse funds only in accordance with the purposes for which the special purpose account is established.
- (4) Agencies are to liaise with Treasury if there is a requirement to pay interest on the money. This will be subject to the Treasurer's determination under [section 38](#) of the Act.
- (5) Where the terms and conditions under which the money is held require that interest is applied to a specific purpose, that purpose should be clearly reflected in the 'Payments' clause of the special purpose statement or trust statement e.g. the terms and conditions of a bequest may require that scholarship money is paid out of interest only.
- (6) Special purpose statements and trust statements should be reviewed annually to ensure their currency and accuracy and that they are being transacted in accordance with the underlying intention of the special purpose statement or trust statement. This will also assist with the note disclosure of special purpose accounts under Treasurer's instruction 1103 *Statements of Financial Position*. Where the nature of a special purpose account has changed, an agency is required to update the special purpose statement or trust statement to reflect the underlying nature of the transactions and intent of the special purpose account and seek the Treasurer's approval under [section 17](#) of the Act.
- (7) TI 1103 Statements of Financial Position sets out disclosure requirements for the associated special purpose accounts.

**TEMPLATE**

***{Agency Name}***

**SPECIAL PURPOSE STATEMENT**

***{NAME OF ACCOUNT}***

NAME	An account titled the <i>{Account Name}</i> (the Account) shall be established and maintained as a special purpose account pursuant to section <i>{10(a) or 16(1)(d)}</i> of the <i>Financial Management Act 2006</i> by the <i>{agency name}</i> .
PURPOSE	<i>{Describe the purpose of the Account (i.e. for what reason is the Account being established and, if applicable, under what authority).}</i>
RECEIPTS	There shall be credited to the Account <i>{describe what money can (or must) be credited to the Account, including references to any relevant legislation, agreement, etc.}</i> and investment income (if applicable). <i>{Agency to ensure that this aligns with the purpose outlined above.}</i>
PAYMENTS	Money standing to the credit of the Account may be used for <i>{describe the expenditure that may lawfully be charged to the Account}</i> . <i>{Agency to ensure that this aligns with the purpose outlined above.}</i>
ACCOUNTABILITY AND GOVERNANCE	The Account shall be administered, accounted for and reported on by the <i>{title of the agency's accountable authority}</i> in accordance with the <i>Financial Management Act 2006</i> , <i>Financial Management Regulations 2007</i> , and Treasurer's instructions. <i>{If applicable, amend the previous sentence by including any other legislation, agreement, etc. that is relevant.}</i>
REVIEW	A detailed review of the Account is to be undertaken on an annual basis. This is to include an assessment of the payments and receipts to ensure compliance with the purpose outlined above.



DISPOSAL OF FUNDS  
ON CESSATION

Upon closure of the Account, any balance standing to the credit of the Account shall be *{disbursed in accordance with [specify relevant legislation, agreement, etc.] or credited to the Consolidated Account.}*

I have examined and agree to the provisions of this special purpose statement

Approved  
(under delegated authority)

\_\_\_\_\_  
*{Name}*  
*{Title}*  
*{Agency}* Department of Treasury

\_\_\_\_\_  
*{Name}*  
*{Title}*

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## TEMPLATE

*{Agency Name}*

### TRUST STATEMENT

*{NAME OF ACCOUNT}*

NAME	An account titled the <i>{Account Name}</i> (the Account) shall be established and maintained as a special purpose account pursuant to section <i>{10(f) or 16(1)(c)}</i> of the <i>Financial Management Act 2006</i> by the <i>{agency name}</i> .
PURPOSE	<i>{Describe the purpose of the Account (i.e. for what reason is the Account being established and, if applicable, under what authority).}</i>
RECEIPTS	There shall be credited to the Account <i>{describe what money can (or must) be credited to the Account, including references to any relevant legislation, agreement, etc.}</i> and investment income (if applicable). <i>{Agency to ensure this aligns with the purpose outlined above.}</i>
PAYMENTS	Money standing to the credit of the Account may be used for <i>{describe the expenditure that may lawfully be charged to the Account}</i> . <i>{Agency to ensure that this aligns with the purpose outlined above.}</i>
ACCOUNTABILITY AND GOVERNANCE	The Account shall be administered, accounted for and reported on by the <i>{title of the agency's accountable authority}</i> in accordance with the <i>Financial Management Act 2006</i> , <i>Financial Management Regulations 2007</i> , and <i>Treasurer's instructions</i> . <i>{If applicable, amend the previous sentence by including any other legislation, agreement, etc. that is relevant.}</i>
REVIEW	A detailed review of the Account is to be undertaken on an annual basis. This is to include an assessment of the payments and receipts to ensure compliance with the purpose outlined above.

DISPOSAL OF FUNDS  
ON CESSATION

Upon closure of the Account, any balance standing to the credit of the Account shall be *{disbursed in accordance with [specify relevant legislation, agreement, etc.] or credited to the Consolidated Account.}*

I have examined and agree to the provisions of this special purpose statement

Approved  
(under delegated authority)

\_\_\_\_\_  
*{Name}*  
*{Title}*  
*{Agency}*

Date: \_\_\_\_\_

\_\_\_\_\_  
*{Name}*  
*{Title}*  
Department of Treasury

Date: \_\_\_\_\_

## 804 RETENTION OF ACCOUNTING RECORDS

### BACKGROUND

Accounting records must be retained to provide an adequate audit/management trail of financial transactions. Retention facilitates management's knowledge of the agency, expedites audits by both internal audit and the Auditor General, and, compliance with legislation.

Under the *State Records Act 2000* the State Records Commission (the Commission) has responsibility for establishing Principles and Standards by which State records are to be selected as State archives and for determining the retention periods for State records that are not to be State archives. Furthermore, unauthorised destruction of government records is an offence under the Act.

The Commission's Standards address:

- Government Recordkeeping;
- Recordkeeping Plans;
- Appraisal of Records;
- Restricted Access Archives;
- Outsourcing;
- State Archives Retained by Government Organizations and associated Archival Storage Specification; and
- Managing Digital Information.

The Commission's Standards include the *General Disposal Authority for State Government Information* (GDASG). The GDASG covers financial and accounting records common to most agencies and prescribes the minimum retention periods of specified records without the need for further recourse to the State Records Office or the Commission. However, accountable authorities should apply any additional retention requirements imposed by any other law or duty relevant to their records, prior to approving the destruction of their records.

Accountable authorities should also be aware that:

- an agency is required to transfer its archives to the State archives collection when those archives become twenty-five (25) years old;
- an agency wishing to retain custody of its archives beyond the compulsory transfer period, the records must be identified in its Recordkeeping Plan, in accordance with the State Records Act; and,
- some degree of flexibility may be exercised in the retention of original records that have been reproduced in another format in accordance with the *Evidence Act 1906* (concerning the modifications of best evidence rules), subject to the *State Records Act 2000* and the Commission's Standards.

For the purpose of this instruction, a reference to 'policies and standards issued by the State Records Commission' includes the GDASG and its successor policy instruments.

### TREASURER'S INSTRUCTION

- (1) **For the purpose of this instruction 'accounting records' has the same meaning as the word 'accounts' defined in the *Auditor General Act 2006*.**

- (2) Accounting records may only be destroyed in accordance with policies and standards issued by the State Records Commission and with prior approval of the accountable authority, unless required to be retained for a longer period by any other written law.
- (3) Accounting records which are compiled from original source documents in support of the agency's financial statements must be:
  - (i) readily available for inspection for two years after the completion of the audit by the Auditor General for the financial year to which they apply; and
  - (ii) retained in accordance with paragraph (2) after the period specified in paragraph 3(i).
- (4) Accounting records reproduced for storage in an alternate format, must be:
  - (i) stored in accordance with the agency's approved Recordkeeping Plan; and
  - (ii) capable of clear reproduction for the specified retention period.
- (5) The financial management manual shall reference the agency's Recordkeeping Plan, procedures and appropriate controls to ensure accounting records are stored without amendment after the completion of the audit by the Auditor General.

## GUIDELINES

The *State Records Act 2000* requires every agency to have, and comply with, a Recordkeeping Plan approved by the Commission. A Recordkeeping Plan will:

- (i) stipulate that an agency will refer to the GDASG for the retention and disposal of its financial and accounting records;
- (ii) if applicable, justify any variations to retention periods for any records covered by the GDASG;
- (iii) if applicable, cover those financial and accounting records peculiar to the agency that are not covered under the GDASG. These must be included in the retention and disposal component of the Plan; and
- (iv) address the retention and disposal of original records that have been reproduced in another format, eg copied into microfilm or microfiche, or digitized. In considering the destruction of original records before the end of their minimum retention period, accountable authorities should weigh the costs of retaining the original records for a longer period against the likelihood of requiring to produce them in a court of law, and the loss or disadvantage should the reproduction not be accepted as evidence by a Court.

Records maintained under the Recordkeeping Plan may be in either physical or electronic formats, in accordance with the *Electronic Transactions Act 2011*. The risk of loss of both physical and electronic records are within the ambit of TI 825 '*Risk Management and Security*'.

In considering retention periods for and/or the destruction of accounting records, accountable authorities should not only have regard to the retention periods prescribed by the GDASG, this instruction and any other written law, but should also consider whether from an operational perspective it is practicable or wise to discontinue retaining the records in question [particularly where they act as or form part of a book of original (prime) entry or a ledger or subsidiary ledger].

Information contained in a general ledger for example, may be useful for an indefinite period of time. There also may be some merit in retaining certain records purely for their historical value.

The State Records Office should be consulted where necessary. Further information on the keeping of records is available at the following website address:

<http://www.sro.wa.gov.au/state-recordkeeping/recordkeeping-faq>

## **805 OPERATING ACCOUNTS FOR DEPARTMENTS AND SUB DEPARTMENTS**

### **BACKGROUND**

An accountable authority must establish for each department or sub-department a special purpose account for operations in respect of its activities, in accordance with [section 16\(1\)\(a\)](#) of the Act. [Section 16\(2\)](#) requires the accountable authority to maintain appropriate and adequate records for accountability and stewardship purposes.

All moneys lawfully received by a department or sub-department must be accounted for in a department or sub-department's operating account. This may include:

- (i) general purpose money including appropriations, moneys retained under a net appropriation determination under section 23(2), transfers of funds between special purpose accounts when a function is transferred from another department or sub-department (under [section 21\(3\)](#) of the Act), unconditional donations and grants, or similar, to enable the department or sub-department to perform its functions;
- (ii) specific purpose money, which includes donations and grants that the accountable authority is obliged to spend in accordance with conditions or restrictions specified or imposed by the donor or grantor and for which there is no legal requirement to maintain a separate special purpose account (e.g. discretionary scholarships). Although the accountable authority may have some discretion in how the money is used in the delivery of services, the accountable authority has an obligation to maintain stewardship and accountability for this money and therefore appropriate controls and processes should be implemented. Specific purpose money is retained under a net appropriation determination;
- (iii) suspense money pending identification of the purposes for which such money was received, or identification of where money is to be credited or paid; and
- (iv) administered receipts.

Where an agreement with a donor or contributor imposes a legal requirement that the funds be held in a separate account, or a parliamentary appropriation is made to a special purpose account for a specific purpose, such specific purpose moneys may be credited to a separate agency special purpose account as explained in [Treasurer's instruction 806](#).

### **TREASURER'S INSTRUCTION**

- (1) The accountable authority of a department or sub-department shall establish a special purpose account for the operations of the department or sub-department ('the operating account').**

- (2) Subject to [Treasurer's instruction 806](#), and any written law, there shall be credited to the operating account any money lawfully received for the purposes of the operations of the department or sub-department.
- (3) Money credited to the operating account shall be applied only for the services and purposes detailed in the 'Agency Information in Support of the Estimates' for the department or sub-department' (Budget Statements), or expenditure authorised under [section 27](#) of the Act.
- (4) Where specific purpose money is retained under a net appropriation determination and held in the operating account, the accountable authority shall implement appropriate controls to ensure compliance with the terms and conditions applying to such money.

## GUIDELINES

- (1) Agency special purpose accounts operate on a cash basis. A special purpose account is a record of transactions against a specific bank account (or component thereof). The balance of a special purpose account can be applied only for purposes for which the account was established.
- (2) The accountable authority may authorise the chief finance officer to establish and administer the operating account. The operating account is a general ledger account in the department and sub department's financial management system.
- (3) Operating accounts can hold both general purpose and specific purpose money. Specific purpose money is money that the accountable authority has an obligation to use in accordance with the conditions or restrictions imposed by the donor or contributor. Specific purpose money is not 'other money' as defined in the Act.
- (4) Where the accountable authority transacts specific purpose money through the operating account, there is an obligation to utilise such money for its stated purposes. This may be achieved by separating specific purpose money from general operating money in the general ledger, outlining the procedures and processes for receiving/expending such money in the financial management manual, and ensuring that the controls are adequate etc.
- (5) The accountable authority can ensure that the specific purpose money is utilised for its stated purposes and protect the interests of the relevant parties by developing appropriate documentation to be signed by the relevant parties. This could be similar to the special purpose statement required for [section 16\(1\)\(d\)](#) accounts and explained in [Treasurer's instruction 802](#) and [Treasurer's instruction 806](#).
- (6) Departments and sub-departments can expend money only in accordance with legislation, for services and purposes identified in the budget statements or for new items authorised by the Treasurer



## **806      SPECIFIC PURPOSE AND OTHER MONEY (MONEY HELD IN TRUST)**

### **BACKGROUND**

#### **Specific purpose money**

Specific purpose money is defined in this instruction as money that the accountable authority is obliged to spend for a specific purpose and in accordance with the conditions or restrictions specified by the donor or contributor'. Agencies will generally account for specific purpose money in their operating account under [sections 16\(1\)\(a\)](#) or [16\(1\)\(b\)](#) of the Act, or as part of a special purpose account under [16\(1\)\(d\)](#) of the Act.

However, where a donor or contributor requires transparency and distinct accountability for the moneys under an agreement then such moneys may be credited to an agency special purpose account for specific purposes under section [16\(1\)\(d\)](#) of the Act. Similarly, a parliamentary appropriation for a specific purpose may be accounted for in a separate Treasurer's special purpose account under [sections 10\(a\)](#) of the Act.

The stewardship, governance and accountability regarding such moneys are outlined in a special purpose statement as required under [section 17](#) of the Act.

#### **Other Money (money held in trust)**

Other money is defined in [section 3](#) of the Act.

As these are not moneys of the agency, other money must be credited to a separate agency special purpose account established for that purpose under section [16\(1\)\(c\)](#) of the Act. Other moneys may also be credited to a Treasurer's special purpose account under [section 10\(f\)](#) of the Act.

The stewardship, governance and accountability regarding such moneys are outlined in a trust statement as required under section 17 of the Act.

[TI 802 Special Purpose Statements and Trust Statements](#) specifies the content for special purpose statements and trust statements.

### **TREASURER'S INSTRUCTION**

- 1) For the purposes of this instruction, 'specific purpose money' is money that the accountable authority is obliged to spend in accordance with the conditions or restrictions specified by the donor or contributor.**
- 2) Subject to the requirements of paragraph (3) and any other Act, specific purpose money shall be credited to an agency's operating account.**
- 3) Where the donor or contributor imposes a legal and/or specific requirement that money be held in a separate account or where an appropriation is**

made to a special purpose account for a specific purpose, the money shall be credited to an agency special purpose account or a Treasurer's special purpose account in accordance with [section 16\(1\)\(d\)](#) or [10\(a\)](#) of the Act respectively.

- 4) Subject to the requirements of any other relevant written law, other money shall be credited to a Treasurer's special purpose account or an agency special purpose account in accordance with [section 10\(f\)](#) or [16\(1\)\(c\)](#) of the Act respectively.
- 5) Where an accountable authority receives money to which paragraph (3) or (4) applies and the Treasurer has not made a determination under [section 10\(a\)](#) or (f) or [16\(1\)\(c\)](#) or (1)(d) of the Act in respect of such money, the accountable authority shall prepare a special purpose statement or a trust statement (refer [TI 802 Special Purpose Statements and Trust Statements](#)), as applicable, and seek the Treasurer's approval to the special purpose account and associated special purpose statement or trust statement under sections 16 and 17 of the Act.
- 6) The accountable authority shall ensure compliance with the governance, accountability and stewardship of specific purpose money and other money as set out in the special purpose statement or trust statement and underlying agreements.
- 7) The accountable authority shall implement procedures that ensure the rights and obligations of donors and recipients are adequately documented.

## GUIDELINES

### Specific purpose

Agencies are legally obliged to comply with any accepted terms and conditions applying to specific purpose money. Adequate records must be maintained to ensure that money is spent for the purposes specified and is in accordance with the terms and conditions of the donation, grant etc, as well as complies with reporting obligations.

Accountability and stewardship does not diminish where specific purpose money is credited to an agency operating account.

### Other money

- (1) Donations, bequests or grants that do not have specific conditions attached and where discretion can be exercised on how the money will be spent should be treated as general operating revenues and credited to the operating account.
- (2) Subject to written law, statutory authorities may only credit statutory authority money as defined in [section 3](#) of the Act to their operating account (this may be an agency special purpose account which for the purpose of the Act is a [section 16\(1\)\(b\)](#) account or an account held at a bank) established under written law.

Therefore, when an accountable authority of a statutory authority receives other money in the course of conducting its operations the following should be considered:

- (i) If the operating account is a section 16(b) special purpose account to which other money may be credited (see section 7 of the *Agricultural Produce Commission Act 1988*), the accountable authority must prepare a trust statement and seek the Treasurer's approval under [section 36](#) of the Act; or
  - (ii) If the operating account is a section 16(b) special purpose account for the purpose of the statutory authority's operations, the accountable authority must seek separate approval to special purpose account under section 16(1)(c) of the Act, the associated trust statement under section 17 and a bank account under [section 13](#);
  - (iii) If the operating account is at a bank and the statutory authority does not have a special purpose account designated by the Treasurer for the purpose of other moneys, the accountable authority must prepare a trust statement under TI 802 and request the Treasurer's approval to the special purpose account and the associated trust statement under sections 16(1)(c) and 17 of the Act, and a bank account under section 13 of the Act. The Treasurer's approval would be required for the bank account to be operated outside the Public Bank Account.
- (3) It may be difficult to determine whether money constitutes other money (money held in trust) in a purely legal sense without examining the underlying agreement or the legal instrument between the donor and recipient/receiving agency (or trustee). For example, donations or bequests for the granting of scholarships (trust property) to third parties (beneficiaries) may be regarded as other money (money held in trust) as the State (trustee) gets no benefit but has all of the obligations of the trustee. Agencies should examine the supporting documentation to understand the nature of the donation or bequest, and the extent of their own discretion in applying the money.
  - (4) If an agency cannot distinguish between specific purpose and other money (money held in trust), it should treat the money as specific purpose money or seek legal advice as to the nature of the money.
  - (5) Agencies have a fiduciary responsibility for other money credited to special purpose accounts and held for and on behalf of a person other than the State or a statutory authority.
  - (6) An agency may establish one account with a single special purpose statement or trust statement to hold money provided from a range of donors or contributors that are to be expended on a range of purposes (or a single purpose) if it were practicable.

## 807 WRITE-OFFS

### BACKGROUND

Write-offs under [section 48](#) of the Act apply to losses of public property, and bad debts due to the State or a statutory authority.

A loss of public property occurs when the public property is lost, destroyed or damaged. For example, a laptop is stolen from an agency or a building controlled by an agency is destroyed or damaged by fire.

Accordingly, asset revaluation decreases under the following Australian Accounting Standards are not write-offs under section 48:

- AASB 9 *Financial Instruments*;
- AASB 102 *Inventories*;
- AASB 116 *Property, Plant and Equipment*;
- AASB 128 *Investments in Associated and Joint Ventures*; and
- AASB 136 *Impairment of Assets*.

Note that right-of-use assets under AASB 16 *Leases* and service concession assets under AASB 1059 *Service Concession Arrangements: Grantors* are not public property for the purposes of section 48.

Furthermore, where public property is appropriately disposed of in accordance with procedures and practices detailed in an agency's financial management manual (as required by [Treasurer's instruction \(TI\) 701 \*Financial Management Manuals\*](#)), section 48 does not apply. For example, an agency may elect to donate 'old' laptops to charity.

Bad debts due to the State or a statutory authority are those considered to be irrecoverable. That is when it is improbable that the amount could be recovered or it would be uneconomical to fully recover the amount.

Note that a decision to write off a debt under section 48 does not legally extinguish the debt and thus does not amount to forgiveness (or waiver) of the debt. Other written laws (e.g. *Public Health Act 2016*) authorise the forgiveness (or waiver) of a debt in certain circumstances.

Write-offs under section 48 do not apply to revenue and other debts due between departments/sub-departments as they are not legal entities separate from the State.

Although write-offs under section 48 apply to revenue and other debts due between statutory authorities and between a statutory authority and a department/sub-department, agencies are encouraged to negotiate to resolve any disputes and make the required payments.

### TREASURER'S INSTRUCTION

- (1) For the purposes of this instruction, a 'matter' means a set of circumstances, events or things giving rise to a write-off.
- (2) Submission for a write-off under [section 48](#) of the Act shall provide full details of the proposed write-off including:
  - (i) an audit trail of the individual items relating to the matter to be written off;
  - (ii) files and other references, as necessary;

- (iii) the relevant amount to be written off; and
  - (iv) details of recovery and remedial action taken, as applicable.
- (3) An agency shall establish and maintain a register of all relevant amounts and items written off.
- (4) The relevant amount that may be written off under section 48 of the Act is in respect of one matter concerning items of public property and revenue and other debts due to the State or a statutory authority.

## GUIDELINES

Regulation 7 of the Regulations imposes monetary limits on the relevant amount that may be written off by the accountable authority or the Minister without the prior approval of the Treasurer, as summarised in the table below:

Reference	Limits	Authorisation
section 48(2)	up to \$100,000	agency's accountable authority
section 48(3)	up to \$250,000	agency's responsible Minister
section 48(4)	over \$250,000	agency's responsible Minister with the prior approval of the Treasurer

Note that the *Financial Legislation Amendment Act 2021* has amended [section 48\(4\)](#) of the Act by replacing the role of the Governor with the Treasurer. As such, submissions for write-offs under the amended section 48(4) shall be forwarded through the responsible Minister to the Treasurer.

The monetary limits set under regulation 7 relate to the relevant amount of one 'matter' (as defined in paragraph (1) of this instruction) concerning items of public property and revenue and other debts due to the State or a statutory authority. Consequently, individual items of public property and revenue and other debts to be written off could be considered as separate matters or grouped together as a single matter depending upon the circumstances leading to the need for the write-off. The grouping of individual items is not conditional upon the likeness or number of such items but on whether or not the items are linked together by a set of circumstances. In determining what constitutes a set of circumstances, events or things and which items are linked together, judgement must be exercised.

The following examples may assist:

- where a fire destroys various items of public property, the loss of these items could reasonably be considered as a single matter as the various items are linked together by a single event of the fire; and
- following an audit in which a number of salary overpayments were identified and required to be written off, the write-off of these overpayments could reasonably be considered as a single matter as they are linked together by the event of the audit.

By contrast, individual debts to be written off would constitute separate matters because they are not normally linked together by a single event.

## Public property

TI 410 *Records of Public Property and Other Property* requires an agency to have appropriate records for public property controlled by that agency. Public property that has a value equal to or greater than the asset capitalisation threshold (refer to [TI 1101 Application of Australian Accounting Standards and Other Pronouncements](#)) may be capitalised for financial reporting purposes. Note that the asset capitalisation threshold for intangible assets may be set higher than the limit for physical assets.

If public property is capitalised, the relevant amount to be written off is the carrying amount recognised in the financial statements. Otherwise, the relevant amount to be written off is the cost of replacing the public property. Given the immateriality of public property that is not capitalised, the cost of replacement could be the cost of replacing the public property with a brand new item (i.e. no need to adjust for obsolescence).

If public property (e.g. building) is damaged and could be repaired, the relevant amount to be written off is the cost of repair.

The fact that public property is insured does not affect the operation of section 48. Where public property is lost/destroyed/damaged and the value of that property is recovered (through insurance) but not necessarily the property itself, a write-off under section 48 is still required. Submission for such a write-off should state the amount received or receivable from insurance. Insurance coverage in itself does not alleviate the responsibility of the accountable authority in carrying out the functions relating to the custody, control and management of, and accounting for, all the public property under the control of the agency.

However, where public property is capitalised and fully depreciated/amortised (or written down to nil in the case of inventories), its disposal (even though it may have a residual value) does not constitute a write-off under section 48 but an activity under TI 701(5) as part of the agency's financial management manual.

## Revenue and other debts

Write-offs under section 48 are required when an amount in respect of revenue and other debts due to the State or a statutory authority is considered to be irrecoverable.

Before a debt may be considered to be irrecoverable, one of the following conditions must be satisfied:

- (i) the debtor cannot be located;
- (ii) it is uneconomical to pursue recovery action due to the relatively small value of the debt;
- (iii) the medical, financial or domestic circumstances of a particular debtor at that time does not warrant recovery action; or
- (iv) legal proceedings through the court have proved or, on legal advice, would prove unsuccessful.

The approval to a write-off of a relevant amount in respect of a debt does not relieve the debtor from the obligation to pay, nor prohibit action to enforce the payment from being taken. There have been cases where the relevant amount that was written off has been subsequently recovered following a change in the debtor's circumstances.

Where a debt is partially recovered, the relevant amount written off is the difference between the debt and the amount recovered.

Note that a credit note is not considered a write-off under section 48 where it is issued to correct an error in the original sale or the refund of a good or service. This can be

distinguished from a bad debt that arises when a customer does not pay and the debt could not be recovered.

### **Register**

For the purposes of paragraph (3), agencies shall record details of the public property and the debts in respect of which relevant amounts are written off, the authority for the write-offs, any insurance recovery and any subsequent action to reinstate and recover the debt.

In addition, agencies are required to disclose write-offs under section 48 of the Act or under other written laws in the notes to the financial statements in accordance with [TI 952 \*General Information in Financial Statements\*](#).

Agencies should also maintain a register of the forgiveness (or waiver) of debts to enable compliance with the requirements in TI 952.

## 808 RESOURCE AGREEMENTS

### BACKGROUND

[Section 42](#) of the Act requires the accountable authority of an agency to prepare a draft resource agreement for each financial year unless otherwise directed in writing by the Treasurer.

Resource agreements are part of the State's financial management framework, articulating agency level government desired outcomes, services to be delivered, parliamentary appropriations to be provided, and performance targets to be achieved.

Resource agreements are to be agreed by the agency's accountable authority, the relevant portfolio Ministers(s), if applicable, and the Treasurer.

The accountable authority's adherence to the targets agreed in the resource agreement is crucial to the achievement of the Government's financial targets, published each year as part of its budget strategy in accordance with the *Government Financial Responsibility Act 2000*.

### TREASURER'S INSTRUCTION

- (1) The accountable authority of an agency is required to prepare a draft resource agreement under [section 42](#) of the Act unless listed in the Treasurer's direction attached to this instruction ([Attachment 1](#)).
- (2) For the purposes of [section 42\(2\)\(a\)](#) of the Act, a draft resource agreement must be in the form of the relevant template attached to this instruction:
  - [Template 1](#) – for use by agencies with one portfolio Minister ([Attachment 2.1](#))
  - [Template 2](#) – for use by agencies with multiple portfolio Ministers ([Attachment 2.2](#))
  - [Template 3](#) – for use by agencies who do not require Minister's agreement under [section 43\(2\)](#) of the Act ([Attachment 2.3](#))
  - [Template 4](#) – for use by agencies who have no relationship to Government Goals ([Attachment 2.4](#)).
- (3) For the purposes of [section 61\(2\)](#) of the Act, the accountable authority is to utilise the template attached to this instruction ([Attachment 3](#)) to report on the extent to which an agency achieved any targets described in the resource agreement.

### GUIDELINES

- (1) In accordance with [section 42\(1\)\(b\) and \(3\)](#) of the Act, the Treasurer (or his delegate) will, for each financial year, designate a date by which an accountable authority must submit a draft resource agreement to the Treasurer. The designated date will be formally communicated to the accountable authority via the annual Budget Circular or a separate letter.
- (2) The accountable authority is to submit the draft resource agreement to Treasury, acting as an agent of the Treasurer, on or before the designated date.



- (3) Before submitting a draft resource agreement to Treasury, the agency should provide the intended final version to their Treasury analyst for verification and endorsement of numerical input.
- (4) The draft resource agreement submitted to Treasury may be:
  - (i) signed in counterpart by the accountable authority and the relevant Minister(s); and
  - (ii) provided via email to the relevant Treasury analyst.

Note: [Section 44](#) of the Act provides that the Treasurer may, at any time in the financial year, modify an agency's resource agreement by giving written notice to the accountable authority.

Treasury will give written notice of modifications for financial targets at key times in the financial year, likely at Mid-year Review and Estimated Outturn. In accordance with [section 44\(3\)](#) of the Act, the resource agreement, with the modification specified in the notice, becomes the resource agreement for the agency for the remainder of the financial year.

**FINANCIAL MANAGEMENT ACT 2006 (FMA)**  
**TREASURER'S DIRECTIONS UNDER SECTION 42(1) OF THE FMA**

I hereby direct that the accountable authority of an agency described in paragraph (a) or (b) is not required to prepare a draft resource agreement for the agency under section 42 of the FMA with respect to the 2022-23 financial year or any subsequent financial year.

- (a) A statutory authority that is not required to prepare a separate Division within Budget Paper No. 2 'Agency Information in Support of the Estimates', except for:
- (i) the Perth Theatre Trust;
  - (ii) The Board of the Art Gallery of Western Australia;
  - (iii) The Library Board of Western Australia; and
  - (iv) The Western Australian Museum.
- (b) A statutory authority that is required to prepare:
- (i) a separate Division within Budget Paper No. 2 'Agency Information in Support of the Estimates'; and
  - (ii) a statement of corporate intent under its enabling legislation.



Mark McGowan MLA  
**TREASURER**

Date: 16 MAR 2022

**TEMPLATE RESOURCE AGREEMENTS**

**XXXX-XX  
AGENCY RESOURCE AGREEMENT**

Please find attached your agency's draft Resource Agreement (RA) for completion and signing.

**Please note that:**

- Treasury will accept **scanned copies of signed draft RAs via email** (hard copies with wet signatures are not required).
- Draft RAs can be signed in counterpart, meaning each Minister and accountable authority can sign a separate copy of the draft RA (with all copies to be provided to Treasury). Alternatively, the same copy of the RA can be scanned and signed by all parties and emailed to Treasury.

**Where to from here:**

Accountable authority's signature on the completed copy? YES  NO

Relevant Portfolio Minister's signature on the completed copy? YES  NO

Please:

- return by email the scanned, signed draft RA to your agency's Treasury Analyst by { Day, Date }.

**DO NOT SEND THE MINISTERIALLY SIGNED DRAFT RESOURCE AGREEMENT TO THE TREASURER'S OFFICE**

**All Resource Agreements will be coordinated centrally by the Treasury and provided to the Treasurer for agreement**

# RESOURCE AGREEMENT

between the

MINISTER FOR {PORTFOLIO}

the

ACCOUNTABLE AUTHORITY OF {AGENCY NAME}

and the

TREASURER

For the financial year ending 30 June **XXXX**

**TABLE OF CONTENTS**

- 1.0 INTRODUCTION ..... 1**
  - 1.1 Purpose ..... 1
  - 1.2 Term and Scope ..... 1
  - 1.3 Signatures of the Parties ..... 2
- 2.0 STRATEGIC CONTEXT ..... 3**
  - 2.1 Relationship to Government Goals ..... 3
  - 2.2 Performance Monitoring ..... 3
  - 2.3 Significant Issues Impacting the Agency ..... 3
  - 2.4 Whole-of-Government and Cross-Agency Initiatives ..... 4
- 3.0 FINANCIAL MANAGEMENT ..... 5**
  - 3.1 Responsibility for Financial Management ..... 5
  - 3.2 Financial Targets ..... 5
  - 3.3 Ownership Interest ..... 6
  - 3.4 Reporting ..... 6
  - 3.5 Administered Transactions ..... 6
- 4.0 MODIFICATION OF THE AGREEMENT ..... 7**
  - Appendix ..... 8

## 1.0 INTRODUCTION

### 1.1 Purpose

This agreement records undertakings by:

- the Minister - that the agency-level desired outcomes and performance targets identified in the Budget Statements and summarised in the attached Appendix are consistent with the broader strategic policy direction and priorities of the Government; and
- the Accountable Authority - to efficiently deliver the services and to achieve the desired outcomes and targets (both financial and non-financial) specified in the Budget Statements and the Appendix, while ensuring the development and maintenance of high quality human and capital resources of the agency; and
- the Treasurer - subject to Parliament's approval, to provide financial resources to facilitate achievement of the agreed outcomes and performance targets.

These undertakings are made to allocate accountabilities for the budget, including for achieving the agreed expense limit and other budget targets.

Treasury will report material breaches of the agreed expense limit to Cabinet's Expenditure Review Committee. Expense limit outcomes are disclosed in the Annual Report on State Finances.

### 1.2 Term and Scope

This agreement covers the period from **1 July XXXX to 30 June XXXX**. References to the Budget and Budget Statements are to the **XXXX-XX** Budget and Budget Statements, unless the context implies otherwise. All parties recognise the importance of ongoing review of obligations in the resource agreement to ensure:

- targeted outcomes represent maximum benefit to the community;
- optimal combination of services to achieve the identified outcomes;
- services are delivered at least cost;
- there is co-ordinated effort to facilitate whole-of-government and cross-agency initiatives (where appropriate);
- the total cost of services does not exceed the agreed expense limit; and
- approved salary expense levels, in line with Government Wages Policy, are managed, monitored and reported against.

**1.3 Signatures of the Parties<sup>1</sup>**

**Minister**  
Dated

**Accountable Authority<sup>2</sup>**  
Dated

**Treasurer**  
Dated

---

<sup>1</sup> Note: This Resource Agreement may be signed in counterpart, and:

- (a) this Agreement may be executed in any number of counterparts
- (b) all counterparts, taken together, constitute one instrument, and
- (c) a party may execute this Agreement by signing any counterpart.

<sup>2</sup> Accountable authority is the chief executive officer of a department, the holder of an office declared to be the accountable authority of a sub-department and the person or body having general direction and control of the statutory authority.



## **2.0 STRATEGIC CONTEXT**

### **2.1 Relationship to Government Goals**

The Budget Statements identify links between the Government Goals articulated for the **XXXX-XX** Budget, and the following agency level desired outcomes:

(Department of Treasury example)

- Sustainable and transparent public sector finances.
- A strong and competitive State economy.
- Value for money outcomes in service delivery and infrastructure provision.

### **2.2 Performance Monitoring**

Progress towards the agency level desired outcomes is to be monitored with the assistance of key effectiveness indicators. Key efficiency indicators will be used to assist in monitoring service delivery. These performance indicators, together with performance targets, are published in the Budget Statements and actual results against these targets will be disclosed in the agency's annual report as required by section 61(2) of the *Financial Management Act 2006* (FMA).

### **2.3 Significant Issues Impacting the Agency**

All parties agree that this section of the Budget Statements describes:

( agency to describe if applicable )

- the key external influences (including risks) which impact on operations;
- past and present trends in those influences; and
- potential future trends in the operating environment, including the:
  - effect on demand; and
  - effect on cost.

**2.4 Whole-of-Government and Cross-Agency Initiatives**

All parties acknowledge that there is shared accountability for the successful implementation of whole-of-government reform initiatives as determined from time to time, if applicable.

The { **Agency Name** } contributes to the following key cross-agency initiatives:

**Cross-Agency Initiatives**

Initiative	Related outcome(s)	Contributing agencies	Financial (or resource) commitment	Target result for <b>XXXX-XX</b>
	•	•		•
	•	•		•

Drafting note: The Minister and lead agency with responsibility for coordinating the delivery and reporting on each of the preceding State Government cross-agency initiatives are to be identified.

## 3.0 FINANCIAL MANAGEMENT

### 3.1 Responsibility for Financial Management

This agreement recognises the shared financial management responsibilities of the parties. In broad terms the Treasurer, as representative of the State, represents the State's ownership interest in **{Agency Name}**. It is the Minister's and the Accountable Authority's role to agree to work to achieve the financial targets as specified in section 3.2.

### 3.2 Financial Targets

The Minister and the Accountable Authority, subject to agreed modifications (see section 4.0), undertake to ensure that the total amount of resources disclosed in the Budget Statements for the budget year is managed to achieve:

- the endorsed expense limit, identified as the Total Cost of Services in the Budget Income Statement (impacting the Government's expense growth target for the general government sector). The expense limit is a critical parameter within which the budget must be managed. Approval of Cabinet (through the Expenditure Review Committee or under Treasury's Delegated Authority) is required to spend beyond this limit in the budget year.

The **{Agency Name}** must manage its service delivery within existing expense limits and use cash balances as a source of funding in the first instance in accordance with Treasury's 2007 Cash Management Policy.<sup>3</sup>

- the Net Cost of Services in the Budget Income Statement (impacting the Government's net operating balance target for the general government sector);
- the Total Equity target in the Budget Balance Sheet (impacting the Government's net worth target);
- the approved Working Cash Limit equivalent to 5% of approved budgeted recurrent payments (total operating and financing);
- the approved Salary Expense Level;
- the approved Executive Salary Expenditure Limit; and
- the approved Borrowing Limit, where applicable.

Actual results against these financial targets will be disclosed in the agency's annual report as required by section 61(2) of the FMA.

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<sup>3</sup> [https://www.wa.gov.au/system/files/2020-02/cash\\_management\\_policy.pdf](https://www.wa.gov.au/system/files/2020-02/cash_management_policy.pdf)

### **3.3 Ownership Interest**

The **{Agency Name}** must account for capital appropriations as equity contributions by the State.

The State is entitled to make such decisions as it sees fit concerning the **{Agency Name}** capital, defined as assets less liabilities (equity) as per the Australian Accounting Standards. These decisions include those regarding:

- equity contributions;
- distribution of net proceeds of asset disposal; and
- treatment of operating surpluses.

### **3.4 Reporting**

The Accountable Authority is required under section 5 of the *Government Financial Responsibility Act 2000* (GFRA) to comply with a request from the Under Treasurer to provide any information needed to meet reporting under the GFRA.

### **3.5 Administered Transactions**

The Budget Statements disclose details of expenses/income to be incurred/received on behalf of the State, as well as assets and liabilities administered on behalf of the State. The Minister and the Accountable Authority undertake to ensure the effective management of these administered items on behalf of the Government, if applicable.

#### **4.0 MODIFICATION OF THE AGREEMENT**

Under section 44 of the FMA, the Treasurer may, at any time in a financial year, modify this agreement by giving written notice to the Accountable Authority specifying the modification, and directing that the agreement, with the modification, is to be the agreement for the agency for the remainder of the financial year.

Modification of this agreement may be a consequence of changes to:

- agreed expense limits;
- other financial targets (see section 3.2)
- Government policy;
- economic parameters;
- demand for services; and/or
- administrative arrangements that have a material impact.

Where there is a function transfer, the Accountable Authority shall provide sufficient information to enable all relevant agencies to report on the transferred functions and associated assets and liabilities during the year.

Treasury will advise the Accountable Authority and Minister of revised financial targets approved by Cabinet in the course of the financial year, if applicable.

This resource agreement, as modified from time to time, forms part of evidence in the CEO Performance Agreement developed by the Public Sector Commission under Commissioner's Instruction No. 30: Chief Executive Officer Performance Management and section 47 of the *Public Sector Management Act 1994*.

**DETAILS OF DESIRED OUTCOMES, SERVICES AND PERFORMANCE TARGETS**

(Department of Treasury example)

**Desired Outcomes, Key Effectiveness Indicators and Targets <sup>(a)</sup>**

	XXXX-XX Target
<b>Outcome: Sustainable and transparent public sector finances:</b>	
Status of the State's credit rating <sup>(b)</sup> .....	
Unqualified audit opinion on the Annual Report on State Finances .....	Yes
Percentage of financial reports released as per agreed timeframes .....	x%
<b>Outcome: A strong and competitive State economy:</b>	
Accuracy of key general government revenue forecasts:	
Tax revenue .....	+/-x%
Royalty revenue .....	+/-x%
Accuracy of key economic forecasts (percentage point difference):	
Employment growth .....	+/-x
Real State Final Demand (SFD) growth .....	+/-x
<b>Outcome: Value for money outcomes in service delivery and infrastructure provision:</b>	
Percentage of advice provided to the Expenditure Review Committee at least 5 working days prior to their consideration.....	x%
Percentage of Ministerially endorsed Strategic Asset Plans (SAPs) for the upcoming year received and reviewed by Treasury before the commencement of the Budget bilateral process	x%

(a) More details of effectiveness indicators in annual report.

(b) Western Australia's credit rating is currently assessed by Standard and Poor's and by Moody's.

**Total amount of resources that are expected to be made available to the {Agency Name} for the XXXX-XX financial year:**

Recurrent \_\_\_\_\_

Capital \_\_\_\_\_

## Services, Key Efficiency Indicators and Targets

(Department of Treasury example)

Service/Key efficiency indicators	XXXX-XX Target
<b>1. Financial Management and Reporting</b> - Average cost of financial reports released.....	\$X
<b>2. Economic and Revenue Forecasts and Policy Development</b> - Cost of providing government with economic and revenue forecasting advice and policy development per economic paper .....	\$X
<b>3. Evaluation and Planning of Government Service Delivery and Infrastructure Provision</b> - Cost of providing government with service delivery and infrastructure advice per paper produced .....	\$X

## Financial Targets

	XXXX-XX Budget Estimate \$'000
Total Cost of Services (i.e. endorsed expense limit – detailed in the Income Statement) .....	X
Net Cost of Services (detailed in the Income Statement) .....	X
Total Equity (detailed in the Statement of Financial Position) .....	X
Salary Expense Level.....	X
Executive Salary Expenditure Limit.....	X
Borrowing Limit.....	X
Working Cash Limit - at the commencement of XXXX-XX, the approved working cash limit is \$X.	

**XXXX-XX  
AGENCY RESOURCE AGREEMENT**

Please find attached your agency's draft Resource Agreement (RA) for completion and signing.

**Please note that:**

- Treasury will accept **scanned copies of signed draft RAs via email** (hard copies with wet signatures are not required).
- Draft RAs can be signed in counterpart, meaning each Minister and accountable authority can sign a separate copy of the draft RA (with all copies to be provided to Treasury). Alternatively, the same copy of the RA can be scanned and signed by all parties and emailed to Treasury.

**Where to from here:**

Accountable authority's signature on the completed copy? YES  NO

Relevant Portfolio Ministers' signatures on the completed copy? YES  NO

Please:

- return by email the scanned, signed draft RA to your agency's Treasury Analyst by { Day, Date }.

**DO NOT SEND THE MINISTERIALLY SIGNED DRAFT RESOURCE AGREEMENT TO THE TREASURER'S OFFICE**

**All Resource Agreements will be coordinated centrally by the Treasury and provided to the Treasurer for agreement**



# RESOURCE AGREEMENT

between the

MINISTER FOR {PORTFOLIO}

[Insert additional Ministers here as required]

the

ACCOUNTABLE AUTHORITY OF {AGENCY NAME}

and the

TREASURER

For the financial year ending 30 June **XXXX**

**TABLE OF CONTENTS**

- 1.0 INTRODUCTION ..... 1**
  - 1.1 Purpose ..... 1
  - 1.2 Term and Scope ..... 1
  - 1.3 Signatures of the Parties ..... 2
- 2.0 STRATEGIC CONTEXT ..... 3**
  - 2.1 Relationship to Government Goals ..... 3
  - 2.2 Performance Monitoring ..... 3
  - 2.3 Significant Issues Impacting the Agency ..... 3
  - 2.4 Whole-of-Government and Cross-Agency Initiatives ..... 4
- 3.0 FINANCIAL MANAGEMENT ..... 5**
  - 3.1 Responsibility for Financial Management ..... 5
  - 3.2 Financial Targets ..... 5
  - 3.3 Ownership Interest ..... 6
  - 3.4 Reporting ..... 6
  - 3.5 Administered Transactions ..... 6
- 4.0 MODIFICATION OF THE AGREEMENT ..... 7**
  - Appendix ..... 8

## **1.0 INTRODUCTION**

### **1.1 Purpose**

This agreement records undertakings by:

- each Minister – that the agency-level desired outcomes and performance targets identified in the Budget Statements and summarised in the attached Appendix are consistent with the broader strategic policy direction and priorities of the Government; and
- the Accountable Authority – to efficiently deliver the services and to achieve the desired outcomes and targets (both financial and non-financial) specified in the Budget Statements and the Appendix, while ensuring the development and maintenance of high quality human and capital resources of the agency; and
- the Treasurer – subject to Parliament’s approval, to provide financial resources to facilitate achievement of the agreed outcomes and performance targets.

These undertakings are made to allocate accountabilities for the budget, including for achieving the agreed expense limit and other budget targets.

Treasury will report material breaches of the agreed expense limit to Cabinet’s Expenditure Review Committee. Expense limit outcomes are disclosed in the Annual Report on State Finances.

### **1.2 Term and Scope**

This agreement covers the period from **1 July XXXX to 30 June XXXX**. References to the Budget and Budget Statements are to the **XXXX-XX** Budget and Budget Statements, unless the context implies otherwise. All parties recognise the importance of ongoing review of obligations in the resource agreement to ensure:

- targeted outcomes represent maximum benefit to the community;
- optimal combination of services to achieve the identified outcomes;
- services are delivered at least cost;
- there is co-ordinated effort to facilitate whole-of-government and cross-agency initiatives (where appropriate);
- the total cost of services does not exceed the agreed expense limit; and
- approved salary expense levels, in line with Government Wages Policy, are managed, monitored and reported against.

**1.3 Signatures of the Parties<sup>1</sup>**

**Minister**  
Dated

**Accountable Authority<sup>2</sup>**  
Dated

[Insert additional Ministers as required]

**Treasurer**  
Dated

---

<sup>1</sup> Note: This Resource Agreement may be signed in counterpart, and:

- (a) this Agreement may be executed in any number of counterparts
- (b) all counterparts, taken together, constitute one instrument, and
- (c) a party may execute this Agreement by signing any counterpart.

<sup>2</sup> Accountable Authority is the chief executive officer of a department, the holder of an office declared to be the accountable authority of a sub-department and the person or body having general direction and control of the statutory authority.

## **2.0 STRATEGIC CONTEXT**

### **2.1 Relationship to Government Goals**

The Budget Statements identify links between the Government Goals articulated for the **XXXX-XX** Budget, and the following agency level desired outcomes:

(Department of Treasury example)

- Sustainable and transparent public sector finances.
- A strong and competitive State economy.
- Value for money outcomes in service delivery and infrastructure provision.

### **2.2 Performance Monitoring**

Progress towards the agency level desired outcomes is to be monitored with the assistance of key effectiveness indicators. Key efficiency indicators will be used to assist in monitoring service delivery. These performance indicators, together with performance targets, are published in the Budget Statements and actual results against these targets will be disclosed in the agency's annual report as required by section 61(2) of the *Financial Management Act 2006* (FMA).

### **2.3 Significant Issues Impacting the Agency**

All parties agree that this section of the Budget Statements describes:

( agency to describe if applicable )

- the key external influences (including risks) which impact on operations;
- past and present trends in those influences; and
- potential future trends in the operating environment, including the:
  - effect on demand; and
  - effect on cost.

**2.4 Whole-of-Government and Cross-Agency Initiatives**

All parties acknowledge that there is shared accountability for the successful implementation of whole-of-government reform initiatives as determined from time to time, if applicable.

The { **Agency Name** } contributes to the following key cross-agency initiatives:

**Cross-Agency Initiatives**

Initiative	Related outcome(s)	Contributing agencies	Financial (or resource) commitment	Target result for <b>XXXX-XX</b>
	•	•		•
	•	•		•

Drafting note: The Minister and lead agency with responsibility for coordinating the delivery and reporting on each of the preceding State Government cross-agency initiatives are to be identified.

## 3.0 FINANCIAL MANAGEMENT

### 3.1 Responsibility for Financial Management

This agreement recognises the shared financial management responsibilities of the parties. In broad terms the Treasurer, as representative of the State, represents the State's ownership interest in **{Agency Name}**. It is each **Ministers'** and the Accountable Authority's role to agree to work to achieve the financial targets as specified in section 3.2.

### 3.2 Financial Targets

Each Minister and the Accountable Authority, subject to agreed modifications (see section 4.0), undertake to ensure that the total amount of resources disclosed in the Budget Statements for the budget year is managed to achieve:

- the endorsed expense limit, identified as the Total Cost of Services in the Budget Income Statement (impacting the Government's expense growth target for the general government sector). The expense limit is a critical parameter within which the budget must be managed. Approval of Cabinet (through the Expenditure Review Committee or under Treasury's Delegated Authority) is required to spend beyond this limit in the budget year.

The **{Agency Name}** must manage its service delivery within existing expense limits and use cash balances as a source of funding in the first instance in accordance with Treasury's 2007 Cash Management Policy.<sup>3</sup>

- the Net Cost of Services in the Budget Income Statement (impacting the Government's net operating balance target for the general government sector);
- the Total Equity target in the Budget Balance Sheet (impacting the Government's net worth target);
- the approved Working Cash Limit equivalent to 5% of approved budgeted recurrent payments (total operating and financing);
- the approved Salary Expense Level;
- the approved Executive Salary Expenditure Limit; and
- the approved Borrowing Limit, where applicable.

Actual results against these financial targets will be disclosed in the agency's annual report as required by section 61(2) of the FMA.

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<sup>3</sup> [https://www.wa.gov.au/system/files/2020-02/cash\\_management\\_policy.pdf](https://www.wa.gov.au/system/files/2020-02/cash_management_policy.pdf)

### **3.3 Ownership Interest**

The **{Agency Name}** must account for capital appropriations as equity contributions by the State.

The State is entitled to make such decisions as it sees fit concerning the **{Agency Name}** capital, defined as assets less liabilities (equity) as per the Australian Accounting Standards. These decisions include those regarding:

- equity contributions;
- distribution of net proceeds of asset disposal; and
- treatment of operating surpluses.

### **3.4 Reporting**

The Accountable Authority is required under section 5 of the *Government Financial Responsibility Act 2000* (GFRA) to comply with a request from the Under Treasurer to provide any information needed to meet reporting under the GFRA.

### **3.5 Administered Transactions**

The Budget Statements disclose details of expenses/income to be incurred/received on behalf of the State, as well as assets and liabilities administered on behalf of the State. Each Minister and the Accountable Authority undertake to ensure the effective management of these administered items on behalf of the Government, if applicable.



#### **4.0 MODIFICATION OF THE AGREEMENT**

Under section 44 of the FMA, the Treasurer may, at any time in a financial year, modify this agreement by giving written notice to the Accountable Authority specifying the modification, and directing that the agreement, with the modification, is to be the agreement for the agency for the remainder of the financial year.

Modification of this agreement may be a consequence of changes to:

- agreed expense limits;
- other financial targets (see section 3.2)
- Government policy;
- economic parameters;
- demand for services; and/or
- administrative arrangements that have a material impact.

Where there is a function transfer, the Accountable Authority shall provide sufficient information to enable all relevant agencies to report on the transferred functions and associated assets and liabilities during the year.

Treasury will advise the Accountable Authority and each Minister of revised financial targets approved by Cabinet in the course of the financial year, if applicable.

This resource agreement, as modified from time to time, forms part of evidence in the CEO Performance Agreement developed by the Public Sector Commission under Commissioner's Instruction No. 30: Chief Executive Officer Performance Management and section 47 of the *Public Sector Management Act 1994*.

**DETAILS OF DESIRED OUTCOMES, SERVICES AND PERFORMANCE TARGETS**

(Department of Treasury example)

**Desired Outcomes, Key Effectiveness Indicators and Targets <sup>(a)</sup>**

	XXXX-XX Target
<b>Outcome: Sustainable and transparent public sector finances:</b>	
Status of the State's credit rating <sup>(b)</sup> .....	
Unqualified audit opinion on the Annual Report on State Finances .....	Yes
Percentage of financial reports released as per agreed timeframes .....	x%
<b>Outcome: A strong and competitive State economy:</b>	
Accuracy of key general government revenue forecasts:	
Tax revenue .....	+/-x%
Royalty revenue .....	+/-x%
Accuracy of key economic forecasts (percentage point difference):	
Employment growth .....	+/-x
Real State Final Demand (SFD) growth .....	+/-x
<b>Outcome: Value for money outcomes in service delivery and infrastructure provision:</b>	
Percentage of advice provided to the Expenditure Review Committee at least 5 working days prior to their consideration.....	x%
Percentage of Ministerially endorsed Strategic Asset Plans (SAPs) for the upcoming year received and reviewed by Treasury before the commencement of the Budget bilateral process	x%

(a) More details of effectiveness indicators in annual report.

(b) Western Australia's credit rating is currently assessed by Standard and Poor's and by Moody's.

**Total amount of resources that are expected to be made available to the {Agency Name} for the XXXX-XX financial year:**

Recurrent \_\_\_\_\_

Capital \_\_\_\_\_

**Services, Key Efficiency Indicators and Targets**

(Department of Treasury example)

Service/Key efficiency indicators	XXXX-XX Target
<b>1. Financial Management and Reporting</b> - Average cost of financial reports released.....	\$X
<b>2. Economic and Revenue Forecasts and Policy Development</b> - Cost of providing government with economic and revenue forecasting advice and policy development per economic paper .....	\$X
<b>3. Evaluation and Planning of Government Service Delivery and Infrastructure Provision</b> - Cost of providing government with service delivery and infrastructure advice per paper produced .....	\$X

**Financial Targets**

	XXXX-XX Budget Estimate \$'000
Total Cost of Services (i.e. endorsed expense limit – detailed in the Income Statement) .....	X
Net Cost of Services (detailed in the Income Statement) .....	X
Total Equity (detailed in the Statement of Financial Position) .....	X
Salary Expense Level.....	X
Executive Salary Expenditure Limit.....	X
Borrowing Limit.....	X
<b>Working Cash Limit</b> – at the commencement of XXXX-XX, the approved working cash limit is \$X.	

**XXXX-XX  
AGENCY RESOURCE AGREEMENT**

Please find attached your agency's draft Resource Agreement (RA) for completion and signing.

**Please note that:**

Treasury will accept a **scanned copy of the signed draft RA via email** (a hard copy with wet signatures is not required).

**Where to from here:**

**Accountable authority's signature on the completed copy?**

YES  NO

Please:

- return by email the scanned, signed draft RA to your agency's Treasury Analyst by { Day, Date }.

**DO NOT SEND THE SIGNED DRAFT RESOURCE  
AGREEMENT TO THE TREASURER'S OFFICE**

**All Resource Agreements will be coordinated centrally by the  
Treasury and provided to the Treasurer for agreement**

# **RESOURCE AGREEMENT**

between the

**ACCOUNTABLE AUTHORITY OF {AGENCY NAME}**

and the

**TREASURER**

For the financial year ending 30 June **XXXX**

**TABLE OF CONTENTS**

- 1.0 INTRODUCTION .....1**
  - 1.1 Purpose .....1
  - 1.2 Term and Scope .....1
  - 1.3 Signatures of the Parties .....2
- 2.0 STRATEGIC CONTEXT .....3**
  - 2.1 Relationship to Government Goals .....3
  - 2.2 Performance Monitoring .....3
  - 2.3 Significant Issues Impacting the Agency .....3
- 3.0 FINANCIAL MANAGEMENT .....4**
  - 3.1 Responsibility for Financial Management .....4
  - 3.2 Financial Targets .....4
  - 3.3 Ownership Interest .....5
  - 3.4 Reporting .....5
- 4.0 MODIFICATION OF THE AGREEMENT .....6**
  - Appendix .....7

## **1.0 INTRODUCTION**

### **1.1 Purpose**

This agreement records undertakings by:

- the Accountable Authority – to efficiently deliver the services and to achieve the agency level desired outcomes and targets (both financial and non-financial) specified in the Budget Statements and the Appendix, while ensuring the development and maintenance of high quality human and capital resources of the agency; and
- the Treasurer – subject to Parliament’s approval, to provide financial resources to facilitate achievement of the agreed outcomes and performance targets.

These undertakings are made to allocate accountabilities for the budget, including for achieving the agreed expense limit and other budget targets.

Treasury will report material breaches of the agreed expense limit to Cabinet’s Expenditure Review Committee. Expense limit outcomes are disclosed in the Annual Report on State Finances.

### **1.2 Term and Scope**

This agreement covers the period from **1 July XXXX to 30 June XXXX**. References to the Budget and Budget Statements are to the **XXXX-XX** Budget and Budget Statements, unless the context implies otherwise. All parties recognise the importance of ongoing review of obligations in the resource agreement to ensure:

- targeted outcomes represent maximum benefit to the community;
- optimal combination of services to achieve the identified outcomes;
- services are delivered at least cost;
- there is co-ordinated effort to facilitate whole-of-government and cross-agency initiatives (where appropriate);
- the total cost of services does not exceed the agreed expense limit; and
- approved salary expense levels, in line with Government Wages Policy, are managed, monitored and reported against.

### 1.3 Signatures of the Parties

**Accountable Authority**  
Dated

**Treasurer**  
Dated



## **2.0 STRATEGIC CONTEXT**

### **2.1 Relationship to Government Goals**

The Budget Statements identify links between the Government Goals articulated for the **XXXX-XX** Budget, and the following agency level desired outcomes:

(Department of Treasury example)

- Sustainable and transparent public sector finances.
- A strong and competitive State economy.
- Value for money outcomes in service delivery and infrastructure provision.

### **2.2 Performance Monitoring**

Progress towards the agency level desired outcomes is to be monitored with the assistance of key effectiveness indicators. Key efficiency indicators will be used to assist in monitoring service delivery. These performance indicators, together with performance targets, are published in the Budget Statements and actual results against these targets will be disclosed in the agency's annual report as required by section 61(2) of the *Financial Management Act 2006* (FMA).

### **2.3 Significant Issues Impacting the Agency**

All parties agree that this section of the Budget Statements describes:

( agency to describe if applicable )

- the key external influences (including risks) which impact on operations;
- past and present trends in those influences; and
- potential future trends in the operating environment, including the:
  - effect on demand; and
  - effect on cost.

## 3.0 FINANCIAL MANAGEMENT

### 3.1 Responsibility for Financial Management

This agreement recognises the shared financial management responsibilities of the parties. In broad terms the Treasurer, as representative of the State, represents the State's ownership interest in **{Agency Name}**. It is the Accountable Authority's role to agree to work to achieve the financial targets as specified in section 3.2.

### 3.2 Financial Targets

The Accountable Authority, subject to agreed modifications (see section 4.0), undertakes to ensure that the total amount of resources disclosed in the Budget Statements for the budget year is managed to achieve:

- the endorsed expense limit, identified as the Total Cost of Services in the Budget Income Statement (impacting the Government's expense growth target for the general government sector). The expense limit is a critical parameter within which the budget must be managed. Approval of Cabinet (through the Expenditure Review Committee or under Treasury's Delegated Authority) is required to spend beyond this limit in the budget year.

The **{Agency Name}** must manage its service delivery within existing expense limits and use cash balances as a source of funding in the first instance in accordance with Treasury's 2007 Cash Management Policy.<sup>1</sup>

- the Net Cost of Services in the Budget Income Statement (impacting the Government's net operating balance target for the general government sector);
- the Total Equity target in the Budget Balance Sheet (impacting the Government's net worth target);
- the approved Working Cash Limit equivalent to 5% of approved budgeted recurrent payments (total operating and financing);
- the approved Salary Expense Level;
- the approved Executive Salary Expenditure Limit; and
- the approved Borrowing Limit, where applicable.

Actual results against these financial targets will be disclosed in the agency's annual report as required by section 61(2) of the FMA.

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<sup>1</sup> [https://www.wa.gov.au/system/files/2020-02/cash\\_management\\_policy.pdf](https://www.wa.gov.au/system/files/2020-02/cash_management_policy.pdf)

### **3.3 Ownership Interest**

The **{Agency Name}** must account for capital appropriations as equity contributions by the State.

The State is entitled to make such decisions as it sees fit concerning the **{Agency Name}** capital, defined as assets less liabilities (equity) as per the Australian Accounting Standards. These decisions include those regarding:

- equity contributions;
- distribution of net proceeds of asset disposal; and
- treatment of operating surpluses.

### **3.4 Reporting**

The Accountable Authority is required under section 5 of the *Government Financial Responsibility Act 2000* (GFRA) to comply with a request from the Under Treasurer to provide any information needed to meet reporting under the GFRA.

#### **4.0 MODIFICATION OF THE AGREEMENT**

Under section 44 of the FMA, the Treasurer may, at any time in a financial year, modify this agreement by giving written notice to the Accountable Authority specifying the modification, and directing that the agreement, with the modification, is to be the agreement for the agency for the remainder of the financial year.

Modification of this agreement may be a consequence of changes to:

- agreed expense limits;
- other financial targets (see section 3.2)
- Government policy;
- economic parameters;
- demand for services; and/or
- administrative arrangements that have a material impact.

Treasury will advise the Accountable Authority of revised financial targets approved by Cabinet in the course of the financial year, if applicable.

**DETAILS OF DESIRED OUTCOMES, SERVICES AND PERFORMANCE TARGETS**

(Department of Treasury example)

**Desired Outcomes, Key Effectiveness Indicators and Targets <sup>(a)</sup>**

	XXXX-XX Target
<b>Outcome: Sustainable and transparent public sector finances:</b>	
Status of the State's credit rating <sup>(b)</sup> .....	
Unqualified audit opinion on the Annual Report on State Finances .....	Yes
Percentage of financial reports released as per agreed timeframes .....	x%
<b>Outcome: A strong and competitive State economy:</b>	
Accuracy of key general government revenue forecasts:	
Tax revenue .....	+/-x%
Royalty revenue .....	+/-x%
Accuracy of key economic forecasts (percentage point difference):	
Employment growth .....	+/-x
Real State Final Demand (SFD) growth .....	+/-x
<b>Outcome: Value for money outcomes in service delivery and infrastructure provision:</b>	
Percentage of advice provided to the Expenditure Review Committee at least 5 working days prior to their consideration.....	x%
Percentage of Ministerially endorsed Strategic Asset Plans (SAPs) for the upcoming year received and reviewed by Treasury before the commencement of the Budget bilateral process	x%

(a) More details of effectiveness indicators in annual report.

(b) Western Australia's credit rating is currently assessed by Standard and Poor's and by Moody's.

**Total amount of resources that are expected to be made available to the {Agency Name} for the XXXX-XX financial year:**

Recurrent \_\_\_\_\_

Capital \_\_\_\_\_

## Services, Key Efficiency Indicators and Targets

(Department of Treasury example)

Service/Key efficiency indicators	XXXX-XX Target
<b>1. Financial Management and Reporting</b> - Average cost of financial reports released.....	\$X
<b>2. Economic and Revenue Forecasts and Policy Development</b> - Cost of providing government with economic and revenue forecasting advice and policy development per economic paper .....	\$X
<b>3. Evaluation and Planning of Government Service Delivery and Infrastructure Provision</b> - Cost of providing government with service delivery and infrastructure advice per paper produced .....	\$X

## Financial Targets

	XXXX-XX Budget Estimate \$'000
Total Cost of Services (i.e. endorsed expense limit – detailed in the Income Statement) .....	X
Net Cost of Services (detailed in the Income Statement) .....	X
Total Equity (detailed in the Statement of Financial Position) .....	X
Salary Expense Level.....	X
Executive Salary Expenditure Limit.....	X
Borrowing Limit.....	X
<b>Working Cash Limit</b> – at the commencement of XXXX-XX, the approved working cash limit is \$X.	

**XXXX-XX  
AGENCY RESOURCE AGREEMENT**

Please find attached your agency's draft Resource Agreement (RA) for completion and signing.

**Please note that:**

Treasury will accept a **scanned copy of the signed draft RA via email** (a hard copy with wet signature is not required).

**Where to from here:**

Accountable authority's signature on the completed copy? YES  NO

Please:

- return by email the scanned, signed draft RA to your agency's Treasury Analyst by { Day, Date }.

**DO NOT SEND THE SIGNED DRAFT RESOURCE AGREEMENT TO THE TREASURER'S OFFICE**

**All Resource Agreements will be coordinated centrally by the Treasury and provided to the Treasurer for agreement**

# **RESOURCE AGREEMENT**

between the

ACCOUNTABLE AUTHORITY OF **{AGENCY NAME}**

and the

TREASURER

For the financial year ending 30 June **XXXX**



**TABLE OF CONTENTS**

- 1.0 INTRODUCTION ..... 1**
  - 1.1 Purpose ..... 1
  - 1.2 Term and Scope ..... 1
  - 1.3 Signatures of the Parties ..... 2
- 2.0 STRATEGIC CONTEXT ..... 3**
  - 2.1 Outcomes, Services and Key Performance Information ..... 3
  - 2.2 Performance Monitoring ..... 3
  - 2.3 Significant Issues Impacting the Agency ..... 3
- 3.0 FINANCIAL MANAGEMENT ..... 4**
  - 3.1 Responsibility for Financial Management ..... 4
  - 3.2 Financial Targets ..... 4
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## **1.0 INTRODUCTION**

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- the Treasurer – subject to Parliament’s approval, to provide financial resources to facilitate achievement of the agreed outcomes and performance targets.

These undertakings are made to allocate accountabilities for the budget, including for achieving the agreed expense limit and other budget targets.

Treasury will report material breaches of the agreed expense limit to Cabinet’s Expenditure Review Committee. Expense limit outcomes are disclosed in the Annual Report on State Finances.

### **1.2 Term and Scope**

This agreement covers the period from **1 July XXXX to 30 June XXXX**. References to the Budget and Budget Statements are to the **XXXX-XX** Budget and Budget Statements, unless the context implies otherwise. All parties recognise the importance of ongoing review of obligations in the resource agreement to ensure:

- targeted outcomes represent maximum benefit to the community;
- optimal combination of services to achieve the identified outcomes;
- services are delivered at least cost;
- there is co-ordinated effort to facilitate whole-of-government and cross-agency initiatives (where appropriate);
- the total cost of services does not exceed the agreed expense limit; and
- approved salary expense levels, in line with Government Wages Policy, are managed, monitored and reported against.

**1.3 Signatures of the Parties**

**Accountable Authority**  
Dated

**Treasurer**  
Dated

## **2.0 STRATEGIC CONTEXT**

### **2.1 Outcomes, Services and Key Performance Information**

The Budget Statements identify links between the services undertaken by the agency and the following agency level desired outcome(s):

(Legislative Council example)

- The Legislative Council Members' requirements are met.

### **2.2 Performance Monitoring**

Progress towards the agency level desired outcome(s) is to be monitored with the assistance of key effectiveness indicators. Key efficiency indicators will be used to assist in monitoring service delivery. These performance indicators, together with performance targets, are published in the Budget Statements and actual results against these targets will be disclosed in the agency's annual report as required by section 61(2) of the *Financial Management Act 2006* (FMA).

### **2.3 Significant Issues Impacting the Agency**

All parties agree that this section of the Budget Statements describes:

( agency to describe if applicable )

- the key external influences (including risks) which impact on operations;
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### 3.1 Responsibility for Financial Management

This agreement recognises the shared financial management responsibilities of the parties. In broad terms the Treasurer, as representative of the State, represents the State's ownership interest in **{Agency Name}**. It is the Accountable Authority's role to agree to work to achieve the financial targets as specified in section 3.2.

### 3.2 Financial Targets

The Accountable Authority, subject to agreed modifications (see section 4.0), undertakes to ensure that the total amount of resources disclosed in the Budget Statements for the budget year is managed to achieve:

- the endorsed expense limit, identified as the Total Cost of Services in the Budget Income Statement (impacting the Government's expense growth target for the general government sector). The expense limit is a critical parameter within which the budget must be managed. Approval of Cabinet (through the Expenditure Review Committee or under Treasury's Delegated Authority) is required to spend beyond this limit in the budget year.

The **{Agency Name}** must manage its service delivery within existing expense limits and use cash balances as a source of funding in the first instance in accordance with Treasury's 2007 Cash Management Policy.<sup>1</sup>

- the Net Cost of Services in the Budget Income Statement (impacting the Government's net operating balance target for the general government sector);
- the Total Equity target in the Budget Balance Sheet (impacting the Government's net worth target);
- the approved Working Cash Limit equivalent to 5% of approved budgeted recurrent payments (total operating and financing);
- the approved Salary Expense Level;
- the approved Executive Salary Expenditure Limit; and
- the approved Borrowing Limit, where applicable.

Actual results against these financial targets will be disclosed in the agency's annual report as required by section 61(2) of the FMA.

---

<sup>1</sup> [https://www.wa.gov.au/system/files/2020-02/cash\\_management\\_policy.pdf](https://www.wa.gov.au/system/files/2020-02/cash_management_policy.pdf)

### **3.3 Ownership Interest**

The **{Agency Name}** must account for capital appropriations as equity contributions by the State.

The State is entitled to make such decisions as it sees fit concerning the **{Agency Name}** capital, defined as assets less liabilities (equity) as per the Australian Accounting Standards. These decisions include those regarding:

- equity contributions;
- distribution of net proceeds of asset disposal; and
- treatment of operating surpluses.

### **3.4 Reporting**

The Accountable Authority is required under section 5 of the *Government Financial Responsibility Act 2000* (GFRA) to comply with a request from the Under Treasurer to provide any information needed to meet reporting under the GFRA.

#### **4.0 MODIFICATION OF THE AGREEMENT**

Under section 44 of the FMA, the Treasurer may, at any time in a financial year, modify this agreement by giving written notice to the Accountable Authority specifying the modification, and directing that the agreement, with the modification, is to be the agreement for the agency for the remainder of the financial year.

Modification of this agreement may be a consequence of changes to:

- agreed expense limits;
- other financial targets (see section 3.2)
- Government policy;
- economic parameters;
- demand for services; and/or
- administrative arrangements that have a material impact.

Treasury will advise the Accountable Authority of revised financial targets approved by Cabinet in the course of the financial year, if applicable.

**DETAILS OF DESIRED OUTCOMES, SERVICES AND PERFORMANCE TARGETS**

(Department of Treasury example)

**Desired Outcomes, Key Effectiveness Indicators and Targets <sup>(a)</sup>**

	XXXX-XX Target
<b>Outcome: Sustainable and transparent public sector finances:</b>	
Status of the State's credit rating <sup>(b)</sup> .....	
Unqualified audit opinion on the Annual Report on State Finances .....	Yes
Percentage of financial reports released as per agreed timeframes .....	x%
<b>Outcome: A strong and competitive State economy:</b>	
Accuracy of key general government revenue forecasts:	
Tax revenue .....	+/-x%
Royalty revenue .....	+/-x%
Accuracy of key economic forecasts (percentage point difference):	
Employment growth .....	+/-x
Real State Final Demand (SFD) growth .....	+/-x
<b>Outcome: Value for money outcomes in service delivery and infrastructure provision:</b>	
Percentage of advice provided to the Expenditure Review Committee at least 5 working days prior to their consideration.....	x%
Percentage of Ministerially endorsed Strategic Asset Plans (SAPs) for the upcoming year received and reviewed by Treasury before the commencement of the Budget bilateral process	x%

(a) More details of effectiveness indicators in annual report.

(b) Western Australia's credit rating is currently assessed by Standard and Poor's and by Moody's.

**Total amount of resources that are expected to be made available to the {Agency Name} for the XXXX-XX financial year:**

Recurrent \_\_\_\_\_

Capital \_\_\_\_\_



## Services, Key Efficiency Indicators and Targets

(Department of Treasury example)

Service/Key efficiency indicators	XXXX-XX Target
<b>1. Financial Management and Reporting</b> - Average cost of financial reports released.....	\$X
<b>2. Economic and Revenue Forecasts and Policy Development</b> - Cost of providing government with economic and revenue forecasting advice and policy development per economic paper .....	\$X
<b>3. Evaluation and Planning of Government Service Delivery and Infrastructure Provision</b> - Cost of providing government with service delivery and infrastructure advice per paper produced .....	\$X

## Financial Targets

	XXXX-XX Budget Estimate \$'000
Total Cost of Services (i.e. endorsed expense limit – detailed in the Income Statement) .....	X
Net Cost of Services (detailed in the Income Statement) .....	X
Total Equity (detailed in the Statement of Financial Position) .....	X
Salary Expense Level.....	X
Executive Salary Expenditure Limit.....	X
Borrowing Limit.....	X
<b>Working Cash Limit</b> – at the commencement of XXXX-XX, the approved working cash limit is \$X.	

**TEMPLATE TO REPORT ACTUAL PERFORMANCE COMPARED TO RESOURCE AGREEMENT TARGETS**

**FINANCIAL TARGETS**

	<b>Target <sup>(1)</sup> \$</b>	<b>Actual \$</b>	<b>Variation<sup>(2)</sup> \$</b>
Total cost of services (expense limit) (sourced from Statement of Comprehensive Income)			
Net cost of services (sourced from Statement of Comprehensive Income)			
Total equity (sourced from Statement of Financial Position)			
Approved salary expense level			
Agreed borrowing limit (where applicable)			

- (1) As specified in the Budget Statements for the relevant financial year.
- (2) Explanations are required for material variations between target and actual results. Where actual results vary from the Budget Statements due to Government policy decisions made after finalisation of the Budget, these decisions (and the associated financial impact) need to be described.

**WORKING CASH TARGETS**

	<b>Agreed Limit <sup>(1)</sup> \$</b>	<b>Target <sup>(2)</sup> Actual <sup>(3)</sup> \$</b>	<b>Variation <sup>(4)</sup> \$</b>
Agreed Working Cash Limit (at Budget)			n/a
Agreed Working Cash Limit (at Actuals)			

- (1) Agencies are required to operate within an agreed working cash limit, defined as five per cent of budgeted cash payments (operating and financing), excluding any GST payments. Refer to Treasury's [Cash Management Policy](#), December 2007 for further information.
- (2) Target to reflect the agency's anticipated working cash for the relevant financial year.
- (3) Actual to reflect the actual working cash held at the close of the financial year.
- (4) Explanations are required for any variation where the actual working cash held at the close of the financial year exceeds the agreed limit.

**KEY PERFORMANCE INDICATORS**

	<b>Target <sup>(1)</sup></b>	<b>Actual</b>	<b>Variation <sup>(2)</sup></b>
<i>Outcome 1: (title)</i> Key Effectiveness Indicator(s) <i>Service 1: (title)</i> Key Efficiency Indicator(s)			
<i>Outcome 2: (title)</i> Key Effectiveness Indicator(s) <i>Service 2: (title)</i> Key Efficiency Indicator(s)			

(1) As specified in the Budget Statements for the relevant financial year.

(2) Explanations are required for material variations between target and actual results. Where actual results vary from the Budget Statement due to Government policy decisions made after finalisation of the budget, these decisions (and the associated financial impact) need to be described.

## 809 LOAN INDEBTEDNESS ~~(DELETED)~~

~~This instruction has been deleted.~~

~~The requirement of establishing and maintaining a register of borrowings has been incorporated into Treasurer's instruction 822 *Borrowings*.~~

### ~~BACKGROUND~~

~~A prerequisite to effective debt management is the establishment of appropriate records of loan indebtedness. Agencies should record sufficient details to permit adequate planning and control of repayments (interest and principal) and debt levels.~~

### ~~TREASURER'S INSTRUCTION~~

~~Where an agency is authorised by the written law to borrow money, adequate controls shall be established and maintained to ensure that:~~

- ~~(i) particulars of all loan indebtedness are properly recorded in a register;~~
- ~~(ii) payments of interest, principal, or sinking fund contributions are promptly made in accordance with the terms and conditions of the relevant loan raisings; and~~
- ~~(iii) a separate record of loan indebtedness is kept for borrowings that are guaranteed by the Treasurer.~~

### ~~GUIDELINES~~

~~Registers of loan indebtedness should as a minimum contain the following information:~~

- ~~(i) amount of loan;~~
- ~~(ii) date of loan;~~
- ~~(iii) reference to loan approvals and documents;~~
- ~~(iv) date instalments due; and~~
- ~~(v) details of principal, interest and, if applicable sinking fund contributions.~~

## **810            TARIFFS, FEES AND CHARGES**

### **BACKGROUND**

Treasury generally requests details of a review of tariffs, fees and charges (TF&Cs) as part of the budget process. This is to ensure that the level at which TF&Cs are set is consistent with the cost recovery policy and does not exceed the full cost of providing the services. Exceeding cost recovery would only be possible where it is authorised by statute and approved by Government.

This instruction requires not-for-profit agencies (as mandated by [Treasurer's instruction 1101 \*Application of Australian Accounting Standards and Other Pronouncements\*](#)) to accurately determine the full cost of their services and regularly review their TF&Cs. These will also assist agencies in complying with [Premier's Circular 2014/01 \*Subsidiary Legislation – Explanatory Memoranda\*](#).

### **TREASURER'S INSTRUCTION**

- (1) This instruction applies to accountable authorities of not-for-profit agencies.**
- (2) The accountable authority of an agency shall ensure the full cost is accurately determined for each service the agency provides.**
- (3) The accountable authority shall ensure a review of the agency's tariffs, fees and charges is concluded by 31 December each year.**
- (4) The accountable authority shall ensure a register of tariffs, fees and charges is established and maintained. The register may be in hard copy form or in the form of an electronic system that records relevant information.**
- (5) A register of tariffs, fees and charges shall, as a minimum, contain the following information:**
  - (i) the name of the tariff, fee or charge;**
  - (ii) a description of the goods and/or services to be provided;**
  - (iii) the name of the legislation that authorises the collection of the tariff, fee or charge;**
  - (iv) the amount and unit of the tariff, fee or charge;**
  - (v) the level of cost recovery in percentages;**
  - (vi) the estimated revenue to be raised over the relevant financial year; and**
  - (vii) the date of the last review.**
- (6) When requested by the Under Treasurer, the accountable authority shall provide information as requested in respect of tariffs, fees and charges.**

## **GUIDELINES**

The *Costing and Pricing Government Services* guidelines have been developed to assist agencies in having a better understanding of their costs of providing services and factors to consider when setting tariffs, fees and charges. It is available at the following website address:

[Costing and Pricing Government Services Guidelines \(www.wa.gov.au\)](http://www.wa.gov.au)

Regular reviews of tariffs, fees and charges will ensure that the prices:

- (i) reflect movements in the input costs;
- (ii) achieve, or make adequate progress towards achieving, full cost recovery where appropriate;
- (iii) are not over recovering costs;
- (iv) are fair and equitable, and recognise household capacity to pay;
- (v) are competitive, in comparison with service providers locally and in other jurisdictions; and
- (vi) are comprehensive in that new tariffs, fees and charges are designed and introduced in a timely manner.

## **811 REGISTER OF SECURITY DOCUMENTS**

### **BACKGROUND**

Security documents are items of value and accordingly organisations should implement appropriate procedures to safeguard such documents. A register of security documents provides an organisation with both an appropriate control and a source of relevant information.

### **TREASURER'S INSTRUCTION**

- (1) For the purpose of this instruction security documents shall include:
- (i) securities as defined in section 39(8) of the *Banking Act 1959* (Cth) which includes shares, stock, bonds, debentures, debenture stock, treasury bills and notes, and units or sub-units of a unit trust, and also includes deposit receipts in respect of the deposit of securities and documents of title to securities;
  - (ii) guarantees, indemnities or sureties issued or received, whether of a financial or performance nature;
  - (iii) negotiable instruments, whether issued or received;
  - (iv) any document which is defined by the written law to be a security document; and
  - (v) any other document which the accountable authority determines shall be treated as a security document.
- (2) Adequate controls shall be established and maintained to ensure:
- (i) that appropriate details of all security documents are recorded in a register of security documents;
  - (ii) the safe custody of security documents; and
  - (iii) that the register of security documents is reconciled annually with all security documents.

### **GUIDELINES**

Registers of security documents should contain the following type of information:

- (i) the date of lodgement;
- (ii) a full description of the document concerned;
- (iii) the nature of the document;
- (iv) by whom the document is lodged;

- (v) in whose favour the document is lodged;
- (vi) the face value of the document;
- (vii) under what statute, regulation or authority the document is lodged;
- (viii) reference to where the security document is held;
- (ix) particulars regarding the payment of interest; and
- (x) the date and particulars of release, substitution or alteration.



## **812 INSURANCE**

### **TREASURER'S INSTRUCTION**

- (1) The accountable authority shall ensure there is an appropriate level of insurance cover over all insurable risks of the agency.**
- (2) Agencies shall participate in RiskCover unless specifically exempted by the Treasurer.**
- (3) The accountable authority shall review the insurance arrangements before the renewal of each policy or class of policies.**

### **GUIDELINES**

As approved by Cabinet on 17 June 1996, agencies are required to participate in RiskCover unless specifically exempted by the Treasurer.

An exemption would only be granted if the Treasurer is satisfied that greater efficiency is demonstrated by an alternative arrangement.

## 813 VARIANCES IN CAPITAL EXPENDITURE

### BACKGROUND

This instruction guides the management of variances in expenditure on capital works as part of the State's Asset Investment Program, including but not limited to the repurposing of surplus unspent moneys, to ensure prudent financial management across the public sector.

For any capital work with an estimated total cost of \$5 million or more, accountable authorities must:

- (i) advise the Under Treasurer in writing of the variance between the pre-tender estimate and the tender outcome, and between the tender outcome and approved estimated total cost for each contract; and
- (ii) provide the Under Treasurer with a practical completion report for each contract.

To ensure that unspent moneys are allocated in accordance with Government priorities, accountable authorities seeking to repurpose unspent moneys from completed capital works are to seek the prior approval of the Treasurer, as Chair of the Expenditure Review Committee.

### TREASURER'S INSTRUCTION

**(1) For the purposes of this instruction:**

- (i) **'estimated total cost' means the estimated total cost of a capital work within the Asset Investment Program reported in an agency's Budget Statements;**
- (ii) **'pre-tender estimate' means the estimated price of a capital work contract that is generated by the accountable authority prior to seeking tender from prospective suppliers;**
- (iii) **'tender outcome' means the cost of a capital work contract as specified in the awarded contract;**
- (iv) **'practical completion' is achieved when the works required to be performed under a capital work contract have been completed except for minor omissions and defects that do not prevent the works from being used for the intended purpose; and**
- (v) **'date of practical completion' means the date practical completion or equivalent is achieved in respect of a capital work contract.**

**(2) If the estimated total cost of an agency's capital work is \$5 million or more, the accountable authority must, within 30 days of awarding the main contract for the capital work, provide the Under Treasurer with written notice of:**

- (i) **the variance between the pre-tender estimate and tender outcome; and**
- (ii) **the reasons for any variance;**

as detailed in paragraph (4) of the Guidelines to this instruction.

- (3) If the estimated total cost of an agency's capital work is \$5 million or more, the accountable authority must, within 60 days of the date of practical completion, provide the Under Treasurer with a written practical completion report as detailed in paragraph (5) of the Guidelines to this instruction.

## **GUIDELINES**

### **Capital Underspends**

- (1) It is the Government's policy that, irrespective of the funding source for capital works, accountable authorities must seek prior approval from the Treasurer, as Chair of the Expenditure Review Committee, to repurpose any savings identified at tender outcome or thereafter, for capital works with an estimated total cost of \$5 million or more, to another capital work or capital works.
- (2) For the avoidance of doubt, this instruction applies to a capital work, regardless of whether or not the capital work is subject to a Gateway Review or similar project assurance framework.
- (3) For the purposes of this instruction:
  - (i) a capital work may be comprised of one or more contracts;
  - (ii) a pre-tender estimate does not generally include an estimate of likely other costs of a capital work such as client costs or any other contracts associated with the capital work;
  - (iii) a tender outcome does not generally include other costs of a capital work such as client costs or any other contracts associated with the capital work; and
  - (iv) practical completion signifies that the accountable authority deems that the capital work is considered fit for its intended use but does not necessarily signify the completion of the capital work.

### **Advice to the Under Treasurer**

- (4) For the purposes of paragraph (2) of this instruction, written advice to the Under Treasurer is to be provided in a format as approved by the Department of Treasury and is to specify:
  - (i) contract title;
  - (ii) project identifiers for the capital work;
  - (iii) approved estimated total cost;
  - (iv) contract award date;
  - (v) value of pre-tender estimate in dollars;
  - (vi) value of awarded contract in dollars;

- (vii) variance between value of pre-tender estimate and awarded contract, in dollars; and
  - (viii) variance between the approved estimated total cost (where different from the pre-tender estimate) and awarded contract, in dollars.
- (5) For the purposes of paragraph (3) of this instruction, a written practical completion report is to be provided to the Under Treasurer in a format approved by the Department of Treasury and is to specify:
- (i) the actual expenditure incurred at the time of the report;
  - (ii) the variance between the actual expenditure incurred at the time of the report and the tender outcome;
  - (iii) any variations to scope, cost and/or time relative to the tender outcome; and
  - (iv) the dates and authorities for any variations outlined in (iii).
- (6) Information provided to the Under Treasurer under this instruction may be subject to a performance audit at the Auditor General's discretion under the *Auditor General Act 2006*.

816 PREPARATION, PUBLICATION AND  
PRESENTATION OF ANNUAL ESTIMATES FOR  
CERTAIN SPECIAL PURPOSE ACCOUNTS OF  
DEPARTMENTS (DELETED)

The instruction was intended to capture any special purpose accounts that were created under the repealed *Financial Administration and Audit Act 1985* but may not be covered under section 16 of the Act. The likelihood of this occurring is very rare; therefore, it is considered that the TI is no longer required and has been deleted.

## **819 TREASURY AND OTHER ACCOUNTING FORMS**

### **BACKGROUND**

The Treasurer (and the Governor) has a number of powers in the Act. To enable the Treasurer and Governor to properly exercise their powers, Treasury has developed a number of forms termed 'Treasury Forms'. These forms contain all the relevant information that an agency should address including the necessary approvals to be obtained prior to submission to Treasury. It also allows for information to be provided in a concise and consistent manner for decision-making.

Accounting forms are an integral and vital part of any financial management system. They provide for the recording of minimum information requirements in a consistent format that facilitates data processing and provides control over the financial data input and information output of a financial management system. They are the means by which data input and information output of a financial management system, whether manual or computerised, are communicated. They also act as a means of storage of information and provide a basis for calculation and authorisation.

The format adopted in respect of accounting forms should be relevant to the needs of the agency but should also be useful to those users, both internal and external, required to utilise such accounting forms.

The format of accounting forms other than Treasury forms used by agencies is at the discretion of the accountable authority who must establish procedures for their approval relevant to the needs of the agency concerned.

### **TREASURER'S INSTRUCTION**

- (1) **The following are approved Treasury Forms:**

<b>Treasury Form</b>	<b>Title</b>
<b>1</b>	<b>Requisition to Transfer Moneys (section 21[3])</b>
<b>2</b>	<b>Requisition for Transfer of Appropriations (section 25[2])</b>
<b>3</b>	<b>Requisition for Transfer of Appropriations (section 25[4])</b>
<b>4</b>	<b>Remittances to Treasury</b>
<b>8</b>	<b>Requisition for Advances (section 28[1])</b>
<b>11</b>	<b>Requisition for Supplementary Funding (section 27[2])</b>
<b>12</b>	<b>Requisition for New Funding (section 27[1])</b>
<b>13</b>	<b>Requisition for Amount Authorised by Other Statutes</b>

- (2) **The Under Treasurer shall approve Treasury Forms.**
- (3) **The accountable authority shall establish procedures for the approval of the format of accounting forms, other than Treasury Forms, to be used by the agency.**

**TREASURY FORM 1**

**REQUISITION** for authority to transfer money standing to the credit of a special purpose account to another special purpose account, where there is a transfer of service, as directed by the Treasurer in accordance with section 21(3) of the *Financial Management Act 2006*.

**Service transferred:** \_\_\_\_\_ **Effective Date of Transfer:** \_\_\_\_\_

**TRANSFER OF MONEYS**

**From** (agency name): \_\_\_\_\_

TRANSFEROR'S OPERATING ACCOUNT	TOTAL FUNDS AVAILABLE IN YEAR	AMOUNT EXPENSED/REPOSITIONED AT TRANSFER DATE	RECOMMENDED SECTION 21(3) TRANSFER
	\$'000	\$'000	\$'000
Cash assets (Controlled)			
<b>Total .....</b>			

\_\_\_\_\_  
**Accountable Authority** **Date**

**To** (agency name): \_\_\_\_\_

TRANSFEREE'S OPERATING ACCOUNT	TRANSFEREE'S REQUEST/REQUIREMENT	RECOMMENDED SECTION 21(3) TRANSFER
	\$'000	\$'000
Cash assets		
<b>Total .....</b>		

\_\_\_\_\_  
**Accountable Authority** **Date**

**APPROVED**

\_\_\_\_\_  
**Treasurer** **Date**

## TREASURY FORM 2

Requisition for authority to transfer any unexpended amount of the relevant appropriation upon the transfer of a service or function from one agency to another after the commencement of an Appropriation Act, to be determined by the Treasurer in accordance with section 25(2) of the *Financial Management Act 2006*.

Section 25 requirement applies only to the transfer of appropriation for the current budget year. However, the purpose of this Form is to recognise all the financial implications and adjustments required from the transfer of functions.

**Function/service being transferred:** \_\_\_\_\_

	Year				
	\$'000				
<b>Transfer of Amount Appropriated to Deliver Services</b>					
From Item Number: _____					
Cash Receipt					
Non-Cash Items					
<b>Total Appropriation</b>					
To Item Number: _____					
Cash Receipt					
Non-Cash Items					
<b>Total Appropriation</b>					
<b>Transfer of Capital Appropriation</b>					
From Item Number: _____					
To Item Number: _____					
<b>Transfer of Holding Account Drawdowns</b>					

**TRANSFERRING AGENCY:** \_\_\_\_\_

\_\_\_\_\_  
Accountable Authority

\_\_\_\_\_  
Date

**RECEIVING AGENCY:** \_\_\_\_\_

\_\_\_\_\_  
Accountable Authority

\_\_\_\_\_  
Date

**APPROVED**

\_\_\_\_\_  
Treasurer

\_\_\_\_\_  
Date



**CONSEQUENTIAL AMENDMENTS TO FORWARD ESTIMATES FLOWING FROM SECTION 25 TRANSFERS IN THE CURRENT YEAR**

Function/service being transferred: \_\_\_\_\_

	Year	Year	Year	Year	Year
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Transfer of Amount Appropriated to Deliver Services</b>					
From Item Number: _____					
Cash Receipt					
Non-Cash Items					
<b>Total Appropriation</b>					
To Item Number: _____					
Cash Receipt					
Non-Cash Items					
<b>Total Appropriation</b>					
<b>Transfer of Capital Appropriation</b>					
From Item Number: _____					
To Item Number: _____					
<b>Transfer of Holding Account Drawdowns</b>					

**TRANSFER OF OTHER FINANCIALS BETWEEN THE AGENCIES**

	Year	Year	Year	Year	Year
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Statement of Comprehensive Income</b>					
<b>Income</b>					
Sales of goods and services .....					
Regulatory fees and fines .....					
Grants and subsidies .....					
Other revenues .....					
<b>Total Income</b>					
<b>Expenses</b>					
Employee benefits .....					
Grants and subsidies .....					
Supplies and services .....					
Accommodation .....					
Depreciation and amortisation .....					
Other expenses .....					
<b>Total Expenses</b>					
<b>Statement of Financial Position</b>					
<b>Assets</b>					
Cash at bank .....					
Restricted cash .....					
Holding account receivables .....					
Receivables .....					
Property, plant and equipment .....					
Other .....					
<b>Total Assets</b>					
<b>Liabilities</b>					
Employee provisions .....					
Payables .....					
Borrowings .....					
Other .....					
<b>Total Liabilities</b>					

### TREASURY FORM 3

Requisition for authority to transfer an amount appropriated by an Appropriation Act by way of a central appropriation for a general purpose for the financial year ending 30th June \_\_\_\_\_ to another appropriation item, as directed by the Treasurer in accordance with section 25(4) of the *Financial Management Act 2006*.

**General purpose of appropriation:** \_\_\_\_\_

	Year	Year	Year	Year	Year
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Transfer of a central appropriation for a general purpose to another appropriation item</b>					
From Item Number: _____					
Cash Receipt					
Non-Cash Items					
<b>Total Appropriation</b>					
Agency _____					
To Item Number: _____					
Cash Receipt					
Non-Cash Items					
<b>Total Appropriation</b>					

Note: See attachment for details if applicable

\_\_\_\_\_  
**UNDER TREASURER**

\_\_\_\_\_  
**Date**

**APPROVED**

\_\_\_\_\_  
**TREASURER**

\_\_\_\_\_  
**Date**

# TREASURY FORM 4

GOVERNMENT OF WESTERN AUSTRALIA **REMITTANCES TO TREASURY**

Department/Statutory Authority	<b>TREASURY</b>
--------------------------------	-----------------

INITIATING DEPT ABBREV **TSE**

BATCH NUMBER: \_\_\_\_\_

Fund/Account To Be Credited	TABS Account Code	Amount	
		\$	c
TOTAL			

### DETAILS OF REMITTANCES

AUTHORISING OFFICER	DATE	TOTAL	

# TREASURY FORM 8

**REQUEST** for a repayable advance under section 28(1) of the *Financial Management Act 2006*. The advance is to be made on the terms and conditions set out below, and is to be repaid by [insert name of person or body responsible for repaying the advance] before the end of the financial year ending 30<sup>th</sup> June [insert year].

## TREASURER’S ADVANCE ACCOUNT

PURPOSE OF ADVANCE	AMOUNT \$'000
Is the advance to be made for the temporary financing of works and services of the State under section 28(1)(a)(i)?	
Is the advance to be made to a public authority under section 28(1)(a)(ii)?	
Is the advance to be made to the credit of a special purpose account under section 28(1)(a)(iii)?	
Is the advance to be made for the purchase of stores under section 28(1)(a)(iv)?	
Is the advance to be made for the temporary financing of works and services undertaken in the circumstances described in section 28(1)(b)?	

I certify that it is necessary that the amount of \$ [dollars] be provided for the abovementioned purposes for the financial year ending 30<sup>th</sup> June [insert year].

\_\_\_\_\_  
**Accountable Authority**

\_\_\_\_\_  
**Agency**

**RECOMMENDED**

\_\_\_\_\_  
**Minister**

\_\_\_\_\_  
**Date**

**APPROVED**

\_\_\_\_\_  
**Treasurer**

\_\_\_\_\_  
**Date**

Amend the signature block if Treasury officers are exercising the power under delegated authority from the Treasurer

# TREASURY FORM 11

**REQUISITION** for authority to incur expenditure that exceeds the amount appropriated by an Appropriation Act for the financial year ending 30<sup>th</sup> June \_\_\_\_\_, to be authorised by the Treasurer (or delegate) under section 27(2) of the *Financial Management Act 2006*.

## CONSOLIDATED ACCOUNT

DIVISION NO. \_\_\_\_\_

DIVISION/ITEM TITLE \_\_\_\_\_

ITEM No.	DESCRIPTION OF ITEM	BUDGET ESTIMATES	AMOUNT EXPENDED TO DATE	AMOUNT NOW APPLIED FOR	PREVIOUS SUPPLEMENTARY FUNDING DURING CURRENT FINANCIAL YEAR	TOTAL SUPPLEMENTARY FUNDS REQUIRED
		1	2	3	4	COLUMNS 3 & 4
		\$'000	\$'000	\$'000	\$'000	\$'000
	Total .....					

I certify that it is necessary that the amount of \$ \_\_\_\_\_ (Column 3) be provided to meet the requirements of this agency for the financial year ending 30<sup>th</sup> June \_\_\_\_\_.

\_\_\_\_\_  
**Accountable Authority**

**RECOMMENDED**

\_\_\_\_\_  
**Minister<sup>1</sup>**

**ENDORSED**

\_\_\_\_\_  
**Director** (sign and insert Business Unit)

**AUTHORISED**

\_\_\_\_\_  
**Treasurer**

\_\_\_\_\_  
**Agency**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Date**

or executed pursuant to delegated power<sup>2</sup> by \_\_\_\_\_  
 (sign and insert position)

\_\_\_\_\_

<sup>1</sup> If the agency's Minister is also the Treasurer, another Minister should make the recommendation to remove any perceived conflict of interest.  
<sup>2</sup> Delegation to be exercised where the expenditure is approved by Cabinet as recommended by the Expenditure Review Committee or under Treasurer's Delegated Authority from Cabinet

**TREASURY FORM 12**

**Executive Council No.** \_\_\_\_\_

**REQUISITION** for authority to incur expenditure that has not been provided for by an appropriation by an Appropriation Act for the financial year ending 30<sup>th</sup> June \_\_\_\_\_ for authorisation by the Governor in Executive Council on the recommendation of the Treasurer, under section 27(1) of the *Financial Management Act 2006*.

**CONSOLIDATED ACCOUNT**

PURPOSE AND DESIGNATION OF ITEM	AMOUNT NOW APPLIED FOR	PREVIOUS AUTHORISATION DURING CURRENT FINANCIAL YEAR	TOTAL SUPPLEMENTARY FUNDS REQUIRED
	1	2	COLUMNS 1 & 2
	\$'000	\$'000	\$'000
<b>Total .....</b>			

I certify that it is necessary that the amount of \$ \_\_\_\_\_ be provided to meet the requirements of this agency for the financial year ending 30<sup>th</sup> June \_\_\_\_\_.

\_\_\_\_\_  
**Accountable Authority**

\_\_\_\_\_  
**Agency**

**THE HON TREASURER**

I have considered this requisition and recommend your approval and the approval of the Governor in Executive Council.

\_\_\_\_\_  
**Minister**

\_\_\_\_\_  
**Date**

**RECOMMENDED**

That the necessary funds be provided

\_\_\_\_\_  
**Treasurer**

**APPROVED**

\_\_\_\_\_  
**Clerk of Executive Council**

\_\_\_\_\_  
**Date**

**ENDORSED** This form is to be endorsed by the Under Treasurer before being submitted to the Treasurer

\_\_\_\_\_  
**Under Treasurer**

\_\_\_\_\_  
**Date**

**TREASURY FORM 13**

**REQUISITION** for an increase to the **Amount Authorised by Other Statutes** specified in the Budget Papers to be charged to the Consolidated Account which is appropriated accordingly pursuant to –

---

(relevant section and Act or provide detail in an attachment if applicable)

---

**CONSOLIDATED ACCOUNT (CA)**

PURPOSE	BUDGET ESTIMATE	SUPPLEMENTARY AMOUNT CHARGED TO CA DURING CURRENT FY	TOTAL CHARGE TO CA	SUPPLEMENTARY AMOUNT NOW APPLIED FOR	TOTAL ESTIMATED CHARGE TO CA
	<b>1</b>	<b>2</b>	<b>3 (1 + 2)</b>	<b>4</b>	<b>1 + 4 or 3 + 4</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
Details in attached schedule if required					
Details in attached schedule if required					
<b>Total .....</b>					

I certify that it is necessary that the amount of \$ \_\_\_\_\_ (Column 4) be provided for the purposes specified above for the financial year ending 30 June \_\_\_\_\_.

---

(signature)

---

(name of agency)

---

(Name of chief finance officer or appropriately authorised officer)

---

(date)

**ENDORSED**

---

(signature of TSY Manager)

---

(date)

---

(name of Manager, TSY Directorate)

**ACTIONED**

---

(Manager, Treasury Operations)

---

(date)



**BACKGROUND**

The State government enters into legal obligations from time to time that will require the State to pay money at a future date to another person or body outside the State Public sector, or to a State agency, or to a State instrumentality established under Corporations Law, if a specified circumstance or set of circumstances either does or does not occur in the future, the occurrence of those circumstances being uncertain. These legal obligations may be set out in a formal document, or in a letter, or may be imposed by legislation.

This instruction requires a record to be kept of all guarantees and indemnities specifically authorised by statute and of sureties (which are guarantees or indemnities issued without specific legislative authority), other than indemnities which are provided incidental to the performance of another function such as the purchase of a good or service.

Government has adopted the policy that:

- (i) the issue of sureties, other than indemnities issued incidental to another function, be limited to the Treasurer after having been first approved by Cabinet; and
- (ii) a copy of each surety issued be tabled in Parliament within 10 sitting days and a copy be provided to the Auditor General within 10 days.

Each accountable authority with administrative responsibility for legislation that authorises the issue of a guarantee or indemnity, or for a matter for which a surety has been given, is required to maintain registers of all such statutory guarantees, statutory indemnities and sureties issued or given.

These registers may be structured to also meet the requirement that accountable authorities provide a register of loan indebtedness under [Treasurer's instruction 809 'Loan Indebtedness'](#). The Under Treasurer's approval is required for a system of recording that does not hold all guarantee and indemnity data in one single register.

Treasury maintains a central register of all statutory guarantees, statutory indemnities and sureties issued or given (other than indemnities issued incidental to the performance of another function), to facilitate the reporting of statutory guarantees, statutory indemnities and sureties in the Annual Report on State Finances.

As a general practice, entries are made in the Treasury register on advice by agencies at the time a statutory guarantee, statutory indemnity or surety is given, and the central register is periodically compared with agency registers using regular periodic returns from agencies. As the financial liabilities incurred by the Western Australian Treasury Corporation (WATC) are guaranteed under *the Western Australian Treasury Corporation Act 1986*, the borrowings by State agencies from WATC triggers a guarantee at the time WATC borrows, and it is not necessary for agencies to provide advice to Treasury of such borrowings at the time they are drawn down from WATC, even if they are also guaranteed under the agency's separate legislation, as WATC will hold the necessary information.

Accordingly, accountable authorities are required to advise Treasury immediately upon the issue of a statutory guarantee, statutory indemnity or surety, other than guarantees in respect of borrowings from WATC. However, accountable authorities are to provide information to Treasury on the status of these statutory guarantees, statutory indemnities and sureties, including information on borrowings from WATC, when and as required.

It should be noted that the following are not of the nature of a guarantee or indemnity for the purposes of this instruction:

- (i) asbestosis claims against government agencies;
- (ii) aggrieved parents taking action against teachers as a result of school matters, for example, inadequate education, or injuries through lack of supervision;
- (iii) patients taking action against hospitals and their doctors;
- (iv) possible obligations to pay damages in respect of pending lawsuits;
- (v) agencies undertaking to repair or meet the cost of repairing any damage that may be caused to buildings, fences or other property in the normal course of the agency's business, such as the provision or maintenance of water, sewerage or electricity services or the construction of a road; and
- (vi) indemnities given incidental to the performance of another function, such as the purchase of a good or service (e.g. a contract where the purchaser indemnifies the supplier of software against any unauthorised use of that software).

## **TREASURER'S INSTRUCTION**

### **(1) For the purpose of this instruction:**

#### **(i) 'Guarantee or Indemnity' means:**

- (a) a Statutory Guarantee or Indemnity;**
- (b) a Surety**

**which exposes the State to a liability but does not include:**

- (aa) an indemnity granted as part of, and incidental to, an agreement, transaction or arrangement between the grantor and the beneficiary or recipient of the indemnity, the principal purpose of which is not the grant of the indemnity; or**
- (bb) an indemnity granted to persons or officers in the performance of their duties for the State or for any public authority or public body of the State;**

#### **(ii) 'Statutory Guarantee or Indemnity' means a guarantee or indemnity granted or arising under the authority of any statute;**

#### **(iii) 'Surety' means a guarantee or indemnity which is not a statutory guarantee or indemnity.**

- (2) An accountable authority or other officer shall not grant any surety.
- (3) (i) Where any Guarantee or Indemnity is granted, the accountable authority shall cause to be provided to the Under Treasurer the information specified in paragraph (6).
- (ii) This paragraph does not apply to Statutory Guarantees of borrowings from the Western Australian Treasury Corporation or to any other arrangement specifically excluded from this paragraph by notice in writing from the Under Treasurer to the accountable authority.
- (4) Applications for the issue of a Guarantee or Indemnity by the Treasurer shall be submitted through the Under Treasurer supported by all relevant information.
- (5) There shall be established and maintained:
- (i) either one register in which shall be recorded details of all Guarantees and Indemnities granted, showing:
- (a) Statutory Guarantees and Indemnities; and
- (b) Sureties
- separately, or a system of recording approved by the Under Treasurer adequate to record the data required under paragraph (6);
- (ii) documented criteria, procedures and guidelines for the assessment (including risk analyses in respect of the issue and non-issue of a Guarantee or Indemnity), evaluation, approval, issue and monitoring of Guarantees and Indemnities; and
- (iii) adequate controls that ensure the safe custody of documents relating to the assessment, evaluation, approval, issue and monitoring of Guarantees and Indemnities.
- (6) The following details should wherever possible be recorded in the register of Guarantees and Indemnities referred to in paragraph (5):
- (i) the authority for the grant of the Guarantee or Indemnity;
- (ii) the name of the person or body granting the Guarantee or Indemnity, the name of the recipient and the name of the person or organisation for whose benefit the Guarantee or Indemnity is granted;
- (iii) the terms and conditions (including the terms of repayment of any loan) of the Guarantee or Indemnity;
- (iv) the date on which the Guarantee or Indemnity was granted;
- (v) the amount of the liability (if known, otherwise a considered and reliable estimate is acceptable);

- (vi) the circumstances under which the Guarantee or Indemnity may be invoked, or an appropriate reference to where details pertaining to those circumstances are recorded;
  - (vii) the date on which the Guarantee or Indemnity is due to expire;
  - (viii) the form of security (if any) taken in support of the Guarantee or Indemnity; and
  - (ix) the manner in which the Guarantee or Indemnity has been discharged.
- (7) The Under Treasurer shall cause a control register to be maintained of all Guarantees and Indemnities showing:
- (i) Statutory Guarantees and Indemnities; and
  - (ii) Sureties
- separately, and may record the liability under Statutory Guarantees, Statutory Indemnities and Sureties in aggregate by statute.
- (8) Notwithstanding anything in this instruction, the accountable authority shall, when requested by the Under Treasurer, cause to be provided such information as may be requested in respect of Guarantees and Indemnities.

## **822           BORROWINGS**

### **BACKGROUND**

Under the State's financial management framework, agencies are not permitted to borrow funds unless specifically authorised by their enabling legislation. The form for borrowing approvals varies across the sector. It may require the approval of one or more of the Governor, Treasurer, Minister and the accountable authority.

The borrowing of funds impacts the State's total public sector net debt. In order to ensure prudent financial management across the sector and that the State's potential exposure is known, the Government has determined that the accountable authorities seeking to borrow funds under the authority of their enabling legislation must seek the prior approval of the Treasurer.

Furthermore, sufficient details should be recorded for each borrowing of funds to permit adequate planning and control of repayments (interests and principal).

### **TREASURER'S INSTRUCTION**

- (1) This instruction applies to all accountable authorities except the accountable authorities of universities listed in Schedule 1 of the Act.**
- (2) For the purposes of establishing an approved borrowing limit, the accountable authority of an agency shall submit to the Under Treasurer:**
  - (i) proposals for borrowing over the budget and out years for approval during the annual Budget and Mid-Year Review processes; and**
  - (ii) proposals for borrowing in excess of the limit approved in accordance with paragraph 2(i) for approval by the Treasurer, after approval by their responsible Minister.**
- (3) The accountable authority shall ensure that a register of borrowings is established and maintained.**
- (4) For the purposes of this instruction, 'borrowings' exclude:**
  - (i) lease liabilities recognised in accordance with Australian Accounting Standard AASB 16 Leases; and**
  - (ii) service concession financial liabilities recognised in accordance with Australian Accounting Standard AASB 1059 Service Concession Arrangements: Grantors.**

### **GUIDELINES**

Borrowings, lease liabilities and service concession financial liabilities all impact the State's total public sector net debt. However, for the purposes of this instruction, the definition of 'borrowing' is limited to legal usage of the terminology and excludes liabilities recognised solely for the purposes of financial reporting.

The net debt implications of lease liabilities and service concession financial liabilities are considered as part of the annual Budget, Mid-Year Review and supplementary funding processes. Consequently, approval for these liabilities is implicit in Budget Statements, Annual Estimates, Mid-Year Review documents, and approvals (if any) for supplementary funding.

## **Approval Process**

Approval for agencies' borrowing will normally be granted during the annual Budget or Mid-Year Review processes in the form of:

- (i) an approved borrowing balance outstanding at 30 June in each of the budget and forward estimates; and
- (ii) an approved borrowing limit during the budget year. Quarterly borrowing limits for the budget year may also be approved where necessary.

This approval will be based on financial information submitted by agencies to Treasury for the purposes of the preparation of the annual Budget and/or Mid-Year Review documents.

If a variation is required outside of those processes, sufficient information shall be submitted by agencies to Treasury to allow the Treasurer to arrive at an informed decision.

## **Register**

The register required by paragraph (3) of this instruction should include:

- (i) amount of borrowing;
- (ii) date of borrowing;
- (iii) reference to borrowing approval and documents;
- (iv) date instalments due; and
- (v) details of repayments (interests and principal).

## 823 REQUIREMENTS OF ACCOUNTING SYSTEMS

### BACKGROUND

[Section 58](#) of the Act requires the accountable authority of an agency to ensure that the agency has, or has access to, a financial management system that complies with the requirements prescribed by the Treasurer's instructions.

This instruction prescribes those requirements and places an additional requirement on agencies to have access to a system for the reporting of performance information as required by [Treasurer's instruction 904 Key Performance Indicators](#).

The financial management and accounting system should allow agencies to properly process and record all types of transactions, and be capable of generating financial and non-financial information for reporting purposes. It should also allow agencies to implement control mechanisms for operational effectiveness and efficiency.

### TREASURER'S INSTRUCTION

- (1) **All accountable authorities shall ensure that the agency has access to a financial management information system that properly records all transactions of the agency and facilitates the preparation of general purpose financial statements for the agency at such intervals as may be required.**
- (2) **Where appropriate, all accountable authorities shall ensure that the agency has access to a system to record and report performance information as required by [Treasurer's instruction 904 Key Performance Indicators](#).**

### GUIDELINES

In this instruction, the term 'general purpose financial statements' has the same meaning as the definition in AASB 101 *Presentation of Financial Statements*. They consist of:

- (i) a Statement of Comprehensive Income;
- (ii) a Statement of Financial Position;
- (iii) a Statement of Changes in Equity;
- (iv) a Statement of Cash Flows; and
- (v) Notes.

The financial statements are to be prepared in accordance with Australian Accounting Standards to the extent they are modified by Treasurer's instructions.

## **824 CHIEF FINANCE OFFICERS**

### **BACKGROUND**

Chief finance officers (CFOs) are required to provide a value-adding role which supports decision-making throughout the agency. As the CFO's focus is strategic financial management, the officer must be conversant with the general accounting concepts, the latest accounting pronouncements issued by the Australian Accounting Standards Board and relevant corporate governance and performance management practices.

This broader and more comprehensive role of CFOs is intended to assist agencies achieve government desired outcomes as provided for in [section 57](#) of the Act. To facilitate the broader role, this instruction mandates requirements for CFOs to be 'suitably qualified' and to have direct access to the accountable authority of the agency.

### **TREASURER'S INSTRUCTION**

- (1) For the purposes of this instruction, 'suitably qualified' means:**
  - (i) current membership of CPA Australia as a CPA; or**
  - (ii) current membership of Chartered Accountants Australia and New Zealand as a Chartered Accountant; or**
  - (iii) current membership of the Institute of Public Accountants as a Member of the Institute of Public Accountants; or**
  - (iv) appropriate membership of an overseas accounting body that is approved in writing by any two of the aforementioned bodies as having requirements for membership equivalent to those of the approving body; and**
  - (v) possess relevant experience, skills and knowledge as determined by the accountable authority appropriate for the size, complexity and type of agency after taking into account the responsibilities of a Chief Finance Officer under [section 57\(2\)](#).**
  
- (2) The substantive occupant or the occupant acting beyond a period of 3 months in the position of the Chief Finance Officer of an agency under section 57 of the Act shall:**
  - (i) be suitably qualified; and**
  - (ii) have direct access to the accountable authority of that agency.**

### **GUIDELINES**

- (1) The following business practices are important to support the CFO's role of being a key strategic partner and enabler of business outcomes:**
  - (i) that the CFO holds a position in the organisational structure that reports directly to the accountable authority; or**
  - (ii) that the CFO attends regular meetings of the corporate executive (or equivalent board) to report on financial management issues. In this regard, regular attendance to present on issues such as financial performance is regarded as having direct access; or**



- (iii) that the CFO regularly (at least once a month) briefs the accountable authority on financial management issues;
- (iv) the accountable authority should refer directly to the CFO for advice on the financial implications of policy decisions before such decisions are approved. This is consistent with the responsibilities of the accountable authority under [section 53](#) of the Act.

When selecting a CFO, the accountable authority should use the [CFO success profile](#), a useful tool for identifying the expectations, accountabilities, skills and experience of a competent CFO.

- (2) The accountable authority's obligation to advise the Treasurer of the office, post or position designated as CFO under section 57(1)(b) of the Act can be discharged by notifying the Under Treasurer of the appointment in writing. Advice of the name of the person occupying the office, post or position is not required.
- (3) Section 57 of the Act requires that the person appointed as CFO has a sound understanding of the agency in order to discharge their obligations under section 57(2). Membership of a professional accounting body is to ensure ongoing professional development and maintenance of appropriate (and up-to-date) skills and knowledge. The experience requirement is to ensure a solid foundation of experience from which the CFO can draw from in executing their responsibilities. When determining the experience requirement for the person to be appointed as CFO, it is essential to consider the type of agency. For example, while public sector experience may be essential for a CFO role in the health or education departments, commercial experience may be preferred for agencies whose focus is commercial.
- (4) Where one agency (the provider) provides financial services to another agency, it is possible for a 'suitably qualified' employee of the provider to be appointed as the recipient agency's CFO. The appointment must be limited to a person employed as a public service officer under the Public Sector Management Act 1994. In this regard, the CFO could not be appointed through a contract for services.
- (5) Acting for extended periods of time i.e. more than 3 months by personnel that are not 'suitably qualified' does not fulfil the expected role of the CFO.
- (6) Where personnel are not 'suitably qualified' and are expected to act in the position of the CFO beyond 3 months, the accountable authority of an agency shall comply with this instruction in the following ways:
  - (i) as a matter of priority, endeavour to appoint a 'suitably qualified' person to the office, post or position designated as CFO within 3 months; or
  - (ii) appoint a 'suitably qualified' person to act in the role beyond the 'limited time'; or
  - (iii) redesignate another office, post or position as CFO in order to have a 'suitably qualified' person fulfilling the role; or
  - (iv) appoint a 'suitably qualified' employee of the provider as CFO, where the provider is the agency providing financial services to another agency pursuant to paragraph (4) of the Guidelines; or
  - (v) seek an exemption to this requirement by submitting a business case for the approval of the Treasurer, pursuant to [Treasurer's instruction 104 Exemptions](#).

## 825 RISK MANAGEMENT

### BACKGROUND

Agencies should integrate risk management into all activities and functions because it is an essential component of effective internal control.

Standards Australia, AS ISO 31000:2018 [Risk management – Guidelines](#) defines risk as ‘the effect of uncertainty on objectives. It reflects the deviation from achieving the expected objectives of an agency and may be positive and/or negative.

The establishment and maintenance of a risk management framework and processes can assist agencies in meeting objectives and improving decision making through the implementation of strategies to manage risk exposure from internal and external sources. This is achieved by mitigating the likelihood and impact of negative events and increasing the likelihood and impact of positive events, such as identifying opportunities that agencies can utilise to help improve capital and resource allocations.

Risk impacts all levels of government, from an agency to the whole-of-government and should not be assessed in isolation. Effective risk management protects the agency, whole of government and the community from unnecessary expenses/losses.

An agency’s risk management is the responsibility of the accountable authority, who is supported in this regard by the agency’s internal audit function and internal audit committee. This is outlined in [Treasurer’s instruction 1201 Internal Audit](#).

### TREASURER’S INSTRUCTION

- (1) The accountable authority of an agency shall ensure that:**
  - (i) suitable risk management policies and practices are developed; and**
  - (ii) risk management policies and practices are periodically assessed and updated to ensure that they are suitable for managing risks inherent in the operations of the agency.**

### GUIDELINES

Where possible, agency risk management policies and processes should be consistent with Standards Australia, AS ISO 31000:2018 [Risk management – Guidelines](#), which provides guidance on effective and efficient risk management.

AS ISO 31000:2018 can be used to manage any type of risk and is not industry specific. The guidelines can be tailored to an individual agency and its situation.

Managing risk is founded on the principles, framework and processes included in AS ISO 31000:2018 which focus on value creation and protection. These factors can be adapted or improved so they are appropriate to an agency.

When undertaking a risk assessment, an agency should carefully analyse and identify all material risks relevant to its activities and functions with respect to, but not limited to:

- financial risks;
- reputational risks;
- operational risks;
- project risks;
- shared risks with other agencies; and
- emerging risks such as climate change risks and cyber security risks.

Risk management is a dynamic and evolving process, therefore continual improvement of an agency's risk management framework and processes is essential. In this regard, risk management processes should be annually reviewed and updated (where necessary) to ensure they remain suitable to the agency.

Agencies must consider the following Treasurer's instructions regarding risk management:

- [Treasurer's instruction 812 Insurance](#);
- [Treasurer's instruction 826 Managing Foreign Exchange Risk](#); and
- [Treasurer's instruction 1201 Internal Audit](#).

Agencies should be aware of other risk-related information including:

- Standards Australia AS 8001-2021 [Fraud and corruption control](#) ;
- International Organisation for Standardisation [ISO 14091:2021 Adaptation to climate change – Guidelines on vulnerability, impacts and risk assessment](#);
- Whole of Government ICT Disaster Recovery for Business Continuity Policy and supplementary guide are available from: [ICT Disaster Recovery for Business Continuity Policy \(www.wa.gov.au\)](#);
- Whole-of-Government Cyber Security Policy and supplementary guide are available from: [WA Government Cyber Security Policy](#);
- AS/NZS ISO/IEC 27005:2012 [Information technology—Security techniques—Information security risk management](#) (ISO/IEC 27005:2011, MOD); and
- [Good governance for public sector agencies \(www.wa.gov.au\)](#).

## **826            MANAGING FOREIGN EXCHANGE RISK**

### **BACKGROUND**

Foreign exchange risk (also known as currency risk or exchange rate risk) arises where an organisation has agreements or arrangements denominated in, or conditional on, foreign currency prices. The value of the currency payments or receipts is dependent on continuous fluctuations in Australian dollar exchange rates with those denominated currencies. Any adverse movements in exchange rates, if unmanaged, could lead to significant cash outflows and/or financial obligations, and potentially result in adverse impacts on expense limits, financial performance and expected outcomes.

In the public sector, foreign exchange risk from an agreement or arrangement may leave agencies unable to fund operations within their appropriation limits. Agencies may be required to seek supplementary funding (including debt) or be forced to delay, abandon or scale back publicly committed services. If sufficiently material, such an outcome could compromise wider whole-of-government finances.

Accordingly, this instruction requires the accountable authorities to ensure that any agreement or arrangement that carries a foreign exchange risk are considered and appropriately managed. The accountable authority shall seek and obtain advice from the Western Australian Treasury Corporation (WATC) and, if appropriate, engage WATC to manage the foreign exchange risk for those agreements or arrangements that exceed the minimum threshold identified in this instruction, except where any written law applicable to the agency permits otherwise.

### **TREASURER'S INSTRUCTION**

- (1) For the purposes of this instruction, 'foreign exchange risk' is the adverse movement in exchange rates between the Australian dollar and any foreign currency.**
- (2) The accountable authority shall ensure that foreign exchange risk arising from agreements or arrangements denominated in, or conditional upon, foreign currencies is identified, measured and managed.**
- (3) The accountable authority shall also assess the ongoing risk of any new or existing agreement or arrangement that carries a foreign exchange risk.**
- (4) In complying with paragraphs (2) and (3), before committing to any agreement or arrangement that carries a foreign exchange risk and is valued at A\$50,000 (the threshold) or more, the accountable authority shall:**
  - (i) seek and obtain appropriate advice relating to the foreign exchange risk from the Western Australian Treasury Corporation; and**
  - (ii) enter into an appropriate risk management strategy to manage the foreign exchange risk;**

**except where any written law applicable to the agency permits otherwise.**
- (5) In complying with paragraph (4), the accountable authority may establish a threshold greater than A\$50,000, subject to materiality, but not greater than A\$100,000.**

## GUIDELINES

The accountable authorities must identify, measure and manage foreign exchange risk at the earliest stage possible, preferably during the business case development and procurement planning phase.

Foreign exchange risk can occur when:

- an agency purchases goods or services that originate from overseas;
- an agency makes payments or receives payments in foreign currency;
- an agency has the option to pay or receive the Australian dollar or a foreign currency;
- a supplier's foreign currency price is to be translated into an Australian dollar price based on an exchange rate at the time of contract award; and
- payment for goods or services is denominated in the Australian dollar, but the Australian dollar price is dependent on an exchange rate (commonly within a price variation clause).

The accountable authority shall seek and obtain advice from WATC before entering into any agreement or arrangement that meets or exceeds the threshold at paragraph (4) of this instruction, where a foreign exchange risk may arise.

In developing internal guidelines for use by the agency in relation to the management of foreign exchange risk, the accountable authority should consider the following Treasurer's instructions (TIs):

- **TI 808 Resource Agreements:** The accountable authorities shall be mindful of the current year's resource agreement, and avoid committing future cash outflows without prior Government approval.
- **TI 825 Risk Management:** The accountable authorities are required to manage risks appropriately. Therefore, the management of foreign exchange risk should be documented in the agency's financial management manual and shall involve WATC in managing that risk for the agency, unless any written law applicable to the agency permits otherwise.

### Identification of Foreign Exchange Risk

The identification of foreign exchange risk may highlight inherent complexities. In particular, in the case of non-determinable cash flows, quantifying the risk becomes increasingly difficult as the uncertainty of expected cash flows increases. Some examples of how foreign exchange risk may arise are outlined below. However, these examples are by no means exhaustive.

- The most readily apparent risk is when contractual future cash flows, either payments or receipts, are designated in a non-Australian dollar currency. Determining the foreign exchange risk in such cases is relatively simple when there is little or no uncertainty of future cash flows. The Australian dollar would increase due to fluctuations in the exchange rate when payment is required at some future point in time. Because appropriations are set in the Australian dollar, agencies may face an unexpected loss and have to seek supplementary funding etc.
- Care needs to be exercised if the flexibility exists to alter the terms of the contract or terminate the arrangement. In such circumstances, it may not be desirable to reduce the risk, but to ride foreign currency fluctuations.
- Volume uncertainty leads to uncertain future cash flows. Unless the demand for a product is established with certainty and trade volumes are known at the time of

entering into the contract, a risk management strategy will have to be framed in the context of uncertainty of future foreign currency cash flows. A critical starting point, however, is the identification of the true risk.

- Suppliers who source products from overseas will themselves face foreign currency risk and will often seek to reduce the risk. A common method to mitigate the risk is through the contract itself. For example, contracts may contain rise and fall clauses, or other variation arrangements, that allow the supplier to transfer the risk to the contractual counterparty. Another method that is often used to mitigate the risk is to propose some forms of risk sharing arrangement or to stipulate a maximum amount of exposure that the supplier will accept.
- Any contract or arrangement that allows for price variation contingent on movements in exchange rates needs to be carefully analysed to identify the true nature of the underlying risk.
- Revenues or expenses will also be affected by currency fluctuations if they are linked to movements in some underlying non-Australian dollar indices. In such cases, the resultant risk is not always transparent and contracts need to be carefully analysed to determine any exposure.

# **PART IX - GENERAL ACCOUNTING AND REPORTING REQUIREMENTS**

## **INTRODUCTION TO PARTS IX AND XI**

Parts IX and XI of the Treasurer's instructions prescribe accounting and reporting requirements for agencies. The parts are arranged as follows:

- (i) Part IX: contains requirements which:
  - inform processes essential to the preparation of financial statements; and
  - detail disclosures included in annual reports about agency operations and performance.
- (ii) Part XI: contains minimum financial reporting requirements and accounting policy choices that must be applied to agency financial statements and annual reports.

The Act requires accountable authorities to prepare annual reports that contain the following sections:

- (i) report on the operations;
- (ii) performance indicators;
- (iii) financial statements; and
- (iv) other information as directed by the Minister in writing.

The annual report of an agency is a vital public record that is tabled in Parliament. It is a single source of information about the agency and provides details of how the agency results have been achieved. Annual reports also compare the current year's performance against both current year forecasts and the previous year's results.

Agencies should apply the essential objectives of an annual report when preparing to communicate results to Parliament and taxpayers. These are:

- (i) discharging accountability for resources provided and legal compliance;
- (ii) detailing activities, financial results, performance results and highlighting key initiatives or goals that were recently achieved; and
- (iii) informing economic and social judgments and decisions in relation to the operations and performance of an agency.

In order to ensure comprehensive reporting of all activities for which the accountable authority is responsible, the annual report may need to include extra disclosures for subsidiaries and/or related bodies.

## 902 STATEMENT OF COMPLIANCE

### BACKGROUND

The Act charges the accountable authority with a responsibility for causing an annual report to be prepared and submitted to the Minister. An important and necessary element of this process is the provision within the annual report of a statement that the report has been prepared in accordance with the Act and, where any other written law applies, in accordance with that other written law. This statement, expressed in the form of a statement of compliance, is required to be made by the accountable authority.

### TREASURER'S INSTRUCTION

- (1) This instruction applies to the preparation of a statement by the accountable authority that the annual report has been prepared in accordance with the Act and any other written law.
- (2) The annual report shall include a Statement of Compliance, addressed to the responsible Minister, comprising:
  - (i) a statement in the following terms:

‘In accordance with [section 63](#) of the *Financial Management Act 2006*, I [We] hereby submit for your information and presentation to Parliament the Annual Report of the [Name of Agency] for the [period as specified] ended [date].

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*’; and
  - (ii) where applicable, a statement acknowledging the incorporation within the annual report of any special reporting requirements imposed upon the accountable authority by any other written law.
- (3) The Statement of Compliance shall be signed and dated by the accountable authority, as appropriate, with the proviso that where the accountable authority is:
  - (i) an individual, the Statement of Compliance shall be signed by that individual; or
  - (ii) a body, the Statement of Compliance shall be signed by two members of the body following a resolution of that body:
    - (a) adopting the annual report; and
    - (b) providing for transmission of the annual report to the Minister.



## BACKGROUND

This instruction prescribes a standard layout and the minimum disclosure requirements (other than the financial statements) for agency annual reports prepared under [section 61\(1\) of the Act](#). A detailed description of the contents and presentation of the financial statements is provided in [Part XI of the Treasurer's instructions](#).

Information presented in agency annual reports should be clear and succinct, with the focus being on outcomes rather than processes or procedures.

As part of the annual reporting requirements, an agency is required to report actual performance that the agency has achieved for the reporting period against its targets both financial and non-financial. Where an agency is covered by a resource agreement to which [section 46 of the Act](#) applies, the agency shall adopt the format shown in [Treasurer's instruction 808 Resource Agreements](#).

A standard layout, as outlined in the Schedule, will enable readers of annual reports to easily find information.

Additional disclosures may also be required by the responsible Minister under [section 61\(1\)\(f\) of the Act](#) or by any other written laws. This instruction does not prescribe the contents of those additional disclosures.

## TREASURER'S INSTRUCTION

(1) This instruction applies to the contents and layout of an agency annual report.

(2) For the purpose of this instruction:

'Report on the operations' means a report on the operations that is required to form part of an agency annual report in accordance with [section 61\(1\)\(c\) of the Act](#) and forms part of the Agency Performance section.

'Senior officer' in relation to an agency means any person who is concerned with or takes part in the management of the agency or any subsidiary or related body of the agency, and includes the accountable authority of a department or members of the accountable authority of a statutory authority, but excludes any person acting in such a position for a limited period.

Government goals, agency level government desired outcomes and services, and key performance indicators are as defined in [Treasurer's instruction 904 Key Performance Indicators](#).

(3) An annual report shall adopt the following layout:

- (i) Overview;
- (ii) Agency Performance;
- (iii) Significant Issues impacting the Agency; and
- (iv) Disclosures and Legal Compliance.

- (4) Information that is necessary to present fairly the operations of an agency and its subsidiary and related bodies must be disclosed, either within the structure outlined in paragraph (3) or in an appendix to an annual report. This could include any matter or circumstance that has arisen between the end of the reporting period and a date which shall be stated and which is not more than two weeks prior to the date that an annual report is submitted to the Minister in terms of [section 63 of the Act](#), which matter or circumstance has significantly affected or may significantly affect:
- (i) the operations of the agency and its subsidiary and related bodies;
  - (ii) the results of those operations; and
  - (iii) the state of affairs of the agency and its subsidiary and related bodies.

## Overview

This section of an annual report shall consist of the following:

- (5) An 'Executive Summary' that shall include a statement from the accountable authority that includes performance highlights and/or other significant events impacting the agency.
- (6) An 'Operational Structure' that shall disclose:
  - (i) the name of the agency;
  - (ii) the authority by which the agency is established;
  - (iii) the Minister(s) to which the agency is responsible and any introductory message the Minister wishes to contribute;
  - (iv) an organisational chart which incorporates the names of senior officers and a summary of the activities and responsibilities of each division or its equivalent;
  - (v) the short title of the legislations administered by the agency and by the Ministers with the assistance of the agency;
  - (vi) the name of and authority for establishment of each subsidiary, related and affiliated body (as defined in [Treasurer's instruction 951 Related and Affiliated Bodies](#)) of the agency; and
  - (vii) information pertaining to subparagraph (v) for each subsidiary, related and affiliated body of the agency.
- (7) A 'Performance Management Framework' that shall include, for the agency and any subsidiary and related bodies:
  - (i) a description of the links between the relevant government goals and agency level government desired outcomes and services;
  - (ii) a discussion of any changes to agency level government desired outcomes and services and its key performance indicators from the previous reporting period; and
  - (iii) a statement of which services are being delivered jointly with other agencies and how the agency is contributing to other agencies' desired outcomes.

## Agency Performance

- (8) This section of an annual report shall comprise, for the agency and any subsidiary and related bodies, a 'report on the operations' and includes a comparison of actual results against budget targets for the key performance indicators of effectiveness and efficiency and agreed financial targets. The key performance indicators approved under [Treasurer's instruction 904 Key Performance Indicators](#) are to be used in this reporting process. More detailed information, including long term trends and supporting footnotes, may also be disclosed in this section or in the Disclosures and Legal Compliance section. At a minimum, a report on the operations must include a summary assessment of actual performance relative to target performance.

A report on the operations shall include any narrative necessary to explain the results and describe the agency's performance, including any material variations and the impact of any external factors.

The targets referred to in this paragraph are those set for the agency and any subsidiary and related bodies in any of the following documents:

- (i) the Budget Statements;
- (ii) a resource agreement under [section 46 of the Act](#);
- (iii) statement of corporate intent; or
- (iv) other publicly issued strategic plan or equivalent document.

## Significant Issues impacting the Agency

- (9) This section of an annual report shall include a brief description of current and emerging issues and trends impacting the agency's operations. This would include strategic information about significant achievements, initiatives, issues or trends impacting the agency in relation to both financial and non-financial performance, as well as the operations of any subsidiary and related bodies, and how the agency, subsidiary and related bodies intend to address them. This may include economic and social trends, and changes in any written law or significant judicial decisions. Any likely developments in the operations of the agency and the forecast results of those developments should also be disclosed, unless the disclosure is likely to be prejudicial to the agency.

## Disclosures and Legal Compliance

This section of an annual report shall include the following:

- (10) The Financial Statements prescribed by [Part XI of the Treasurer's instructions](#), for the agency and any subsidiary and related bodies.
- (11) Additional key performance indicator information such as details of long term trends and supporting footnotes, which the accountable authority considers relevant and useful to explain the agency's financial and non-financial performance.
- (12) Any written Ministerial directions relevant to the setting of desired outcomes or operational objectives, the achievement of desired outcomes or operational objectives, investment activities, and financing activities.

- (13) **‘Other Financial Disclosures’ that shall include, for the agency and any subsidiary and related bodies, the following:**
- (i) **pricing policies of services provided and, where applicable, reference to the Gazette or other public document which contains pricing or rating information;**
  - (ii) **details of major capital projects undertaken including:**
    - (a) **for each project that remains uncompleted at the end of the reporting period: the expected period of completion of the project; the estimated cost to complete and the estimated total cost of the project; and where the estimated total cost of the project varies significantly from the estimated total cost reported in the immediately preceding reporting period, an explanation of that variation; and**
    - (b) **for projects that have been completed during the course of the reporting period: the total cost of the project; and where the total cost of the project varies significantly from the estimated total cost reported in the immediately preceding reporting period, an explanation of that variation;**
  - (iii) **a summary of the number of employees by category, in comparison with the immediately preceding reporting period, together with information on:**
    - (a) **staffing policies, including recruitment and staff development;**
    - (b) **industrial relations; and**
    - (c) **workers’ compensation claims, the prevention of occupational injuries and illnesses and the rehabilitation of injured and sick employees.**
- (14) **‘Governance Disclosures’ that shall include:**
- (i) **If the agency is a statutory authority, particulars of any shares in the statutory authority held, as a nominee or beneficially, by a senior officer of the statutory authority.**
  - (ii) **Particulars of any shares in any subsidiary bodies of the agency held, as a nominee or beneficially, by a senior officer of the agency.**
  - (iii) **[deleted]**
  - (iv) **The amount of any insurance premium paid to indemnify any ‘director’ (as defined in Part 3 of the *Statutory Corporations (Liability of Directors) Act 1996*) against a liability incurred under sections 13 or 14 of that Act.**

- (15) ‘Other Legal Requirements’ that shall disclose for the agency and any subsidiary and related bodies:
- (i) Information required by [Treasurer’s instruction 319 Act of Grace Payments](#);
  - (ii) personal expenditure required by [Treasurer’s instruction 321 Credit Cards – Authorised Use](#):
    - (a) the number of instances the Western Australian Government Purchasing Cards have been used for personal purposes;
    - (b) the aggregate amount of personal use expenditure for the reporting period;
    - (c) the aggregate amount of personal use expenditure settled by a due date;
    - (d) the aggregate amount of personal use expenditure settled after the due date;
    - (e) the aggregate amount of personal use expenditure remaining unpaid at the end of the reporting period; and
    - (f) the number of referrals for disciplinary action instigated by the notifiable authority during the reporting period;
  - (iii) information required by legislations other than the Act, *Financial Management Regulations 2007* and the Treasurer’s instructions.
- (16) ‘Government Policy Requirements’ that shall disclose, for the agency and any subsidiary and related bodies, the agency’s performance against government policy requirements not addressed elsewhere in this instruction.

## GUIDELINES

### Senior Officers

‘Senior officers’ are a generalised term, which is necessary to cover many different circumstances in differing types of agencies. Any officer who has responsibility and accountability for the functioning of a section or division which is significant in the operation of the reporting entity or who has equivalent responsibility is a senior officer. In larger agencies, officers down to the third level of management would be included. The first level of management is the Chief Executive Officer (CEO), the second level comprises persons who report directly to the CEO (e.g. Deputy), and the third level comprises persons who report directly to the second level (e.g. Executive Directors). The classification of a senior officer would depend on the size of an agency. The definition specifies that a senior officer is one who is concerned with or takes part in the management of an agency. A staff member at a high classification level but not concerned with or taking part in the management of an agency, would not fall within the definition.

The definition of a senior officer in paragraph (2) of this instruction excludes any person acting in such a position for a limited period. For the purposes of this instruction, a ‘limited period’ is considered to be for a period of 3 months or less.

## Key Performance Indicators

Key performance indicators must be 'relevant and useful' to stakeholders and readers of annual reports particularly when they are accompanied by other supporting information on agency operations. Paragraph (8) of this instruction outlines details to be included in an agency's report on the operations. An annual report should clearly identify those key performance indicators that are audited by the Auditor General.

Agencies that do not publish targets in the budget statements are encouraged to disclose targets in their statements of corporate intent, or other publicly issued strategic plans or documents.

As part of the discussion of actual results against budget targets and any material variations, agencies should adopt the table format shown in [Treasurer's instruction 808 Resource Agreements](#).

Agencies are required to report results against all targets that have been set, enabling stakeholders to assess agency performance in achieving desired outcomes and delivering services. Consistent with good governance protocols, it is important that any material changes within a reporting period are disclosed. Where desired outcomes, services and key performance indicators have materially changed from the previous reporting period, the reasons for the change should be disclosed.

Where responsibility for a service or achievement of a desired outcome is transferred, in the absence of any approved changes, the existing service, desired outcome and related key performance indicators should be reported by the transferee agency. However, where a restructure occurs, agencies should review their performance management framework.

The **transferee** agency, i.e. the agency assuming responsibility for the service or desired outcome, is required to report all related key performance indicators (KPIs) for the full reporting period, together with sufficient information to inform interested parties that responsibility for the transferred service or desired outcome resided with the identified transferor agency prior to the date of transfer. Sufficient disclosures should also be made to allow interested parties to assess the performance of the transferee agency since assuming responsibility for the transferred service or desired outcome. This would generally require reporting separately each KPI for the two relevant periods within the reporting period (i.e. the respective periods that the transferor and transferee agencies had responsibility for the service). The notes to KPIs should state the reason(s) why comparative information has not been provided for preceding reporting periods, together with details as to where the comparative KPIs are located and reported.

The **transferor** agency in its annual report is required to disclose the transfer date, the identity of the transferee agency and details of the transferred service or desired outcome. KPIs for the reporting period up to the date that the service or desired outcome was transferred should be disclosed. The transferor agency should also disclose comparative/trend information for the reporting periods prior to the transfer, together with any relevant explanatory notes.

These requirements should be used as a guide. Professional judgment will be required to assess the specific circumstances to ensure that meaningful performance information is provided to users.

## **Additional Performance Information**

Although this instruction requires reporting against key performance indicators and financial targets disclosed in the relevant resource agreement, statement of corporate intent or equivalent public document, it does not preclude disclosure of other performance information, including longer term trends and supporting footnotes, which the accountable authority considers relevant and useful to explain the agency's performance and financial results. This additional information may be disclosed as part of a report on the operations in the Agency Performance section or the Disclosures and Legal Compliance section of an annual report.

## **Ministerial directions**

The disclosure requirement in paragraph (12) only applies to formal (i.e. written) directions rather than verbal. In the case of departments, CEOs are appointed by the Governor under section 45 of the *Public Sector Management Act 1994* (PSM Act) and, under section 32(1) of the PSM Act, the CEO of a department is subject to directions of Ministers. Therefore, departments are an extension of Ministers. In the case of statutory authorities and corporatised entities, ministerial directions are provided in their enabling legislation.

When a Minister and a CEO discuss operational matters and the Minister requires the CEO to do certain things, then this is not necessarily a ministerial direction, but quite simply the result of a discussion/consultation process. The requirement in paragraph (12) that ministerial directions be disclosed in an annual report is intended to catch those directions that are relevant to the setting of an agency's desired outcomes, rather than those that impact day to day operations. An example of a ministerial direction is when a Minister issues a written direction to an agency to implement an efficiency dividend.

## **Comment on Events Occurring after the Reporting Period**

Where an event occurs after the reporting period that is of sufficient importance, either due to its financial impact or the manner in which the agency operates, then it should receive comment in the annual report. For example, if an agency were to take on or relinquish a function constituting a material part of its operations, then this should receive comment. Further guidance on dealing with financial issues that occur after the reporting period is available in AASB 110 'Events after the Reporting Period'.

## **Other Information**

Information that an agency wishes to or must report that does not fit into the structure prescribed by this instruction must be reported in an appendix or appendices to an annual report.

The Other Legal Requirements and Government Policy Requirements sections referred to in paragraphs (15) and (16) of this instruction are listed in the Public Sector Commission's publication titled 'Annual Report Guidelines'.

## Schedule

A suggested outline of an annual report that is consistent with this instruction is as follows:

### Annual Report Structure

- 1.0 Overview
  - 1.1 Executive Summary
  - 1.2 Operational Structure
  - 1.3 Performance Management Framework
    - 1.3.1 Outcome Based Management framework
    - 1.3.2 Changes to Outcome Based Management framework
    - 1.3.3 Shared responsibilities with other agencies
- 2.0 Agency Performance
- 3.0 Significant Issues impacting the Agency
- 4.0 Disclosures and Legal Compliance
  - 4.1 Financial Statements
  - 4.2 Additional key performance indicator information
  - 4.3 Ministerial directions
  - 4.4 Other Financial Disclosures
    - 4.4.1 Pricing policies of services provided
    - 4.4.2 Capital works
    - 4.4.3 Employment and industrial relations
  - 4.5 Governance Disclosures
  - 4.6 Other Legal Requirements
  - 4.7 Government Policy Requirements



## 904 KEY PERFORMANCE INDICATORS

### BACKGROUND

[Section 61\(1\)](#) of the Act requires key performance indicators to be prepared and included in an agency annual report. Furthermore, [section 63\(1\)](#) of the Act requires key performance indicators to be submitted to the Auditor General for audit. Therefore, unless otherwise directed in writing by the Treasurer, agencies must report key performance indicators in accordance with this instruction. Note that the reporting of key performance indicators should not be exempted under Treasurer's instruction (TI) 104 *Exemptions*.

Key performance indicators should be prepared using the [Outcome Based Management](#) framework. Performance reporting helps interested parties, such as Parliament, the community and client groups, to assess agency performance in achieving outcomes and obtaining value from services delivered. They also help agencies to understand their own performance by facilitating strategic planning, enhancing resource management and highlighting areas for improvement.

### TREASURER'S INSTRUCTION

- (1) This instruction applies to all accountable authorities except the accountable authorities of universities listed in [Schedule 1](#) of the Act.
- (2) For the purposes of this instruction:
  - (i) 'Government goal' means an expression of high-level policies and/or priorities that support the government's vision. Outcomes contribute to these goals;
  - (ii) 'Outcome' means the effect, impact, result on or consequence for the community, environment or target clients of government services. Outcomes are generally expressed as agency level government desired outcomes;
  - (iii) 'Agency level government desired outcomes' are those pitched at a level more relevant to an agency and are required to link to government goals. They are intended to bring about behavioural changes or satisfy community or client needs;
  - (iv) 'Service' means the supply of an activity or good to external users by an agency to achieve the agency level government desired outcome. Services can be classified as outputs, programs or policy advice;

- (v) **‘Key performance indicator’ provides an overview of the critical or material aspects of outcome achievement and service delivery. Key performance indicators can be:**
  - (a) **‘key effectiveness indicator’ to provide information on the extent of, or progress in a reporting period towards, achievement of an agency level government desired outcome through the delivery of services, and**
  - (b) **‘key efficiency indicator’ to relate a service to the level of resource inputs required to deliver the service; or**
  - (c) **‘key cost effectiveness indicator’ to relate achievement of an agency level government desired outcome to the level of resource inputs required to achieve the outcome.**
- (3) **The accountable authority of an agency shall disclose in an annual report, for a reporting period:**
  - (i) **the relevant agency level government desired outcomes;**
  - (ii) **the agency’s services;**
  - (iii) **the relationship between government goals, the agency level government desired outcomes and the agency’s services;**
  - (iv) **the key performance indicators for each agency level government desired outcome being:**
    - (a) **key effectiveness indicators for each agency level government desired outcome, and**
    - (b) **key efficiency indicators for each service; or**
    - (c) **only when the preparation of key efficiency indicators is demonstrably impracticable, and the Under Treasurer has approved the use of key cost effectiveness indicators pursuant to paragraph (4), key cost effectiveness indicators for each agency level government desired outcome; and**
  - (v) **a comparison of actual results against budget targets for the key performance indicators, together with explanations of any material variations between actual results and budget targets.**
- (4) **Changes that discontinue, add to or modify agency level government desired outcomes, agency’s services and/or key performance indicators are subject to the following rules:**
  - (i) **the changes require the prior approval of the Under Treasurer; and**
  - (ii) **the changes irrespective of whether they occur in a reporting period or at the commencement of a reporting period require disclosure and explanation in an agency annual report.**

- (5) **When an agency provides controlled funds to another party for achievement of outcomes, the agency providing the funds must report on the performance of the expenditure in accordance with paragraph (3). If the party receiving the funds is also subject to this instruction, its reporting of the performance of the expenditure must be consistent with that of the agency providing the funds.**

## **GUIDELINES**

### **Outcomes**

Outcomes clarify the contributions agencies are expected to make towards achieving government goals. This linkage creates a hierarchy in which the purpose of each service provided by an agency can be traced to a government goal. All outcomes in the Western Australian public sector are expressed as 'agency level government desired outcomes'.

Agency level government desired outcomes will, in the case of agencies subject to a separate division in the Consolidated Account Expenditure Estimates, be disclosed in the budget statements in accordance with instructions issued annually by Treasury. In the case of other agencies, they will be either drawn from the enabling legislation or specified/endorsed by the Minister.

Agency level government desired outcomes are pitched at agency level in the sense that they reflect the purposes of an agency. Agencies may not have complete control over outcomes due to other influences, but they are accountable for their efforts to contribute towards achieving the outcomes. This accountability should be reflected in the development and reporting of key performance indicators. Where appropriate, agencies are encouraged to work jointly towards achievement of the outcomes.

### **Services**

Outcomes are achieved (over time) through the delivery of services. Services are in the nature of outputs, programs or policy advice. Agencies may refer to services as outputs if they are standardised and can be measured in terms of quantity and cost. Agencies may refer to services as programs if they comprise a number of related but non-standardised services. Agencies may also refer to services as policy advice if policy advice is a material activity of the agency.

### **Key Performance Indicators**

Accountable authorities must identify and report key performance indicators of effectiveness and efficiency, or cost effectiveness, in their annual reports.

*Effectiveness* indicators provide information on the extent to which agency level government desired outcomes have been achieved, or contributed to, through the delivery of services.

It is recognised that there may be lags between the provision of services and achievement of outcomes. To reflect this, it may be appropriate for agencies to estimate the projected timing of outcomes and forecast milestones that indicate progress towards achieving outcomes.

An outcome may be influenced by the services of other agencies, and the levels of support provided by government and external influences such as cost pressures and demographic changes. Consequently, effectiveness needs to be reported with narrative and not simply in numerical form. The narrative should not only disclose progress towards outcomes (and the amount of resource inputs in the case of cost effectiveness) but also discuss other influences on outcomes.

Another form of performance indicator is *cost effectiveness*, which relates outcomes directly to inputs. An outcome may be generated by a number of an agency's services, so the inputs allocated to those services may have to be aggregated when cost effectiveness is being calculated. To aggregate inputs that are dissimilar in type, volume and/or consumed resources, it is necessary to weight them, with the most commonly used method being weighted average cost.

Cost effectiveness indicators can provide an overview of agency effectiveness and efficiency, and in some sense measure efficiency where per unit cost is impracticable, for example when programs or policy advice are delivered.

Although this instruction only requires the reporting of cost effectiveness indicators when the reporting of efficiency indicators is not feasible, agencies are encouraged to also report cost effectiveness indicators in other circumstances where doing so clarifies their performance or adds value to performance information.

*Efficiency* indicators generally relate services to the level of resource inputs required to deliver them. They are usually expressed in the form of an index, ratio, unit or some other form of comparison. While the most common efficiency indicator focuses on financial resources, e.g. per unit cost and per capita cost, efficiency indicators could be expressed in service quality or timeliness, e.g. percentage of actions completed within target timeframes. Physical efficiency (i.e. productivity) indicators that relate physical inputs to physical outputs may also be used, for example, units of output per machine hour. A ratio between one of the inputs and an output is only meaningful when other factors (such as other inputs, quality and timeliness) are held constant.

Although required to address the scope of agency operations, key performance indicators only need to cover material expenses or activity levels of the services provided by the agency (and its subsidiaries and related bodies). Materiality of the expenses or activity levels covered by key performance indicators is meant in the same sense as in Australian Accounting Standards.

## **Characteristics of Key Performance Indicators**

To fulfill their purposes, key performance indicators should:

- (i) be relevant;
- (ii) be appropriate; and
- (iii) fairly represent indicated performance.

*Relevant* means performance indicators must be logically related to the needs of stakeholders. The indicators must relate to clearly defined agency level government desired outcomes and services that communicate what is to be measured and assist with resource allocation decisions.

*Appropriate* means performance indicators should enable users to assess an agency's performance. The indicators should be selected to facilitate an accurate understanding of the extent to which an agency has achieved predetermined targets and/or trends in performance. Appropriateness can be achieved by examining the indicators currently being used or developed by other organisations or peak bodies in the same field. Using widely recognised indicators also facilitates benchmarking. The indicators are also more likely to be appropriate if they are used for internal management as well as for external reporting. The appropriateness of the indicators is enhanced by agencies disclosing, to the extent possible, information about trends over time and/or comparisons with similar service providers.

Appropriate indicators reduce the risk of distorting the incentives of an agency. For example, it would be inappropriate for the indicators to encourage an agency to focus on a large number of less severe cases (e.g. health or criminal) where better results could be achieved by focusing on a smaller number of more severe cases.

Appropriate indicators should be supported by explanations, either in the form of narrative or notes to tables, to ensure that the significance of statistics is clearly explained.

*Fairly represent indicated performance* means that performance indicators are free from bias and can be measured (in either quantitative or qualitative terms) so that appropriately qualified individuals working independently could verify them.

Note that key performance indicators will be audited against these characteristics in accordance with section 15(3)(c) of the *Auditor General Act 2006*.

## **Annual Reports**

Material variations between budget targets and actual results should be explained in an agency annual report. For budget-funded agencies, targets are usually specified in the budget statements and the supporting resource agreement or equivalent performance document. Agencies that do not publish targets in the budget statements are encouraged to disclose targets in annual reports, statements of corporate intent, or publicly issued strategic plans.

An annual report should clearly identify those key performance indicators that are audited by the Auditor General. Agencies are required to report in annual reports against all targets that have been set, enabling stakeholders to assess agency performance in achieving agency level government desired outcomes and delivering services. Consistent with good governance protocols, it is important that any changes irrespective of whether they occur in a reporting period or at the commencement of a reporting period are brought to stakeholders' attention. Stakeholders should also be able to see the reasons why the outcomes, services and key performance indicators are changed from one to the next.

Where responsibility for a service or achievement of an outcome is transferred to another agency, in the absence of any approved changes, the existing service, outcome and related key performance indicators should be reported by the transferee agency. Further annual reporting requirements are set out in TI 903 *Agency Annual Reports*.

## **Agency Provision of Controlled Funds**

Controlled funds are spent to achieve agency level government desired outcomes. Agencies either spend the controlled funds themselves or pass them to another party to enable that party to achieve the outcomes. An agency that passes controlled funds must report on the expenditure of those funds in accordance with this instruction.

If the recipient agency is subject to this instruction, it is also required to report on that expenditure. Reporting by both agencies must be consistent, but the funding agency may report at a more strategic level than the recipient agency.

# 904U KEY PERFORMANCE INDICATORS FOR UNIVERSITIES

## BACKGROUND

[Section 61\(1\)](#) of the Act requires key performance indicators to be prepared and included in a university annual report. Furthermore, [section 63\(1\)](#) of the Act requires key performance indicators to be submitted to the Auditor General for audit. Therefore, unless otherwise directed in writing by the Treasurer, universities must report key performance indicators in accordance with this instruction.

Key performance indicators should be prepared using the [Outcome Based Management](#) framework. Performance reporting helps interested parties, such as Parliament, the community and client groups, to assess university performance in achieving outcomes and obtaining value from services delivered. They also help universities to understand their own performance: facilitating strategic planning, enhancing resource management and highlighting areas for improvement.

## TREASURER'S INSTRUCTION

- (1) This instruction only applies to the accountable authorities of universities listed in [Schedule 1](#) of the Act.
- (2) For the purposes of this instruction:
  - (i) 'Outcome' means the effect, impact, result on or consequence for the community, environment or target clients of a university's services. In this case, the term refers to the strategic outcomes/objectives approved by the university's governing body;
  - (ii) 'Service' means the supply of an activity or good to external users by a university to achieve the strategic outcome/objective. Services can be classified as outputs or programs;
  - (iii) 'Key performance indicator' provides an overview of the critical or material aspects of outcome achievement and service delivery. Key performance indicators can be:
    - (a) 'key effectiveness indicator' to provide information on the extent of, or progress in a reporting period towards, achievement of an approved strategic outcome/objective through the delivery of services, and
    - (b) 'key efficiency indicator' to relate a service to the level of resource inputs required to deliver the service; or
    - (c) 'key cost effectiveness indicator' to relate achievement of an approved strategic outcome/objective to the level of resource inputs required to achieve the outcome/objective.

- (3) **The accountable authority of a university shall disclose in an annual report, for a reporting period:**
- (i) **the relevant approved strategic outcomes/objectives;**
  - (ii) **the university's services;**
  - (iii) **the relationship between the approved strategic outcomes/objectives and the university's services;**
  - (iv) **the key performance indicators for each approved strategic outcome/objective being:**
    - (a) **key effectiveness indicators for each approved strategic outcome/objective, and**
    - (b) **key efficiency indicators for each service; or**
    - (c) **only when the preparation of key efficiency indicators is demonstrably impracticable, key cost effectiveness indicators for each approved strategic outcome/objective; and**
  - (v) **a comparison of actual results against targets set at the beginning of the reporting period for the key performance indicators, together with explanations of any material variations between actual results and targets.**
- (4) **Changes that discontinue, add to or modify approved strategic outcomes/objectives, services and/or key performance indicators are subject to the following rules:**
- (i) **the changes require the prior approval of the university's governing body; and**
  - (ii) **the changes irrespective of whether they occur in a reporting period or at the commencement of a reporting period require disclosure and explanation in a university annual report.**

## **GUIDELINES**

### **Outcomes**

Approved strategic outcomes/objectives are pitched at university level in the sense that they reflect the purposes of a university. Universities may not have complete control over outcomes due to other influences, but they are accountable for their efforts to contribute towards achieving the outcomes/objectives. This accountability should be reflected in the development and reporting of key performance indicators.



## Services

Approved strategic outcomes/objectives are achieved (over time) through the delivery of services. Services are in the nature of outputs or programs. Universities may refer to services as outputs if they are standardised and can be measured in terms of quantity and cost. Universities may refer to services as programs if they comprise several related but non-standardised services.

## Key Performance Indicators

Accountable authorities must identify and report key performance indicators of effectiveness and efficiency, or cost effectiveness, in their annual reports.

*Effectiveness* indicators provide information on the extent to which approved strategic outcomes/objectives have been achieved, or contributed to, through the delivery of services.

It is recognised that there may be lags between the provision of services and achievement of outcomes. To reflect this, it may be appropriate for universities to estimate the projected timing of outcomes and forecast milestones that indicate progress towards achieving outcomes.

An outcome may be influenced by the levels of support provided by government and external influences such as cost pressures and demographic changes. Consequently, effectiveness needs to be reported with narrative and not simply in numerical form. The narrative should not only disclose progress towards outcomes (and the amount of resource inputs in the case of cost effectiveness) but also discuss other influences on outcomes.

Another form of performance indicator is *cost effectiveness*, which relates outcomes directly to inputs. An outcome may be generated by a number of a university's services, so the inputs allocated to those services may have to be aggregated when cost effectiveness is being calculated. To aggregate inputs that are dissimilar in type, volume and/or consumed resources, it is necessary to weight them, with the most used method being weighted average cost.

Cost effectiveness indicators can provide an overview of university effectiveness and efficiency, and in some sense measure efficiency where per unit cost is impracticable, for example when programs are delivered.

Although this instruction only requires the reporting of cost effectiveness indicators when the reporting of efficiency indicators is not feasible, universities are encouraged to also report cost effectiveness indicators in other circumstances where doing so clarifies their performance or adds value to performance information.

*Efficiency* indicators generally relate services to the level of resource inputs required to deliver them. They are usually expressed in the form of an index, ratio, unit, or some other form of comparison. While the most common efficiency indicator focuses on financial resources, e.g. per unit cost and per capita cost, efficiency indicators could be expressed in service quality or timeliness, e.g. percentage of actions completed within target timeframes. Physical efficiency (i.e. productivity) indicators that relate physical inputs to physical outputs may also be used, for example, units of output per machine hour. A ratio between one of the inputs and an output is only meaningful when other factors (such as other inputs, quality and timeliness) are held constant.

Although required to address the scope of university operations, key performance indicators only need to cover material expenses or activity levels of the services provided by the university. Materiality of the expenses or activity levels covered by key performance indicators is meant in the same sense as in Australian Accounting Standards.

## **Characteristics of Key Performance Indicators**

To fulfil their purposes, key performance indicators should:

- (i) be relevant;
- (ii) be appropriate; and
- (iii) fairly represent indicated performance.

*Relevant* means performance indicators must be logically related to the needs of stakeholders. The indicators must relate to clearly defined strategic outcomes/objectives and services that communicate what is to be measured and assist with resource allocation decisions.

*Appropriate* means performance indicators should enable users to assess a university's performance. The indicators should be selected to facilitate an accurate understanding of the extent to which a university has achieved predetermined targets and/or trends in performance. Appropriateness can be achieved by examining the indicators currently being used or developed by other organisations or peak bodies in the same field. Using widely recognised indicators also facilitates benchmarking. The indicators are also more likely to be appropriate if they are used for internal management as well as for external reporting. The appropriateness of the indicators is enhanced by universities disclosing, to the extent possible, information about trends over time and/or comparisons with similar service providers.

Appropriate indicators reduce the risk of distorting the incentives of a university. For example, it would be inappropriate for the indicators to encourage a university to focus on a large number of low-cost courses where better results could be achieved by focusing on a smaller number of more relevant courses.

Appropriate indicators should be supported by explanations, either in the form of narrative or notes to tables, to ensure that the significance of statistics is clearly explained.

*Fairly represent indicated performance* means that performance indicators are free from bias and can be measured (in either quantitative or qualitative terms) so that appropriately qualified individuals working independently could verify them.

Note that key performance indicators will be audited against these characteristics in accordance with section 15(3)(c) of the *Auditor General Act 2006*.

## **Annual Reports**

Material variations between targets and actual results should be explained in a university annual report. Universities are encouraged to disclose targets in annual reports or publicly issued strategic plans.

An annual report should clearly identify those key performance indicators that are audited by the Auditor General. Universities are required to report in annual reports against all targets that have been set, enabling stakeholders to assess university performance in

achieving approved strategic outcomes/objectives and delivering services. Consistent with good governance protocols, it is important that any changes irrespective of whether they occur in a reporting period or at the commencement of a reporting period are brought to stakeholders' attention. Stakeholders should also be able to see the reasons why the outcomes/objectives, services and key performance indicators are changed from one to the next.

# 905 CERTIFICATION OF KEY PERFORMANCE INDICATORS

## BACKGROUND

[Section 61\(1\)](#) of the Act requires financial statements for a financial year and key performance indicators be prepared and included in an agency annual report. The financial statements are to be certified in accordance with [Treasurer's instruction 947 Certification of Financial Statements](#). Accordingly, the key performance indicators are to be certified in accordance with this instruction to give users of the annual report the same level of confidence as with the financial statements.

Where an agency has been abolished, [section 69\(2\)](#) of the Act requires key performance indicators be prepared and included in the final report to the extent they are practicable. Those key performance indicators shall also be certified in accordance with this instruction.

## TREASURER'S INSTRUCTION

- (1) Key performance indicators shall be accompanied by a statement of certification declaring whether, in the opinion of the accountable authority, the key performance indicators:**
  - (i) are based on proper records;**
  - (ii) are relevant and appropriate for assisting users to assess the performance of the agency; and**
  - (iii) fairly represent the performance of the agency and, where applicable, its subsidiaries and related bodies for the financial year.**
- (2) The certification required by paragraph (1) of this instruction shall be signed and dated by the accountable authority with the proviso that where the accountable authority is:**
  - (i) an individual, the statement shall be signed by that individual; or**
  - (ii) a body, the statement shall be signed by two members of that body, following a resolution of that body providing for the inclusion of the key performance indicators in the annual report.**
- (3) Where an agency has been abolished, the certification required by paragraph (1) of this instruction shall be signed and dated by the reporting officer.**

## 916 LEASES

### BACKGROUND

The purpose of this instruction is to outline the key policy positions in relation to accounting for lease transactions. It should be read in conjunction with [Accounting Policy Guideline APG 6 Leasing](#), which provides detailed guidance on the application of the key principles of Australian Accounting Standard AASB 16 *Leases*.

Many agencies within the public sector become lessees by acquiring rights to use another entity's assets. While less common, a number of agencies become lessors through subleasing assets or leasing their own property, plant and equipment to other entities.

AASB 16 applies a single lease accounting model for lessees and a dual lease accounting model for lessors. The single lease model, subject to exemptions and practical expedients within the Standard, requires a lessee to recognise right-of-use assets and related lease liabilities.

### TREASURER'S INSTRUCTION

- (1) This instruction applies to accountable authorities of not-for-profit agencies.
- (2) For the purposes of this instruction:
  - (i) 'agencies' include departments and all statutory authorities listed in [Schedule 1](#) of the Act that are consolidated in the Annual Report on State Finances;
  - (ii) 'wholly-owned public sector entities' are as defined in [Treasurer's instruction 955 Contributions by Owners Made to Wholly Owned Public Sector Entities](#); and
  - (iii) 'concessionary leases' mean leases that are significantly below-market terms and conditions, or peppercorn leases.

### LESSEES

- (3) Agencies may apply the low value exemption (up to \$5,000) and/or short-term lease exemption criteria per Australian Accounting Standard AASB 16 *Leases*, except where the lease is acquired from a wholly-owned public sector entity.
- (4) [Deleted by Treasury].
- (5) All right-of-use assets, including concessionary leases, are to be measured at cost, except for investment property right-of-use assets which are to be measured in accordance with AASB 140 *Investment Property*.

- (6) Agencies shall apply discount rates to measure liabilities as follows:
- (i) lease liabilities are to be calculated by reference to the Western Australian Treasury Corporation incremental borrowing rates where the interest rate implicit in the lease is not readily determined; and
  - (ii) restoration provisions are to be calculated by reference to the Australian Government Bond Rate applicable to the lease term.
- (7) Agencies shall account for lease and non-lease component(s) as follows:
- (i) material non-lease component(s) are to be accounted for separately from the lease amount, where practicable; and
  - (ii) immaterial non-lease component(s) may be included in the lease amount, and accounted for as a single lease, by class of the underlying asset.
- (8) Agencies shall disclose in the notes to the financial statements, the 'cost' of providing non-monetary benefits to employees (e.g. Government Regional Officer Housing rental cost) on a gross basis.
- 'Cost' is the interest and depreciation expense amount for the associated lease. This treatment is for those leases that fall under AASB 16 Leases and are included on the statement of financial position.
- (9) [Deleted by Treasury]

## LESSORS

- (10) Agencies shall not account for a lease arrangement with one or more additional lease components or non-lease components as a single lease.

## GUIDELINES

### Discount rates

#### *Western Australian Treasury Corporation (WATC)*

WATC rates per paragraph 6 of this instruction are to be accessed from the attached link: <https://www.watc.wa.gov.au/client-services/corporate-treasury-services/debt-finance/lease-valuation-aasb-16/>.

These rates are updated monthly, and agencies are required to use the rate for the month in which the lease commenced for the contracted term rounded to the nearest half year interval. The rates provided by WATC are effective annual rates.

WATC also provide forecast rates for budgeting purposes. These rates are updated annually to coincide with the budgeting timelines.

## **STATE FLEET**

For the purposes of paragraph 6(i), the interest rate implicit in State Fleet (SF) leases is provided by SF and is therefore readily determined.

### **Non-lease component(s)**

Non-lease component(s) accounted for separately from a lease are accounted for in accordance with other applicable standards.

For example, embedded derivatives within a lease contract meeting the criteria in paragraph 4.3.3 of AASB 9 *Financial Instruments* are required to be accounted for in accordance with AASB 9, not AASB 16.

### **Presentation and disclosure requirements**

Agencies are referred to AASB 16 paragraphs 47 to 60 for presentation and disclosure requirements and [Treasurer's instruction \(TI\) 1103 \*Statements of Financial Position\*](#).

### **Employee Benefits**

TI 1103 specifies the requirements for disclosing employee benefits. As there is no connection between AASB 16 and AASB 119 *Employee Benefits*, the starting point is to determine what defines the 'cost' of these employee benefits to an agency.

Treasury has mandated that this 'cost' is the interest and depreciation amount for the leases, where the lease is included on the balance sheet under AASB 16.

Agencies are required to report these amounts consistent with the requirements per AASB 16 on the face of the financial statements (i.e. separately in the statement of comprehensive income). A notional reclassification journal will then be required to be posted in order to disclose the correct leasing disclosures in the notes to the financial statements. This notional reclassification amount should not have any impact on the general ledger amounts, it is only for disclosure purposes in the financial statements.

### **Wholly-owned public sector lessor entities**

Wholly-owned public sector lessor entities generally include Government Office Accommodation (GOA) and State Fleet business units of the Department of Finance and the Government Regional Officer Housing (GROH) of the Housing Authority.

GOA and GROH periodic lease arrangements are outside the scope of AASB 16 and are expensed as incurred.

**BACKGROUND**

Australian Accounting Standard AASB 124 “Related Party Disclosures” applies to public sector entities for annual reporting periods ending on or after 30 June 2017. Its broad impact is to extend disclosures for Key Management Personnel (KMP) compensation and require disclosures for certain transactions with related parties.

The objective of AASB 124 is to ensure that an entity’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and financial performance may have been affected by related party transactions.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. Cabinet Ministers are considered KMP of whole of government and all controlled public sector entities while senior officers are likely to be KMP of their responsible agency.

Related parties of a public sector entity include:

- (i) Ministers and senior officers;
- (ii) their close family members which include:
  - (a) spouse or domestic partner (including married, de-facto, civil union partnership, but excluding separated or divorced spouse or partner);
  - (b) children over the age of 16, including children of the spouse/partner (including step, adopted, dependant/non-dependant, adult children living/not living at home); and
  - (c) dependants over the age of 16, including dependants of the spouse/partner (i.e. family members financially supported by Minister/senior officer or the spouse/partner and may include siblings, elderly parents/grandparents or disabled family members);
- (iii) entities (including sole proprietors, partnerships, companies and trusts) in which Minister/senior officer and/or his/her close family members have control or joint control (e.g. hold 50% or more of the shares or 50% or more voting power); and
- (iv) other entities (including associates and joint ventures) within the Western Australian public sector<sup>1</sup>.

A related party transaction is a transfer of resources, services or obligations between a public sector entity and a related party, regardless of whether a price is charged. However, judgement may be required as to when the transactions are material for collection and disclosure, especially when qualitative assessments are made about the nature of the transactions.

It is considered that:

- (i) Citizen transactions are unlikely to be material for disclosure, and therefore excluded from collection. These transactions are where Ministers/senior officers or their close family members interact with a public sector entity under the same terms and conditions as a public citizen.

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<sup>1</sup> Refer to Note 7 ‘Composition of Sectors’ in Appendix 1 ‘Detailed Financial Projections’ of the Budget Paper No. 3 ‘Economic and Fiscal Outlook’.



- (ii) Business transactions, by which there is the exchange of goods or services through a market (i.e. arm's length), between related parties and a public sector entity could be quantitatively material, and therefore required to be declared when they are above \$50,000.
- (iii) Other sensitive transactions between related parties and a public sector entity are to be declared, with Ministers/senior officers exercising judgement on the sensitivity and materiality of the transaction to the intent of the standard.

A declaration form for completion by Ministers and senior officers is a significant tool in gathering the information necessary for public sector entities to comply with the requirements of the standard. This may include details of related parties, and certain transactions between related parties and a public sector entity.

The information collected will inform judgements concerning an entity's disclosures for related party transactions in its financial statements, and will be subject to review by the Auditor General. Not all information collected will be disclosed in the financial statements. Information that is considered not material for disclosure in an entity's financial statements is not required to be disclosed. Judgements on materiality of information will vary on a case by case basis.

## **TREASURER'S INSTRUCTION**

- (1) **This instruction applies to all accountable authorities.**
- (2) **For the purpose of this instruction:**  
**'Senior officer' is as defined in [Treasurer's instruction 903 'Agency Annual Reports'](#).**
- (3) **In complying with the requirements of AASB 124, the accountable authority shall cause senior officers of the agency to complete the Data Collection Form included in the Guidelines to this instruction:**
  - (i) **at the end of the reporting period; and**
  - (ii) **as changes occur during the year that impact senior officers of the agency such as machinery of government change, resignation or acting arrangements.**

## **GUIDELINES**

### **Ministers**

Cabinet has agreed that Ministers will provide the information necessary for public sector entities to comply with the requirements of AASB 124 through a data collection process that leverages off the existing Ministerial Code of Conduct process.

The Department of the Premier and Cabinet on behalf of the Department of Treasury (Treasury) will coordinate the Ministerial data collection process. Treasury will assess if any related party transaction is material for disclosure and will communicate that transaction to the relevant chief finance officer.

In addition, if the chief finance officer or the accountable authority is aware of any material transactions with Ministers (or their close family members or their controlled/jointly controlled entities) then best endeavours are to be made to include the necessary disclosures in the financial statements.

## **Senior Officers**

Refer to the definition and Guidelines in [Treasurer's instruction 903 'Agency Annual Reports'](#). For consistency across public sector entities, senior officers are required to complete the declaration form included in the Guidelines to this instruction.

## **Related Parties and Related Party Transactions**

For further information and examples, refer to the [Accounting Policy Guideline 4 'Related Party Disclosures'](#).

## Data Collection Form

### Section 1: Personal details

Senior officer is to list all people whose interests he/she is required to provide to the intent of the standard and indicate the relationship he/she has with that person as follows: **S** - Spouse; **P** – Partner, **C** – Children; **D** – Dependants; and **O** - Others.

Party	Full Name	Relationship
<b>Senior officer</b>		
Person A		S/P
Person B		C
Person C		C
Person D		D
Person E		O

### Section 2: Declaration of controlling interests

Senior officer is to indicate the controlling (or jointly controlling) interest and the parties who hold this interest by reference to the personal details provided in section 1 of this form. That is, **K** for the senior officer or **S** through **O** for each of the people the senior officer has provided as a spouse/partner, children, dependants or others that hold the interest.

Name and address of entity	ABN or ACN of entity	Controlling party
XYZ Ltd Pty 000 Barrack Street, Perth, WA 6000		C

**Section 3: Transaction details**

Senior officer is to provide details of certain related party transactions with the responsible entity since the beginning of the reporting period. Note that certain related party transactions include business transactions above \$50,000 and other sensitive transactions, but exclude general citizen transactions.

Name of related party	Details of transaction	Total value of transaction (GST included)	Outstanding balance	Commitment	Terms and conditions
XYZ Pty Ltd	Provision of accountancy services to the Department	\$100,000	\$20,000 payable	\$50,000 to be provided in the following period	<ul style="list-style-type: none"><li>• open tender</li><li>• unsecured</li><li>• settlement by bank transfer</li></ul>

**Section 4: Additional information**

Senior officer is to provide any other relevant information in this section.

--

**Section 5: Declaration**

Senior officer is to read and sign the declaration below after completing this form.

*I declare that, to the best of my knowledge, the information recorded above is accurate and complete. If it becomes apparent at any stage that the information provided was or is inaccurate, incomplete or otherwise misleading, I will take the necessary steps to correct or update the record.*

Signature
Date

## 945 EXPLANATORY STATEMENT

### BACKGROUND

To demonstrate accountability and stewardship for resources provided to agencies, accountable authorities must explain variances between:

- (i) the actual results and annual estimates for the reporting period; and
- (ii) the actual results for the reporting period and for the immediately preceding reporting period.

### TREASURER'S INSTRUCTION

- (1) This instruction applies to the accountable authorities of:
  - (i) each general government sector agency preparing Annual Estimates as defined in paragraph (2)(i) of this instruction (where applicable); and
  - (ii) the Public Transport Authority of Western Australia.
- (2) For the purposes of this instruction:
  - (i) 'Annual Estimates' mean the original budget for the relevant financial year and can be:
    - (a) estimates published in the budget papers; or
    - (b) estimates published in accordance with [Treasurer's instruction 953 Annual Estimates](#); or
    - (c) estimates published in the statement of corporate intent (or business/operational plan) of a statutory authority.
  - (ii) 'Major variance' means a variance, when compared with the estimate or prior period actual for a line item:
    - (a) where qualitative evidence indicates omission of narrative disclosure could potentially mislead readers of the financial statements; or
    - (b) where narrative disclosure is required under a written law; or
    - (c) greater than 10% and greater than a dollar aggregate of:
      - (aa) 1% of Total Cost of Services, when comparing variances of income and expense line items. Variances relating to changes in asset revaluation surplus are excluded from the definition of major variance for disclosure purposes; or
      - (bb) 1% of Total Cost of Services, when comparing variances of cash flow line items not substantially explained elsewhere in other narrative disclosures; or
      - (cc) 1% of Total Assets, when comparing variances of asset, liability and equity line items. Variances relating to cash assets, receivables, payables, contributed equity, accumulated surplus and asset revaluation surplus are excluded from the definition of major variance for disclosure purposes;

The dollar aggregate calculated from Total Cost of Services and Total Assets is to be based on the estimate or the prior period actual, as appropriate.

- (d) for a department's administered income and expenses, greater than 10% and greater than a dollar aggregate of 1% of Total Administered Income.

The dollar aggregate calculated from Total Administered Income is to be based on the estimate or the prior period actual, as appropriate.

- (3) Notes to the financial statements of agencies shall include a comparison of actual results with original budgeted financial statements and comparatives, and, explanatory narrative providing:
  - (i) reasons for and details of any major variance for each controlled line item between actual and estimate; and
  - (ii) reasons for and details of any major variance for each controlled line item between actual and prior period actual.
- (4) Notes to the financial statements of departments shall include a comparison of actual results with original budgeted financial statements and comparatives, and, explanatory narrative providing:
  - (i) reasons for and details of any major variance for each administered income and expenses between actual and estimate; and
  - (ii) reasons for and details of any major variance for each administered incomes and expense between actual and prior period actual.

## GUIDELINES

The general government sector is defined in AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The composition of the government sectors is published annually in Budget Paper No.3 'Economic and Fiscal Outlook' and Annual Report on State Finances.

AASB 1055 *Budgetary Reporting* requires general government sector agencies to disclose actual results against original budgeted financial statements presented to Parliament for the reporting period along with explanations of major variances. The Standard does not require disclosure of budgets for comparative periods.

Agency budgets presented to Parliament are not necessarily classified consistently with actual results prepared in accordance with Australian Accounting Standards. Whilst recognition and measurement changes of original budgets are not required, agencies must reclassify their budget lines so that they can be compared with the actual results.

## Major Variances

Explanatory variance narratives are required to disclose details of, and the reasons for, all major variances in the line items comprising the total. This includes variances that offset each other.

'Major variances' arise from qualitative and quantitative circumstances.

Qualitative consideration of major variances requires agencies to consider whether narrative omission would mislead readers of the financial statements or whether other written laws require disclosure of the variances.

This instruction uses a threshold for quantitative definition of major variances, determined by reference to a 10% movement of the line item and a calculated dollar aggregate.

## **Annual Estimates**

In some instances, a Department's financial aggregates are combined with those of other statutory authorities to form a Division of the Consolidated Account Expenditure Estimates. TI 953 requires such a Department and statutory authorities to publish annual estimates specific to the agency on its website as soon as practicable after they were approved by the Minister.

In addition, where practical, agencies are encouraged to include approved annual estimates in their annual report of the preceding financial year.

For agencies complying with TI 953, the approved annual estimates published on their websites are effectively the original budget for the relevant financial year for the purposes of the Explanatory Statement.



# **945P EXPLANATORY STATEMENT FOR NON-GGS AGENCIES**

## **BACKGROUND**

This instruction requires [Schedule 1](#) (of the Act) agencies that are characterised as not belonging to the General Government Sector (GGS) and are excluded from the scope of [Treasurer's instruction 945 Explanatory Statement](#) to demonstrate accountability and stewardship for resources provided to agencies, by requiring their accountable authority to explain variances between:

- (i) the actual results and annual estimates for the reporting period; and
- (ii) the actual results for the reporting period and for the immediately preceding reporting period.

## **TREASURER'S INSTRUCTION**

- (1) **This instruction applies to all accountable authorities that are preparing Annual Estimates as defined in paragraph (2) of this instruction (where applicable) except:**
  - (i) **accountable authorities of universities that are listed in [Schedule 1](#) of the Act;**
  - (ii) **accountable authorities of general government sector agencies; and**
  - (iii) **the accountable authority of the Public Transport Authority of Western Australia.**
- (2) **For the purposes of this instruction, 'Annual Estimates' mean the original budget for the relevant financial year and can be:**
  - (i) **estimates published in the budget papers; or**
  - (ii) **estimates published in accordance with [Treasurer's instruction 953 Annual Estimates](#); or**
  - (iii) **estimates published in the statement of corporate intent (or business/operational plan) of a statutory authority; or**
  - (iv) **where any other written law provides that section 40 of the Act does not apply to the statutory authority, estimates prepared in accordance with that other written law.**
- (3) **Notes to the financial statements of statutory authorities shall include an Explanatory Statement providing reasons for and details of any major variances between:**
  - (i) **actual income and expenses for the reporting period and the corresponding items in the annual estimates; and**
  - (ii) **actual income and expenses for the reporting period and the corresponding items in the financial statements of the immediately preceding reporting period.**

## **GUIDELINES**

The general government sector is defined in AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The composition of the government sectors is published annually in Budget Paper No.3 'Economic and Fiscal Outlook' and Annual Report on State Finances.

### **Annual Estimates**

Annual Estimates for statutory authorities, as defined in paragraph (2) of this instruction, represent the original budget for the relevant financial year for the purposes of Explanatory Statement.

## 947 CERTIFICATION OF FINANCIAL STATEMENTS

### BACKGROUND

Section 61(1) of the Act requires financial statements for a financial year be prepared and included in an agency annual report. Furthermore, section 62(2) of the Act requires the financial statements be certified in the manner prescribed by the Treasurer's instructions. Therefore, the financial statements must be certified in accordance with this instruction.

Where an agency has been abolished, section 69(1) of the Act requires financial statements be prepared and included in the final report. Those financial statements shall also be certified in accordance with this instruction.

### TREASURER'S INSTRUCTION

- (1) Financial statements shall be accompanied by a statement of certification in the following terms:

**"The accompanying financial statements of the [name of the agency and, where consolidated financial statements are prepared, the words 'and the accompanying consolidated financial statements'] have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the [period as specified] ended [date] and the financial position as at [date].**

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

- (2) The certification required by paragraph (1) of this instruction shall be signed and dated by the chief finance officer and the accountable authority with the proviso that where the accountable authority is:
- (i) an individual, the statement shall be signed by that individual; or
  - (ii) a body, the statement shall be signed by two members of that body following a resolution of that body:
    - (a) adopting the financial statements, and
    - (b) providing for the inclusion of the financial statements in the annual report.
- (3) Where an agency has been abolished, the certification required by paragraph (1) of this instruction shall be signed and dated by the reporting officer.

## **950 PUBLICATION OF SPECIAL PURPOSE STATEMENTS AND TRUST STATEMENTS**

### **(DELETED)**

[This instruction is deleted and is incorporated in TI 802 \*Special Purpose Statements and Trust Statements\*.](#)

#### **TREASURER'S INSTRUCTION**

- ~~(1) The accountable authority shall cause a copy of the special purpose statement or trust statement approved in accordance with sections 17 and 36 of the Act to be included in the annual report for the year in which the special purpose statement or trust statement is approved.~~
- ~~(2) Where a special purpose statement or trust statement is amended during the financial year, a copy of the amended special purpose statement or trust statement effective at the end of the financial year shall be included in the annual report for that year.~~
- ~~(3) It shall not be necessary to publish a special purpose statement or trust statement in accordance with paragraph (1) of this instruction if it is subsequently amended in the same financial year.~~

## 951 RELATED AND AFFILIATED BODIES

### BACKGROUND

It is not uncommon for an agency to provide financial support to other government and non-government organisations. This support may involve the agency paying accounts relating to an organisation, providing accommodation, staff or other support services, or providing direct grants to an organisation.

The recipient organisation may be a related body or an affiliated body of the agency. 'Related body' and 'affiliated body' are defined in [section 60](#) of the Act. While these bodies are financially dependent on an agency, a related body is also subject to operational control of the agency. A body is considered to be 'financially dependent' where it receives more than half of its funding and resources from an agency.

Related and affiliated bodies vary widely in the methods of creation, form and function. The bodies may be created either in or under legislation by Government or in some instances by private individuals, or they may be created by administrative action, for example, by the Cabinet or individual Minister. By nature, related and affiliated bodies are not directly subject to the Act.

Related bodies are typically in the nature of advisory bodies to a Minister or an agency, while others may have statutory responsibilities. However, internal committees and working groups established through an agency's own administrative actions would not, by definition, constitute related bodies.

The combination of financial dependence and operational control effectively integrates a related body into an agency. Consequently, the accountability of an agency encompasses the related body, and any funds it controls, and the annual reports of the agency need to include both financial and operational information of its related bodies.

Affiliated bodies may be either:

- (i) government organisations, such as independent quasi-judicial or regulatory bodies; or
- (ii) non-government organisations, such as charitable, welfare and community interest groups which receive financial support from Government.

As an agency has no capacity to exercise control over its affiliated bodies, the scope of accountability and the associated annual reporting obligation extends only to the support provided by the agency.

Although the funds and resources applied by an agency in support of its related and affiliated bodies will be included in the agency's financial statements, the fact and extent of that support may not be readily apparent. This instruction requires the financial statements to clearly identify, by note disclosure, the level of support provided to related and affiliated bodies.

In the case of a related body, this instruction also requires that:

- (i) where practicable, notes to the financial statements disclose any financial support provided by any other agencies or other bodies; and
- (ii) any funds separately controlled by the related body be incorporated into the agency's financial statements.

## **TREASURER'S INSTRUCTION**

- (1) This instruction applies to all accountable authorities.**
- (2) For the purpose of this instruction:**
  - (i) 'Financial assistance' includes assistance provided:**
    - (a) directly, in the form of cash grants or payment of accounts on behalf of another body; and**
    - (b) indirectly, in the form of staff, accommodation, support services or any other form of non-cash assistance;**
  - (ii) 'Government affiliated body' means an affiliated body which is not a non-government affiliated body; and**
  - (iii) 'Non-government affiliated body' means a non-government organisation established for purposes not related to the implementation of government policy.**

## **Related Bodies**

- (3) Where an agency had a related body at the end of a reporting period or at any time during a reporting period, there shall be disclosed by way of note to the financial statements for each related body or, subject to materiality, each class of related bodies:**
  - (i) the identity of the related body or class of related bodies; and**
  - (ii) the nature and, where practicable, the amount or value of financial assistance provided to each related body or class of related bodies during the reporting period:**
    - (a) by the agency; and**
    - (b) where practicable, by any other bodies.**
- (4) Where a related body received or expended money, controlled assets or incurred liabilities independent from the agency during a reporting period, those receipts and expenditures and assets and liabilities shall be included within the agency's financial statements as if they were receipts and expenditures and assets and liabilities of the agency.**

Where receipts and expenditures and assets and liabilities of a related body are included within an agency's financial statements in accordance with this paragraph, such adjustments shall be made as are necessary to eliminate transactions between the agency and its related body.

### **Affiliated Bodies**

- (5) Where an agency had a government affiliated body at the end of a reporting period or at any time during a reporting period, there shall be disclosed by way of note to the financial statements for each government affiliated body or, subject to materiality, each class of government affiliated bodies:
- (i) the identity of the government affiliated body or class of government affiliated bodies; and
  - (ii) the nature and, where practicable, the amount or value of financial assistance provided by the agency during the reporting period.
- (6) Financial assistance provided by an agency to a non-government affiliated body shall be disclosed:
- (i) in accordance with the disclosure requirements of any other written law which relate to the provision of that financial assistance; or
  - (ii) where no disclosure requirement is prescribed in any other written law, in such manner as the accountable authority considers appropriate.

### **GUIDELINES**

#### **Non-Government Affiliated Bodies**

The diverse nature of non-government affiliated bodies precludes this instruction from prescribing specific disclosure requirements. The instruction instead requires disclosures be made either in accordance with any other relevant written laws or in such manner as the accountable authority considers appropriate.

Where no other written law applies, accountable authorities will need to provide information on non-government affiliated bodies which will enable users to make decisions as to:

- (i) whether an agency is achieving the government desired outcomes for which resources were provided to it; and
- (ii) the extent to which those resources have been properly targeted and efficiently and effectively applied.

Where an agency provides funding and resources to a significant number of non-government bodies, it may be more relevant and practicable to disclose information for each non-government body or class of non-government bodies, rather than identifying which bodies or classes of bodies are non-government affiliated bodies.

## **952            GENERAL INFORMATION IN FINANCIAL STATEMENTS**

### **BACKGROUND**

Several matters need to be recognised in the financial statements or disclosed in the notes to the financial statements due to requirements of legislation or to provide more information to users for accountability and transparency.

### **TREASURER'S INSTRUCTION**

- (1) This instruction requires specific disclosures be presented either in the financial statements or in the notes to the financial statements of departments and statutory authorities.**
- (2) (i) There shall be disclosed by way of note to the financial statements:**
  - (a) [deleted by Treasury]**
  - (b) the number of senior officers of departments whose total compensation for the reporting period, falls within each band of income of \$10,000;**
  - (c) the number of members of the accountable authority (if applicable) and senior officers (other than senior officers reported as members of the accountable authority) of statutory authorities, whose total compensation for the reporting period, falls within each band of income of \$10,000; and**
  - (d) the number of senior officers employed in the agency at the end of the reporting period, who are members of the Pension Scheme.**
- (3) If, in the opinion of the accountable authority, the financial statements, as prepared in accordance with Treasurer's instructions, would not otherwise present fairly:**
  - (i) the financial transactions of a department and, where applicable, its subsidiary and related bodies or a statutory authority and, where applicable, its subsidiary and related bodies during the reporting period; or**
  - (ii) the financial position of a department and, where applicable, its subsidiary and related bodies or a statutory authority and, where applicable, its subsidiary and related bodies at the end of the reporting period;**

**the accountable authority shall disclose by way of note to the financial statements such information and explanations as necessary to ensure that the financial statements do present fairly such matters.**
- (4) In any year where an appropriation to an agency is expressed as a 'net appropriation', there shall be disclosed in the notes to the financial statements of that agency:**
  - (i) the broad terms of the determination entered into between the Treasurer and the accountable authority pursuant to [section 23](#) of the Act; and**



- (ii) in respect of the purposes specified in the determination, the amount of receipts retained by that agency in accordance with the determination.
- (5) The following information, where applicable, shall be disclosed in the notes to the financial statements:
  - (i) revenue and debts (including administered revenue and debts due to the State), and public property written off during the reporting period under [section 48](#) of the Act or under other written laws. In addition, where such amounts are written off under section 48 of the Act, separate identification is required of the amounts written off under the authority of:
    - (a) the accountable authority;
    - (b) the Minister; and
    - (c) the Treasurer;
  - (ii) losses of or deficiencies in public money, statutory authority money and other money through theft, default or otherwise, together with details of:
    - (a) recovery of losses; and
    - (b) losses written off;
  - (iii) forgiveness (or waiver) of debts by the agency during the reporting period; and
  - (iv) gift of public property by the agency during the reporting period.
- (6) Where an agency undergoes a restructure that results in significant changes to the activities and/or services it carries out, no comparative amounts for the preceding reporting period should be disclosed in the financial statements for the reporting period in which the changes occurred. There shall be disclosed by way of note the reason for the non-disclosure of comparative amounts in the financial statements.

## GUIDELINES

### Senior officers

For the purposes of this instruction, senior officers are as defined in [Treasurer's instruction \(TI\) 903 Agency Annual Reports](#).

### Circumstances in which additional information is required

In the event that circumstances arise where the accountable authority is of the opinion that in complying with the requirements of Treasurer's instructions, the financial statements would not otherwise present fairly the matters they are required to address, the accountable authority shall:

- (i) comply with the Treasurer's instructions; and
- (ii) include within the notes to the financial statements such information and explanations as necessary to ensure that the financial statements present fairly those matters.

In complying with paragraph (3) of this instruction, paragraphs 23 and 24 of Australian Accounting Standard AASB 101 *Presentation of Financial Statements* should be referred

to as guidance to the extent to which such information and explanations are disclosed in the notes to the financial statements.

### **Write-offs**

Write-offs authorised under section 48 of the Act or under other written laws are required to be disclosed in the notes to the financial statements. Refer to TI 807 *Write-offs* for guidance on the process.

### **Forgiveness of debts**

Forgiveness (or waiver) of debts are also required to be disclosed in the notes to the financial statements. While write-offs are generally authorised under section 48 of the Act, forgiveness (or waiver) of debts are to be authorised under other written laws (e.g. *Public Health Act 2016*).

### **Restructuring**

Significant changes as referred in paragraph (6) should be interpreted in the context of the financial statements and the meaningfulness of the comparatives. Whether a restructure is a significant change is a judgement for consideration by the agency in consultation with its auditor.

## 953 ANNUAL ESTIMATES

### BACKGROUND

[Section 40](#) of the Act requires the accountable authority of an agency to prepare draft annual estimates of the financial operations of the agency for the next financial year unless otherwise directed in writing by the Treasurer.

The requirement for agencies to prepare and publish separately identifiable annual estimates enhances accountability for financial resources and enables variance analysis to be undertaken as specified in [Treasurer's instruction \(TI\) 945 'Explanatory Statement'](#) and [TI 945P 'Explanatory Statement for Non-GGS agencies'](#).

Agencies described in the attached Treasurer's Direction are however exempt from preparing draft annual estimates. The exemption applies to agencies whose separately identifiable estimates are available in the budget papers or a statement of corporate intent.

Agencies who are not consolidated for whole-of-government reporting purposes, whose audit has been dispensed with by the Auditor General, or whose total cost of services is less than \$10m in the two most recent comparative periods are also exempt.

In each financial year, the Treasurer will designate the date by which the accountable authority must submit draft annual estimates to the Minister.

In accordance with [section 41](#) of the Act, the Minister will within one month of receipt of the draft estimates either approve the draft annual estimates or present the agency with new annual estimates and direct they are to be the agency's annual estimates. Once the annual estimates are approved (or given by the Minister), agencies are required to make the approved annual estimates available to the public.

### TREASURER'S INSTRUCTION

- (1) All accountable authorities are required to prepare draft annual estimates under [section 40](#) of the Act unless otherwise described in the Treasurer's direction attached to this instruction ([Attachment 1](#)).
- (2) The accountable authority of an agency shall prepare draft annual estimates in the following manner:
  - (i) where no other written law applies to the annual estimates, the accountable authorities of agencies that are required to comply with [Treasurer's instruction 945P Explanatory Statement for Non-GGS Agencies](#) must prepare draft annual estimates in the form approved by the Minister; or
  - (ii) where no other written law applies to the annual estimates, the accountable authorities of agencies that are required to comply with [Treasurer's instruction 945 Explanatory Statement](#) must prepare draft annual estimates comprising:
    - (a) a Statement of Comprehensive Income;
    - (b) a Statement of Financial Position; and
    - (c) a Statement of Cash Flows.

- (3) **The accountable authority shall make the approved annual estimates available to the public in the following manner:**
- (i) **where the agency has a website, the accountable authority must publish the annual estimates on the website; or**
  - (ii) **where the agency does not have a website, the accountable authority must include the annual estimates in the agency annual report of the preceding financial year.**

## **GUIDELINES**

### **Agencies not separately identifiable in a single Division of the Consolidated Account Expenditure Estimates**

The annual estimates for a number of agencies are combined within a single Division of the Consolidated Account Expenditure Estimates under portfolio funding arrangements. As their individual budgets are not identifiable, these agencies are required to prepare annual estimates under Part 2 Division 4 of the Act. Their individual annual estimates should add up to the estimates for the portfolio in the Budget Statement. This requirement is to enhance accountability, stewardship and financial transparency for financial resources allocated to agencies in achieving government goals and outcomes.

#### **Submission date**

Agencies are required by section 40(1)(b) of the Act to submit the draft annual estimates to the Minister on or before the date designated by the Treasurer. The submission date will be communicated to agencies in the Budget Circular. For more information on the budget process, contact the Treasury analyst.

#### **Publication**

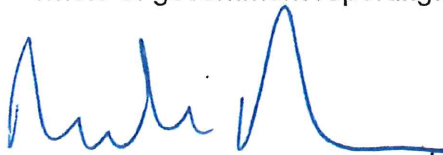
Where practicable, agencies are encouraged to publish the approved annual estimates on their website as well as in their annual report of the preceding financial year.

The approved annual estimates should be published with the date of approval for auditing purposes.

**FINANCIAL MANAGEMENT ACT 2006 (FMA)**  
**TREASURER'S DIRECTION UNDER SECTION 40(1) OF THE FMA**

I hereby direct that the accountable authority of an agency described in any of the paragraphs below is not required to prepare draft annual estimates of the financial operations of the agency under section 40 of the FMA with respect to the 2022-23 financial year or any subsequent financial year.

- (a) An agency that is separately identifiable in a single Division of Budget Paper No 2 'Agency Information in Support of the Estimates'.
- (b) A statutory authority that is required to prepare and table in Parliament a statement of corporate intent under its enabling legislation.
- (c) An agency whose Total Cost of Services is less than ten million dollars for the two most recent consecutive comparative periods as reported in its tabled annual report.
- (d) An agency whose audit has been dispensed with under section 14(2) of the *Auditor General Act 2006*.
- (e) A statutory authority that is not consolidated into the financial statements of the Government of Western Australia for the purposes of whole-of-government reporting.



Mark McGowan MLA

**TREASURER**

Date: 16 MAR 2022

## 954 REVALUATION OF NON-CURRENT PHYSICAL ASSETS

### BACKGROUND

Australian Accounting Standard AASB 116 *Property, Plant and Equipment* prescribes the accounting treatment for property, plant and equipment (PPE). The Standard requires assets to be initially recognised at cost. Where a not-for-profit entity (refer to [Treasurer's instruction \(TI\) 1101 \*Application of Australian Accounting Standards and Other Pronouncements\*](#)) acquires an asset at a cost that is significantly less than fair value principally to enable the entity to further its objectives, the fair value at the date of acquisition is recognised as its cost. Subsequent to initial recognition, a class of assets can be measured using the cost model or, where fair value can be measured reliably, the revaluation model. All assets in a class must be measured on the same basis.

Under the cost model, assets are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Under the revaluation model, assets are carried at fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Where a class of assets is measured at fair value, revaluations of that class of assets must be made with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the end of each reporting period.

Under the AASB 116 requirements, agencies are able to continue reporting all assets on the cost basis or to report some classes of assets at cost and other classes at fair value.

The reporting of assets on the cost basis provides information in respect of both the value and consumption of those assets that generally becomes less relevant over the life of an asset, especially for assets with long useful lives. In terms of value, a major proportion of non-current assets in the public sector have very long useful lives (for example, land, buildings and infrastructure). Consequently, the continued reporting of significant assets at cost may materially understate the total value of assets and depreciation expense reported in the Statement of Financial Position and Statement of Comprehensive Income respectively. This would result in a reduction in the relevance of the financial statements to the user and limit the effectiveness of accrual appropriations.

In addition to the understatement of asset values and depreciation expense, the options available under AASB 116 have the potential to result in inconsistent reporting across the public sector. These outcomes flow through to whole-of-government reporting. Excluding infrastructure, land and buildings account for approximately 90 percent of the value of non-current assets in the general government sector.

To address these issues, this instruction mandates that subsequent to initial recognition, land and buildings are to be measured at fair value (the revaluation model under AASB 116). In addition, this instruction also applies to land and buildings measured under AASB 140 *Investment Property*.

By contrast, land and buildings measured under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 102 *Inventories* and AASB 141 *Agriculture* are not subject to this instruction. Note that leases of land and buildings under AASB 16 *Leases* (i.e. right-of-use assets – land and buildings) are not subject to this instruction.

The adoption of the fair value basis for other classes of PPE is at the agency's discretion. Further advice on this matter is provided in the Guidelines.

This instruction applies to both for-profit and not-for-profit agencies. The differences in revaluation accounting requirements between for-profit and not-for-profit agencies are discussed in the Guidelines.

## TREASURER'S INSTRUCTION

- (1) This instruction applies to accountable authorities.
- (2) For the purposes of this instruction, 'agencies' includes departments and those statutory authorities listed in [Schedule 1](#) of the Act that are consolidated in the Annual Report on State Finances.
- (3) Assets subject to Australian Accounting Standards AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 16 *Leases*, AASB 102 *Inventories* and AASB 141 *Agriculture* are excluded from the scope of this instruction.
- (4) Subsequent to initial recognition, agencies must measure land and buildings at fair value as defined in AASB 13 *Fair Value Measurement* in preparing financial statements.
- (5) Valuations of land and buildings are deemed to be categorised within Level 3 of the three-level fair value hierarchy under AASB 13, where the valuation utilises significant unobservable inputs on a recurring basis.

## GUIDELINES

The following guidelines are provided to assist agencies in complying with the revaluation requirements under AASB 116.

### All assets within a class of assets to be measured on the same basis

Where an agency measures a class of non-current assets at fair value, all assets in that class of assets must be measured on the fair value basis. The cost of acquisition for assets acquired during the reporting period is generally consistent with this requirement. Depending on the circumstances, the initial cost may be consistent with fair value for a number of reporting periods, for example plant and equipment. Where a class of non-current assets is measured on the cost basis, all assets in that class of assets must be measured on that basis.

### Changing from cost to fair value

Changing the measurement basis for a class of assets is a change in accounting policy and is addressed in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Apart from where a change in accounting policy is required by an Australian Accounting Standard, AASB 108 permits a change in accounting policy only where the change results in the provision of reliable and more relevant information about the effects of transactions, other events or conditions on the agency's financial position, financial performance or cash flows. Although a change from cost to fair value is assessed under paragraphs 14 to 16 of AASB 108, the change is not accounted for as a change in accounting policy under paragraph 19 of AASB 108 but is treated as a revaluation under AASB 116 (refer to paragraph 17 of AASB 108). This means that any change from cost to fair value for a class of assets is not to be applied retrospectively (i.e. no restatement of comparatives is required).

Refer to the Guidelines under 'Accounting for revaluation increments and decrements' for further advice on accounting for revaluations.

### **Land and buildings**

A change in accounting policy to comply with this instruction is considered to be compliant with paragraph 14(b) of AASB 108.

### **Other classes of non-current assets**

Agencies should only consider changing the measurement basis for a class of non-current assets from the cost basis to fair value where the move will have a material impact on the Statement of Financial Position or Statement of Comprehensive Income. In making this decision, agencies need to consider the overall impact on their financial statements, the relevance of the measurement basis and the ongoing costs involved. For example, the revaluation of a class of non-current assets that has relatively short useful lives and has an immaterial impact on depreciation expense would not be justified.

### **Changing from fair value to cost**

Subject to meeting the specific requirements set out in paragraphs 14 and 15, and 19 to 27, AASB 108 allows a change from fair value to cost. However, it is unlikely that a change from fair value to cost would provide more relevant information about the effects of transactions. Any change from fair value to cost would be accounted for as a change in accounting policy under AASB 108 (i.e. applied retrospectively). Note that this instruction does not permit agencies to change from fair value to cost for land and buildings.

The application of all requirements in Australian Accounting Standards is subject to **materiality**. Consequently, where a change from fair value to cost or a discontinuance of revaluation for a class of assets other than land and buildings has no material impact on the financial statements, an agency may revert to cost or discontinue revaluation for that class of assets. In making an assessment of the materiality of such a change, in addition to the effect on the financial statements for the reporting period in which the change is proposed, agencies need to consider the effect of the change in future reporting periods. Assets with short useful lives and relatively low values, such as computers and minor office equipment, are the likely type of asset where the valuation policy applied may have no material impact.

### **Measuring the fair value of an asset**

Fair value is defined in AASB 13 *Fair Value Measurement* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Professionally qualified valuers would normally undertake land and buildings valuations.

The fair value of an asset is generally measured at:

- (i) the asset's quoted price (unadjusted) in an active market for an identical asset where such a price exists at the measurement date; or
- (ii) where a quoted price in an active market does not exist for the asset at the measurement date, fair value is estimated by reference to the best available market evidence of the price at which the asset could be sold in an orderly transaction in the principal, or most advantageous, market (refer to the guidelines under 'Highest and best use'). This evidence includes current market prices for assets that are similar in use, type and condition and recent transactions for the same or similar assets. Current market prices and the prices of the most recent transactions for the same or similar assets can usually be observed for non-specialised assets such as vacant residential land, houses and office use in commercial precincts, used motor vehicles and some forms of plant and equipment; or



- (iii) if there is no market based evidence of fair value because of the specialised nature of the asset, fair value is estimated having regard to current or existing use:
- a. For specialised buildings, the valuation is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence (i.e. current replacement cost). Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.
  - b. For low restricted use land, the valuation is based on the potential highest and best alternative use as represented by surrounding land uses and market analysis, adjusted for costs associated with rehabilitating the site to a vacant marketable condition (i.e. explicit adjustment method). Rehabilitation costs may include building demolition, clearing, planning approvals and time allowances associated with realising the potential use. For high restricted use land, the valuation is determined on the basis of comparison to market corroborated evidence of land with low level utility (i.e. implicit adjustment method). Land of low level utility is considered to be grazing land on the urban fringe of the metropolitan area with no economic farming potential or foreseeable development or redevelopment potential at the measurement date. Examples of these assets are Kings Park, cemeteries and public recreation reserves.

Valuation techniques used to measure fair value should maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Note that the fair value hierarchy in AASB 13 is consistent with the derivations of fair value above. The fair value hierarchy follows:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1] (e.g. traded commodities valued by the market approach);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly [Level 2] (e.g. non-specialised assets valued on the basis of observed sales of similar items); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) [Level 3] (e.g. specialised assets valued on utilising the current replacement cost; land with public use restrictions valued by comparing with other land of low level utility).

The three-level fair value hierarchy does not create sub-classes within each class of non-current physical assets. However, AASB 13 requires a reconciliation of these 'sub-classes' by hierarchy level, which reconciles to the fair value of PPE contained within the PPE reconciliation required by paragraph 73 of AASB 116. Deeming categorisation within Level 3 of the three-level fair value hierarchy, where the valuation utilises significant unobservable inputs on a recurring basis for valuations of land and buildings, reduces the potential for additional disclosures required where asset valuations fluctuate between Level 2 and Level 3 classification. For example, an asset may move from the cost basis on practical completion to a Level 2 classification and then over time to a Level 3 classification. This instruction requires the categorisation of those assets at a Level 3 classification on application of fair value.

Although AASB 13 allows the option of using an income approach for valuing specialised assets, the income approach is not considered relevant for valuing specialised assets in the public sector. **Current replacement cost should be used for valuing specialised assets.** Non-cash-generating specialised assets in the public sector valued on the current replacement cost are not subject to impairment as required by AASB 136 *Impairment of Assets*. In the limited circumstances where specialised assets in the public sector are held primarily to generate net cash inflows, fair value is still determined by the current replacement cost. However, the recoverable amount under AASB 136 of such assets (or a cash generating unit) is subject to an upper limit based on the income approach – the present value of future cash flows expected to be derived from the assets (or a cash generating unit).

It is likely that specialised assets (e.g. schools, dams and transmission lines) subject to current use valuations derived by reference to the current replacement cost will be classified at Level 3 of the hierarchy. This is due to adjustments for obsolescence representing a significant unobservable input that is required to derive the service capacity of the asset.

Land with public use restrictions will be categorised at Level 3 due to significant adjustments by unobservable inputs to valuation such as the inclusion of rehabilitation costs under the explicit adjustment method and the availability of land with low level utility under the implicit adjustment method.

### ***Highest and best use***

Fair value for a non-financial asset is measured by having regard to the highest and best use of an asset in accordance with AASB 13. This is defined as the use of the asset that is physically possible, legally permissible, financially feasible, and which results in the highest value. Highest and best use is determined from the perspective of market participants, even if the agency intends a different use. However, in the public sector, it must take into account the mandated legal and other socio-political restrictions imposed on the use or disposal of assets.

Highest and best use may not always be the existing use of an asset. In assessing any feasible alternative highest and best use of an asset, both current and future restrictions on the use of the asset must be considered. There must be evidence that the alternative use is feasible.

### ***Existing use***

Assets that are non-specialised and have no legal, natural or socio-political restrictions on their potential use are commonly referred to as market type assets and are valued by utilising the market approach.

However, in the public sector, many assets have restrictions or limitations placed on their use and disposal. Parks, gardens, other reserves and heritage buildings fall into this category. Refer to the discussion under 'Heritage or cultural assets'. Assets held to deliver a specific community service, such as schools, police stations, hospitals, prisons and other specialised assets also fall into this category (where they are not surplus to requirements). Such assets are held by agencies for their value in use and accordingly fair value is measured having regard to the current or existing use of the asset. Such assets do not normally have a feasible alternative use (i.e. existing use is their highest and best use) and are commonly referred to as non-market type or current use assets.

Refer to the determination of fair value with regard to current or existing use of assets under 'Measuring the fair value of an asset'.

### ***Surplus assets***

Assets determined to be surplus to requirements are no longer valued on an existing use basis. They should be valued utilising either the market approach or the income approach (i.e. the present value of estimated future cash flows).

### ***Heritage or cultural assets***

AASB 116 requires the cost of an item of PPE to be recognised as an asset if, and only if, “it is probable that future economic benefits associated with the item will flow to the entity” and “the cost of the item can be measured reliably”. PPE are defined as tangible items that are “held for use in the production or supply of goods or services, for rental to others, or for administrative purposes” and are “expected to be used during more than one period”. Whilst heritage or cultural assets are not specifically defined in AASB 116, they are commonly considered as PPE with unique cultural, historical, geographical, scientific and/or environmental attributes. Heritage or cultural assets are held by agencies to meet objectives such as exhibition, education, research, curatorial and preservation.

The treatment of heritage or cultural assets is no different to other PPE and they should be recognised where they meet the recognition criteria. When heritage or cultural assets are recognised, the provisions of AASB 116 apply. Land and buildings recognised as heritage or cultural assets must be valued at fair value in accordance with this instruction. For most heritage or cultural assets, highest and best use is existing use and they are valued on that basis. Where no reliable measurement basis is available, heritage or cultural assets are not recognised.

Certain heritage or cultural assets, by virtue of their nature, may not have limited useful lives and therefore would not be depreciated (see Australian Implementation Guidance accompanying AASB 116 for further guidance).

### ***Valuations provided by Valuation Services (Landgate) and the timing of take-up of valuations***

Where valuations are provided by Valuation Services (Landgate), these are considered to be consistent with the fair value requirements under AASB 13. Although valuations are as at 1 July of each financial year, the valuations are performed over the course of the year and are provided to agencies at the end of that financial year. Valuation Services, Office of the Auditor General and Treasury assess the valuations annually at a global level to ensure that the valuations provided are consistent with fair value at the end of the reporting period (i.e. 30 June). Therefore, it is unnecessary to take up the valuations at an earlier date and depreciate the assets to 30 June. If an agency does this, in certain circumstances, there may be a risk of not being compliant with fair value at the end of the reporting period. It is recommended that revaluations are taken up at 30 June and with no retrospective adjustments to depreciation expense for that financial year.

In order to ensure the valuations are comprehensive, agencies would need to update Valuation Services on any addition, alteration or deletion of land and buildings on their asset register. In addition, even though agencies are not required to take up the valuations annually, agencies would need to conduct an annual reconciliation of the valuations back to their asset register for comprehensiveness.

### **Subsequent expenditure**

Subsequent expenditure on an asset must be capitalised where it meets the asset recognition criteria. Where an asset is reported at fair value, agencies must comply with the requirements under the AASB 116 to ensure that the carrying amount of the asset does not vary materially from its fair value at the end of each reporting period. Expenditure capitalised in a reporting period, after a valuation is undertaken for an asset, should be added to the carrying amount (fair value) of the asset. In most circumstances, the new carrying amount should not vary materially from fair value. However, major expenditure on a building valued by utilising the market approach may not increase its fair value by the level of expenditure. In such circumstances, Valuation Services should be consulted.

### **Frequency of revaluation**

AASB 116 requires that revaluations must be carried out with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from its fair value at the end of the reporting period.

What this implies in terms of frequency of revaluation depends on the movement in asset values within an asset class. Some types of assets may experience frequent and material movements in fair value that would necessitate revaluation each reporting period. Other assets experience only immaterial movements and revaluation every three to five years may be sufficient.

Assets within a class should be valued as at substantially the same date to avoid selective revaluation of assets. However, assets within a class may be valued progressively within a reporting period provided this gives compliance with the Standard, i.e. no material variance from fair value at the end of the reporting period.

To ensure compliance with the Standard, agencies will need to develop a strategy for each class of assets to be measured on the fair value basis. This will require an assessment of the assets within each class to determine if they are susceptible to material movements in fair value between reporting periods. Agencies should assess if there is any indication that an asset's carrying amount may differ materially from fair value at the end of each reporting period. If any such indication exists, the agency will need to determine the asset's fair value and revalue the asset to that amount. Agencies with significant land and buildings may need to take up revaluations annually where relevant price increases have been material.

In assessing whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the end of the reporting period, an agency should consider, as a minimum, the following indications:

External sources of information include:

- (i) significant changes affecting the agency have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the agency operates or in the market to which an asset is dedicated; and
- (ii) during the period, a price index (e.g. a residential property price index, and not the value of residential dwellings) relevant to the asset has undergone a material change.

Internal sources of information include:

- (i) evidence is available of obsolescence or physical damage of an asset;

- (ii) significant changes affecting the agency have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. Adverse changes include the asset becoming idle, or plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite. Favourable changes include capital expenditure incurred during the period to improve or enhance an asset in excess of its standard of performance assessed immediately before the expenditure is made; and
- (iii) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse/better than expected.

The list above is not exhaustive. An agency may identify other indications that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the end of the reporting period and these would also require the agency to determine the asset's fair value.

In determining the frequency of revaluations for a class of assets, agencies should consider the cost and availability of valuations. Generally, classes of assets measured on the fair value basis should be revalued at least every three years.

## **Accounting for revaluation increments and decrements**

### ***Not-for-profit entities***

Revaluation increments and decrements within a class of assets must be offset. A net revaluation increment must be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus except to the extent that the increment reverses a previous decrement (in respect of that same class of assets), which was recognised as an expense in a prior period's profit or loss. In this case, the increment must be recognised as a gain in profit or loss. A net revaluation decrement must be recognised as an expense in profit or loss, except that to the extent that a credit balance exists in the revaluation surplus (in respect of that same class of assets) where the decrement must be recognised in other comprehensive income and reduces the amount accumulated in the revaluation surplus. These requirements are detailed in paragraphs Aus39.1 and Aus40.1-2 of AASB 116.

### ***For-profit entities***

Revaluation increments and decrements are accounted for on an individual asset basis without offsetting within classes of PPE. These requirements are detailed in paragraphs 39 and 40 of AASB 116.

### ***Investment property***

Gains or losses arising from changes in fair value of investment property are recognised in profit or loss. This requirement is detailed in paragraph 35 of AASB 140.

## **Treatment of accumulated depreciation on revaluation**

AASB 116 allows two alternative treatments of accumulated depreciation on revaluation of an asset:

- (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset (i.e. current replacement cost), and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset (gross basis); or
- (ii) the accumulated depreciation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset (net basis).

Although the gross basis provides a better outcome by retaining useful information, it is not always practical to apply where the carrying amount of the asset is determined by the market approach. Where the carrying amount is determined on the basis of current replacement cost, the gross basis should be applied where practicable. The treatment adopted should be disclosed.

### **Treatment of revaluation surplus on derecognition of assets**

AASB 116 provides two options for the treatment of revaluation surplus on derecognition of assets:

- (i) retain the revaluation surplus in reserve; or
- (ii) transfer the revaluation surplus relating to disposed assets to retained earnings.

Note that in order to transfer the revaluation surplus on disposal, an agency would have to record increments and decrements by individual asset. The Standard provides that not-for-profit agencies are only required to record revaluation increments and decrements by class. This option should be used with caution.

### **AASB 116 disclosure requirements**

The disclosure requirements in respect of PPE are set out in paragraphs 73 to 79 of AASB 116. The key disclosures relating to revaluation are outlined below.

For each class of PPE, a reconciliation is required of the carrying amount at the beginning and end of the reporting period showing:

- (i) additions;
- (ii) assets classified as held for sale and other disposals;
- (iii) acquisitions through business combinations;
- (iv) increases or decreases resulting from revaluations under AASB 116 and impairment losses recognised or reversed in other comprehensive income under AASB 136;
- (v) impairment losses recognised in profit or loss in accordance with AASB 136;
- (vi) impairment losses reversed in profit or loss in accordance with AASB 136; and
- (vii) depreciation expense.

Where the fair value basis is applied to measure a class of PPE, other ongoing disclosure requirements in addition to those required by AASB 13 include:

- (i) the effective date of the revaluation;
- (ii) whether an independent valuer was involved;
- (iii) the revaluation surplus and the change for the period.

For-profit entities must also disclose, for each revalued class of PPE, the carrying amount that would have been recognised had the cost model been applied.

### **AASB 13 disclosure requirements**

The fair value disclosure requirements are set out in paragraphs 91 to 99 of AASB 13.

Tier 1 agencies (as listed in Schedule 1 of [TI 1107 Application of Tiered Reporting – Simplified Disclosures](#)) are required to apply all of the disclosure requirements of AASB 13. Tier 2 agencies only need to apply the disclosure requirements set out in paragraphs 132 and 136 of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The key disclosures relating to PPE and the reporting entity that they relate to are outlined below.

For each class of assets measured at fair value, the following information is disclosed:

- (i) the fair value at the reporting date – Tier 1 and Tier 2 agencies;
- (ii) the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3) – Tier 1 agencies only;
- (iii) a description of the valuation technique(s) (and, if applicable, any change in valuation technique and the reason(s) for the change) and the inputs used in the fair value measurement – Tier 1 and Tier 2 agencies; and
- (iv) the fact why the asset is being used in a manner that differs from its highest and best use – Tier 1 agencies only.

Additional disclosures for **Tier 1 agencies** are required for assets measured at fair value categorised within Level 3 of the fair value hierarchy:

- (i) a reconciliation from the opening balances to the closing balances disclosing separately changes attributable to:
  - total gains or losses in profit or loss and the line item(s);
  - total gains or losses in other comprehensive income and the line item(s);
  - purchases, sales, issues and settlements;
  - the amounts of any transfers into or out of Level 3 of the fair value hierarchy, and the reasons for those transfers; and
- (ii) a description of the valuation processes used by the agency.

### **Contributed assets**

Under [TI 955 Contributions by Owners Made to Wholly Owned Public Sector Entities](#) contributions by owners must be accounted for on the fair value basis. Where assets are initially recognised at fair value under this requirement, it does not initiate an ongoing revaluation requirement for those assets or, where the transferred assets are included in a class of assets measured on the cost basis, require the other assets in that class to be revalued to fair value. That is, for the purposes of paragraph 30 of AASB 116, the fair value of assets transferred may be considered as measurement under the cost model.

### **Initial recognition of assets**

The initial recognition of a pre-existing but previously unidentified asset for the first time is considered to be a prior period error under AASB 108. Accordingly, comparatives should be restated with a corresponding adjustment to the opening balance of each affected component of equity (e.g. Accumulated Surplus). Where assets are valued for the purposes of initial recognition, because the original cost of the assets is unknown, this initial valuation (not a revaluation) may be considered as being at cost.

### **Recognition of assets previously derecognised**

There may be circumstances when an asset has been fully depreciated as the useful life of the asset to the agency has expired, but the agency's circumstances change and the asset again becomes useful. Where assets previously derecognised are subsequently recognised, this should be accounted for in accordance with paragraph 37 of AASB 108 (i.e. changes in accounting estimate). Appropriate disclosures should be made in accordance with paragraph 39 of AASB 108 where material.

## **955                    CONTRIBUTIONS BY OWNERS MADE TO WHOLLY-OWNED PUBLIC SECTOR ENTITIES**

### **BACKGROUND**

The transfer of assets (or the assumption of liabilities) between agencies (departments and statutory authorities) can occur for a number of reasons. Such transfers are either non-reciprocal transfers or form part of the purchase consideration for the provision of goods or services. This instruction only addresses the accounting treatment surrounding **non-reciprocal transfers** within the public sector.

#### **Non-reciprocal transfers**

A non-reciprocal transfer is defined in Australian Accounting Standards as a transfer where the entity receives assets or services or has liabilities extinguished without giving approximately equal value in exchange to the other party or parties to the transfer. Contributions and asset transfers as a consequence of restructuring are examples. Non-reciprocal transfers generally represent income to the transferee (recipient) unless the transfer is in the nature of contributions by owners. To the transferor, a non-reciprocal transfer represents an expense, investment or distribution to owners.

Contributions by owners are defined in Australian Accounting Standards as:

“future economic benefits that have been contributed to the entity by parties external to the entity, other than those which result in liabilities of the entity, that give rise to a financial interest in the net assets of the entity which:

- (a) conveys entitlement both to distributions of future economic benefits by the entity during its life, such distributions being at the discretion of the ownership group or its representatives, and to distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or
- (b) can be sold, transferred or redeemed.”

It is not necessary that both (a) and (b) be satisfied.

#### ***Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities***

A transfer to a wholly-owned public sector entity must be recognised by the transferee as a contribution by owners when and only when it satisfies the definition of a contribution by owners in AASB 1004. Interpretation 1038 establishes the criteria for determining when transfers of assets, or assets and liabilities, to wholly-owned public sector entities, satisfies the definition of contributions by owners in AASB 1004. For not-for-profit agencies, the Interpretation scopes out those transfers that arise as a result of a restructure of administrative arrangements. These transfers are to be accounted for in accordance with AASB 1004, paragraphs 54 to 59. Interpretations are applied through AASB 1048 *Interpretation of Standards*.

To meet the criteria under Interpretation 1038, the equity nature of a transfer must be evidenced by either:

- (i) the issuance of equity instruments which can be sold, transferred or redeemed; or
- (ii) a formal agreement establishing a financial interest in the net assets of the transferee which can be sold, transferred or redeemed; or



- (iii) a formal designation of the transfer (or of a class of such transfers) by the transferor or a parent entity of the transferor as forming part of the transferee's contributed equity, either before the transfer occurs or at the time of the transfer.

The discussion in the Interpretation provides examples of how designation of transfers may occur.

In most circumstances, there will be no equity instrument or formal agreement to evidence that transfers are in the nature of contributions by owners. Consequently, a designation of a transfer as a contribution by owners will be required before a transfer can be accounted for as a contribution by owners. Government policy on transfers is to designate as contributions by owners where a transfer is a direct contribution of capital from the government (non-repayable capital appropriations and assumptions of liability) or a withdrawal of capital from one agency and a contribution of capital to another agency. Transfers of this nature will meet part (b) of the definition of contribution by owners in AASB 1004, i.e. the government has a right to sell, transfer or redeem the financial interest in the net assets of the transferee. Such transfers of assets and liabilities between wholly-owned government agencies are in substance transfers to/from the government.

This instruction designates those classes of non-reciprocal transfers to be recognised as contributions by owners.

Non-reciprocal transfers made at the discretion of an agency are not contributions by owners. Such transfers should generally be accounted for as expenses by the transferor and income by the transferee.

### **Restructure of administrative arrangements**

A restructure of administrative arrangements is defined in AASB 1004 as:

“The reallocation or reorganisation of assets, liabilities, activities and responsibilities amongst the entities that the government controls that occurs as a consequence of a rearrangement in the way in which activities and responsibilities as prescribed under legislation or other authority are allocated between the government's controlled entities.

The scope of the requirements relating to restructures of administrative arrangements is limited to the transfer of a business (as defined in AASB 3 *Business Combinations*). The requirements do not apply to, for example, a transfer of an individual asset or a group of assets that is not a business.”

A 'business' is defined in AASB 3 as:

“An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.”

AASB 3, paragraphs B7-B12D provide guidance on the determination of a business. Basically, a business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs.

Examples of restructures of administrative arrangements are as follows:

- Abolition of an agency where the net assets are transferred to another government controlled agency;
- Creation of a new agency where the assets and liabilities are transferred from one or more government controlled agencies;
- Amalgamations of agencies;

- Splitting of an agency into two or more new agencies; and
- Transfer of function.

For government controlled not-for-profit entities, the transfer of assets, or assets and liabilities, as a result of a restructure of administrative arrangements is to be accounted for in accordance with AASB 1004, paragraphs 54 to 59, and thus not subject to this instruction.

## Measurement

This instruction requires all contributions by owners and distributions to owners, other than as a result of a restructure of administrative arrangements, to be recognised at fair value. This ensures that the current values of capital contributions and withdrawals are reflected in the financial statements. This is required for the government to make the necessary judgement on the adequacy of the capital structure of the transferor and transferee agencies. It also ensures that previously unrecognised gains and losses are recognised prior to transfer. This is necessary to ensure accountability of the transferor and transferee in terms of financial performance.

It is in the interest of an agency from which the government makes a capital withdrawal that the full extent of such a withdrawal is reported. Similarly, it is in the interest of the transferee to ensure that a capital contribution is reported accurately. Note that [Treasurer's instruction \(TI\) 954 \*Revaluation of Non-Current Physical Assets\*](#) requires all land and buildings to be measured on the fair value basis.

The requirement to recognise contributions by owners and distributions to owners at fair value is subject to materiality and compliance with valuation requirements in Australian Accounting Standards. For example, under AASB 138 *Intangible Assets*, fair value must be determined by reference to an active market. Consequently, most intangibles in the public sector cannot be measured on the fair value basis.

As asset transfers under a restructure of administrative arrangements are not subject to this instruction, they could be recognised at fair value or book value. However, to ensure consistency for whole-of-government reporting, both the transferee and transferor should recognise the asset transfer at book value.

### **Land Sales and Transfers**

Consistent with the measurement policy for contributions by owners, it is recommended that all sales and transfers of land be at fair value. Sales or transfers at other values could materially misstate the impact of such transactions in the financial statements.

## Application

The transfer of assets, or assets and liabilities, other than as a result of a restructure of administrative arrangements, to wholly-owned public sector entities from other entities within the same group of entities is to be accounted for in accordance with Interpretation 1038 (i.e. formal designations required) and this instruction.

Government departments also need to comply with AASB 1004, paragraphs 48 to 53 in respect to all contributions by owners and distributions to owners.

## TREASURER'S INSTRUCTION

- (1) **For the purposes of this instruction:**
  - (i) **'agencies' includes departments and all statutory authorities listed in [Schedule 1](#) of the Act that are consolidated in the Annual Report on State Finances; and**

- (ii) 'wholly-owned public sector entities' include all entities consolidated in the Annual Report on State Finances.
- (2) Designations in paragraph (3) and measurement in paragraph (6) do not apply to non-reciprocal transfers that occur as a consequence of a restructure of administrative arrangements as set out in paragraphs 54 to 59 of AASB 1004 *Contributions*.
  - (3) For the purposes of Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*, the following classes of non-reciprocal transfers are designated as 'contributions by owners':
    - (i) capital appropriations, except where the appropriation is repayable;
    - (ii) subject to paragraph (4), non-discretionary transfers of net assets from wholly-owned public sector entities to agencies;
    - (iii) non-discretionary assumptions of liabilities or net liabilities by wholly-owned public sector entities from agencies;
    - (iv) assumptions of liabilities or net liabilities by the government from agencies and the transfer of net assets from the government to agencies; and
    - (v) capital expenditure authorised under [section 27\(1\)](#) of the Act.
  - (4) Transfers of cash between agencies are not contributions by owners where:
    - (i) the cash transferred represents a reallocation of current year revenue; and
    - (ii) the transfer of cash is not related to a transfer of a function or a transfer of other assets and/or liabilities.
  - (5) A non-reciprocal transfer of assets or net assets from an agency to the government must be accounted for by the transferor agency as a distribution to owners.
  - (6) Subject to paragraph (7) and materiality, all contributions by owners and all distributions to owners must be recognised in the financial statements at fair value by both the transferee and transferor.
  - (7) All assets and liabilities must be measured in accordance with the relevant Australian Accounting Standards.

## GUIDELINES

### Non-discretionary transfers

For the purposes of this instruction, a transfer is classed as a non-discretionary transfer where the decision to transfer assets and/or liabilities is not made by the transferor agency, i.e. the decision is made by or on behalf of the government. Transfers of assets from one agency to another that have been made without the discretion of either agency are considered to be non-discretionary transfers for the purposes of this instruction. Discretionary transfers are transfers made at the agency's discretion and generally represent an expense to the transferor and income to the transferee.

## **Accounting for contributions by owners and distributions to owners**

Where a transfer is classified as a contribution by owners by the transferee agency, under Interpretation 1038, the transferor agency is required to classify the transfer as a distribution to owners unless the transfer is to an investee in which case the transferor classifies the transfer as an acquisition of ownership interest. Transfers from an agency either directly to the government or to another agency (which is in substance a transfer to the government) must be classified as distributions to owners by the transferor. Transfers from the government to agencies represent an acquisition of ownership interest in the transferee.

### ***Example***

Department A transfers net assets to Statutory Authority B. The transfer is a decision of the government and is not for fair value consideration in the provision of goods or services. That is, the transfer is non-discretionary and non-reciprocal. Such transfers are designated as contributions by owners under paragraph (3)(ii) of this instruction. Under Interpretation 1038, as the transferor and transferee are wholly-owned public sector entities controlled by the same government, the transfer must be accounted for as a transfer to/from that government. Consequently, the transfer is accounted for as two transfers. Transfer 1 is from Department A to the government and Transfer 2 is from the government to Statutory Authority B.

#### Transfer 1:

Department A classifies the transfer as a distribution to owners.

The government classifies the transfer as a redemption of ownership interest or income.

#### Transfer 2:

The government classifies the transfer as an acquisition of ownership interest.

Statutory Authority B classifies the transfer as a contribution by owners.

Note that the government entries are eliminated in the government's consolidated financial statements as they represent transfers within the same economic entity.

Contributions by owners should be credited directly to Contributed equity in the Statement of Financial Position. Distributions to owners should be debited directly to Contributed equity in the Statement of Financial Position.

Where an agency does not have a sufficient credit balance in Contributed equity with respect to net assets transferred, the whole amount of distributions to owners should still be debited directly to Contributed equity. If at the end of an agency's reporting period there is a net debit balance in Contributed equity after distributions to owners and contributions by owners during the year, this balance should then be transferred to Accumulated surplus/(deficit) in the Statement of Financial Position.

Where it is expected that the assets or liabilities are to be transferred within 12 months or before the end of the agency's current operating cycle, non-current assets and non-current liabilities should be reclassified as current.

Any subsequent discovery of assets and/or liabilities relating to the original transfer, after accounting for a transfer of net assets as a contribution by owners and distribution to owners, is to be recognised and adjusted directly against the respective agencies' Contributed equity at their fair value in the Statement of Financial Position. If this occurs in a subsequent reporting period, compliance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* is required where the transaction is a material error under that Standard.

## **Designation of non-repayable capital appropriations as contributions by owners**

Most capital appropriations are non-repayable and consequently are designated as contributions by owners under paragraph (3)(i) of this instruction. Where in the rare circumstances that a capital appropriation is repayable, the appropriation is recognised as a liability by the entity. Also refer to the guidance below under 'Repayable administered capital appropriations and administered borrowings'.

Note that a designation of capital appropriations as contributions by owners was made in Treasury correspondence to agencies dated 4 July 2001. This advice stated that from 1 July 2001 capital appropriations are to be treated as contributions by owners.

### ***Controlled capital appropriations***

Capital appropriations, which are displayed as Capital Contributions or Capital Appropriations in the Budget Statements, represent equity contributions from the government and accordingly are designated as contributions by owners. Capital appropriations are recognised in the financial statements of the transferee (recipient) as contributions by owners. If capital appropriations are subsequently transferred to other wholly-owned government agencies, the transferor (original recipient of the appropriation) classifies the transfer as a distribution to owners (the government) and the transferee (final recipient of the appropriation) classifies the transfer as a contribution by owners (the government). Note that such transfers of capital appropriations need to be distinguished from contributions that are made at the agency's discretion. These contributions generally represent an expense to the transferor and income to the transferee.

### ***Administered capital appropriations***

In some circumstances an agency may receive an administered capital appropriation. Such appropriations will be displayed as either Administered Capital Contributions or Administered Capital Appropriations in the Budget Statements.

Where the intention is to transfer the administered capital appropriation to a transferee agency (i.e. controlled agency), these administered capital appropriations are not equity contributions to the administering agency. In such cases, the agency administering the capital appropriations should disclose the appropriation amount received for transfer as administered revenue and the appropriation amount transferred out as administered expense, along with other administered items, in the notes to their financial statements. The transfer of an administered capital appropriation from the administering agency represents an equity contribution from the government to the transferee agency (i.e. controlled agency) and has been designated as a contribution by owners under paragraph (3)(i) of this instruction.

In certain limited circumstances the administering agency may retain the capital appropriation and administer the funds on behalf of government. That is, the appropriation is not transferred to an agency (i.e. controlled agency). In such circumstances, the agency administering the capital appropriation should disclose this administered item in the notes to their financial statements as administered revenue called 'non-repayable capital appropriation'. However, for whole-of-government accounting purposes (i.e. the financial data submitted to Treasury), the administering agency should treat the administered capital appropriation as an equity contribution to facilitate the whole of government consolidation.

### ***Royalties for Regions funding for capital***

Amounts for the Royalties for Regions program are appropriated from the Consolidated Account (displayed as Administered Capital Contributions in the Department of Treasury's Budget Statements) to a Treasurer's Special Purpose Account titled the Royalties for Regions Fund (RRF) administered by Treasury.

All amounts appropriated as capital must flow to agencies as capital. Therefore, the transfer of the administered funds from the RRF for capital purposes has been designated as a contribution by owners under paragraph (3)(i) of this instruction and represents an equity contribution from the government to the transferee agency (being the controlled agency).

### **Repayable administered capital appropriations and administered borrowings**

In the rare circumstances that an administering agency receives a repayable administered capital appropriation or an administered borrowing (e.g. an administered Treasurer's Advance), these administered items should be classified as administered borrowings in the notes to the financial statements and treated as financing activities for whole-of-government cash flow statement reporting purposes (i.e. the financial data submitted to Treasury).

### **Designation of non-reciprocal transfers between agencies as contributions by owners**

Where assets and liabilities are transferred between agencies as a consequence of government policy, e.g. where functions are transferred, the transfer of net assets represents an equity withdrawal from the transferor and an equity contribution to the transferee. Paragraph (3)(ii) of this instruction designates such transfers as contributions by owners. Consequently, the transferor accounts for the transfer as a distribution to owners and the transferee accounts for the transfer as a contribution by owners.

Where assets and liabilities are transferred between not-for-profit agencies as a consequence of a restructure of administrative arrangements, such transfers shall be accounted for in accordance with AASB 1004.

Paragraph (4) of this instruction excludes specific transfers of cash that are both non-reciprocal and non-discretionary from the scope of paragraph (3)(ii). The objective of the exclusions is to ensure that the management of recurrent funds within a portfolio are not accounted for as contributions by owners.

The transfer of net liabilities represents an equity withdrawal from the transferee and an equity contribution to the transferor. Paragraph (3)(iii) of this instruction designates such transfers as contributions by owners. In these circumstances, the transferee accounts for the transfer as a distribution to owners and the transferor accounts for the transfer as a contribution by owners.

### ***Transfer of employees involved in a restructure***

Where a restructure involves the transfer of employees, the requirements of [TI 520 \*Transfer of Employees\*](#) apply to the transfer of employee leave entitlement liabilities and the accompanying cash payment. This means that the matching asset and liability transferred between agencies are not captured by the designation requirements of this instruction as they are not considered to be non-reciprocal transfers. Further guidance on the transfer of employees involved in a restructure is provided in the Guidelines to TI 520.

However, if an exemption from the requirements of TI 520 has been approved, then this instruction applies to those employee leave entitlement liabilities associated with those employees transferring. In practice, these liabilities would form part of the overall transfer of net assets (or net liabilities) between the transferor and transferee as per the Guidelines on 'Designation of non-reciprocal transfers between agencies as contributions by owners' above.

Where an exemption from the requirements of TI 520 has been approved for those employee leave entitlement liabilities associated with those employees transferring as a consequence of a restructure of administrative arrangements, such transfers shall be accounted for in accordance with AASB 1004 (where the transfer takes place between not-for-profit agencies).

***Transfer of assets between agencies with different capitalisation policies***

As discussed in Guidelines to [TI 1101 Application of Accounting Standards and Other Pronouncements](#), the varying size and nature of operations of agencies means that materiality between agencies can differ significantly. Accordingly, agencies can have differing capitalisation thresholds.

Where an agency with a lower capitalisation threshold is abolished or otherwise transfers assets to another agency with a higher threshold, differences in the amounts of net assets recognised could occur. For example, if assets were transferred from an agency with a capitalisation policy of \$5,000 to an agency with a capitalisation policy of \$10,000, though the amount of assets distributed by the transferor agency would correspond with the contribution by owners recognised by the transferee or recipient agency, the amount of assets recognised by the transferee agency could be lower than the amount distributed by the former agency (i.e. assets with a carrying value of between \$5,000 and \$9,999 previously recognised by the transferor agency would not be recognised as assets by the transferee agency). These would be expensed because of the higher asset capitalisation threshold of the transferee agency (i.e. \$10,000 in this instance).

To illustrate, assume that the total value of assets being transferred from the transferor agency was \$10M, of which \$9.7M worth of these assets meet the transferee agency's capitalisation threshold of \$10,000. The following accounting entries would apply:

Transfer 1: Transfer of assets from the transferor agency

Dr Distribution to owners	\$10M	
Cr Assets		\$10M

Transfer 2: Contribution of assets received by the transferee agency

Dr Expense	\$0.3M	
Dr Assets	\$9.7M	
Cr Contribution by owners		\$10M

The expensed amount is the total value of assets below the transferee agency's \$10,000 asset capitalisation threshold.

Note that the reverse could also occur. Therefore, in addition to considering materiality, the new agency should take into account the practicality and cost of identifying and valuing assets that were not previously recognised by the abolished agencies.

Where assets are transferred under a restructure, there may be situations that arise where the transferor agency originally capitalised a depreciable asset, but at the time of transfer the fair value of the asset is now below the capitalisation threshold of the transferee agency. In this case, even though each agency may have the same capitalisation threshold, the treatment as detailed above would apply.

## **Designation of non-reciprocal transfers of net liabilities from agencies to the government and transfers of net assets from the government to agencies as contributions by owners**

Both the assumption of net liabilities from an agency by the government and the transfer of net assets from the government to an agency are equity contributions from the government to the agency. Paragraph (3)(iv) of this instruction designates such transfers as contributions by owners. These transfers are between controlled and administered (on behalf of the government) and should be accounted for as contributions by owners in the transferee agency's controlled financial statements and as an administered expense to be disclosed in the transferor agency's administered items note to the financial statements. Liaison between agencies may be required, as the transfer will be at fair value and would not necessarily be between the same agency's controlled and administered functions.

An assumption of a superannuation liability by the government without fair value consideration from an agency is an example of a contribution by owner.

Note that transfers from an agency's administered to another agency's administered are not disclosed as contributions by owners/distributions to owners or as revenue/expense in administered financial statements (i.e. there is no transfer between reporting entities). Administered assets and liabilities are simply reported by the agency administering the assets and liabilities at the end of the reporting period in the notes to the financial statements.

## **Capital expenditure in advance of appropriation**

Drawdowns charged to the Consolidated Account under the authority of [section 27\(1\)](#) of the Act (Treasurer's Advance) in relation to new items that have been approved by the Governor for capital purposes are to be treated as contributions by owners for the purposes of paragraph (3)(v) of this instruction. These new items are usually designated as capital in the requisition for additional funds (Treasury Form 12).

Drawdowns from the Consolidated Account and charged against the Treasurer's Advance in relation to supplementary funding of existing items (Treasury Form 11) that are displayed as capital appropriations in the Budget Statements are designated as contributions by owners by paragraph (3)(i) of this instruction.

## **Non-reciprocal transfers of assets or net assets from agencies to the government to be accounted for as distributions to owners**

Where assets or net assets are transferred to the government without fair value consideration (at the government's discretion), the transferor agency should account for the transfer as a distribution to owners.

Where assets are sold and the proceeds must be paid into the Consolidated Account, the payment represents a distribution to owners. To ensure appropriate accounting treatment, the sale of the asset (e.g. a building) and the payment of the proceeds to the Consolidated Account are treated as separate transactions. The agency should initially recognise the proceeds and report a gain or loss on sale and then report the payment of the proceeds to the Consolidated Account as a distribution to owners in their controlled financial statements. Where the agency is a government department, the proceeds would also be disclosed as administered revenue in the financial statements (i.e. the administered notes) of the department making the payment into the Consolidated Account.



Amounts transferred to the Consolidated Account in accordance with [section 20](#) of the Act are treated as a distribution to owner for the purposes of paragraph (5) of this instruction.

The sale of Crown land and the sale of freehold land by departments both result in distributions to owners (refer below).

### ***Transfers of Crown land***

An example of a transfer of assets to the government is the transfer of Crown land to the Department of Planning, Lands and Heritage (DPLH) for sale. DPLH is the only agency with the power to sell Crown land. Accordingly, the land must be transferred to DPLH for sale (refer to the Guidelines in TI 1101 under the sub-heading 'Sale of Crown land'). The transfer and sale are accounted for by DPLH as administered transactions, i.e. the transactions are administered by DPLH on behalf of the government. DPLH should disclose the transfer as administered revenue and the payment of the proceeds to the Consolidated Account as administered expense. However, such transactions represent a withdrawal of capital from the transferor agency. Although the decision to sell the land may be considered discretionary (e.g. the agency determines that the land is surplus to its requirements), the transfer of Crown land to DPLH is non-discretionary as only DPLH can sell Crown land. Where the proceeds or part proceeds are appropriated back to the transferor agency, the appropriation would generally be an injection of capital to the agency, i.e. a contribution by owners.

### ***Sale of freehold land by departments***

Where a department has the power to hold and sell freehold land, under the current net appropriations determination, the department cannot retain the proceeds of the sale unless specifically approved by the Treasurer. The payment of the proceeds to the Consolidated Account is a distribution to owners. To ensure appropriate accounting treatment, the sale of the land and the payment of the proceeds to the Consolidated Account should be treated as separate transactions. The department should initially recognise the proceeds and report a gain or loss on sale and then report the payment of the proceeds to the Consolidated Account as a distribution to owners in their controlled financial statements. The department should also disclose the proceeds as revenue and the payment to the Consolidated Account as expense in their administered transactions. Again, where the proceeds or part proceeds are appropriated back to the department, the appropriation would generally be an injection of capital to the agency, i.e. a contribution by owners.

### ***Transfer of assets to entities other than wholly-owned public sector entities***

Wholly-owned public sector entities are defined in paragraph (1)(ii) of this instruction as all entities consolidated in the Annual Report on State Finances. This includes all agencies as defined in paragraph (1)(i) of this instruction and other entities (such as the corporatised entities) that are not subject to the Act and Treasurer's instructions, but by definition excludes the universities.

Where assets are transferred to entities that are not wholly-owned public sector entities (i.e. entities not consolidated in the Annual Report on State Finances) and the transfer is not at the agency's discretion and is not consistent with agency objectives, the transfer represents a distribution to owners under paragraph (5) of this instruction. The transfer to the external entity represents an expense to the government. The transaction is to be disclosed in the financial statements as a debit to the agency's contributed equity and an administered revenue and expense in the relevant administering agency's notes to the financial statements. Agencies should advise State Finances in Treasury of the details of such transfers. Further advice as to which entities are consolidated in the Annual Report on State Finances may also be obtained from this Division.

Where transfers to entities that are not wholly-owned public sector entities are at the agency's discretion or are consistent with agency objectives, the transfer represents an expense to the agency.

### **Measurement of contributions by owners and distributions to owners**

Paragraph (6) of this instruction requires both the transferor and transferee to recognise the net assets transferred at fair value. Therefore, the transferor agency needs to ensure that the assets and liabilities to be transferred are measured at fair value prior to the transfer.

However, this requirement is subject to materiality and paragraph (7) of this instruction where assets and liabilities must be measured in accordance with the relevant Australian Accounting Standards. This addresses situations where an accounting standard does not permit fair value as a basis of measurement for specific assets and/or liabilities. For example, AASB 138 does not permit intangible assets to be revalued unless there is an active market. This means that there may be limited circumstances where this instruction allows contributions by owners and distributions to owners to be measured on a basis other than fair value.

As a consequence of the fair value requirement under TI 954, the majority of land and buildings have already been measured at fair value. Where an agency revalued land and buildings in the financial reporting period immediately prior to a transfer, no further revaluation would normally be required at the transfer date. If however, the last revaluation was in an earlier reporting period, the transferor would need to assess the need for a revaluation prior to the transfer.

In many circumstances, because of their relatively short useful life, the book value of plants and equipment measured on the cost basis will be consistent with fair value for compliance with this instruction.

It is recognised that in some circumstances due to timing and cost issues it may be necessary to estimate fair value where the book value is not consistent with fair value. In all circumstances, adequate liaison and negotiation between the transferor and transferee is required to ensure a transfer is recognised at a value consistent with the fair value basis. While an exemption may be provided to allow the transferor to transfer out at book value, Australian Accounting Standards still require the transferee to recognise such a non-reciprocal transfer at fair value.

The revaluation of non-current physical assets should be accounted for in accordance with AASB 116, except that assets to be transferred may be treated as a separate class (or classes) of assets. This avoids the necessity of having to revalue similar assets that are not being transferred. Revaluation increments and decrements within a class of assets must be offset. A net revaluation increment must be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus, except to the extent that the increment reverses a previous decrement (in respect of that class of assets) which was recognised as an expense in profit or loss. In this case, the increment must be recognised as a gain in profit or loss. A net revaluation decrement must be recognised as an expense in profit or loss, except to the extent that credit balance exists in the revaluation surplus (in respect of that class of assets). In this case, the decrement must be recognised in other comprehensive income and reduces the amount accumulated in the revaluation surplus. These requirements apply to not-for-profit agencies. Refer to AASB 116 for the requirements in respect of for-profit agencies.

Where assets are initially recognised at fair value by the transferee agency to comply with paragraph (6) of this instruction, it does not initiate an ongoing revaluation requirement for those assets or, where the transferred assets are included in a class of

assets measured on the cost basis, require the other assets in that class to be revalued to fair value. That is, for the purposes of paragraph 30 of AASB 116, the fair value of assets transferred may constitute the cost basis.

#### ***Where the transferor agency is not abolished in a restructure***

Where the transferor agency is not abolished in a restructure, the transfer is not recognised in their financial statements where the restructure is to occur after the end of the reporting period. However, this event would be disclosed in the notes to the financial statements as an event occurring after the reporting period (refer AASB 110 *Events after the Reporting Period*).

#### ***Where the transferor agency is abolished in a restructure***

Where an agency ceases to exist on 30 June and the net assets are transferred to another agency on 1 July, the assets and liabilities as at 30 June must be recognised by the transferor in their final report (i.e. before the net assets are transferred to the transferee agency). Note disclosure is also required for the event occurring after the reporting period. Where practicable, and subject to materiality, the transferor should ensure that all assets and liabilities are reported at fair value (accountability for past performance). Note that to comply with AASB 116 and TI 954, land and buildings must be at fair value at the end of each reporting period.

However, where the transferor is abolished, the onus is on the transferee to ensure that the net assets transferred are recognised at fair value.

#### **Non-reciprocal transfers that are not contributions by owners**

Contributions by owners are transfers to other wholly-owned public sector entities made at the government's discretion. Transfers to other agencies that are made at the discretion of an agency and transfers by an agency to external entities (entities other than wholly-owned public sector entities) do not represent contributions by owners to the transferee. Examples are contributions and donations to either other wholly-owned public sector entities or other entities. Another example is where an agency, at its discretion, constructs an asset for another agency. Most resources provided free of charge would normally be classified as expense/income. However, there may be circumstances where resources provided free of charge by other wholly-owned public sector entities qualify as contributions by owners. This would occur where control of material assets is transferred at the government's direction (designated as a contribution by owners in paragraph (3)(ii) of this instruction).

Note that although a non-discretionary transfer by an agency to an external agency or other entity is not a contribution by owners to the transferee the transfer may represent a distribution to owners by the transferor. Refer to the previous discussion under 'Non-reciprocal transfers of net assets from agencies to the government to be accounted for as distributions to owners'.

#### **Transactions with other wholly-owned public sector entities not subject to the Financial Management Act**

Corporatised entities (the port authorities, Water Corporation, Western Power, Synergy and Horizon Power) are not subject to the Act and Treasurer's instructions. Consequently, the designation of certain classes of transfers as contributions by owners in this instruction does not apply to these entities. For corporatised entities to recognise a transfer of net assets to them from any other wholly-owned public sector entity as a contribution by owners, a designation is to be made prior to or at the time of the transfer. A template is attached to this instruction (**Attachment 1**). An exception to this is the designation made previously via a Treasury letter sent to agencies dated 4 July 2001, that as from 1 July 2001 all capital appropriations are contributions by owners. This is

applicable to all Western Australian public sector entities. Under Interpretation 1038, corporatised entities are required to recognise a transfer as a distribution to owners where the transferee recognises the transfer as a contribution by owners.

Another exception to the requirement for a specific designation for corporatised entities is where assets and/or liabilities are transferred as a consequence of a restructure of administrative arrangements. Accounting for a restructure of administrative arrangements for all government controlled not-for-profit entities (irrespective of whether or not they are subject to the Act) is to be in accordance with paragraphs 54 to 59 of AASB 1004. Under these requirements, such transfers are accounted for as contributions by owners or distributions by owners as applicable.

Agencies subject to the Act should account for transfers from wholly-owned public sector entities that are not subject to the Act in accordance with this instruction. That is, where a transfer of net assets from, or an assumption of net liabilities by, such an entity falls into the classes of transfers designated as contributions by owners in paragraph (3)(ii) or (iii) of this instruction, the designation is effective and the agency should recognise the transfer as a contribution by owners.

### **Disclosure of contributions by owners and distributions to owners**

Under AASB 101 *Presentation of Financial Statements* (paragraph 106(c)), the amount of any increase or decrease in contributed equity during a reporting period must be disclosed.

### **Further guidance**

AASB 1004 includes general accounting requirements applicable to local governments, government departments and whole of governments regarding contributions by owners and distributions to owners (paragraphs 48 to 53).

In addition, AASB 1004 provides specific requirements in relation to the restructure of administrative arrangements of government controlled not-for-profit entities and for-profit government departments (paragraphs 54 to 59). These include disclosures for each material transfer of assets and liabilities in relation to a restructure of administrative arrangements, together with the name of the counterparty transferor/transferee agency. In respect of transfers that are individually immaterial, the assets and liabilities transferred are to be disclosed on an aggregate basis (paragraph 58). Where activities are transferred from one agency to another agency as a result of a restructure of administrative arrangements, AASB 1004 also requires the transferee agency to disclose expenses and income attributable to the transferred activities for a reporting period, showing separately those expenses and income recognised by the transferor agency during that reporting period (paragraph 57).

It should be noted that Interpretation 1038 does not apply to transfers of assets, or assets and liabilities, as a result of a restructure of administrative arrangements.

An agency may be party to a transfer of net assets or liabilities that is considered to be in the nature of a contribution by owners but does not fall into the classes of transfers designated as contributions by owners by this instruction. There may also be circumstances where judgement is required in determining whether or not a transfer is non-discretionary. The Financial Policy Division, Treasury should be contacted for advice regarding these and for other matters of interpretation of the requirements of Interpretation 1038 and this instruction. Where relevant, advice should be sought prior to transfers taking place, as designations must be made prior to or at the time of transfer.

Our ref : {TRIMREF}  
Enquiries : {name of Officer}  
Telephone : {phone of Officer}

{Title and Full name of CFO of Transferee}  
Chief Finance Officer  
{Transferee}  
{ADDRESS1}  
{ADDRESS2}

Dear {NAMESHORT}

**ASSET(S) TO BE TRANSFERRED FROM {TRANSFEROR} TO  
{TRANSFEEE}**

I am writing to you in relation to the asset(s) (at fair value of {\$x.x}) to be transferred from {Transferor} to {Transferee} as part of the... which was approved by Cabinet on...

In accordance with paragraph 8(c) of the Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*, the transfer is formally designated as a contribution by owners and will form part of the contributed equity of {Transferee}.

The transfer will subsequently be reported as a distribution to owners in the accounts of {Transferor}.

Yours sincerely

{name of Director}  
DIRECTOR  
{DIVISION}

cc. {Full name of CFO of Transferor}, Chief Finance Officer, {Transferor}

# PART XI – FINANCIAL STATEMENTS

## INTRODUCTION

Part XI contains Treasurer's instructions (TIs) which detail the minimum reporting requirements and mandated accounting policy choices that agencies must apply to their financial statements. The choices are found in accounting standards and other pronouncements issued by the Australian Accounting Standards Board. TIs in this Part promote consistent reporting across the public sector, and at time modify or clarify how accounting pronouncements are applied where it is considered necessary.

The accountable authorities may present extra information to enable Parliament and other users to better understand the operation of their agency.

Financial statements prepared in accordance with the Act shall include:

- (i) a Statement of comprehensive income;
- (ii) a Statement of financial position;
- (iii) a Statement of changes in equity;
- (iv) a Statement of cash flows; and
- (v) Notes to the financial statements.

The requirements prescribed in [Part IX General Accounting and Reporting Requirements](#) also apply to the financial statements.

# 1101 APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS

## BACKGROUND

This instruction applies Australian Accounting Standards (including Australian Accounting Interpretations), the Framework for the Preparation and Presentation of Financial Statements (Framework) and Statement of Accounting Concepts (SAC) to agencies as appropriate and relevant.

### Australian Accounting Standards

The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Australian Accounting Standards are applied (where relevant and appropriate) to all agencies. In a number of instances, this instruction applies Australian Accounting Standards subject to modifications which are intended to extend or vary the application of the Standards to agencies where relevant. The significant modifications are explained in the following paragraphs. In addition, the application of the following Australian Accounting Standards is modified by other Treasurer's instructions as follows:

- (i) AASB 10 *Consolidated Financial Statements* – application is modified by [Treasurer's instruction \(TI\) 1105](#);
- (ii) AASB 16 *Leases* – application is modified by [TI 916](#);
- (iii) AASB 101 *Presentation of Financial Statements* – application is modified by [TI 1102](#) and [TI 1103](#);
- (iv) AASB 116 *Property, Plant and Equipment* – application is modified by [TI 954](#); and
- (v) AASB 1055 *Budgetary Reporting* – application is modified by [TI 953](#).

### **Classification of agencies as not-for-profit (NFP) or for-profit (FP) entities**

International Accounting Standards are 'designed' for the FP sector, whereas the AASB have issued a single set of accounting standards that are sector neutral with specific provisions included to accommodate the NFP sector. AASB 136 *Impairment of Assets*, AASB 116 *Property, Plant and Equipment* and AASB 102 *Inventories* include specific NFP requirements. In addition, the application of AASB 8 *Operating Segments* and AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* has been limited to FP entities by the AASB. Consequently, the classification of an agency as FP or NFP may impact on financial statements in these areas.

A NFP entity was defined under superseded standards as an entity whose financial objectives **do not include the generation of profit**. The AASB added material in AASB 136 (paragraph Aus6.2) defining a NFP entity as an entity **whose principal objective is not the generation of profit**. The requirements for an agency to operate in a commercial manner, pay taxation equivalents or return a dividend to Government, do not by themselves mean that an agency is in substance a FP entity under the definition in AASB 136. To ensure consistency, this instruction mandates that all agencies are NFP for purposes of compliance with Australian Accounting Standards unless specifically designated as FP.

## **Classification of agencies as Tier 1 or Tier 2**

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes two tiers of reporting requirements. Tier 1 comprises the full range of recognition, measurement and disclosure requirements of all Australian Accounting Standards and Interpretations. Tier 2 comprises the same recognition and measurement requirements as Tier 1, but with less disclosures.

Tier 1 agencies can be found in Schedule 1 of [TI 1107 Application of Tiered Reporting – Simplified Disclosures](#). Tier 2 agencies are those agencies other than the ones listed in Schedule 1 of TI 1107.

## **Materiality**

Materiality does not provide an authority for non-compliance with legal requirements. Consequently, paragraph (8)(iv) of this instruction precludes recourse to the concept of materiality on any matter relating to legal compliance unless specified. Requirements for the assessment and application of materiality are found in AASB 101 *Presentation of Financial Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB Practice Statement 2 *Making Materiality Judgements*.

## **AASB 8 Operating Segments**

AASB 8 only applies to for-profit entities whose debt or equity instruments are traded in a public market, or that files (or is in the process of filing) its financial statements with a security commission or other regulatory organisation for the purposes of issuing any class of instruments in a public market. As such it does not apply to public sector entities, whether FP or NFP. However, where an agency discloses information about segments that does not comply with this Standard, it shall not describe this information as segment information. The Standard requires the disclosure of information on operating segments to enable users of financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The Standard defines operating segment as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Where a FP statutory authority chooses to apply the Standard, paragraph (8)(ii) of this instruction provides that a FP statutory authority's services, or a collection of related services, may be substituted for operating segments for the purposes of compliance with the Standard.

Paragraph (9) of this instruction requires Tier 1 NFP statutory authorities to disclose income and expenses by services. Disclosures must be consistent with the Statement of Comprehensive Income. Paragraph (10) of this instruction requires specific disclosures by the Commissioner of Main Roads due to the capital nature of their services.

Under AASB 1052 *Disaggregated Disclosures* (paragraphs 15 and 16) Tier 1 departments must disclose income and expenses by service, and assets deployed and liabilities incurred by service. Tier 2 departments are not required to make those disclosures.



### **AASB 107 Statement of Cash Flows**

AASB 107 requires that cash flows be appropriately classified within the statement of cash flows to provide users with relevant information about the operating and other activities of the entity.

Whilst AASB 107 permits alternate methods of reporting cash flows from operating activities, this instruction mandates that the direct method option be used.

In order to ensure a consistent classification structure within statements of cash flows prepared by agencies, this instruction requires that cash flows be classified as:

- (i) cash flows from operating activities;
- (ii) cash flows from investing activities;
- (iii) cash flows from financing activities; and
- (iv) cash flows from/to State Government.

The category of cash flows from/to State Government in terms of paragraph (8)(i)(b) of this instruction is intended to include only those from or to the State Government. This includes appropriations and funds from other public sector entities. Non-repayable grants and contributions received from the Commonwealth (not re-appropriated through the Consolidated Account) are cash flows from operating activities. Treasurer's Advances should be classified as cash flows from financing activities as they are repayable to the Treasurer.

### **AASB 112 Income Taxes**

AASB 112 paragraph 81(c) permits two alternative numerical reconciliations to explain the relationship between tax expense (income) and accounting profit. This instruction mandates the application of paragraph 81(c)(i) of AASB 112.

### **Australian Accounting Interpretations**

The AASB is directly responsible for considering the adoption of IFRIC Interpretations in Australia and in developing and approving domestic Interpretations.

Australian Accounting Interpretations include interpretations of both the AASB and the former Urgent Issues Group (UIG). These interpretations are listed in AASB 1048 *Interpretation of Standards*, giving them authority alongside the Standards.

Australian Accounting Interpretations listed in AASB 1048 shall be applied by agencies unless modified by the Treasurer's instructions.

### **Early adoption of Australian Accounting Standards and Australian Accounting Interpretations**

This instruction specifies that Australian Accounting Standards shall not be early adopted unless specified by this instruction. This is to provide agencies with certainty and to ensure consistency and appropriate reporting across the public sector. Note however that Tier 1 agencies would still need to meet the disclosure requirements of paragraph 30 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* where the agency had not applied a new Australian Accounting Standard that has been issued but is not yet effective.

## **Framework and Statement of Accounting Concepts**

The conceptual framework underlying the development and amendment of Australian Accounting Standards consists of the Framework and SAC 1 *Definition of the Reporting Entity*. By themselves the Framework and SAC are not mandatory in the preparation, presentation or audit of general purpose financial statements. This instruction requires agencies to have regard to the Framework and SAC in preparing financial statements in circumstances where there is no Australian Accounting Standard or Australian Accounting Interpretation dealing with an accounting treatment or disclosure issue.

AASB 108 paragraphs 10 to 12 also have application where there is no Australian Accounting Standard specifically applying to a transaction, other event or condition.

## **Compliance with the Act, Regulations and Treasurer's instructions**

Agencies are charged with reporting in accordance with the provisions of the Act, Regulations and Treasurer's instructions. Accordingly, paragraph (12) of this instruction provides that where there is any inconsistency between Australian Accounting Standards, Australian Accounting Interpretations, the Framework and SAC, and the requirements of the Act, Regulations and Treasurer's instructions, the latter shall prevail.

## **Modification of Australian Accounting Standards and Australian Accounting Interpretations by Treasurer's instructions**

Where Australian Accounting Standards or Australian Accounting Interpretations have been modified by Treasurer's instructions, it is necessary to inform financial statement users of the nature and financial effect (where material and significant) of the modifications. The obligation to ensure that any departure from Australian Accounting Standards (including Australian Accounting Interpretations), the reasons for such departure, and its financial effects are properly disclosed and explained in the summary of significant accounting policies or notes to the financial statements is imposed by paragraph 20 of AASB 101 *Presentation of Financial Statements* and APES 205 *Conformity with Accounting Standards*. Further to the requirements of AASB 101, members of the domestic professional accounting bodies listed in paragraph 1 of TI 824 *Chief Finance Officers* are obliged to comply with APES 205, as issued by the Accounting Professional and Ethical Standards Board (APESB). APES 205 requires that if legislation, ministerial directive or other government authority requires a departure from Australian Accounting Standards, that fact shall be disclosed in the report as a reason for the departure. To detail the effects of each modification would require a substantial addition to the summary of significant accounting policies or other note to the financial statements.

Paragraph (13) of this instruction gives effect to this APES 205 requirement. A general note is required covering all modifications which do not have a financial effect on the results reported in the financial statements. Where material or significant financial effects occur, specific explanatory notes are required where practicable.

## **Scope of Treasurer's instruction**

Consistent accounting policies from a whole of government perspective are not essential for agencies that are not consolidated in the Annual Report on State Finances. For this reason, paragraph (2) of this instruction scopes out these agencies from the policy positions mandated in paragraphs (4), (6), (7) and (14).

Universities listed in Schedule 1 of the Act are scoped out of this instruction.

## TREASURER'S INSTRUCTION

- (1) This instruction applies to all accountable authorities except the accountable authorities of universities listed in [Schedule 1](#) of the Act.
- (2) For the purposes of this instruction:
  - (i) In paragraphs (4), (6), (7) and (14), 'agencies' include departments and all statutory authorities listed in Schedule 1 of the Act that are consolidated in the Annual Report on State Finances; and
  - (ii) 'Dividends' mean distributions of the whole or part of operating surpluses or profits to the Consolidated Account.
- (3) Financial statements shall be presented in the Australian currency.
- (4) Apart from Gold Corporation, all agencies are not-for-profit entities as defined in Australian Accounting Standards.
- (5) Subject to paragraphs (7), (8) and (14), Australian Accounting Standards, including Australian Accounting Interpretations, are to be applied by all accountable authorities in preparing financial statements.
- (6) Australian Accounting Standards, including Australian Accounting Interpretations, that have been issued but are not yet effective shall not be applied by accountable authorities to earlier reporting periods unless specified by this instruction.
- (7) The application of the following Australian Accounting Standards is modified:
  - (i) **AASB 107 *Statement of Cash Flows*** – the direct method is to be used in reporting cash flows from operating activities;
  - (ii) **AASB 112 *Income Taxes*** – an explanation of the relationship between tax expense (income) and accounting profit shall be in the form of a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed;
  - (iii) *[deleted by Treasury]*
  - (iv) **AASB 119 *Employee Benefits*** – where an agency has more than one defined benefit plan, disclosures shall be made separately for each plan;
  - (v) *[deleted by Treasury]*
  - (vi) *[deleted by Treasury]*
  - (vii) *[deleted by Treasury]*
  - (viii) **AASB 1053 *Application of Tiers of Australian Accounting Standards*** – Tier 1 agencies are those listed in [Schedule 1 of Treasurer's instruction 1107 \*Application of Tiered Reporting – Simplified Disclosures\*](#). Tier 2 agencies are all other agencies;
  - (ix) **AASB 127 *Separate Financial Statements*** – the elections under paragraph 8 to present separate financial statements as the agency's only financial statements are disallowed;

- (x) **AASB 9 *Financial Instruments*** – loss allowance for trade receivables, contract assets and lease receivables is to be measured at an amount equal to lifetime expected credit losses;
  - (xi) **AASB 9 *Financial Instruments*** – the election under paragraph 7.2.21 to continue to apply the hedge accounting requirements in **AASB 139 *Financial Instruments: Recognition and Measurement*** is disallowed; and
  - (xii) **AASB 10 *Consolidated Financial Statements*** – the election under paragraph Aus4.1 that provides for a parent to be exempted from presenting consolidated financial statements where certain conditions are met is disallowed.
- (8) The application of the following Australian Accounting Standards is modified:
- (i) **AASB 107 *Statement of Cash Flows*** – with the proviso that:
    - (a) the statement of cash flows shall be structured to disclose, where applicable:
      - (aa) cash flows from operating activities;
      - (bb) cash flows from investing activities;
      - (cc) cash flows from financing activities;
      - (dd) cash flows from/to State Government; and
    - (b) in the statement of cash flows:
      - (aa) recurrent and capital appropriations, funds received from other public sector entities;
      - (bb) money received from other State funds not in the nature of a financing activity cash flow;
      - (cc) payments of income tax equivalents as defined in [Treasurer's instruction 1102 \*Statements of Comprehensive Income\*](#); and
      - (dd) payments of dividends;

shall be disclosed as cash flows from/to State Government;
  - (ii) **AASB 8 *Operating Segments*** – where the accountable authority of a statutory authority considers that it would provide more relevant information, for-profit statutory authorities may use services as defined in [Treasurer's instruction 904 \*Key Performance Indicators\*](#), or a collection of related services, as separate operating segments for the purposes of compliance with that Standard; and
  - (iii) [*deleted by Treasury*]
  - (iv) **Materiality** – the concept of materiality as defined in **AASB 101 *Presentation of Financial Statements*** and **AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*** shall not be considered or applied by agencies in matters relating to legal compliance, except where specified.

- (9) Apart from the Commissioner of Main Roads, all Tier 1 not-for-profit statutory authorities shall additionally disclose income and expenditures for each service, or a collection of related services. Income and expenditures for each service shall be consistent with the Statement of Comprehensive Income categorisation, and, services consistent with the definition in Treasurer's instruction 904 *Key Performance Indicators*.
- (10) The Commissioner of Main Roads shall additionally disclose income and expenditures for each service, or a collection of related services. Income and expenditures for each service shall be consistent with the Statement of Comprehensive Income categorisation, and, services consistent with the definition in Treasurer's instruction 904 *Key Performance Indicators*. For the purposes of compliance with this paragraph, 'expenditure' means expense plus capital expenditure on road infrastructure less depreciation on road infrastructure.
- (11) In preparing financial statements, accountable authorities should have regard to the Framework and Statement of Accounting Concepts as a source of guidance to which reference should be made when preparing financial statements if there is no Australian Accounting Standard or Australian Accounting Interpretation dealing with an accounting treatment or disclosure issue.
- (12) Australian Accounting Standards, Australian Accounting Interpretations, the Framework and Statement of Accounting Concepts do not apply in those instances where their requirements are inconsistent with the requirements of the Act, Regulations or Treasurer's instructions.
- (13) Tier 1 agencies' financial statements shall include in the statement of accounting policies or other notes to the financial statements, the following general statement:

**'The financial statements constitute general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by Treasurer's instructions. Several of these are modified by Treasurer's instructions to vary application, disclosure, format and wording. The Act and Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.'**

**Where such modification has a material or significant financial effect upon the results reported in the financial statements, the statement of accounting policies or other notes to the financial statements shall include:**

- (i) the fact that the Australian Accounting Standard or Australian Accounting Interpretation has been modified by a Treasurer's instruction, the nature of the modification and identification of the relevant Treasurer's instruction; and**
- (ii) the financial effects of the modification where practicable.**

Tier 2 agencies' financial statements shall include in the statement of accounting policies or other notes to the financial statements, the following general statement:

'These general purpose financial statements comply with Australian Accounting Standards – Simplified Disclosures. The general purpose financial statements have been prepared in accordance with Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by Treasurer's instructions. Several of these are modified by Treasurer's instructions to vary application, disclosure, format and wording. The Act and Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.'

Where such modification has a material or significant financial effect upon the results reported in the financial statements, the statement of accounting policies or other notes to the financial statements shall include:

- (i) the fact that the Australian Accounting Standard or Australian Accounting Interpretation has been modified by a Treasurer's instruction, the nature of the modification and identification of the relevant Treasurer's instruction; and
  - (ii) the financial effects of the modification where practicable.
- (14) The asset capitalisation threshold for agencies is set at \$5,000 for the recognition of assets under AASB 116 *Property, Plant and Equipment*, and, at a minimum of \$5,000 for the recognition of intangible assets under AASB 138 *Intangible Assets*.

## GUIDELINES

### Notes to the financial statements

Where it is not practicable to include in the financial statements information which is an integral part of or pertinent to the interpretation of those statements, that information is to be disclosed by way of note. Notes should be designated numerically and cross-referenced to the relevant items in the financial statements.

Types of information generally required to be disclosed in notes to the financial statements include:

- (i) qualitative information being:
  - (a) information relating to the financial statements as a whole which materially assists in understanding their content; and
  - (b) information about particular items within the financial statements which relates to the understandability and comparability of the information;
- (ii) quantitative information, being detailed information which is of value in interpreting significant aspects of the financial statements; and
- (iii) information about items not recognised in the financial statements.

AASB 101 *Presentation of Financial Statements* has a general requirement that notes in the financial statements must disclose information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

### **AASB 5 Non-current Assets Held for Sale and Discontinued Operations**

AASB 5 requires agencies to present non-current assets held for sale as a separate item in the Statement of Financial Position. Assets can only be classified as 'held for sale' when the following criteria are met:

- the carrying amount will principally be recovered through sale rather than from continuing use;
- the asset is available for immediate sale; and
- the sale is highly probable.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

AASB 5 requires non-current assets to be classified as held for distribution to owners when the agency is committed to distribute the asset to the owners. A transfer of assets from controlled to administered is a distribution to owners. Non-current assets classified as held for distribution to owners are measured at the lower of carrying amount and fair value less costs to distribute.

#### ***Sale of Crown land***

The Department of Planning, Lands and Heritage (DPLH) is the only agency with the power to sell Crown land. Accordingly, the land must be transferred to DPLH for sale. However, this does not necessarily transfer control of the asset.

Under Australian Accounting Standards, the land must be reported by the agency controlling the land. The agency which controls the land between the date of the land becoming available for sale and the date of sale by DPLH may vary according to the particular circumstances. To ensure that all Crown land in the process of being prepared for sale is reported either by the agency or DPLH, the land should generally continue to be reported by the agency to which the land was vested (initially as land and then as assets classified as held for distribution to owners when the land becomes available for immediate sale) until the date of sale by DPLH. Transfers to DPLH prior to this date may be undertaken where it is clear that control of the land has transferred to DPLH and DPLH has been consulted and agrees with the transfer. Agencies must advise DPLH of the carrying amount of the land and any buildings thereon which should equate to fair value.

Where control of crown land has passed to DPLH, agencies account for the transfer to DPLH as a distribution to owner and the sale is recognised in DPLH Administered (refer to the Guidelines in [TI 955 Contributions by Owners Made to Wholly Owned Public Sector Entities](#)).

Land transferred to DPLH prior to sale will be reported by DPLH Administered as non-current assets classified as held for sale. The specific measurement, presentation and disclosure requirements for assets classified as held for sale or as held for distribution to owners under AASB 5 now relate to the timing of the transfer to DPHL. Currently, most transfers are completed at the time of sale.

### **AASB 9 Financial Instruments**

AASB 9 applies to annual reporting periods beginning on or after 1 January 2018. Essentially, AASB 9 introduces a new concept of 'expected credit losses' to account for doubtful debts and other impairments of a financial asset.

Agencies shall recognise a loss allowance for expected credit losses on a financial asset that is measured at amortised cost. Note that no loss allowance would be recognised in relation to financial assets measured at fair value through profit or loss.

Expected credit losses of a financial asset shall be measured in a way that reflects:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) the time value of money; and
- (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

In comparison to the measurement of impairments under the superseded AASB 139 *Financial Instruments: Recognition and Measurement*, the amount of expected credit losses under AASB 9 is expected to be higher due to the inclusion of future credit losses (that have not been incurred).

Typical financial assets held by agencies are cash and cash equivalents, amounts receivable for services (i.e. holding account receivables), trade receivables, and loans and advances.

No credit loss is expected for cash and cash equivalents. It is considered that amounts receivable for services (which are accessible on the emergence of the cash funding requirement to cover leave entitlements or asset replacement) would not be impaired.

Expected credit losses are required to be recognised for trade receivables, loans and advances. Note that this instruction mandates loss allowance for trade receivables, contract assets (regardless of whether they contain a significant financing component or not) and lease receivables be measured at the lifetime expected credit losses (see AASB 9, paragraph 5.5.15). Nevertheless, it is considered that no expected credit loss would be incurred in relation to a debtor that is a wholly-owned public sector entity.

Hedge accounting under AASB 9 is more principle-based and less strict, which allows more hedging instruments and hedged items to qualify for hedge accounting. As a result, this instruction disallows the election under paragraph 7.2.21 of AASB 9 for continuing to apply the hedge accounting requirements under AASB 139.

### **AASB 119 Employee Benefits**

AASB 119 covers the recognition and measurement of employee benefits including salaries and wages, sick leave, annual leave and long service leave.

Note that the application of [TI 520 Transfer of Employees](#) does not affect the calculation of employee benefits under AASB 119.

#### **Short-term employee benefits**

AASB 119 defines short-term employee benefits as employee benefits (other than termination benefits) that are expected to be settled **wholly** within 12 months after the end of the reporting period in which the employees render the related service. Short-term employee benefits include wages, salaries, paid annual leave and paid sick leave, and non-monetary benefits (e.g. fringe benefits such as medical care, housing, cars and free or subsidised goods or services) for current employees. Liabilities for all short-term employee benefits are measured at undiscounted amounts based on all factors that are expected to affect the ultimate amount to be paid in settlement of the obligation.



Sick leave is generally an accumulating non-vesting entitlement in the public sector. Where an employee leaves the public sector, they are not entitled to a cash payment for unused entitlement. In measuring the liability for accumulated non-vesting sick leave, agencies should recognise the additional amount that is expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period. Note that not all accumulated non-vesting sick leave entitlements will result in payments being made to employees. Where experience indicates that sick leave taken each reporting period is less than or equal to the benefit accruing in that period, no liability or expense is recognised until the time of absence. Unused accumulating non-vesting sick leave entitlement at the end of the reporting period will give rise to a liability when it is probable that sick leave taken in the future will be greater than the entitlement that will accrue in the future.

Flexi leave that is banked, but does not vest to the employee, and is not paid on termination, resignation or transfer to another agency, is a form of short-term employee benefit that has an accumulating component and a non-accumulating component (i.e. excess hours over the set ceiling are lost). Subject to materiality, agencies with this type of employee benefit would be required to recognise and measure the liability under AASB 119.

### ***Other long-term employee benefits***

AASB 119 defines other long-term employee benefits as all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits. Other long-term employee benefits include deferred salary schemes, long service leave, and employee benefits such as annual leave, sick leave and non-monetary benefits (e.g. fringe benefits) that are not expected to be settled **wholly** within 12 months after the end of the reporting period in which the employees render the related service. Liabilities for these other long-term employee benefits are measured on a discounted basis by calculating the present value of the estimated future cash outflows.

The use of the phrase 'expected to be settled wholly' in the definition of short-term employee benefits implies that annual leave will generally be considered to be other long-term employee benefit as at least a portion is expected to be settled beyond 12 months. As such, liability for annual leave will need to be discounted where material.

Deferred salary schemes allow Public Service employees to enter an agreement to self-fund an additional 12 months leave in the fifth year of the agreement, by reducing their salary by 20% throughout the period of the agreement. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

Long service leave is leave where a legal entitlement to payment arises after a qualifying period of service has passed which is usually 7, 10 or 15 years.

Note that casual employees may be entitled to long service leave under the *Long Service Leave Act 1958* (LSLA), even if the applicable award or industrial agreement provides a casual loading in lieu of long service leave. Public sector industrial agreements are being renegotiated so that casual employees will accrue long service leave under the agreement applicable to them, and not under the LSLA. For each occupational group, accrual will continue under the LSLA until it is replaced by the new agreement. Therefore, agencies should take casual employees into account when measuring long service leave liabilities. In addition, agencies would need to consider how best to transition entitlements of existing casual employees under the LSLA to the new agreement. Public Sector Labour Relations should be consulted on the transition arrangement.

Measuring the long service leave liability on a discounted basis involves estimates of items such as future employee turnover and future salary increases on a group basis, including the use of appropriate discount rate/s. AASB 119 allows 'short-hand' measurement techniques in estimating the present value of the future cash outflows associated with the long service leave liabilities where this is not materially different from the detailed computations illustrated in the Standard (see paragraph 60).

The discount rate used to calculate the present value of other long-term employee benefits is to be determined by reference to market yields (based on interest rates at the end of the reporting period on government bonds (see AASB 119, paragraph Aus83.1).

### ***Employment on-costs***

Employment on-costs such as payroll tax and workers' compensation insurance are not considered to be employee benefits as per AASB 119 and should not be classified as such. Superannuation contributions are regarded as employee benefits and are not considered to be on-costs. To the extent that it is expected that settlement of leave will give rise to the payment of superannuation contributions, these contributions should be accrued as part of the provision for leave.

As employment on-costs are not employee benefits, they should not be included as part of the agency's 'employee benefits expense'. Agencies should separately disclose these on-costs to assist users in calculating the total employee expense. By implication the liability for these on-costs should not be included as part of the agency's employee benefit liabilities.

### ***Presentation of unconditional leave entitlements in the Statement of Financial Position***

AASB 119 uses the terms 'short-term' and 'long-term' in the context of recognition and measurement of employee benefits and does not necessarily align with the distinction between 'current' and 'non-current' for presentation purposes under AASB 101. AASB 101 requires assets and liabilities to be classified as current and non-current subject to defined criteria. As a consequence, the terms 'short-term' and 'long-term' used in AASB 119 will not always be consistent with the terms 'current' and 'non-current' used in AASB 101. This means that under AASB 101, all unconditional leave entitlements (such as annual leave, deferred salary scheme and unconditional long service leave) would be classified as current liabilities in the Statement of Financial Position as the agency does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period (see AASB 101, paragraph 69(d)). Deferred salary scheme is unconditional as employees can leave the scheme at any time through the agreement. Subject to materiality, this would also include pre-conditional and conditional long service leave expected to become unconditional within 12 months of the end of the reporting period. However, under AASB 119, annual leave, deferred salary scheme and unconditional long service leave are measured in terms of 'short-term' or 'long-term' benefits as appropriate, even though they would be classified as current liabilities in the Statement of Financial Position under AASB 101.

### ***Superannuation under AASB 119 Employee Benefits***

Post-employment benefits (particularly the recognition, measurement and disclosures concerning superannuation plans) are specifically covered under the scope of AASB 119.

AASB 119 distinguishes between two broad types of superannuation plan, which are required to be classified as either defined contribution plans or defined benefit plans. The classification of a superannuation plan determines whether defined benefit accounting or defined contribution accounting is to be used.

### ***Defined contribution plans***

Under AASB 119, defined contribution plans are defined as 'post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods'. An accumulation type superannuation scheme, such as the West State Superannuation Scheme (WSS) and the GESB Superannuation Scheme (GESBS), is classified as a defined contribution plan as there is no further obligation to the agency once the contribution has been paid to the fund.

The Gold State Superannuation Scheme (GSS) is classified as a defined benefit plan at the overall plan and whole of government levels. However, at an agency level, the GSS possesses aspects of both defined contribution and defined benefit plans under the terms of the scheme. This 'hybrid' plan (from an agency perspective where applicable) can be divided into two components: the defined contribution component (i.e. concurrent contributions) and the defined benefit component (i.e. pre-transfer benefit). Apart from any pre-transfer obligation, agencies that concurrently fund the GSS have no further obligation to those employees (past and present) because any actuarial risk or investment risk is borne by the State Government centrally. Under this circumstance, agencies would classify that component of the GSS as a defined contribution plan.

### ***Defined benefit plans***

Under AASB 119, defined benefit plans are defined as 'post-employment benefit plans other than defined contribution plans'. An example of a defined benefit plan is the Pension Scheme where there is an obligation on an agency and at whole of government level to fund any shortfall in meeting the employee benefits when they are due and payable.

The GSS is a defined benefit plan at the overall plan and whole of government levels. At an agency level, the GSS can be separated into two components (as discussed above). Agencies that carry GSS unfunded superannuation liabilities relating to the 'pre-transfer benefit' would classify that component of the GSS as a defined benefit plan.

The accounting treatment for defined benefit plans under AASB 119 requires the use of actuarial assumptions to measure the defined benefit obligation and the expense in addition to the possibility of actuarial gains and losses arising. These obligations are measured on a discounted basis because they may be settled many years after the employees render the related services.

The accounting treatment under AASB 119 for defined benefit plans ultimately depends on whether it is the agency's obligations to provide the agreed benefits to current and former employees and whether the associated actuarial risk is borne by the agency.

As required by paragraph (7)(iv) of this instruction, agencies that have more than one defined benefit plan are required to make separate disclosures for each plan.

Apart from limited exceptions, all obligations (liabilities) under the Pension Scheme and the pre-transfer component with the GSS are unfunded.

Where the Treasurer meets unfunded obligations under the Pension Scheme and the pre-transfer component of the GSS, those agencies (departments and budget-funded statutory authorities) do not recognise liabilities or expenses in respect of those unfunded obligations.

Other agencies (statutory authorities that are not budget-funded) are required to recognise the unfunded superannuation liabilities for the Pension Scheme and the pre-transfer component of the GSS. There are no corresponding plan assets that are required to be valued with respect to these liabilities.

The Government Employees Superannuation Board (GESB) will provide those agencies affected with the necessary information relating to the defined benefit plans to comply with the defined benefit superannuation requirements of AASB 119.

Agencies should consult their actuary, the GESB or other relevant superannuation organisation to ensure that the required information is received to comply with the superannuation requirements under AASB 119.

### **AASB 128 *Investments in Associates and Joint Ventures***

AASB 128 deals with circumstances where an investor has either *joint control* over a joint venture or *significant influence* over an investee (the investee is known as a joint venturer or an associate respectively).

An investor that is required to prepare consolidated financial statements must recognise an investment in an associate or joint venture by applying the equity method in its consolidated financial statements.

### **Capitalisation policy**

Capitalisation is the recognition of costs (expenditure) as an asset in the Statement of Financial Position as opposed to recognising costs as an expense in the Statement of Comprehensive Income. AASB 116 *Property, Plant and Equipment* requires assets with physical substance that are expected to be used over more than one reporting period to be recognised when the asset recognition criteria are met. Similarly, AASB 138 *Intangible Assets* requires identifiable non-monetary assets without physical substance to be recognised when the asset recognition criteria are met.

Asset recognition imposes ongoing costs to meet the recording, valuation, depreciation and reporting requirements. Where an agency controls a large amount of relatively low cost items, the cost of managing these items may exceed the benefits. In order to reduce these costs, expenditure on items of property, plant and equipment and intangible assets below the standard capitalisation threshold of \$5,000 is to be expensed in the period in which the expenditure occurs. Where the total cost of an item of property, plant and equipment is \$5,000 or more, an asset must be recognised. For intangible assets, agencies may set an asset capitalisation threshold of more than \$5,000 subject to materiality.

Given the nature of internally generated intangible assets, it is considered that the capitalisation of costs for relatively small projects would result in an administrative burden in ensuring that all the criteria are met under AASB 138 (particularly paragraphs 52 to 67) whenever there is an outlay of expenditure relating to a particular project. Therefore, it may be appropriate for agencies to establish a capitalisation threshold for internally generated intangible assets at a higher level than for separately acquired intangible assets.

Note that the recognition of right-of-use assets under AASB 16 *Leases* is not subject to this instruction. The capitalisation threshold for right-of-use assets is set at \$5,000 by TI 916 *Leases*. However, agencies (lessees) must recognise all right-of-use assets in relation to leases that are held with another wholly-owned public sector entity (refer to TI 955 *Contributions by Owners Made to Wholly Owned Public Sector Entities*) regardless of the amount. This is to facilitate the consolidation process on preparation of the Annual Report on State Finances. See TI 916 for further advice on the accounting for leases.

The varying size and nature of operations of agencies means that materiality between agencies can differ significantly. Agencies should consider their own individual circumstances in selecting an asset capitalisation threshold that may vary from the one mandated by this instruction. If this is the case, agencies should consult with the Financial Policy Division at Treasury in the first instance and subsequently consult with their auditor. If necessary, an agency will apply to the Treasurer for an exemption from the requirements of paragraph (14) of this instruction. Applications should be forwarded to the Under Treasurer providing reasons why an exemption should be granted.

There may be circumstances where agencies should apply the standard asset capitalisation threshold of \$5,000 to the aggregate value of a group or network of assets (a group is a collection of similar assets and a network is a chain of interconnected but dissimilar assets for the provision of one simultaneous service, e.g. computer system or office furniture). That is, the cost of individual items (assets) may be below the threshold but collectively the cost of items in the group or network exceeds the threshold. Generally, aggregations of assets should only be considered where they have long useful lives and high aggregate values. It is also relevant to compare patterns of asset consumption (i.e. consumption of future economic benefits embodied in the asset or consumption of service potential) with patterns of asset replacement expenditure to identify whether there is a material periodic difference between depreciation expense and the on-going expensing of acquisitions. Where asset replacement expenditure is both lumpy and significant and depreciation expense is determined using the straight-line method, there may be a case for capitalising the assets. To aggregate assets, the impact must be material in the overall context of an agency's financial statement. The cost benefit of capitalising expenditures in such circumstances must be considered. For example, a general fit-out may involve a material outlay and yield future economic benefits over a long period of time and consequently would generally be capitalised. Although the individual items may be below the capitalisation threshold, the fit-out can be considered a network for capitalisation purposes.

An example of a group of items (assets) is a library. Individual books would be below the capitalisation threshold but the collection will generally have a long useful life and may have a material value. AASB 116 does not prescribe the unit of measure for recognition of property, plant and equipment. The Standard states that judgement is required in applying recognition criteria to an agency's specific circumstances (paragraph 9).

Agencies changing their asset capitalisation threshold to comply with paragraph (14) of this instruction or electing to change their asset capitalisation threshold must account for this as a voluntary change in accounting policy for the purposes of applying AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Guidance on accounting for voluntary changes in accounting policy is provided under the next heading below.

The asset capitalisation policy should be disclosed in the notes to the financial statements.

Agencies planning new asset capitalisation thresholds are encouraged to disclose in the notes to their financial statements the following:

- (i) the fact that there will be a change in the agency's asset capitalisation policy in the following financial year; and
- (ii) where practicable, the impact on the financial statements of the change in the agency's asset capitalisation policy in the period of initial application.

## **Accounting for voluntary changes in accounting policy**

Where an agency decides to make a voluntary change in accounting policy (e.g. an increase in capitalisation threshold), this shall be accounted for under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and is to be applied retrospectively.

The change in accounting policy is applied retrospectively by adjusting the opening balance of accumulated surplus/(deficit) or retained earnings for the earliest prior period presented in the financial statements and by adjusting the relevant comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. For example, if an agency decides to increase its asset capitalisation threshold in the 20X1-X2 financial year, the assets to be written-off retrospectively will not be expensed in the Statement of Comprehensive Income for 20X1-X2 (except for those assets acquired in 20X1-X2 that were below the new threshold). In applying AASB 108, the agency would need to expense the assets acquired between 1 July 20X0 and 30 June 20X1 that were below the new threshold in the Statement of Comprehensive Income comparatives for 20X0-X1. In addition, the 20X0-X1 comparatives for depreciation expense in the Statement of Comprehensive Income and accumulated depreciation in the Statement of Financial Position will also be adjusted by writing back the depreciation expense that was applied in 20X0-X1 to those assets that are now below the threshold. Also, the 20X0-X1 comparatives for any relevant note disclosures such as the reconciliation of property, plant and equipment will need to be adjusted. Where it is practicable for the agency to determine the cumulative effect of the change for the financial years preceding 20X0-X1, it will need to reflect this cumulative adjustment in the opening balance of accumulated surplus/(deficit) or retained earnings as at 1 July 20X0.

AASB 108 also requires a one-off disclosure in the financial statements explaining the nature, reasons and adjustment amounts, both for the current year and the comparative period reported, pertaining to a voluntary change in accounting policy.

## **AASB 1050 Administered Items – Departments only**

In classifying transactions or items as either 'controlled' or 'administered', departments should apply the fundamental concept of 'control' as detailed for assets in the Framework and in AASB 1050. The principles embodied in the concept of control are able to be used in determining whether assets, liabilities, income and expenses are controlled or administered.

Controlled items – controlled transactions and balances relate to activities that assist a department to achieve its outcomes through the delivery of services. A department controls an asset where it has the capacity to benefit from the asset in the pursuit of the department's objectives and can deny or regulate the access of others to that benefit. Controlled transactions and balances must be reported in the financial statements.

Administered items – administered transactions and balances relate to activities and functions that a department manages on behalf of Government and do not contribute to the department's services or objectives. The collection of taxes and the payment of benefits would generally be classified as administered items.

AASB 1050 provides for the separate disclosure of administered income, expenses, assets and liabilities which may be in the financial statements in a manner that differentiates them from controlled elements. However, this can be confusing to users and it is considered more appropriate that the schedules of administered items be presented as notes to the financial statements as illustrated in the model financial statements.

Disclosures required by other Australian Accounting Standards (e.g. AASB 7 *Financial Instruments: Disclosures*) are not required for administered income, expenses, assets and liabilities.

### **Controlled and administered transactions**

Where a department has discretion over how it utilises its financial resources (i.e. assets, liabilities, income and expenses) in pursuing its own objectives, these transactions would *prima facie* be classified as controlled transactions. Departments need to exercise professional judgement as to whether a transaction is controlled or administered. Departments should also be mindful in assessing the economic substance over legal form in determining whether a transaction or item is controlled or administered.

Other factors that may be of assistance include:

- (i) whether the department has the discretion to negotiate, deal or enter into agreements with external parties in providing or receiving goods and services relating to the achievement of departmental objectives;
- (ii) whether the department is able to set parameters or conditions on the use and the amount of financial resources for both internal and external recipients; and
- (iii) whether the department has discretion over the dollar amount and timing in the utilisation of its financial resources.

In those instances where an item or transaction is borderline, the department should classify the item as controlled. Treasury should be consulted in those circumstances where the distinction is less clear.

### **Controlled and administered income**

Where a department is required to apply resources in order to generate income for its own purposes, the income should be recognised as controlled income. Examples of such controlled income are plant inspection fees, marine examination and conservancy fees, motor vehicle inspection fees and mine inspection fees where the department applies resources and the fee is set with reference to partial or full cost recovery.

Income retained by a department pursuant to the Financial Management (Net Appropriations) Determination 2015 should be classified as controlled income.

Where income is required to be paid into the Consolidated Account, although resources are applied in that collection process, the income should be reported as administered income. However, funds received on behalf of other entities (including local governments and non-government schools) under pass-through arrangements should not be recognised as administered income.

In instances where the proceeds from the sale of controlled assets are required to be paid to the Consolidated Account, the guidance provided in TI 955 *Contributions by Owners Made to Wholly Owned Public Sector Entities* should be followed.

Examples of income that would normally be considered as controlled and administered are given below:

#### **Controlled**

- (i) Commonwealth specific purpose grants
- (ii) Sale of controlled assets
- (iii) Inspection fees

- (iv) Registration fees<sup>1</sup>
- (v) Licence fees<sup>1</sup>
- (vi) Saleable publications
- (vii) Recording fees<sup>2</sup>
- (viii) Industry contributions
- (ix) Trading activities

**Administered**

- (i) Taxes
- (ii) Royalties
- (iii) Commonwealth general purpose grants
- (iv) Sale of administered assets
- (v) Registration fees<sup>1</sup>
- (vi) Licence fees<sup>1</sup>
- (vii) Recording fees<sup>2</sup>

**Controlled and administered expenses**

Where a department incurs costs (i.e. direct and indirect) in producing and delivering services as part of achieving its objectives, these expenses should be recognised as controlled expenses. These costs include expenses such as employee expenses, supplies and services expenses, depreciation expenses relating to controlled assets, other operating expenses and overhead used in delivering services.

Expenses incurred in managing administered activities, items or transactions are to be recognised as controlled expenses.

Where a department acts as a conduit for and on behalf of the State Government (i.e. administered appropriations) and makes payments that do not contribute to the operations and pursuit of its objectives, it shall classify these as administered expenses. This would be the case where a department has no discretion as to how funds are to be transferred or disbursed and to whom. For example, expenses relating to State Government grants, subsidies and other assistance for the benefit of eligible recipients (including other public sector entities) where the department is acting as an agent and does not have the capacity to regulate or deny the payment would be classified as administered expenses. However, payments made to eligible recipients by the State Government on behalf of another entity (e.g. the Commonwealth Government) under a pass-through arrangement should not be recognised as administered expenses.

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<sup>1</sup> **Registration and licence fees**

Where a department applies resources that are additional to the collection process, the fee collected would be classified as 'controlled'. If this is not the case then the classification would be 'administered'.

<sup>2</sup> **Recording fees**

If the fee is calculated on the basis of full or partial recovery of the cost of the resources applied in carrying out the function, this type of income would be recognised as 'controlled'.

If the fee set is substantially greater than the cost of carrying out the function and generate significant income to the Government, it would be recognised as 'administered'.



### ***Controlled and administered assets***

Assets that are able to be deployed, redeployed or disposed of at a department's discretion in order to achieve its objectives would be treated as controlled assets. This includes those assets that are used by the department in managing and undertaking administered activities for and on behalf of the State Government (e.g. assets used in collecting taxes).

The assets of a department would be classified as administered where it is probable that the future economic benefits embodied in the asset will not flow to the department (i.e. control of the asset and the benefits from it will flow directly to the State Government). This means that the department does not have the discretion in utilising the assets in furthering its objectives.

### ***Controlled and administered liabilities***

Liabilities that are directly incurred by a department in order to maintain and run its operations in pursuing its objectives would be treated as controlled liabilities.

Liabilities incurred on behalf of the State Government that are not directly involved in the department's activities would be classified as administered liabilities. Administered contingent liabilities (and assets) should be disclosed separately.

### ***Disclosure of administered income and expenses by service***

AASB 1050 paragraph 7 requires the disclosure of administered income and expenses for amounts reliably attributable to each of the Tier 1 department's activities and amounts not attributable to the Tier 1 department's activities. AASB 1050 paragraph 8 requires that the principles in AASB 1052 be used in disclosing administered income and expenses reliably attributable to a department's activities. AASB 1052 requires the major activities of a department to be identified for the purposes of the disclosures under AASB 1050. In this context, a major activity equates to a service as defined in [TI 904 Key Performance Indicators](#). Disclosure of administered income and expenses by service is not required for Tier 2 departments.

### ***AASB 1052 Disaggregated Disclosures – Tier 1 Departments only***

This Standard requires the disclosure of income, expenses, assets deployed and liabilities incurred that are reliably attributable to each major activity undertaken by a department. In this context, a major activity equates to a service as defined in [TI 904 Key Performance Indicators](#). The disclosure of disaggregated information as per the requirements of AASB 1052 are not required for Tier 2 departments.

# 1102 STATEMENTS OF COMPREHENSIVE INCOME

## BACKGROUND

This instruction applies to **both departments and statutory authorities** (except where otherwise specified). To maintain consistency in application of requirements to both departments and statutory authorities, certain requirements specified in this instruction effectively duplicate requirements in accounting standards that apply specifically to government departments.

The Framework for the Preparation and Presentation of Financial Statements (the Framework) describes the concepts that underlie the preparation and presentation of the elements of a Statement of Comprehensive Income while AASB 101 *Presentation of Financial Statements* provides overall requirements and guidelines for the presentation, structure and content of those elements. This instruction prescribes additional and/or complementary information and disclosures.

AASB 101 distinguishes between profit and loss items and other comprehensive income. Other comprehensive income is comprised of items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Australian Accounting Standards. Other comprehensive income includes changes in revaluation surplus, gains and losses arising from translating the financial statements of a foreign operation, gains and losses on remeasuring financial assets and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

## Reporting formats

### *General*

AASB 101 paragraph 10A allows for the presentation of all items of income and expense recognised in a period in either a single statement of comprehensive income or in two statements, one displaying components of profit and loss and the second statement displaying components of other comprehensive income. However, this instruction requires the single statement format to be used for presenting a Statement of Comprehensive Income.

There are two alternative formats for presenting a Statement of Comprehensive Income – the cost of service format and the commercial format.

The cost of service format Statement of Comprehensive Income focuses on the gross and net cost of services and funding provided by the State. This facilitates the assessment of performance by showing the full cost of resources consumed and the extent to which those costs were recovered through user charges and from other independent sources, and the net cost of services. It also enables an assessment of the extent to which State parliamentary appropriation is covering these costs. Value for money assessments can be made by relating services and outcomes to the cost of resources consumed in their achievement.

The commercial format Statement of Comprehensive Income is used where an agency conducts mainly commercial activities.

Public sector accountability requires that Statements of Comprehensive Income provide more comprehensive disclosures than is required of entities operating in the private sector. In the public sector, entities are not only accountable in terms of the operating result they achieve but also for the manner in which they conduct their affairs. Consistent with this broader accountability, the Statements of Comprehensive Income are required to detail their income and expenses for the reporting period.

## **Departments**

Departments are segments of the Crown, rather than separate legal entities in their own right. Consistent with SAC 1 *Definition of the Reporting Entity*, and Appendix A of AASB 3 *Business Combinations*, departments are reporting entities.

Departments normally exist to implement Government policy through providing services or performing functions rather than operating on a commercial basis. Departments should use the cost of service format Statement of Comprehensive Income. However, the commercial format Statement of Comprehensive Income may be more appropriate if a department is wholly or largely engaged in business or trading or providing goods or services with the intention of recovering all or a substantial proportion of its operating costs independent of State parliamentary appropriation. While this instruction mandates the cost of service format Statement of Comprehensive Income, if a department considers that the commercial format Statement of Comprehensive Income is more appropriate an exemption from this instruction will be required.

## **Statutory authorities**

In the Western Australian public sector, statutory authorities' Statements of Comprehensive Income are to be presented either in the commercial or the cost of service format in order to appropriately reflect the operations and funding of a statutory authority, according to the following:

- (i) statutory authorities wholly or largely engaged in business or trading, or which provide goods or services and recover all or a significant proportion of their operating costs independent of State parliamentary appropriation, are to prepare the commercial format Statement of Comprehensive Income. This principally covers authorities that are classified as Public Non-Financial Corporations by the Australian Bureau of Statistics. It also covers those classified as Public Financial Corporations that do not report in terms of industry specific Australian Accounting Standards (such as the insurance and superannuation Standards); and
- (ii) statutory authorities not wholly or largely engaged in business or trading, and predominantly funded by State parliamentary appropriation, are to prepare the cost of service format Statement of Comprehensive Income. This principally covers statutory authorities mainly engaged in the provision of goods or services outside the normal market mechanism for consumption by the government and general public, whose costs of production are mainly financed from the Consolidated Account, thus being classified as General Government by the Australian Bureau of Statistics.

In view of statutory authorities' mandate being established through legislation, and in the absence of change to that mandate or a fundamental and enduring change in the essential nature of their services, operations or activities, it would generally be expected that the Statement of Comprehensive Income format selected as appropriate should not require change in subsequent reporting periods.

## **AASB 101 Presentation of Financial Statements**

AASB 101 provides guidance on the determination of the total comprehensive income for the period and the disclosures to be made in a Statement of Comprehensive Income. AASB 101 is applied to the preparation of both commercial and cost of service format Statements of Comprehensive Income by [Treasurer's instruction \(TI\) 1101 Application of Australian Accounting Standards and Other Pronouncements](#).

AASB 101 allows for the presentation of the categories of income, expense and other comprehensive income in arriving at the total comprehensive income either in total or disaggregated in a Statement of Comprehensive Income. However, consistent with the

broader accountability obligations of public sector agencies, paragraph (5)(i) of this instruction modifies the application of AASB 101 requiring Statements of Comprehensive Income to detail the elements of income and expenses in arriving at the total comprehensive income for the reporting period.

AASB 101 paragraph 99 allows expenses recognised in profit or loss to be classified based on either their nature or their function within the entity. This instruction requires the disclosure of expenses by nature in a Statement of Comprehensive Income. This instruction does permit disclosures by function where it is considered that this will provide more relevant information, subject to the requirement to disclose expenses by nature in the notes.

## **Other presentation and disclosure requirements**

The following presentation and disclosure requirements will apply where material:

- (i) Trading result [paragraph (9)]

Where agencies are engaged in trading operations, the trading result (profit or loss on sales) is to be disclosed in the notes detailing sales revenue and the cost of sales including opening stock, purchases and closing stock.
- (ii) Liability assumption [paragraph (11)(i)]

In some cases certain agencies may have their liability associated with resources consumed by them assumed by the Treasurer or by another party.

In these cases the recognition of an amount of income equivalent to the liability assumed by the other party is required.
- (iii) Assets and/or services received free of charge or for nominal cost [paragraph (11)(ii)]

Where assets and/or services have been provided to an agency free of charge or for nominal cost, they are to be recognised as assets or expenses at their fair value, together with income equivalent thereto. However, in relation to services, this requirement is subject to a value thereof being reliably determinable and the service being of a type that would otherwise have been purchased (i.e. such services must be relevant to the delivery of the agency's services).

## **TREASURER'S INSTRUCTION**

- (1) **This instruction applies to all accountable authorities except the accountable authorities of universities that are listed in [Schedule 1](#) of the Act.**
- (2) **For the purposes of this instruction:**
  - (i) **'Operating subsidy' means a payment by the State Government, on behalf of the community, to a commercial entity for the provision of a good or service that would otherwise not be supplied, or would only be supplied at higher prices, had the supply of the good or service been assessed by the entity on purely commercial grounds;**
  - (ii) **'Income tax equivalent' means the amount required to be accounted for by a statutory authority obliged to make such a payment to the State Government as if it was a private sector entity subject to the Commonwealth income tax legislation; and**
  - (iii) **'Note' means a note included in the notes to the financial statements.**

- (3) An accountable authority of a department shall prepare the cost of service format Statement of Comprehensive Income.
- (4) An accountable authority of a statutory authority shall prepare either:
  - (i) the commercial format Statement of Comprehensive Income where the statutory authority is wholly or largely engaged in business or trading or providing goods or services with the intention of recovering all or a significant proportion of its operating costs independent of State parliamentary appropriation; or
  - (ii) the cost of service format Statement of Comprehensive Income; as determined to be appropriate by the accountable authority of the statutory authority, by having regard to the relevant guidance on reporting formats provided in the Background to this instruction.
- (5) The application of Australian Accounting Standard AASB 101 *Presentation of Financial Statements* is modified as follows:
  - (i) a Statement of Comprehensive Income shall detail the categories of income and expenses in arriving at the profit/(loss) or surplus/(deficit) and each component of other comprehensive income in arriving at the total comprehensive income for the reporting period;
  - (ii) where there is a difference in the term used to describe a figure in a Statement of Comprehensive Income in this instruction and the term used to describe the corresponding figure in a Statement of Comprehensive Income in AASB 101, then the term used in this instruction shall be used in a Statement of Comprehensive Income; and
  - (iii) items shall be presented in a single statement of comprehensive income.

## **COMMERCIAL FORMAT STATEMENT OF COMPREHENSIVE INCOME**

- (6) Where an accountable authority of a statutory authority prepares the commercial format Statement of Comprehensive Income, the following shall be presented where applicable:
  - (i) under the heading **INCOME** where material:
    - (a) sales revenue in relation to trading operations. Where sales revenue includes operating subsidies, the amount thereof shall be presented either in a Statement of Comprehensive Income or by way of note;
    - (b) revenues from the provision of goods and/or services, other than those relating to trading operations. Where such revenues include operating subsidies, the amount thereof shall be presented either in a Statement of Comprehensive Income or by way of note;
    - (c) non-repayable grants and/or contributions from the Commonwealth Government;
    - (d) interest income;
    - (e) share dividend income;
    - (f) gains on disposal of non-current assets;

- (g) developers' contributions income; and
  - (h) other income, not included as disclosures in paragraph (6)(i)(a) to (g) of this instruction, either presented by appropriate classifications where material, or presented as other income.
- (ii) under the heading **EXPENSES** where material:
- (a) employee benefits expense;
  - (b) depreciation and amortisation expense;
  - (c) finance costs;
  - (d) losses on disposal of non-current assets;
  - (e) other expenses, not included as disclosures in paragraph (6)(ii)(a) to (d) of this instruction, either presented by appropriate classifications where material, or presented as other expenses; and
  - (f) where an accountable authority of a statutory authority considers that it would provide more relevant information, expenses can be presented by function under the option in paragraph 99 of AASB 101 provided that the disclosure requirements of paragraph (6)(ii)(a), (b), (d) and (e) are met by way of note;
- (iii) the profit (loss) before income from State Government;
- (iv) under appropriate headings:
- (a) **Income from State Government:**
    - (aa) the amount of non-repayable State parliamentary appropriations;
    - (bb) income from other public sector entities, including amounts paid by other public sector entities on a charge out basis that would have been included in paragraph (6)(i)(a) or (b) of this instruction, but excluding amounts provided as specific owners' contributions to equity or as operating subsidies. Details and the respective amounts of different income are to be provided by way of note;
    - (cc) the amount of liabilities assumed by the Treasurer and/or other public sector entities, recognised in terms of paragraph (11)(i) of this instruction; and
    - (dd) the amount of resources received free of charge or for nominal consideration from other public sector entities, recognised in terms of paragraph (11)(ii) of this instruction;
- (v) profit (loss) before income tax equivalent expense;
- (vi) income tax equivalent expense;
- (vii) profit (loss) for the period;

- (viii) under the heading **OTHER COMPREHENSIVE INCOME**:
  - (a) each component of other comprehensive income classified by nature;
  - (b) the amount of income tax relating to each component of other comprehensive income; and
- (ix) total comprehensive income for the period.

#### **COST OF SERVICE FORMAT STATEMENT OF COMPREHENSIVE INCOME**

(7) Where an accountable authority prepares the cost of service format Statement of Comprehensive Income, the following disclosures shall be made where applicable:

- (i) under the heading **COST OF SERVICES**, and the sub-heading **Expenses** where material:
  - (a) employee benefits expense;
  - (b) depreciation and amortisation expense;
  - (c) finance costs;
  - (d) losses on disposal of non-current assets;
  - (e) other expenses, not included as disclosures in paragraph (7)(i)(a) to (d) of this instruction, either presented by appropriate classifications where material, or presented as other expenses;
  - (f) where an accountable authority considers that it would provide more relevant information, expenses can be presented by function under the option in AASB 101 paragraph 99 provided that the disclosure requirements of paragraphs (7)(i)(a), (b), (d) and (e) are met by way of note; and
  - (g) total cost of services;
- (ii) further under the heading **COST OF SERVICES**, and under the sub-headings of **Income** where material:
  - (a) revenues from the provision of goods and/or services, other than those relating to trading operations. Where such revenues include operating subsidies, the amount thereof shall be presented either in a Statement of Comprehensive Income or by way of note;
  - (b) non-repayable grants and/or contributions from the Commonwealth Government;
  - (c) interest income;
  - (d) share dividend income;
  - (e) gains on disposal of non-current assets;
  - (f) sales revenue in relation to trading operations. Where sales revenue includes operating subsidies, the amount thereof shall be presented either in a Statement of Comprehensive Income or by way of note;

- (g) other income, not included as disclosures in paragraph (7)(ii)(a) to (f) of this instruction, either presented by appropriate classifications where material, or presented as other income;
- (iii) further under the heading **COST OF SERVICES**, the Net Cost of Services, being the difference between Total Cost of Services and Total Income other than income from State Government;
- (iv) under the heading **INCOME FROM STATE GOVERNMENT**:
  - (a) the amount of non-repayable State parliamentary appropriations;
  - (b) income from other public sector entities, including amounts paid by other public sector entities on a charge out basis that would have been included in paragraph (7)(ii)(a) or (f) of this instruction, but excluding amounts provided as specific owners' contributions to equity or as operating subsidies. Details and the respective amounts of different income are to be disclosed by way of note;
  - (c) the amount of liabilities assumed by the Treasurer and/or other public sector entities, recognised in terms of paragraph (11)(i) of this instruction;
  - (d) the amount of resources received free of charge or for nominal consideration from other public sector entities, recognised in terms of paragraph (11)(ii) of this instruction; and
  - (e) the total amount of Income from State Government;
- (v) (a) where there is an income tax equivalent expense:
  - (aa) the surplus/(deficit) before income tax equivalent expense; and
  - (bb) income tax equivalent expense;
- (vi) surplus/(deficit) for the period;
- (vii) under the heading **OTHER COMPREHENSIVE INCOME**:
  - (a) each component of other comprehensive income classified by nature;
  - (b) the amount of income tax relating to each component of other comprehensive income; and
- (viii) total comprehensive income for the period.

## **OTHER DISCLOSURES**

- (8) *[deleted by Treasury]*
- (9) Where applicable, the trading result (profit or loss on sales) in relation to trading operations shall be disclosed by way of note. This note shall disclose sales revenue and the cost of sales including opening stock, purchases and closing stock.
- (10) *[deleted by Treasury]*



## REPORTING OF ASSETS AND SERVICES RECEIVED FREE OF CHARGE OR FOR NOMINAL COST, AND LIABILITIES ASSUMED BY OTHER PARTIES

- (11) Where assets or services have been received free of charge or for nominal cost, or liabilities have been extinguished without directly giving value in exchange to the other party or parties to the transaction or transactions:
- (i) where a liability has been assumed by the Treasurer or another entity, income equivalent to the amount of the liability assumed shall be recognised, except where the assumption of the liability is in the nature of a contribution by owners, in which event there shall be a direct adjustment to equity; and
  - (ii) where assets or services have been received free of charge or for nominal cost, income shall be recognised (except where the contribution of assets or services is in the nature of a contribution by owners, in which event there shall be a direct adjustment to equity) equivalent to the fair value of the assets that qualify for recognition or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.
- (12) *[deleted by Treasury]*

## GUIDELINES

### State parliamentary appropriations

Non-repayable State parliamentary appropriations refer to those appropriations outlined in Chapter 1 'Consolidated Account Expenditure Estimates' of Budget Paper No. 2 'Budget Statements'. Those appropriations are provided to those agencies to deliver services. In some instances, a department (e.g. Department of Health) and a number of statutory authorities (e.g. Health Service Providers) are combined to show as a single Division of the Consolidated Account Expenditure Estimates. In such an instance, only the central department is considered to receive State parliamentary appropriations. Other statutory authorities are not considered to receive State parliamentary appropriations but instead receive funding from the department. As a result, the statutory authorities are not required to disclose a 'Summary of consolidated account appropriations' as required by AASB 1058 *Income of Not-for-Profit Entities* paragraphs 39-41.

Similarly, recurrent (service) appropriations received through Treasury administered transactions should be classified as income from other public sector entities. Note that capital appropriations are designated by TI 955 *Contributions by Owners Made to Wholly Owned Public Sector Entities* as contributions by owners.

### Income from other public sector entities

Public sector entities refer to 'wholly-owned public sector entities' as defined in TI 955. Recurrent (service) appropriations received through a central department (controlled and/or administered) should be classified as income from other public sector entities. They include, for example, 'indirect appropriations' from the Department of Health to Health Service Providers (HSPs) and administered appropriations from Treasury to HSPs. They may also include funding from Treasurer's special purpose accounts such as Royalties for Regions Fund. Finally, they might include funding from other

wholly-owned public sector entities (including funding from agency special purpose accounts such as Road Trauma Trust Account). Furthermore, income from other public sector entities should include amounts paid by other public sector entities on a charge out basis if material. However, operating subsidies should be classified as sales revenue in relation to trading operations or revenues from the provision of goods and/or services (and not as income from other public sector entities) as they are considered payments made on behalf of an external party.

Furthermore, income from other public sector entities should not include National Specific Purpose Payments and National Partnership Payments received through Treasury. These payments should be classified as grants and contributions from the Commonwealth Government under the heading Income as they are made under pass-through arrangements (refer to the Guidelines in TI 1101).

### **Superannuation liabilities assumed by the Treasurer**

For the majority of departments, prior to 1 July 2001, superannuation liability was assumed by the Treasurer in respect of employee membership of the various schemes administered by the Government Employees Superannuation Board (GESB). With the introduction of accrual appropriations from 1 July 2001, all departments are now funded for concurrent contributions to the GESB in respect of the Gold State and the West State Superannuation Schemes. Although the payments made to the GESB in respect of the Gold State Scheme are paid back into the Consolidated Account by the GESB, they should be recognised as superannuation expense by departments.

For those superannuation liabilities that were assumed by the Treasurer prior to 1 July 2001 in respect of pensions and pre-transfer benefits, departments are not required to recoup the Treasurer for pensions and pre-transfer liabilities paid after that date. Consequently, departments are not required to recognise these liabilities in their Statements of Financial Position.

On 30 June 2004, budget-funded statutory authorities had their unfunded superannuation liabilities relating to the Pension Scheme and the pre-transfer benefit of the Gold State Superannuation Scheme administered by GESB assumed by the Treasurer.

These statutory authorities are not required to recoup the Treasurer for pensions and pre-transfer liabilities paid after that date and consequently are not required to recognise these liabilities in their Statements of Financial Position.

Until 30 June 2008, departments and budget-funded statutory authorities were required to recognise a notional expense to reflect the annual movement of these liabilities assumed by the Treasurer (for current employees) and an equivalent notional income. Commencing with the reporting period ending on 31 December 2008, this requirement was discontinued. Consistent with this decision, the GESB no longer provides this information to departments and budget-funded statutory authorities.

### **Net profit/(loss) from the disposal of non-current assets**

Paragraph 71 of AASB 116 *Property, Plant and Equipment* requires that gains or losses arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset (i.e. net basis). Subject to materiality, gains and losses arising from a group of similar transactions may be reported on a net basis with detailed disclosure in the notes. Where material, such gains and losses shall be reported separately.

# 1103 STATEMENTS OF FINANCIAL POSITION

## BACKGROUND

This instruction applies to **both departments and statutory authorities**, except where otherwise specified.

There are certain requirements specified under this instruction that effectively duplicate the same or substantively the same requirements in accounting standards that apply specifically to government departments. This has been done to maintain consistency in application and reporting under this instruction to both departments and statutory authorities where considered necessary.

The Framework for the Preparation and Presentation of Financial Statements (the Framework) describes the concepts that underlie the preparation and presentation of the elements of a Statement of Financial Position while AASB 101 *Presentation of Financial Statements* provides overall requirements and guidelines for the presentation, structure and content of those elements. This instruction prescribes additional and/or complementary information and disclosures.

## Requirements and disclosures

### ***Restricted assets [paragraph (7)]***

Where the use of assets is limited through specific legal or externally imposed requirements, separate disclosure of the amounts is required in a Statement of Financial Position together with note disclosure highlighting the extent to which assets are reserved for particular uses and are not available in relation to the general activities of an agency.

### ***Amounts provided from State government sources as equity contributions by owners [paragraph (13)(i)]***

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires designation by the owners as contributions by owners before transfers can be recognised directly in equity. Capital contributions (non-repayable capital appropriations) and non-reciprocal non-discretionary transfers between agencies (except transfers that occur as a consequence of a restructure of administrative arrangements) are designated as contributions by owners by [Treasurer's instruction \(TI\) 955 Contributions by Owners Made to Wholly Owned Public Sector Entities](#). AASB 1004 *Contributions* requires transfers that occur as a consequence of a restructure of administrative arrangements to be recognised directly in equity.

### ***Disclosures in respect of other money (money held in trust) and specific purpose money [paragraphs (15)(ii) and (iii)]***

To provide full accountability to Parliament, this instruction requires agencies to disclose by way of note a statement of purpose, the opening and closing cash balances, and the total cash receipts and cash payments for each [section 16\(1\)\(b\), \(c\) and \(d\)](#) special purpose account.

A statutory authority's operating account is generally a section 16(1)(b) special purpose account. Therefore, statutory authorities are only required to report the information for statutory accounts other than their operating accounts established under their enabling legislation.

Section 16(1)(c) special purpose accounts hold other money (money held in trust). Other money, which is defined in the Act, is not consolidated into the financial statements.

Specific purpose money may be held in an agency's operating account or in a separate section 16(1)(d) special purpose account. Specific purpose money, which is defined in [TI 806 Accounting for Specific Purpose and Other Money \(Money held in Trust\)](#), is consolidated into the financial statements. The additional note disclosures are only required where the money is held in a separate special purpose account (section 16(1)(d)).

Refer to [TI 806](#) for further information on the accounting requirements for other money and specific purpose money.

## **TREASURER'S INSTRUCTION**

- (1) This instruction applies to all accountable authorities except the accountable authorities of universities that are listed in [Schedule 1](#) of the Act.**
- (2) For the purposes of this instruction:**
  - (i) 'Note' means a note included in the notes to the financial statements; and**
  - (ii) 'Restricted assets' means assets the use of which is restricted, wholly or partially, by regulations or other externally imposed requirements where information about those restrictions is relevant to assessment of the performance or financial position of an agency.**
- (3) AASB 101 *Presentation of Financial Statements* prescribes minimum information to be presented in a Statement of Financial Position. The paragraphs below prescribe additional and/or complementary information and disclosures.**
- (4) Statements of Financial Position are to be structured to present current assets, non-current assets, total assets, current liabilities, non-current liabilities, total liabilities, net assets and equity, as applicable, at the end of the reporting period, except where a liquidity presentation provides information that is reliable and more relevant.**
- (5) Current assets shall be presented under the heading ASSETS and the sub-heading Current Assets and include the following where applicable:**
  - (i) cash and cash equivalents, including bank accounts which includes funds held at Treasury in accounts which are of the nature of a bank account, cash advances and cash on hand or in transit, with details to be disclosed in the notes;**
  - (ii) the current portion of investments shall be presented as other financial assets, with details of the nature thereof as required by paragraph (6)(i) to be disclosed by way of note. This note disclosure may be in conjunction with the disclosure required by that paragraph;**
  - (iii) right-of-use assets that are expected to be realised within 12 months after the reporting period, except those that meet the definition of investment property in AASB 140 *Investment Property*, with details to be disclosed in the notes. This note disclosure may be in conjunction with the disclosure required by paragraph (6)(ii); and**
  - (iv) the total amount of current assets.**

- (6) Non-current assets shall be presented under the heading **ASSETS** and the sub-heading **Non-Current Assets** and include the following where applicable:
- (i) the non-current portion of investments shall be presented as other financial assets, with details of the nature thereof disclosed by way of note together with the current market value where applicable;
  - (ii) right-of-use assets that are expected to be realised beyond 12 months after the reporting period, except those that meet the definition of investment property in *AASB 140 Investment Property*, with details to be disclosed in the notes;
  - (iii) service concession assets; and
  - (iv) the total amount of non-current assets.
- (7) The aggregate amount of restricted assets shall be presented in a Statement of Financial Position for each class and the nature of the restrictions disclosed by way of note. Where restricted assets are a class required to be presented separately by paragraphs (5) and (6) of this instruction, the restricted and unrestricted aggregate amounts are also to be shown separately.
- (8) The total of current assets and non-current assets shall be presented under the heading **TOTAL ASSETS**.
- (9) Current liabilities shall be presented under the heading **LIABILITIES** and the sub-heading **Current Liabilities** and include the following where applicable:
- (i) Interest-bearing borrowings and non-interest-bearing borrowings shall be presented separately, with details of the components thereof as required by paragraph (10)(i) to be disclosed by way of note. This note disclosure may be in conjunction with the disclosure required by that paragraph;
  - (ii) lease liabilities that are due to be settled within 12 months after the reporting period, with details to be disclosed in the notes. This note disclosure may be in conjunction with the disclosure required by paragraph (10)(ii);
  - (iii) service concession liabilities that are due to be settled within 12 months after the reporting period, with details to be disclosed in the notes. This note disclosure may be in conjunction with the disclosure required by paragraph (10)(iii); and
  - (iv) the total amount of current liabilities.
- (10) Non-current liabilities shall be presented under the heading **LIABILITIES** and the sub-heading **Non-Current Liabilities** and include the following where applicable:
- (i) Interest-bearing borrowings and non-interest-bearing borrowings shall be disclosed separately, with the following components being shown by way of note:
    - (a) amounts provided from various sources by way of repayable advances and private and public loans guaranteed by the State. These shall be classified as:
      - (aa) Consolidated Account advances;
      - (bb) private and public loans guaranteed by the Treasurer;

- (cc) Commonwealth advances;
  - (dd) advances provided from other State funds, with funding sources being identified; and
  - (ee) other repayable funds with funding sources being identified;
- Details of any security given is to be disclosed; and
- (b) private and public loan raisings not guaranteed by the State and borrowings by way of mortgage.
- Details of any security given is to be disclosed;
- (ii) lease liabilities that are due to be settled beyond 12 months after the reporting period, with details to be disclosed in the notes;
  - (iii) service concession liabilities that are due to be settled beyond 12 months after the reporting period, with details to be disclosed in the notes; and
  - (iv) the total amount of non-current liabilities.
- (11) The total amount of current liabilities and non-current liabilities shall be presented under the heading TOTAL LIABILITIES.
- (12) The difference between the amounts of total assets and total liabilities, as applicable, shall be presented under the heading NET ASSETS or NET LIABILITIES.
- (13) Under the heading EQUITY the following sub-headings shall be presented where applicable:
- (i) Contributed equity;
  - (ii) Reserves; and
  - (iii) Accumulated surplus/(deficit) or Retained earnings/Accumulated losses, as appropriate.
- (14) The total amount of equity shall be presented under the heading TOTAL EQUITY.
- (15) The following requirements apply where applicable:
- (i) Valuation of land and buildings applied in accordance with AASB 116 *Property, Plant and Equipment* paragraph 31 shall be performed by a professionally qualified valuer and the name of the valuer(s) shall be disclosed in addition to the requirements of paragraph 77 of that standard;
  - (ii) For each [section 10\(a\)](#), [\(e\)](#) and [\(f\)](#) special purpose account, there shall be disclosed:
    - (a) the purpose of the special purpose account;
    - (b) the balance of the special purpose account at the beginning of the reporting period;
    - (c) total receipts;
    - (d) total payments;
    - (e) the balance of the special purpose account at the end of the reporting period; and

- (iii) **Agencies shall disclose the information specified in paragraph 15(ii) of this instruction for each [section 16\(1\)\(b\), \(c\) and \(d\)](#) special purpose account.**

## **GUIDELINES**

### **Dividends**

For the purposes of AASB 101 *Presentation of Financial Statements* and AASB 110 *Events after the Reporting Period*, dividends mean distributions of the whole or part of operating surpluses or profits to the Consolidated Account.

Amounts transferred to the Consolidated Account in accordance with [section 20](#) of the Act are not dividends and should be accounted for under [TI 955](#) as a distribution to owners.

### **Disclosure of Capital Commitments**

Financial transparency of financial statements is enhanced where users can evaluate the effects of future cashflow commitments on an agency's net asset position. As a minimum, disclosures of capital commitments required under Australian Accounting Standards should be reported in the following time bands, according to the time expected to elapse from the reporting date to expected date of settlement:

- (a) within twelve months;
- (b) twelve months or longer, but not longer than five years; and
- (c) longer than five years.

### **Restricted assets**

Information about restrictions imposed by legislation or other authority on the manner in which an agency can deploy its assets is relevant in assessing the agency's capacity to provide a greater volume of particular types of services in the short-term, and in assessing the performance and financial position of an agency.

Restricted assets include certain specific purpose money (assets that may only be used for specific purposes, e.g. Commonwealth grants and Royalties for Regions funding), accrued salary suspense accounts and amounts receivable for services (holding accounts).

The Australian Accounting Standards also require disclosures of certain restricted assets as follows:

- Disclosure of significant cash and cash equivalents held by an entity that is not available for use, including commentary by management, is required under AASB 107 *Statement of Cash Flows* (paragraphs 48 and 49);
- Disclosure of the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities under AASB 116 *Property, Plant and Equipment* (paragraph 74(a)); and
- Disclosure of the existence and carrying amounts of intangible assets whose title is restricted or pledged as security for liabilities under AASB 138 *Intangible Assets* (paragraph 122(d)).

## Where liabilities exceed assets

Equity is defined in the Framework as 'the residual interest in the assets of the entity after deducting all its liabilities'. If liabilities exceed assets, instead of the term 'Total Equity', the term 'Equity Deficit' should be used and the total shown in brackets.

## Service Concession Liabilities

The nature of a liability recognised under AASB 1059 *Service Concession Arrangements: Grantors* is based on the nature of the consideration given by an agency to the operator in the contract.

The agency might compensate the operator for a service concession asset by:

- (a) making payments to the operator (the 'financial liability' model); and/or
- (b) granting the operator a right to earn revenue from the service concession asset and/or other public sector assets (the 'grant of a right to the operator' (GORTO) model).

Agencies are to determine (by reference to the terms of the contract) whether the liability is under the financial liability model or the GORTO model or a hybrid of the two, and account for it accordingly.

## Accounting for recoups and reimbursements

The accounting treatment for recoups and reimbursements receivable or received by agencies needs to be considered on its merits by having regard to the circumstances under which the recoup or reimbursement arose. Where a recoup or reimbursement meets the definition of an asset (i.e. receivable) and the recognition criteria are met, an invoice (i.e. sundry debtor) should be raised. Common examples in the public sector include:

### (i) **Non-monetary benefits provided to employees**

An agency (employer) may provide employee benefits in a form of non-monetary benefits. Such benefits may take a form of payments for housing or motor vehicles. In most circumstances, employees' rights to non-monetary benefits do not accrue in proportion to their periods of service and do not accumulate. Usually, the right to receive those benefits in each period exists irrespective of the duration of service provided by the employees. In such circumstances, an employer recognises the cost incurred in providing the benefits in the period during which the benefits are taken by the employees. The amount of cost is determined on a gross basis, i.e. total cost of providing the benefits (excluding employee contributions). Employee contributions will be recognised as income to the agency (employer). A liability is not recognised for any non-accumulating benefits that employees do not take during the period.

Where non-monetary benefits provided to employees are subject to leases capitalised in a Statement of Financial Position (e.g. housing and motor vehicles), the total cost of providing these benefits is interest and depreciation expenses recognised in accordance with AASB 16 *Leases*. A notional adjustment will be required for preparing the employee benefits expenses note which shows the total cost of employee benefits incurred by an agency (employer) and the net benefits provided to employees. Refer to TI 916 *Leases* for further advice on accounting for leases.

For example, where an agency (employer) leases properties to provide housing or motor vehicles to its employees and the employees are required to make contributions, the expense to the agency is the sum of interest and depreciation expenses recognised by the agency under AASB 16. Employee contributions will be recognised separately as income. Therefore, if an interest expense of \$80 and a depreciation expense of \$150



are incurred by the agency and \$160 will be contributed (recouped) from the employees, then a total expense of \$230 and a receivable of \$160 will be recognised.

The employee benefits expenses note should show both the total cost of employee benefits incurred by an agency (employer) and the net benefits provided to employees:

Employee benefits expenses (recognised under AASB 16)	\$230
<i>less:</i> Employee contributions	\$160
Net benefits provided to employees	\$ 70

**(ii) Salary recoups – secondments and other temporary transfers**

Where an employee is on secondment and the salary is being paid by the host agency (employer) directly to the employee and the amount is subsequently recouped from the recipient agency, this should be accounted for initially as a receivable by the host agency with the corresponding amount credited to either the salaries and wages expense account or a salary recoup suspense clearing account as appropriate (depending on the agency internal financial policy and payroll systems requirements), and as a payable by the recipient agency when the salary is paid every fortnight. The recipient agency using the services of the seconded employee should record an expense in the period the services are rendered. When the salary is subsequently recouped, the host agency (employer) receipts the money against the receivable and the recipient agency extinguishes their liability to the host agency. Note that salary recoups are not income to the host agency.

**(iii) Salary recoups – overpayment to employees**

Where an employee is overpaid salary by an agency, and the amount is recognised in the following reporting period, the amount of the overpayment should be accounted for by recognising a receivable and crediting income. However, if the overpayment is recovered within the same reporting period as the overpayment was made, then the overpayment should be credited to salaries expense rather than income. When the overpaid salary is recouped from the employee, the agency receipts the money against the receivable.

**(iv) Provision of services funded ultimately by other parties**

Where an agency is recouped or reimbursed for the cost of providing a service that is ultimately funded by another party such as the Commonwealth Government, other agencies or persons, and this is integral to the pursuit of the agency’s objectives, then the recoup or reimbursement will be accounted for by the agency as income (i.e. no offset against the expense). Offsetting against the expense is not appropriate because this does not reflect the cost of providing the service.

If the agency is merely acting as a conduit for the transfer of funds to another agency or persons, then the payment made by the agency will be accounted for as a receivable and the subsequent recoup or reimbursement will be receipted by the agency against the receivable. An example of this is where disbursements are made by Agency A for and on behalf of Agency B and these disbursements are not made in Agency A’s own right. In this instance, there is no impact on Agency A’s Statement of Comprehensive Income. However, where the subsequent recoup or reimbursement is from the Consolidated Account, the agency should classify these payments as administered transactions (refer to the Guidelines in [TI 1101 Application of Australian Accounting Standards and Other Pronouncements](#)).

**(v) Workers' compensation insurance recoups**

Where a claim has been accepted, the amount of workers' compensation an agency pays its employee is considered to be made for and on behalf of the insurer (e.g. RiskCover). As such, the agency will account for the payment as a receivable and apply the subsequent recoups against that receivable. There will be no impact on the agency's financial performance. Workers' compensation should not be recognised as an expense because the liability has been effectively transferred to the insurer. Insurance recoups are not income because there is no increase in economic benefits. As insurance premiums have been recognised as expenses, accounting for worker's compensation as expenses would overstate the agency's total cost of services.

Insurance premiums (expenses) should be measured at the amount payable on the invoice. Prior year performance adjustments are not recoups but discounts (i.e. the amount could not be cashed out if an agency discontinued the policy), and thus should be accounted for against the insurance premiums (i.e. within the same expense account).

**(vi) Other**

In limited circumstances that a receivable (debtor) is not recognised because the original transaction was expensed, and a cash recoup or refund is subsequently received within the same reporting period as the transaction occurred, this should be offset against the expense account, otherwise it should be recognised as income. For example, an agency should credit legal service recoups to other expense where the recoups and related expenditures occur within the same reporting period. Legal service recoups received in a subsequent reporting period should be accounted for as income.

**Comparatives – three statements of financial position required in certain circumstances**

If a Tier 1 agency (as listed in Schedule 1 of [TI 1107 Application of Tiered Reporting – Simplified Disclosures](#)) has applied an accounting policy retrospectively, restated items retrospectively or reclassified items in its financial statements, it must present a third statement of financial position as at the beginning of the preceding period as required by AASB 101 paragraph 40A. Tier 2 agencies are not required to comply with those requirements.

# 1105 CONSOLIDATED FINANCIAL STATEMENTS

## BACKGROUND

Where an agency is exposed, or has rights, to variable returns from its involvement with another entity, and has the ability to affect those returns through its power over that entity, the agency (parent) and the entities it controls (subsidiaries) are considered to be a single economic entity.

This instruction requires consolidated financial statements to be prepared where an agency has had a subsidiary at any time during a reporting period. The consolidated financial statements are to be prepared in accordance with Australian Accounting Standard AASB 10 *Consolidated Financial Statements*, as modified by this instruction. Note that this instruction only applies to not-for-profit agencies (as mandated by Treasurer's instruction (TI) 1101 *Application of Australian Accounting Standards and Other Pronouncements*).

AASB 10 provides for consolidated financial statements to be prepared for a group of entities, which comprise a parent and its subsidiaries. However, the definitions of 'control', 'parent' and 'subsidiary' in AASB 10 are modified by this instruction to reflect the accountability framework established under the Act and Treasurer's instructions, particularly with respect to related bodies and subsidiary bodies.

Broadly, [section 60\(1\)](#) of the Act defines related bodies as bodies which receive more than half their funding and resources from an agency and are subject to operational control of that agency. Generally, related bodies are captured by the AASB 10 definition of subsidiary, being a body which is controlled by a parent, and should therefore be included within the consolidated financial statements as required by AASB 10.

Notwithstanding their separate entity status, related bodies of an agency generally do not have their own financial resources, relying instead upon resources or control of the agency and consequently they have no separate accountability under the Act. The financial operations of related bodies are integrated with those of the agency and, as such, are incorporated within its (the parent's) financial statements in the manner prescribed by [TI 951 \*Related and Affiliated Bodies\*](#).

Accordingly, this instruction broadens the definition of 'parent' to mean an entity comprising an agency together with its related bodies. As a corollary to their inclusion within the 'parent', this instruction specifically excludes related bodies from the definition of 'subsidiary'. As the financial affairs of related bodies will be included within the parent's financial statements, they will also be included within the consolidated financial statements. The principal effect of these modifications is to avoid the possibility of bodies being reported upon as both a related body and a subsidiary.

Generally, subsidiary bodies under [section 60\(1\)](#) of the Act have a relationship with the agency which conforms to AASB 10 definitions of 'control' and 'subsidiary'. However, it is conceivable that in some instances the relationship may not conform precisely to those definitions. The identification of a body as a subsidiary body of an agency recognises that it is intended to operate with that agency as part of a group. Accordingly, the AASB 10 definition of 'subsidiary' is modified by this instruction to apply to 'subsidiary bodies' as defined by the Act, regardless of the AASB 10 test of control, ensuring their inclusion within the consolidated financial statements.

Some agencies may have a 'dormant' subsidiary (or subsidiaries) without assets, liabilities, revenues or expenses, with any fees or charges in relation to its continued existence being met by the agency. Where there are no other active subsidiaries, the preparation of consolidated financial statements would not add any meaningful

information. Accordingly, paragraph (6) of this instruction does not require the preparation of consolidated financial statements in such circumstances provided that in the notes to the financial statements the situation is explained and the dormant subsidiary (or subsidiaries) named.

## **TREASURER'S INSTRUCTION**

- (1) This instruction applies to accountable authorities of not-for-profit agencies.**
- (2) For the purposes of this instruction:**
  - (i) 'Control' means the capacity of an agency to dominate decision making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that entity to operate with the agency in pursuing the agency level government desired outcomes;**
  - (ii) 'Parent' means an entity comprising an agency and its related bodies which:**
    - (a) has a subsidiary body, as defined in [section 60\(1\)](#) of the Act; or**
    - (b) controls an entity other than a subsidiary body or related body;**
  - (iii) 'Subsidiary' means:**
    - (a) a subsidiary body, as defined in [section 60\(1\)](#) of the Act; or**
    - (b) an entity, other than a subsidiary body or related body, which is controlled by a parent;**
  - (iv) 'Financially dependent', when used concerning the relationship of a body to an agency, means that the body receives more than half of its funding and resources from the agency that is obliged to provide funding and resources to the body.**
- (3) The financial statements of an agency which was a parent at any time during the reporting period shall comprise:**
  - (i) financial statements for the parent entity prepared in accordance with Parts IX and XI of the Treasurer's instructions; and**
  - (ii) consolidated financial statements for the group prepared in accordance with this instruction.**
- (4) The application of Australian Accounting Standard AASB 10 *Consolidated Financial Statements* is modified as follows:**
  - (i) the definitions of 'control', 'parent' and 'subsidiary' in paragraph (2) of this instruction shall be substituted for the definitions of 'control', 'parent' and 'subsidiary' in Appendix A of AASB 10;**
  - (ii) where AASB 10 requires compliance with any other Australian Accounting Standards, the accountable authority shall comply with those Australian Accounting Standards to the extent and in the manner required by Treasurer's instructions; and**

- (iii) the consolidated financial statements shall, unless the Treasurer approves otherwise, be prepared on an accrual basis and in the same form as for the parent, comprising:
  - (a) a Statement of Comprehensive Income prepared in the form required by [Treasurer's instruction 1102](#) as appropriate;
  - (b) a Statement of Financial Position prepared in the form required by [Treasurer's instruction 1103](#);
  - (c) a Statement of Changes in Equity prepared in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, as applied by [Treasurer's instruction 1101](#);
  - (d) a Statement of Cash Flows prepared in accordance with Australian Accounting Standard AASB 107 *Statement of Cash Flows*, as applied by [Treasurer's instruction 1101](#); and
  - (e) proper and adequate notes to the consolidated financial statements.
  
- (5) In addition to the information required by AASB 10 and AASB 12 *Disclosure of Interests in Other Entities*, notes to the consolidated financial statements shall include:
  - (i) in respect of each subsidiary within the group at the end of the reporting period:
    - (a) the legal form of the subsidiary;
    - (b) the country of incorporation of the subsidiary, and the State or Territory in which each Australian subsidiary was formed or incorporated;
    - (c) the subsidiary's contribution to the operating result of the group for the reporting period; and
    - (d) where the parent holds or held an ownership interest in the subsidiary:
      - (aa) the ownership interest held by the parent;
      - (bb) where any part of the ownership interest referred to in paragraph (5)(d)(aa) is or was held by another subsidiary, the identity of that other subsidiary, the percentage of total ownership held by that subsidiary and the amount at which that ownership interest is recorded in the accounts of that other subsidiary; and
      - (cc) details of any change in the parent's ownership interest in the subsidiary during the reporting period; and
  - (ii) in respect of each subsidiary which ceased to be part of the group during the reporting period:
    - (a) the legal form of the subsidiary;
    - (b) the subsidiary's contribution to the operating result of the group for the reporting period; and

- (c) where the parent disposed of an ownership interest in the subsidiary, the profit (surplus) or loss (deficit) attributable to the group on disposal of that ownership interest.
- (6) Where a subsidiary, or subsidiaries, of an agency did not have any assets, liabilities, revenues or expenses during the current and previous reporting period (other than any expenses for the maintenance of its statutory existence met by the agency without recourse to the subsidiary), and the agency had no other subsidiaries other than this subsidiary, or these subsidiaries, during the reporting period, then the accountable authority shall not be required to comply with paragraphs (3) to (5) of this instruction but shall disclose in the notes to the financial statements the names of the subsidiary, or subsidiaries, involved and the reason for consolidated financial statements not being prepared.

## **GUIDELINES**

### **Presentation of consolidated financial statements**

AASB 10 includes a provision that allows a parent to be exempted from presenting consolidated financial statements where certain conditions are met (refer to AASB 10, paragraph Aus4.1). However, TI 1101(7)(xii) disallows such an election from being made. This means that a parent must present consolidated financial statements in which it consolidates its investments in subsidiaries in accordance with AASB 10.

# 1106 APPLICATION OF FINANCIAL REPORTING CHANGES (TRANSITION)

## BACKGROUND

Over time, new or revised accounting standards and Treasurer's instructions (TIs) are introduced or amended.

Under the *Financial Management Act 2006*, public sector agencies must prepare financial statements in accordance with the accounting standards and other requirements issued by the Australian Accounting Standards Board. Early adoption of a published accounting standard is not permitted by [TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'](#), resulting in agencies adopting accounting standards in the first full reporting period stipulated by the application date imposed by the standard.

This instruction introduces provisions to facilitate the operation of a staggered adoption of accounting standards by agencies with different financial reporting periods, continuing existing legal requirements in Treasurer's instructions until the relevant accounting standard becomes effective. Agencies adopting accounting standards in advance of the gazettal of Treasurer's instructions amendments may refer to the hierarchy of pronouncements for transitional elections and other accounting elections contained in new or amended accounting standards.

## TREASURER'S INSTRUCTION

- (1) This instruction applies to all accountable authorities except:
  - (i) accountable authorities of not-for-profit agencies listed in [Schedule 1](#) of the *Financial Management Act 2016* that are not consolidated in the Government of Western Australia Consolidated Financial Statements; or
  - (ii) accountable authorities of for-profit agencies in respect of AASB 15 'Revenue from Contracts with Customers'.
- (2) Accountable authorities shall apply paragraph (3) and paragraph (4) in relation to new or amended accounting standards, from the date of application relevant to that agency.
- (3) For the purposes of this instruction, where an accounting standard permits various transitional provisions, an accountable authority shall apply the transitional provision stipulated in the following documents (in descending order of importance):
  - (i) [Treasurer's instruction](#);
  - (ii) [Accounting Policy Guideline](#); or
  - (iii) [Treasury Circular](#).

In the absence of a stipulated election, it shall be construed as an election available for the accountable authority to determine as an accounting policy choice.

**(4) For the purposes of this instruction, where an accounting standard permits various elections, an accountable authority shall apply any relevant election stipulated in the following documents (in descending order of importance):**

- (i) Treasurer's instruction;**
- (ii) Accounting Policy Guideline; or**
- (iii) Treasury Circular.**

**In the absence of a stipulated election, it shall be construed as an election available for the accountable authority to determine as an accounting policy choice.**

## **GUIDELINES**

### **Transitional provisions**

Significant changes to accounting standards, affecting both reporting and process practices, often require the amendment of TIs to ensure that they remain contemporary. Moreover, these standards include transitional provisions.

Any transitional changes and accounting policy elections are usually contained in the relevant instructions. However, in the interests of implementing new or amended standards in a timely manner may require Treasury to issue Treasury Circulars and Accounting Policy Guidelines. Paragraphs (3) and (4) of the instruction provide a hierarchy of documentation for clarity of application. For instance, a Treasurer's instruction takes precedence over a Treasury Circular and an Accounting Policy Guideline. A more recent Treasury Circular is taken to prevail over an earlier Circular to the extent of any inconsistency (e.g. where a policy position is changed or amended).

### **Accounting elections in new or amended accounting standards**

Staggered adoption of accounting standards over time increases the complexity of the Treasurer's instructions in dealing with the transitional period. To ease interpretation of Treasurer's instructions whilst providing certainty to agencies applying the prescribed requirements, paragraph (4) prescribes a hierarchy of pronouncements directing required application for accounting elections applicable on, or after, transition to the new accounting standard.



# **1107 APPLICATION OF TIERED REPORTING – SIMPLIFIED DISCLOSURES**

## **BACKGROUND**

This instruction introduces two tiers of reporting requirements for preparing general purpose financial statements, as prescribed by Australian Accounting Standard AASB 1053 *Application of Tiers of Australian Accounting Standards*. A two-tier reporting framework has been introduced to reduce the compliance costs and burden in preparing annual reports whilst improving the relevance and meaning for users.

Tier 1 comprises the full range of recognition, measurement and disclosure requirements of all Australian Accounting Standards and Interpretations. Tier 2 includes the same recognition and measurement requirements as of Tier 1, but with substantially reduced disclosures.

The Australian Government and State, Territory and Local Governments must comply with Tier 1 reporting requirements for their general purpose financial statements. Other public sector entities may adopt Tier 2 reporting requirements for their general purpose financial statements. However, this instruction mandates that those listed in Schedule 1 below are to comply with Tier 1 reporting requirements for their general purpose financial statements.

In addition, those agencies not listed in Schedule 1 below but apply Australian Accounting Standards that are specific to the industry they significantly operate in or are significantly exposed to must comply with Tier 1 reporting requirements in applying those standards (refer to Schedule 2 below). For example, if a Tier 2 agency has significant operations in agriculture and applies AASB 141 *Agriculture*, the agency is to comply with the Tier 1 reporting requirements of that Standard.

## **TREASURER'S INSTRUCTION**

- (1) For the purposes of this instruction, 'agencies' include departments, sub-departments and all statutory authorities listed in Schedule 1 of the Act that are consolidated in the Annual Report on State Finances.**
- (2) The accountable authority of an agency shall apply Australian Accounting Standard AASB 1053 *Application of Tiers of Australian Accounting Standards* as follows:**
  - (i) Tier 1 agencies are those listed in Schedule 1 of this instruction; and**
  - (ii) Tier 2 agencies are those other than Tier 1 agencies.**
- (3) Tier 2 agencies that apply Australian Accounting Standards that are particularly specific to the industry in which they significantly operate in or are significantly exposed to must comply with all reporting requirements in those standards (refer to Schedule 2 of this instruction).**

## **GUIDELINES**

### **Application of Tier 1 reporting requirements**

Tier 1 agencies are to apply the recognition, measurement and disclosure requirements of Australian Accounting Standards and Interpretations, the Act and Treasurer's instructions in full as outlined in the Tier 1 Illustrative Model Annual Report.

## **Application of Tier 2 reporting requirements**

Tier 2 comprises the same recognition and measurement requirements of Tier 1, but with substantially reduced disclosure requirements. Except for the presentation of a third statement of financial position under Tier 1, the presentation requirements under Tier 1 and Tier 2 are the same. Tier 2 disclosure requirements are set out in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

Disclosures under Tier 2 are the minimum disclosures required to be included in general purpose financial statements. Tier 2 agencies may include additional disclosures, if in their judgement such additional disclosures are consistent with the objective of general purpose financial statements.

Tier 2 agencies should refer to the Tier 2 Illustrative Model Annual Report (Simplified Disclosures) which has been issued as a guide to understand and meet the reporting requirements of Tier 2 agencies. The onus is on Tier 2 agencies to ensure compliance with all reporting requirements that are relevant to them.

## **Annual Report on State Finances**

While most agencies are classified as Tier 2 under AASB 1053, the Standard distinguishes that the Annual Report on State Finances (ARSF) is to apply Tier 1 reporting requirements. Consequently, Tier 2 disclosure requirements are for agency financial reporting purposes only. Tier 2 agencies may be required by Treasury to provide supplementary disclosures and information where the ARSF is reliant upon them or for other whole of government reporting purposes.

## **Schedule 1 – Tier 1 Agencies**

Biodiversity, Conservation and Attractions  
Child and Adolescent Health Service Board  
Commissioner of Main Roads  
Communities  
Disability Services Commission  
East Metropolitan Health Service Board  
Education  
Finance  
Fire and Emergency Services  
Gold Corporation  
Health  
Housing Authority  
Insurance Commission of WA  
Justice  
Local Government, Sport and Cultural Industries  
Lotteries Commission  
Mental Health Commission  
North Metropolitan Health Service Board  
Police Service  
Primary Industries and Regional Development  
Public Transport Authority  
Racing and Wagering WA  
South Metropolitan Health Service Board  
Training and Workforce Development  
Transport  
WA Country Health Service Board  
WA Sports Centre Trust  
WA Treasury Corporation

## **Schedule 2 – Tier 2 Agencies to apply certain Tier 1 requirements**

For the purposes of paragraph (3) of this instruction, Tier 2 agencies shall apply Tier 1 reporting requirements for the following Australian Accounting Standards:

- AASB 12 *Disclosure of Interests in Other Entities*;
- AASB 140 *Investment Property*;
- AASB 141 *Agriculture*; and
- AASB 1059 *Service Concession Arrangements: Grantors*.

## **PART XII – INTERNAL AUDIT**

### **1201 INTERNAL AUDIT**

#### **BACKGROUND**

The accountable authority is required to develop and maintain an effective internal audit function under [section 53\(1\)\(d\)](#) of the Act. In this regard, the independence of the internal audit function is critical to its effectiveness. Independence is generally achieved when those who are performing the internal audit function are not involved in the day-to-day management of an agency.

The internal audit of an agency comprises two areas, being the:

- (i) internal audit function; and
- (ii) internal audit committee.

An effective internal audit function is critical to good governance, as it provides an independent, objective, risk-based review of an agency's governance, risk management and control processes which can lead to improved performance. Independence and effectiveness of the internal audit function is supported by the function reporting to an internal audit committee.

The internal audit committee is fundamental to good corporate governance by monitoring the performance of the internal audit function, reviewing responses to audit findings and independently advising the accountable authority on the agency's financial reporting, internal control systems, risk management systems and the internal and external audit functions.

#### **TREASURER'S INSTRUCTION**

- (1) The accountable authority of an agency shall ensure that the objectives, independence, accountability, reporting arrangements, and role of the agency's internal audit function are defined in a charter (internal audit charter).**
- (2) The role of the internal audit function shall be defined in accordance with the Professional Practices Framework of the Institute of Internal Auditors, as modified by the Act and Treasurer's instructions.**
- (3) The accountable authority of an agency shall ensure that the agency has an Internal Audit Committee which is independently chaired by a suitably qualified person who is not employed within the agency.**
- (4) The internal audit function of an agency shall have independent status within the agency. The officer in charge of the internal audit function (head of internal audit) must:**
  - (i) functionally report to the Internal Audit Committee of the agency;**
  - (ii) be suitably qualified;**

- (iii) have no executive or managerial powers, authorities, functions or duties, except those relating to the management of the internal audit function;
  - (iv) not be involved in the agency's daily operational business and administrative activities, including the internal checking system, except those relating to the administration of the internal audit function; and
  - (v) not be responsible for the detailed development or implementation of new or changed systems.
- (5) The Internal Audit Committee of an agency:
- (i) shall be responsible to the agency's accountable authority;
  - (ii) shall determine the internal audit program in consultation with the agency's accountable authority; and
  - (iii) may oversee the internal audit function of another WA public sector agency, provided that each of the Committee members demonstrates a sound understanding of the other agency's operations, culture and goals.
- (6) The accountable authority shall ensure, through the internal audit charter, that processes are in place for the internal audit function to regularly, and in a timely manner, report on its progress and performance relative to its plan, authority, and responsibility, including key operational and strategic matters affecting the internal audit function and its purpose.
- (7) When the internal audit function is performed by an entity that is not within the Public Service, the accountable authority shall ensure regular rotation of the entity performing the internal audit function. The maximum term for engaging the entity to perform the internal audit function shall not exceed five years.

## GUIDELINES

### Role of Internal Audit

The role of internal audit, according to the Professional Practices Framework of the Institute of Internal Auditors (IIA) includes providing independent, objective assurance and consulting activity to add value and improve an agency's operations. It assists an agency to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management (refer to [Treasurer's instruction \(TI\) 825 Risk Management](#)), control, and governance processes.

Internal audit is part of the third line of defence activity and the function is not tasked with undertaking checking of internal control systems [paragraph(4)(iv)] of this instruction. Checking of internal control systems is a second line of defence activity that provides management with a tool to control risks of non-compliance with internal controls, policies and procedures and assists the Chief Finance Officer discharge obligations imposed by [section 57\(2\)\(b\)](#) of the Act. Further information on the three lines of defence can be found below under *Further Information*.

The role of the audit function includes reviewing all audit recommendations (internal and external audits) and ensuring that they have been implemented in a timely manner.

The internal audit function charter is the mandate for internal audit to perform its role. It defines its purpose, authority and responsibility, and establishes the internal audit activity's position within the organisation. It authorises access to records, personnel and physical properties relevant to the performance of engagements, and defines the scope of internal audit activities.

To maintain currency of the internal audit charter, it should be reviewed by the internal audit committee at least annually. The internal audit committee should endorse the charter and any changes to the charter should be approved by the accountable authority.

If the internal audit function is performed by an entity that is not within the Public Service, and there is an existing three-year contract to perform the internal audit function, the agency may extend the contract by up to two years. The total contract term must not exceed five years as required in paragraph (7) of this instruction.

## **Independence and Objectivity**

The independence of the internal audit function is critical to its effectiveness. The IIA defines independence as "the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner".

The IIA defines objectivity as "an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others."

Objectivity is generally achieved where there is independence from the day-to-day management of an agency.

In applying subparagraphs (4)(iii), (4)(iv) and (4)(v) of this instruction, there may be extenuating circumstances where the head of internal audit has involvement in executive decision making, administrative activities or the development of new systems. This may arise due to a number of factors such as size, skill levels and composition of an agency in the context of its operating environment.

Where the head of internal audit is required to undertake roles outside of internal auditing, safeguards must be in place to limit impairing (or the appearance of impairing) the independence or objectivity of the head of internal audit.

Safeguards may include the accountable authority periodically evaluating reporting lines and responsibilities and developing alternative processes to ensure assurance regarding areas of additional responsibility.

Alternatively, an agency may consider requesting an exemption, in accordance with [TI 104 Exemptions](#), from the requirements of the abovementioned subparagraphs. These matters should be discussed with Financial Policy Branch at Treasury before applying for an exemption.

## Internal Audit Committee

Establishment of an internal audit committee strengthens the independence of the internal audit function, with the function reporting to the internal audit committee through the head of internal audit. The accountable authority has responsibility for the internal audit committee's decisions, performance and outcomes. Thus, it is imperative that the accountable authority makes arrangements for the regular monitoring of the internal audit committee's activities.

The role of the internal audit committee includes monitoring the implementation of audit recommendations of both internal and external audits and if required, ensuring that management implements the recommendations in a timely manner.

The accountable authority should ensure that the agency has an up-to-date internal audit committee charter which includes, among other things:

- defining the independence, accountability, role, responsibilities and reporting arrangements for the committee; and
- outlining the committee's responsibilities for overseeing governance, risk management, internal controls and compliance.

The internal audit committee endorses the internal audit committee charter, and it should be approved by the accountable authority. The charter should be reviewed by the internal audit committee at least annually. Any changes to the charter are to be approved by the accountable authority.

All members of the internal audit committee should be formally appointed by the accountable authority with an initial term of not more than three years and a maximum total consecutive period of service of not more than six years.

The internal audit committee of an agency should be comprised of at least three members, who should have an appropriate mix of skills, experience and knowledge to competently perform their duties. In this regard, at least one member of the committee should have financial and risk management experience, given the internal audit committee's role includes overseeing the financial and performance reporting of the agency.

The appointment of the internal audit committee members must be undertaken with a view to achieving independence from the day-to-day management of an agency. As a result, the Director General, Chief Finance Officer and Chief Executive Officer (if applicable) are not to be members of the internal audit committee. They should, however, be requested to attend meetings of the internal audit committee. Maintaining the independence of the Committee will significantly improve its overall effectiveness.

To facilitate the independent status of an internal audit committee, the accountable authority should:

- appoint Committee members who are able to carry out their internal audit responsibilities in an unbiased manner;
- ensure that, where practicable, committee members have no management responsibility, and if this is not possible, the majority of members should have no management responsibility;



- have policies and procedures in place to identify events and circumstances that may give rise to potential conflicts of interest;
- Paragraph (3) of this instruction mandates that the Chair of the internal audit committee shall be a person not employed within the agency; and
- Consideration should also be given to appointing other members not employed within the agency if possible.

Where practicable, it is permissible for an internal audit committee to oversee more than one agency. However, its effectiveness is optimised where the Committee is restricted to overseeing the internal audit function of agencies similar in nature or where they are naturally grouped. Consideration of the relative complexity and risks inherent in an agency may preclude an internal audit committee from overseeing other agencies' internal audit functions.

### **Independent Internal Audit Committee Chair**

The Chair of the internal audit committee plays a key role in the independence and overall effectiveness of the internal audit function.

The role of the Chair includes:

- overseeing the planning and conduct of meetings, including the approval of the agenda and draft minutes, and reporting to the accountable authority;
- ensuring meetings run smoothly so the views of all members are heard, adequate time is allowed for discussion of each issue and the agenda and meeting papers properly reflect proceedings;
- promoting effective communications between the committee and the accountable authority, Chief Finance Officer, the head of internal audit, other senior management and the external auditor;
- setting clear expectations for members; and
- understanding and holding to account, both management and the head of internal audit.

With regard to applying paragraph (3) of this instruction, the Chair, who should not be employed within the agency, is permitted to be either an independent board member, a person from another entity within the WA public sector (including corporatised entities such as Water Corporation and Western Power) or a person external to government.

If an accountable authority intends to appoint a Chair who is external to government, it is recommended that the accountable authority seeks advice from the State Solicitor's Office, to ensure that the Chair is subject to appropriate obligations (such as requirements relating to confidentiality and restrictions relating to the use of information). It is likely that such obligations will be imposed contractually.

### **Suitably Qualified**

Paragraphs (3) and (4)(ii) of this instruction require the Chair of the internal audit committee and the head of internal audit to be "suitably qualified". Before appointing an

individual to either position, the accountable authority must be satisfied that the individual is "suitably qualified" for the position on the basis that the individual has:

- (i) current membership of CPA Australia as a CPA; or
- (ii) current membership of Chartered Accountants Australia and New Zealand as a Chartered Accountant; or
- (iii) current membership of the Institute of Public Accountants as a Member of the Institute of Public Accountants; or
- (iv) current membership of the IIA as a Professional Member; or
- (v) appropriate membership of an overseas accounting body that is approved in writing by any two of the aforementioned bodies as having requirements for membership equivalent to those of the approving body; or
- (vi) relevant experience, skills and knowledge to perform the roles, as determined by the accountable authority appropriate for the size, complexity and type of agency.

### **Resourcing and Management of the Internal Audit Function**

The internal audit function requires sufficient resources to enable it to effectively carry out its mission and objectives. The internal audit committee's role includes reviewing the resources and structure of the internal audit function and advising the accountable authority (annually) of the adequacy of the resources or budget to perform the internal audit plan.

Prior to appointing members of the internal audit committee, the head of internal audit, or external providers (whether outsourced or co-sourced), appropriate "due diligence" should be undertaken.

The engagement of internal audit staff with the relevant skills and attributes goes directly to discharging the accountable authority's duties under [section 53\(1\)\(d\)](#) of the Act and assisting in meeting the other duties in that section. The accountable authority of an agency should consult the agency's head of internal audit and the agency's internal audit committee before appointing internal audit staff.

The head of internal audit should report on a timely basis to the internal audit committee, and the internal audit committee should report to the accountable authority on the internal audit function's purpose, authority, responsibility, progress and performance relative to the internal audit plan.

The internal audit function should establish benchmarks that measure its performance. These should be linked to the audit mission and objectives that are contained in the internal audit function charter. These benchmarks should be endorsed by the internal audit committee and approved by the accountable authority.

## Further Information

Further information on the internal audit committee and internal audit function can be obtained from:

- *Western Australian Public Sector Audit Committees – Better Practice Guide June 2020*, issued by the Office of the Auditor General Western Australia.  
<https://audit.wa.gov.au/reports-and-publications/reports/better-practice-guide/>
- The Institute of Internal Auditors, Australia.  
<https://www.iaa.org.au/technical-resources/professionalGuidance/introduction>
- *Internal Audit in Australia, 2nd Ed.* 2020, issued by the Institute of Internal Auditors, Australia.  
[https://iaa.org.au/sf\\_docs/default-source/quality/internalauditinaustralia.pdf?sfvrsn=2&submission=398357332](https://iaa.org.au/sf_docs/default-source/quality/internalauditinaustralia.pdf?sfvrsn=2&submission=398357332)
- *Effective Internal Auditing in the Public Sector. A good practice guide, 1<sup>st</sup> Ed.* March 2020. issued by the Institute of Internal Auditors, Australia.  
[https://iaa.org.au/sf\\_docs/default-source/technical-resources/iaa\\_public-sector-broxa4-digital.pdf?sfvrsn=2](https://iaa.org.au/sf_docs/default-source/technical-resources/iaa_public-sector-broxa4-digital.pdf?sfvrsn=2)
- *The Three Lines of Defence in Effective Risk Management and Control* IIA Position Paper. January 2013.  
[Position Paper: Three Lines of Defense](#)

## BACKGROUND

Accountable authorities are required to maintain an effective internal audit function under [section 53](#) of the Act. Maintaining independence and objectivity in conducting internal audits are essential to an effective internal audit function.

The internal audit function may be run fully in-house, outsourced, partially run by external professional service providers, or as part of a co-source arrangement with a professional service provider.

## TREASURER'S INSTRUCTION

- (1) The accountable authority of an agency shall ensure that the internal audit charter includes requirements for planning and timely reporting on the performance of the internal audit function.**
- (2) Where internal audit is conducted fully in-house, fully outsourced or partially outsourced to another agency or to an external professional services firm, the audits shall be carried out in accordance with the most recent standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors (IIA Standards) from time to time, except:**
  - (i) to the extent that the IIA Standards are inconsistent with relevant legislation or Treasurer's instructions; or**
  - (ii) where agreed between the Internal Audit Committee and an external professional services firm, to the extent the firm's internal audit methodologies differ in their application from IIA Standards.**
- (3) In exercising its functions, internal audit shall have complete and timely access at all reasonable times to all public money, other money, statutory authority money, public property and other property, in addition to the accounts, information, documentation and records of the agency.**
- (4) Every officer and employee of the agency shall on a timely basis, furnish internal audit with information, advice or explanation on such matters as may be requested, and shall render any assistance necessary for audit purposes.**
- (5) External audit activities are the prerogative of the Auditor General. Internal audit's activity is to be conducted independently of external audit. Internal auditors are to liaise with the Office of the Auditor General to reduce duplication of audit activity if warranted by the risk profile of the process audited.**

## **GUIDELINES**

### **Appropriate Standards for the Conduct of Internal Audit**

Agencies who conduct their internal audit function fully in-house, fully outsourced or partially outsourced to another agency, are to comply with the most recent IIA Standards, except where they are inconsistent with legislation and Treasurer's instructions. These IIA Standards are available at <https://www.iaa.org.au/> under Technical Resources/Professional Guidance/Standards.

Where an agency engages or proposes to engage an external professional services firm to carry out any internal audit activities for the agency, it is often the case that the firm will have their own internal audit methodologies in place. The compliance of external professional services firm's methodologies with the IIA standards shall be clearly stated in the internal audit engagement letter. As part of this process, the Internal Audit Committee should be informed of any differences or inconsistencies between the IIA Standards and the external service provider's internal audit methodologies. This will enable the Internal Audit Committee to make an informed decision on whether the IIA Standards or the external service provider's internal audit methodologies should apply before gaining approval from the accountable authority.

Many professional services firms adopt internal audit methodologies (including quality assurance and review standards) that are not necessarily incompatible with the IIA Standards but may differ in their application. Where an external professional services firm has been engaged to perform internal audit work, paragraph (2) of this instruction allows the necessary flexibility for the Internal Audit Committee to decide on which standards are the most appropriate to follow taking into account the agency's individual circumstances.

Where in-house methodologies are relied upon by external service providers, these should be in compliance with the latest IIA Standards.

### **Internal Audit Plan**

The Internal Audit Committee, in conjunction with the head of internal audit, should establish and maintain a risk-based internal audit plan to determine the priorities and resources required that align with the organisation's goals.

The audit plan should be drawn up annually based on the risk profile of the agency and may include longer term strategic elements.

The head of internal audit should submit the internal audit function's plans and resource requirements for the year, including any significant changes occurring throughout the year, to the Internal Audit Committee for endorsement and to the accountable authority for approval. The head of internal audit should also inform the Internal Audit Committee and the accountable authority the impacts of any resource limitations.

### **Coordination**

The internal audit function should share information with other internal and external providers (i.e. service providers where in a co-source arrangement) of relevant assurance and consulting services. This information sharing is expected to focus

internal audit on higher level risk exposures, whilst leveraging coverage and reducing duplication of effort. The internal audit team are to liaise with the external audit team to ensure risks and controls are aligned and also to provide sufficient coverage for the external audit procedures.

### **Communication of Audit Results**

A system should be established and maintained to communicate effectively audit findings and recommendations to management at the finalisation of an internal audit engagement. This is typically performed by the internal audit team, whereby management should be provided with an opportunity to comment on findings and recommendations before they are accepted.

A follow-up process should also be established to monitor and ensure that management actions have been effectively implemented, or that senior management has accepted the risk of not taking action. If the head of internal audit believes that the risks being accepted are too high, these risks should be discussed with senior management and, if unresolved, be referred to the accountable authority and the Internal Audit Committee. This risk management protocol should be consistent with the risk appetite and risk management framework adopted by the agency. It is up to the head of internal audit and the Internal Audit Committee to follow up on the status of recommendations and new implementations by management.

# **SPECIAL TREASURER'S INSTRUCTIONS**

## **TABLE OF CONTENTS**

<b>TI 904U</b>	<b>Key Performance Indicators for Universities</b>
<b>TI 945P</b>	<b>Explanatory Statement for Non-GGS Agencies</b>
<b>TI 953H</b>	<b>Publication and Presentation of Estimates by Statutory Authorities that Receive Funding Through the Appropriation 'Contribution to Hospital Fund' Within the Consolidated Account (DELETED)</b>
<b>TI 1105G</b>	<b>Consolidated Financial Statements for For-Profit Entities (DELETED)</b>

# **MODEL ANNUAL REPORTS**

**Introduction**

**Tier 1 – 30 June**

**Tier 2 – 31 December**



## Introduction

Public sector agencies fund, deliver and regulate a wide range of services on behalf of the Government. These services are funded through grants from the Commonwealth Government, royalties, taxes, levies and fees from the sale of goods and services. Annual reports are prepared by public sector agencies to inform Parliament, citizens and other interested parties about their financial plans, outcomes and position. They are useful tools for agencies to demonstrate good governance, transparency and accountability.

### Purpose and scope

In accordance with section 64(1) of the FMA, the Minister is required to table in Parliament the accountable authority's annual report within the prescribed period after the end of a financial year of an agency. To enhance the consistency and quality of these annual reports, the Department of Treasury produces model annual reports (the Models) to guide agencies.

The Models have been prepared in accordance with:

- the *Financial Management Act 2006* (FMA);
- the Financial Management Regulations 2007 (FMR);
- Treasurer's instructions (TIs);
- the AASB's *Framework for Preparation and Presentation of Financial Statements* (Framework) and the Statements of Accounting Concepts SAC 1;
- Australian Accounting Standards (AAS); and
- Australian Accounting Interpretations, this includes interpretations of both the Australian Accounting Standards Board (AASB) and the former Urgent Issues Group (UIG).

The focus of the Models is to assist agencies with the preparation of financial statements. For guidance on preparation of other sections of the annual reports, agencies should refer to Treasurer's instruction 903 *Agency Annual Reports* and to the Public Sector Commission's *Annual Reporting Framework* for other reporting requirements. While the Models aim to meet most of the needs of agencies in complying with general reporting requirements of the FMA, TIs, FMRs and AASBs, agencies should be aware that the Models are for general use and are not intended to cover every potential circumstance. Other methods of presenting financial statements may also be suitable.

The Models are based on fictitious agencies to highlight and illustrate disclosure requirements. They include:

- guidance and commentaries highlighting the disclosure requirements;
- references and interpretations of relevant authoritative pronouncements; and
- illustrative disclosures related to common agency activities.

### How to use the models

In accordance with the Treasurer's instruction 903 *Agency Annual Reports* (paragraph 3) and the Public Sector Commission's *Annual Reporting Framework*, annual reports are divided into the following 4 sections:

- Overview
- Agency Performance
- Significant Issues Impacting the Agency; and
- Disclosures and Legal Compliance.

The Models should be used as a guide and not be as a substitute for referring to the legislation and standards themselves. Agencies should identify the applicable legislative and accounting reporting requirements and observe their related illustrative examples in the Models.

The references and commentaries that are included throughout the Models would not normally be included in published reports. References to the relevant requirements are provided in the left hand column of the Models. Where doubt exists in respect of a treatment or disclosure, refer to the source reference of the requirement.

Commentaries in the Models provide guidance, legislative and documented references and highlight the minimum disclosure requirements. Agencies should ensure they are familiar with the details of the original sources. These commentaries are provided in a commentary box following each related part.

Additional commentaries are also located within the main body or table as italicised text enclosed in brackets.

#### Example

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

Electronic copies of the Models are available on Treasury's website in word or pdf versions.

## Legislative background

### Financial Management Act 2006

Section 61(1) of the FMA requires the accountable authorities of an agency to prepare an annual report that contains:

- financial statements for the financial year;
- key performance indicators;
- a report on the operations of the agency during the financial year;
- any information prescribed by the Treasurer's instructions;
- if applicable, the reports referred to in subsections (2) and (3); and
- any other information required by a written direction given by the Minister.

The Treasurer's instruction 903 *Agency Annual Reports* prescribes a standard layout for agencies to adopt when preparing their annual reports. This standardised layout will enable readers of annual reports to more easily find information.

In accordance with section 61(2) of the FMA, where an agency is covered by a resource agreement, the accountable authority is to include in the annual report for the financial year covered by a resource agreement a report on the extent to which the agency achieved its objectives described in the resource agreement. This is reinforced in the Treasurer's instruction 808 *Resource Agreements* (paragraph 3).

Section 61(5) of the FMA requires an agency that has a subsidiary body to exercise its control over that subsidiary body so as to ensure that the accountable authority is provided with all the information relating to the subsidiary body in order for the accountable authority to comply with sections 61 and 62 of the FMA and the Treasurer's instructions.

Unless the Treasurer approves otherwise, section 62(1) of the FMA requires the financial statements to be prepared in accordance with the accounting standards and other requirements issued by the Australian Accounting Standards Board.

Section 64(1) of the FMA requires the Minister to table the agency's annual report within the prescribed period after the end of a financial year of an agency.

### Australian Accounting Standards

The FMA (and TIs) are legislative provisions that **take precedence** over accounting standards and other pronouncements. For example, a legislated reporting requirement may override a materiality judgement under AASB 1031 *Materiality*.

Chief Finance Officers should also have regard to the Framework and SACs for guidance if there is no applicable Australian Accounting Standard. However, any interpretation of these pronouncements must not be inconsistent with the FMA and TIs.

## Exclusions

The Australian Accounting Standards shown below have not been applied due to their limited application to the public sector. Agencies should assess their own individual circumstances as to whether any of these Australian Standards listed below apply.

AASB 2	<i>Share-based Payment</i>
AASB 3	<i>Business Combinations</i>
AASB 4	<i>Insurance Contracts</i>
AASB 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i> to the extent that discontinued operations have not been applied. However, application and guidance is provided in respect of non-current assets held for sale.
AASB 6	<i>Exploration for and Evaluation of Mineral Resources</i>
AASB 111	<i>Construction Contracts</i>
AASB 129	<i>Financial Reporting in Hyperinflationary Economies</i>
AASB 133	<i>Earnings per Share</i>
AASB 134	<i>Interim Financial Reporting</i>
AASB 141	<i>Agriculture</i>
AASB 1023	<i>General Insurance Contracts</i>
AASB 1038	<i>Life Insurance Contracts</i>
AASB 1039	<i>Concise Financial Reports</i>
Int 2	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>
Int 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
Int 6	<i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>
Int 7	<i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>
Int 9	<i>Reassessment of Embedded Derivatives</i>
Int 10	<i>Interim Financial Reporting and Impairment</i>
Int 12	<i>Service Concession Arrangements</i>
Int 13	<i>Customer Loyalty Programmes</i>
Int 14	<i>AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
Int 15	<i>Agreements for the Construction of Real Estate</i>
Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Int 129	<i>Service Concession Arrangements: Disclosures</i>
Int 1042	<i>Subscriber Acquisition Costs in the Telecommunications Industry</i>
Int 1047	<i>Professional Indemnity Claims Liabilities in Medical Defence Organisations</i>

## Abbreviations

Abbreviations to the relevant requirements are provided in the left hand column of each page of the models. Where doubt exists as to the appropriate treatment, examination of the source of the disclosure requirement is recommended.

Abbreviations used in the models are as follows:

AASB	Accounting standards issued by the Australian Accounting Standards Board
APG	Accounting Policy Guidelines published by Treasury
FMA	<i>Financial Management Act 2006</i>
FMR	Financial Management Regulations 2007
Framework	Accounting framework issued by the Australian Accounting Standards Board
Int	Interpretations issued by the Australian Accounting Standards Board
TI	Treasurer's instruction issued by Treasury

# **Illustrative Model Annual Report**

**Tier 1  
Agency**

**For the year ended 30 June 2022**

## Foreword

This **Model Annual Report** (the Model) has been designed to provide you with a guide to understand and efficiently meet your financial reporting obligations as a Tier 1 reporting agency in the public sector. This model incorporates annual reporting requirements of the *Financial Management Act 2006* (FMA) and Treasurer's instructions (TIs) pertinent to the modelled agency.

Agencies should be aware that the Model is for general use and is not intended to cover every potential circumstance. This model is suitable for use by public sector agencies and streamlines financial statements by grouping notes in a functional structure. Agencies are encouraged to streamline their financial statements and this may entail following a more appropriate structuring methodology that is more relevant to their financial statements. Streamlining reduces the costs and burdens of preparing the annual report whilst improving the relevance and meaning for users.

Agencies are encouraged to consider materiality in preparing their financial statements. Agencies should determine which disclosures could be omitted on the basis that they are not quantitatively or qualitatively material. Any omissions should be documented and retained as part of preparation for the annual audit process.

Further reporting requirements are specified in the WA Government website available at: [Annual report guidelines for 2020-21 \(www.wa.gov.au\)](http://www.wa.gov.au)

## Instructions for using the Model

Set out below are instructions for using the Model including some key things to consider when preparing your annual financial statements:

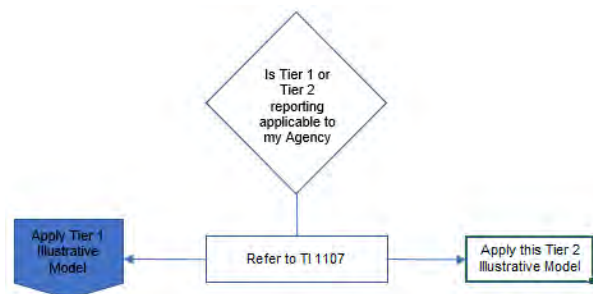
- ✓ Highlighted disclosures must be included in agency annual reports where required by legislation or are material under accounting standards.
- ✓ Apply critical judgements in determining if the model needs to be modified to meet specific circumstances that are material to the understanding of the financial results of the agency.
- ✓ Apply operative Australian Accounting Standards (AASs) and Treasurer's instructions (TIs), issued between publication of this model report and balance date.
- ✓ Set an appropriate materiality limit and exclude disclosures that are not material to the understanding of the financial statements.

The Model is not designed to be used as a template. Entities need to apply their judgement and understanding of their own financial results to determine the appropriate level of disclosures that need to be made. In addition, the Model is also not designed as a replacement for referring to AASs and TIs.

## Significant changes to this Model Annual Report

The 2022 Model Annual Report for the year ended 30 June 2022 reflects updates for relevant standards applicable to the public sector and additional commentary on climate-risk.

## Which agencies does Tier 1 reporting apply to?



The Department of Treasury (Treasury) has the discretion as to which agencies will report as a Tier 1 reporting entity. Tier 1 reporting entities are those included in Schedule 1 of TI 1107 *Application of Tiered Reporting - Simplified Disclosures*.

## Setting out the disclosures and guidance

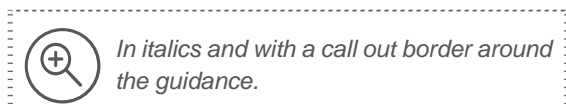
The reporting requirements as set out in the Model are presented as follows:

- 1) **Illustrative disclosures:** Presented first – predominantly in black text and for a fictitious agency.

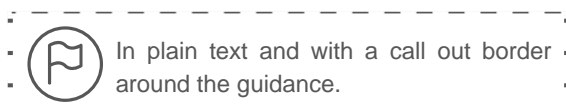
These disclosures have been designed to demonstrate compliance with Australian Accounting Standards and Treasurer’s instructions for a model agency.

Treasury encourages agencies to streamline their financial reporting. Accordingly, agencies should be considering their own reporting requirements and applying materiality considerations to determine disclosures that are relevant to the users of the financial statements.

- 2) **Guidance (or commentary):** Provided on the illustrative disclosures. Guidance has been set out as follows:



In some instances, the Model may present illustrative examples that fit for a certain set of circumstances. In such instances the guidance may call out alternative disclosures where an agency may be faced with alternative disclosures. These are demonstrated as follows:



- 3) **References:** Highlighted throughout the illustrative disclosures and the guidance and are prefixed by **AASB..., Int..., TI..., and/or FMA...**
- 4) **Consideration points:** Throughout the Model markers are used to indicate where additional consideration and application of materiality and factors specific to the agency should be applied.



Indicates ‘**stop and consider**’. Do you need to include this disclosure?



Indicates ‘**items for attention**’. These disclosures may be non-standard.

- 5) **Key judgements:** These statements include key judgements and estimates within the note disclosing the quantitative impact of the estimate and/or judgement. Where a sample judgement or estimate is disclosed it is marked with the icon as shown below. Agencies should ensure they consider throughout the need to disclose estimates and judgements and make the appropriate disclosures.



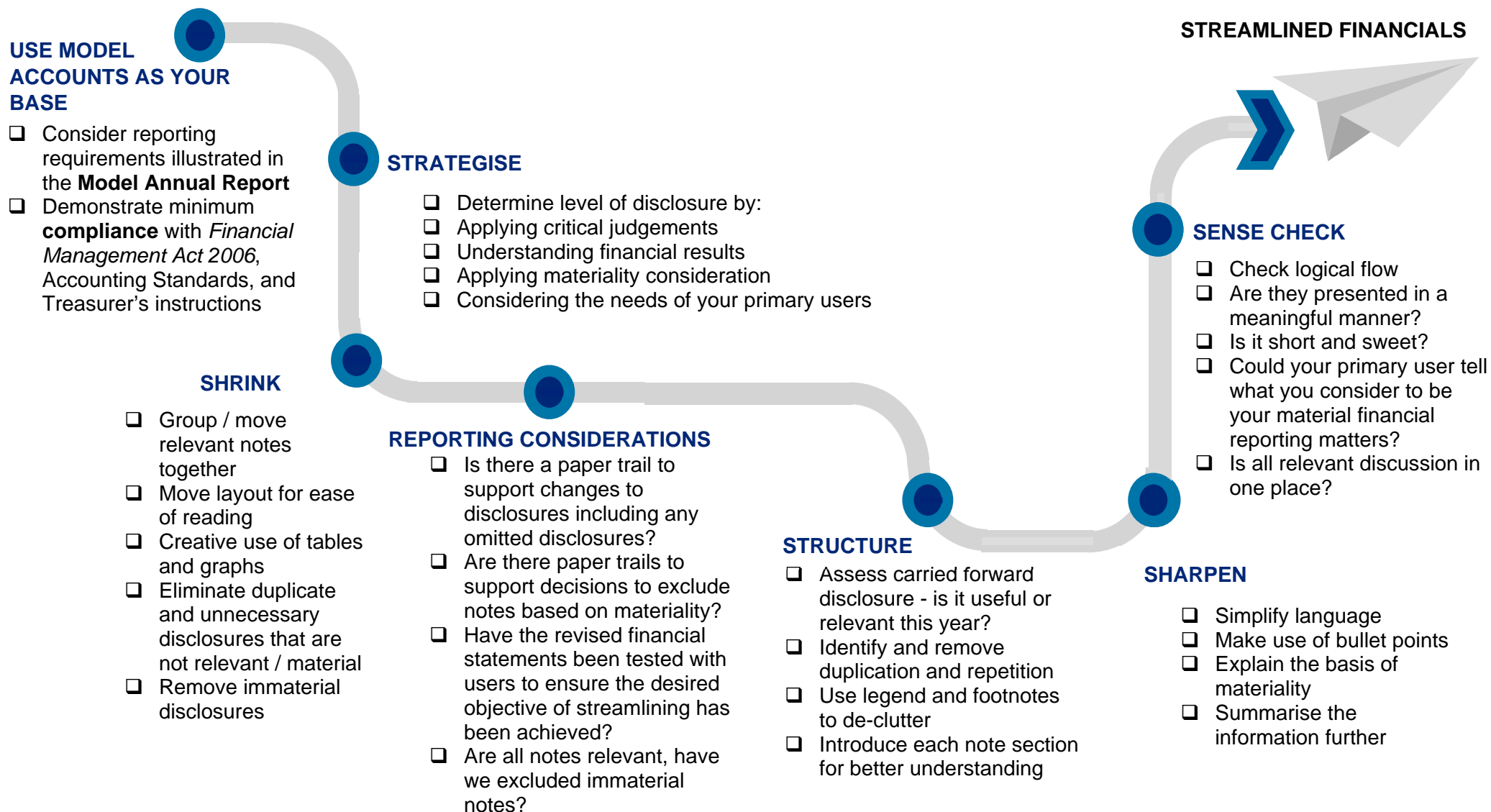
Sample key judgement or estimate disclosure.

## Where to go for additional information

Treasury seeks to provide users of the Model with relevant and sufficient guidance to be able to apply the requirements included within the Model.

A guide to streamlining a set of financial statements is included on the following page.

# A guide to continuously streamlining financial statements





## Table of contents

<b>Foreword</b> .....	<b>2</b>
<b>Instructions for using the Model</b> .....	<b>2</b>
<b>Significant changes to this Model Annual Report</b> .....	<b>2</b>
<b>Which agencies does Tier 1 reporting apply to?</b> .....	<b>2</b>
<b>Setting out the disclosures and guidance</b> .....	<b>3</b>
<b>Where to go for additional information</b> .....	<b>3</b>
<b>A guide to continuously streamlining financial statements</b> .....	<b>4</b>
<b>Table of contents</b> .....	<b>5</b>
<b>Statement of compliance</b> .....	<b>7</b>
<b>Overview</b> .....	<b>8</b>
Executive summary .....	8
Performance highlights.....	8
Operational structure .....	8
Enabling legislation.....	8
Responsible minister .....	8
Organisational structure .....	9
Administered legislation.....	10
Other key legislation impacting on the Agency's activities.....	10
Performance management framework .....	11
Outcome-based management framework.....	11
Changes to outcome-based management framework .....	11
Shared responsibilities with other agencies .....	11
<b>Agency performance</b> .....	<b>12</b>
Report on the operations .....	12
Actual results versus budget targets .....	12
<b>Significant Issues Impacting the Agency</b> .....	<b>15</b>
Current and emerging issues and trends .....	15
Economic and social trends.....	15
Changes in written law .....	15
Likely developments and forecast results of the operations .....	15
<b>Disclosures and legal compliance</b> .....	<b>17</b>
Certification of financial statements.....	17
<b>Financial statements</b> .....	<b>18</b>
Statement of comprehensive income .....	21
Statement of financial position .....	24
Statement of changes in equity .....	26
Statement of cash flows .....	28
Administered Schedules.....	30
Notes to the financial statements .....	32

1. Basis of preparation.....	32
2. Agency outputs.....	35
3. Use of our funding.....	40
4. Our funding sources.....	50
Summary of consolidated account appropriations.....	52
5. Key assets.....	58
6. Other assets and liabilities.....	74
7. Financing.....	83
8. Risks and Contingencies.....	94
9. Other disclosures.....	107
10. Explanatory Statements.....	125
<b>Audited key performance indicators.....</b>	<b>135</b>
Certification of key performance indicator.....	135
Detailed information in support of key performance indicators.....	136
<b>Other statutory information.....</b>	<b>138</b>
Ministerial directions.....	138
Other financial disclosures.....	139
Pricing Policies of Services Provided.....	139
Capital Works.....	139
Employment and Industrial Relations.....	139
Staff Development.....	139
Workers Compensation.....	139
Governance disclosures.....	139
Other legal requirements.....	140
Unauthorised use of credit cards.....	140
Government policy requirements.....	141
<b>Contact information.....</b>	<b>142</b>

Reference

FMA sec 63  
TI 902

## Statement of compliance

For year ended 30 June 2022

HON MICHAEL JACKSON

MINISTER FOR INFORMATION TECHNOLOGY

TI 902(2)

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Agency for the reporting period ending 30 June 2022.

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

TI 902(3)

(Signature)

B. King

Accountable Authority

1 September 2022



### Guidance – Statement of compliance

TI 902(3)(ii)

Where the accountable authority is a body, the statement shall be signed by two members of that body.

Reference

TI 903(3)(i)

## Overview

TI 903(5)

### Executive summary

#### Performance highlights

- The Agency received a commendation from the State Government for its services in providing assistance to public sector agencies to complement the corporate services reforms.
- Customer surveys indicated that 95% of agencies rated the services provided for the implementation of corporate services reforms as exceptional.
- The Agency's research and development project on software development for public sector accounting is on schedule and is expected to be completed in 2023.

TI 903(6)

### Operational structure

TI 903(6)(i)

The Agency delivers services through the following divisions:

- Information Technology;
- Customer Relations; and
- Corporate Services.

#### Enabling legislation

TI 903(6)(ii)

The Agency was established as an agency on 1 July 2007, under the *Public Sector Management Act 1994*.

TI 903(6)(iii)

#### Responsible minister

The Hon. Michael Jackson, BCom MLA, Minister for Information Technology.



#### Guidance – Overview

TI 903(5)

##### **Executive summary**

Each agency has to include a statement from the accountable authority that includes performance highlights and/or other significant events impacting on the agency. In the above example, this has been included under **executive summary**.

TI 903(6)

##### **Operational structure**

Under this section, agencies are required to disclose a summary of activities and responsibilities for each division or its equivalent. In the above example, this has been included under **operational structure**.

Reference

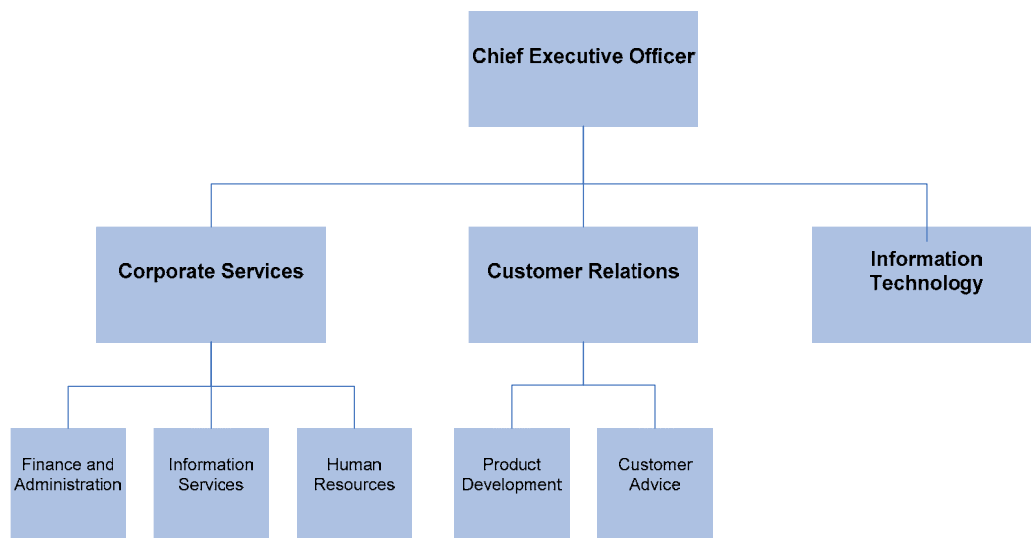
## Organisational structure

### Mission

To provide leadership, support and services necessary to ensure that Western Australians have easy and affordable access to a diverse range of information technology.

TI 903(6)(iv)

### Organisational chart



### Senior officers

**Dr Bill King PhD** (Chief Executive Officer)

Mr King has extensive experience in corporate management and public sector information technology.

**Elliot Ng BCom CA** (Director Information Technology)

Mr Ng has 7 years public sector management experience and 15 years corporate advisory experience in the private sector.

**Christy Fleming BCom FCPA** (Director Corporate Services, Chief Finance Officer)

Ms Fleming has 17 years' experience in public sector finance, in addition to experience in the private sector.

**Delia Smith BA (Hons)** (Director Customer Relations)

Ms Smith has 10 years' experience in public sector customer relations.



#### Guidance - Overview

*Statutory Authorities should include information about the appointment of Board members and a short biographical summary for each member of the Board whose term of appointment is pertinent to the reporting period.*

Reference

## Administered legislation

TI 903(6)(v)-(vii)

The Agency assists the Minister for Information Technology in administration of the following Acts:

- *Information Technology Act 1951-1983*; and
- *Information Protection Act 1959*.

## Other key legislation impacting on the Agency's activities

In the performance of its functions, the Agency complies with the following relevant written laws:

- *Auditor General Act 2006*;
- *Contaminated Sites Act 2003*;
- *Disability Services Act 1993*;
- *Equal Opportunity Act 1984*;
- *Financial Management Act 2006*;
- *Freedom of Information Act 1992*;
- *Industrial Relations Act 1979*;
- *Long Service Leave Act 1958*;
- *Minimum Conditions of Employment Act 1993*;
- *Occupational Safety and Health Act 1984*;
- *Procurement Act 2020*;
- *Public Sector Management Act 1994*;
- *Salaries and Allowances Act 1975*; and
- *State Records Act 2000*.



### Guidance - Overview

TI 903(6)(v)-(vii)

#### **Administered legislation**

*Include the name of and authority for establishment of each subsidiary, related and affiliated body and information about the legislation administered pertaining to each subsidiary and related body.*

#### **Other key legislation impacting on the agency's activities**

*In addition to the abovementioned legislation, where applicable, agencies may consider disclosing specialised legislation that impacts upon their area of operations. Although the above information is not mandatory, listing the key legislation impacting on the agency's activities provides useful information to users.*

Reference

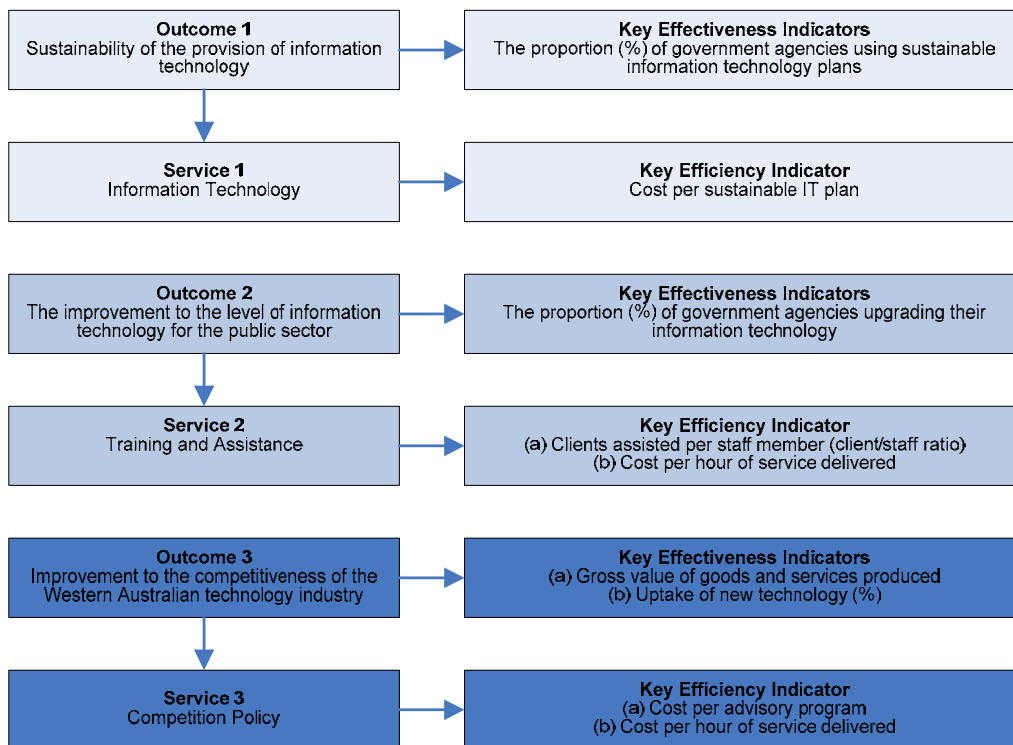
TI 903(7)

## Performance management framework

TI 904(2)

TI 903(7)(i)

### Outcome-based management framework



TI 903(ii)

### Changes to outcome-based management framework

The Agency's outcome-based management framework did not change during 2021-22.

TI 903(iii)

### Shared responsibilities with other agencies

The Agency did not share any responsibilities with other agencies in 2021-22.



#### Guidance – Performance management framework

TI 903(7)

TI 904(2)

##### **Outcome-based management framework**

Include a description of the links between the relevant government goals, agency level desired outcomes and services.

##### **Changes to outcome-based management framework**

Include a discussion of any changes to agency level desired outcomes, services and key performance indicators from the previous year. This segment should be included even if there is a nil return.

##### **Shared responsibilities with other agencies**

Include a statement of which services are being delivered jointly with other agencies and how the agency is contributing to other agencies' desired outcomes. This segment should be included even if there is a nil return.

Reference

TI 903(8)

## Agency performance

### Report on the operations

#### Actual results versus budget targets

TI 808(2)

#### Financial targets

	2022 Target <sup>(1)</sup> (\$000)	2022 Actual (\$000)	Variation <sup>(2)</sup> (\$000)
Total cost of services (expense limit) (sourced from Statement of comprehensive income)	805,979	801,497	(4,482) <sup>(a)</sup>
Net cost of services (sourced from Statement of comprehensive income)	774,912	768,048	(6,864) <sup>(b)</sup>
Total equity (sourced from Statement of financial position)	1,477,895	1,462,515	(15,380) <sup>(c)</sup>
Net increase / (decrease) in cash held (sourced from Statement of cash flows)	4,505	4,503	(2)
Approved salary expense level	670,435	669,757	(678)
Agreed borrowing limit (where applicable)	-	-	-

(1) As specified in the Budget Statements.

(2) Further explanations are contained in Notes [3.3](#), [4.2](#), [4.3](#), [10.1](#) 'Explanatory statement' to the financial statements.

(a) This variation is mainly due to implementing tighter cost controls.

(b) In addition to the explanation above regarding expenses, this variation was mainly due to an increase in user charges and fees and sales revenue as a result of better than expected demand.

(c) The variation is mainly due to a lower than expected asset revaluation increments for land and buildings.



#### Guidance – Agency performance

FMA sec 61(1)(c)  
TI 903(8)

#### Report on the operations

The report must include a brief discussion of agency performance, including references to key achievements and other key highlights about agency performance during the year. This can include both financial and non-financial performances as well as the agency's vision and mission.

Include any narrative necessary to explain the results and describe the agency's performance, including any material variations and the impact of any external factors.

#### Reporting actual performance compared to resource agreement targets

Agencies are required to adopt the format similar to that shown in the Guidelines to TI 808(4).

#### Borrowing limits

The agreed borrowing limit is the total borrowings authorised by the Treasurer during, or subsequent to, the budget process due to impact on the State's Net Debt. Accountable authorities should refer to TI 822, which provides background on borrowing limits and provides guidance on amounts included in the agency borrowing limit.



Reference

TI 808(2)

**Working cash targets**

	<b>2022 Agreed limit (\$000)</b>	<b>2022 Target<sup>(1)</sup>/ Actual<sup>(2)</sup> (\$000)</b>	<b>Variation (\$000)</b>
Agreed working cash limit (at Budget)	9,934	9,934	-
Agreed working cash limit (at Actuals)	8,074	6,808 <sup>(d)</sup>	(1,266) <sup>(e)</sup>

(d) The Actual working cash held totals 8,308,000, which includes an amount of \$1,500,000 for Asset Investment Program milestone payments due early in the first month of the successive reporting period. Cash held for milestone payments is excluded from this target.

(e) The variation is mainly due to *[insert narrative]*.



**Guidance – Working cash targets**

*The Target Working Cash Limit at Budget is calculated by multiplying budgeted recurrent payments by 5% (total operating and financing). Further information on the Working Cash Target may be found in the Cash Management Policy (2007) at:*

[https://www.wa.gov.au/sites/default/files/2020-02/cash\\_management\\_policy.pdf](https://www.wa.gov.au/sites/default/files/2020-02/cash_management_policy.pdf)

Reference

TI 903(8)

Summary of key performance indicators

	2022 Target <sup>(1)</sup>	2022 Actual	Variation <sup>(2)</sup>
<p><i>Outcome 1: Sustainability of the provision of information technology</i> Key effectiveness indicator(s): <b>The proportion (%) of government agencies using sustainable information technology plans</b></p>	85%	86%	1%
<p><i>Service 1: Information technology</i> Key efficiency indicator(s): <b>Cost per sustainable IT plan</b></p>	\$22,700	\$21,950	\$750
<p><i>Outcome 2: The improvement to the level of information technology for the public sector</i> Key effectiveness indicator(s): <b>The proportion (%) of government agencies upgrading their information technology</b></p>	75%	76%	1%
<p><i>Service 2: Training and assistance</i> Key efficiency indicator(s): <b>Clients assisted per staff member (client/staff ratio)</b> <b>Cost per hour of service delivered</b></p>	0.36 \$5,000	0.39 \$5,311	0.03 (\$311)
<p><i>Outcome 3: Improvement to the competitiveness of the Western Australian technology industry</i> Key effectiveness indicator(s): <b>Gross value of goods and services produced</b> <b>Uptake of new technology (%)</b></p>	\$200m 66%	\$206m 68%	\$6m 2%
<p><i>Service 3: Competition policy</i> Key efficiency indicator(s): <b>Cost per advisory program</b> <b>Cost per hour of service delivered</b></p>	\$19,300 \$5,000	\$18,900 \$5,155	\$400 (\$155)

(1) As specified in the Budget Statements.

(2) Explanations for the variations between target and actual results are presented in [note 10.1](#) Explanatory statement for controlled operations.



**Guidance – Summary of key performance indicators**

TI 903(8), (11)  
TI 904

More detailed information, including long term trends and supporting footnotes, may be disclosed either in this section or in the section 'Disclosures and Legal Compliance'. The report on the operations shall include any narrative necessary to explain the results and describe the agency's performance, including any material variations and the impact of any external factors.

If further information is disclosed elsewhere, a cross reference to the page number would be required.

Where there is no resource agreement, the key performance indicators approved under TI 904 are to be used in this reporting process by reporting, at a minimum, a summary assessment of actual performance relative to target performance as set in the budget statements, statement of corporate intent or any equivalent document in accordance with TI 903(8).

## Significant Issues Impacting the Agency

### Current and emerging issues and trends

The rapid pace of technological advancements is leading to a reduction in the Agency costs and creates opportunities to deliver enhanced services.

### Economic and social trends

There is an expectation in society that services delivered by the Agency will be enhanced to take advantage of technological advances.

### Changes in written law

There were no changes in any written law that affected the Agency during the reporting period.

### Likely developments and forecast results of the operations

It is likely that the Agency operations will undergo a period of consolidation during 2023 as a result of the full impact of changes made during the 2021-22 reporting period. The most significant areas for change will be in relation to:

- The continuation of the research and development project on software development for public sector accounting. This project is expected to deliver significant cost savings to the public sector; and
- The measures taken in the current period with respect to information technology services, which should begin to deliver significant cost savings and greater sales growth.



#### **Guidance – Significant issues impacting the agency**

TI 903(9)

*Include a brief description of current and emerging issues and trends impacting on the agency's operations, as well as the operations of any subsidiary and/or related bodies, and how the agency and bodies intend to address them. This may include economic and social trends and changes in any written law and significant judicial decisions affecting the agency or bodies.*

*Any likely developments in the operations of the agency or bodies and the forecast results of those developments should also be disclosed, unless the disclosure is likely to be prejudicial to the agency.*

#### **Coronavirus (Covid-19) pandemic**

*Agencies should consider and disclose current and emerging material implications the Covid-19 pandemic may have to its operations.*



Climate change is an emerging risk with possible future implications that could impact on the welfare of communities and economies, both domestically and globally. Agencies should consider current and emerging impacts that climate-related risks could have to its operations from:

- physical risks, both direct and indirect, that could impact on the physical assets, and financial and non-financial performance of agencies. It can be either event-driven or the result from longer-term shifts in climate patterns;
- transition risks as a result of transitioning to a lower-carbon economy. This could be in the form of policy, regulatory, legal, reputation, technological and market changes;
- liability risks that are associated with people or businesses seeking compensation for losses suffered due to climate change; and
- climate-related opportunities, such as improved operational efficiency, savings on energy costs, adaptive capacity to respond to climate change, capitalise on shifting consumer preferences, etc.

With respect to climate-related disclosures in financial statements, the Australian Accounting Standards Board and the Auditing and Assurance Standards Board have not directly addressed climate-related disclosures in their Standards. Instead, in April 2019 they have issued [AASB Practice Statement 2 Making Materiality Judgements](#), a **non-mandatory** guidance, to assist management, preparers and auditors with assessing the materiality of climate-related and other emerging risks for disclosure in their financial statements. It is recommended that Agencies read this Practice Statement for possible future applications.

Government policy discussing transitioning to a lower-carbon economy and benefiting from climate-related opportunities may be accessed at:

- [Western Australian Climate Change Policy](#); and,
- [Sectoral Emissions Reduction Strategies](#).

**Reference**

TI 903(10)-(16)

## Disclosures and legal compliance

TI 903(10)

### Certification of financial statements

FMA sec 62(2)  
TI 947

#### For the reporting period ended 30 June 2022

The accompanying financial statements of the Agency have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2022 and the financial position as at 30 June 2022.

AASB 110.17

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

TI 947(3)

*(Signature)*

C. Fleming  
Chief Finance Officer  
1 September 2022

*(Signature)*

B. King  
Accountable Authority  
1 September 2022



#### **Guidance – Disclosures and legal compliance**

FMA sec 62(1)

*Financial statements are to be prepared in accordance with the accounting standards and other requirements issued by the AASB.*

FMA sec 62(2)

*Financial statements include any financial statements and information prescribed by the Treasurer's instructions and any other financial information required by a written direction given by the Minister.*

AASB 110.17

*Disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the agency's owners or others have the power to amend the financial statements after issue, the agency shall disclose that fact.*

*Where the accountable authority is a body, the statement shall be signed by two members of that body.*

## Financial statements

The Agency has pleasure in presenting its audited general purpose financial statements for the reporting period ended 30 June 2022 which provides users with the information about the Agency's stewardship of resource entrusted to it. The financial information is presented in the following structure:

Index	Page
<b>Financial Statements .....</b>	<b>18</b>
Statement of comprehensive income .....	21
Statement of financial position.....	24
Statement of changes in equity .....	26
Statement of cash flows .....	28
<b>Administered Schedules.....</b>	<b>30</b>
Administered income and expenses by service .....	30
Administered assets and liabilities.....	31
<b>Notes to the financial statements .....</b>	<b>32</b>
1. Basis of preparation.....	32
Statement of compliance.....	32
Basis of preparation.....	32
Judgements and estimates .....	32
Accounting for Goods and Services Tax (GST) .....	32
Contributed equity .....	32
Administered items (Departments only) .....	33
2. Agency outputs.....	35
2.1 Agency objectives.....	35
2.2 Schedule of income and expenses by service .....	37
2.3 Schedule of assets and liabilities by service .....	39
3. Use of our funding .....	40
3.1(a) Employee benefits expenses .....	41
3.1(b) Employee related provisions.....	42
3.2 Grants and subsidies.....	47
3.3 Other expenditure.....	48
4. Our funding sources .....	50
4.1 Income from State Government .....	51
Summary of consolidated account appropriations .....	52
4.2 User charges and fees .....	53
4.3 Sale of Goods.....	54
4.4 Commonwealth grants .....	56
4.5 Other income .....	57
5. Key assets .....	58
5.1 Infrastructure, property, plant and equipment .....	59
5.2 Intangible assets.....	65
5.3 Right-of-use assets.....	68
5.4 Service Concession Assets.....	72

6. Other assets and liabilities.....	74
6.1 Receivables.....	75
6.2 Amounts receivable for services (Holding Account).....	77
6.3 Other assets.....	77
6.4 Payables.....	77
6.5 Contract liabilities.....	78
6.6 Capital grant liabilities.....	78
6.7 Amounts due to Treasurer.....	80
6.8 Other provisions.....	80
6.9 Other liabilities.....	82
7. Financing.....	83
7.1 Borrowings.....	84
7.2 Lease liabilities.....	85
7.3 Service concession liabilities.....	88
7.4 Assets pledged as security.....	89
7.5 Finance costs.....	90
7.6 Cash and cash equivalents.....	91
7.7 Capital commitments.....	93
8. Risks and Contingencies.....	94
8.1 Financial risk management.....	95
8.2 Contingent assets and liabilities.....	101
8.3 Fair value measurements.....	102
9. Other disclosures.....	107
9.1 Events occurring after the end of the reporting period.....	108
9.2 Changes in accounting policy.....	109
9.3 Future impact of Australian Accounting Standards not yet operative.....	111
9.4 Key management personnel.....	114
9.5 Related party transactions.....	115
9.6 Related bodies.....	117
9.7 Affiliated bodies.....	117
9.8 Special purpose accounts.....	118
9.9 Remuneration of auditors.....	119
9.10 Non-current assets classified as assets held for sale.....	120
9.11 Equity.....	122
9.12 Supplementary financial information.....	124
10. Explanatory Statements.....	125
10.1 Explanatory statement for controlled operations.....	126
10.2 Explanatory statement for administered items (Departments only).....	133



## Guidance – Financial report structure

AASB 101.10

A complete set of financial statements comprises the following:

- A statement of comprehensive income;
- A statement of financial position;
- A statement of changes in equity;
- A statement of cash flows;
- Notes, comprising a summary of significant accounting policies and other explanatory information; and
- Comparative information in respect of the preceding period.

### **Contents of the Notes to the Financial Statements**

AASB 101.112, 113, 117

The notes to the financial statements of an agency shall:

- Present information about the basis of preparation;
- Disclose the information required by Australian Accounting Standards (AASs) that is not presented in the face of the financial statements;
- Provide additional information that is relevant to an understanding of the financial statements and that is not disclosed elsewhere;
- Be presented in a systematic manner with cross references to the financial statements or any related information in the notes;
- Include a statement of compliance with AASs; and
- Include a summary of significant accounting policies relevant to understanding the information presented in the financial statements, including the measurement bases used in preparing the financial statements.

The FMA, TIs and accounting standards require agencies to include additional financial information:

### Statutory authorities and departments

AASB 1058.38-39  
TI 945

- Summary of consolidated account appropriations;
- Explanatory statements disclosing budgets versus actual results for the agency; and
- Explanatory statements disclosing current year actual results versus prior year comparative results for the agency.

### Departments

AASB 1050.7  
TI 945

- Schedule of income and expenses by service;
- Schedule of assets and liabilities by service;
- Schedules for administered income, expenses, assets and liabilities; and
- Explanatory statements for administered items.

Without these, an agency will not have a complete set of financial statements.



## Reference

FMA sec 61(1)(a),  
62(1), TI 1102,  
AASB 101.10(b), 81A

## Statement of comprehensive income

For the year ended 30 June 2022

	Notes	2022 (\$'000)	2021 (\$'000)
		<b>COST OF SERVICES</b>	
		<b>Expenses</b>	
TI 1102(7)(i)			
TI 1102(7)(i)(a)			
TI 1102(7)(i)(b)			
AASB 101.82(b)			
TI 1102(7)(i)(e)			
TI 1102(7)(i)(g)			
TI 1102(7)(ii)			
TI 1102(7)(ii)(a)			
TI 1102(7)(ii)(f)			
TI 1102(7)(ii)(b)			
TI 1102(7)(ii)(c)			
TI 1102(7)(ii)(g)			
TI 1102(7)(iii)			
TI 1102(7)(iv)			
TI 1102(7)(iv)(a)			
TI 1102(7)(iv)(b)			
TI 1102(7)(iv)(c)			
TI 1102(7)(iv)(d)			
TI 1102(7)(iv)(e)			
AASB 101.81A(a)			
TI 1102(7)(vii)			
AASB 101.81A(b)			
TI 1102(7)(viii)			

The Statement of comprehensive income should be read in conjunction with the accompanying notes.



**Guidance – Presentation of the statement of comprehensive income**

*Income and expense items are classified within the statement of comprehensive income depending on whether they arise from ‘transactions’ or ‘other comprehensive income’. In addition, the statement of comprehensive income also presents movements due to changes in non-owner equity under ‘other comprehensive income’. All owner changes in equity in their capacity as owners can be found in the statement of changes in equity.*

In the ‘Total cost of services’ section:	In the ‘Net cost of services’ section:	In the ‘Total income from State Government’ section:	In the ‘Other comprehensive income’ section:
<p><b>Transactions</b> are those economic flows that arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an agency. Transactions can be in cash or in kind. In simple terms, transactions arise from the policy decisions of the government.</p> <p>Please note the following:</p> <ul style="list-style-type: none"> <li>Supplies and services - include administrative expenses.</li> <li>Finance costs - include borrowing costs, including costs incurred in the borrowing of funds (AASB 123.5), and the effect of unwinding of discounting of items measured at present value (AASB 5.17 and AASB 137.45) and the interest component of the lease liability repayments (AASB 16.49).</li> <li>The discounting of employee benefits should be recognised under employee benefits expense rather than separately as a finance cost.</li> </ul>	<p>This section includes changes in the volume or value of an asset or liability that do not result from transactions. It includes:</p> <ul style="list-style-type: none"> <li>Revaluations and impairments of physical and intangible assets;</li> <li>Fair value changes of financial instruments through profit or loss;</li> <li>Gains and losses attributable to agricultural assets (AASB 141.26-29);</li> <li>Share of the profit or loss of equity accounted investments;</li> <li>A single amount for the total of discontinued operations; and</li> <li>Other income.</li> </ul>	<p>This section includes:</p> <ul style="list-style-type: none"> <li>Service appropriation;</li> <li>Income from other public sector entities;</li> <li>Liabilities assumed;</li> <li>Resources received; and</li> <li>Royalties for Regions Fund.</li> </ul> <p>Please note the following:</p> <ul style="list-style-type: none"> <li>Resources received includes assets transferred – made at the transferor agency’s discretion and represents an expense to the transferor and generally income to the transferee.</li> </ul>	<p>This section presents line items for amounts classified by nature. These items are then grouped into those that:</p> <ul style="list-style-type: none"> <li>Will not be reclassified subsequently to profit or loss; or</li> <li>Will be reclassified subsequently to profit or loss when specific conditions are met.</li> </ul> <p>It includes:</p> <ul style="list-style-type: none"> <li>Changes in physical asset revaluation surpluses;</li> <li>Share of movements of other comprehensive income of equity accounted investments; and</li> <li>Changes in fair value of financial instruments through OCI.</li> </ul> <p>This model illustrates only items that will not be subsequently reclassified to the profit and loss. Certain items do get reclassified to profit or loss and appropriate disclosures would need to be made if agencies hold such items as listed below:</p> <ul style="list-style-type: none"> <li>Exchange differences reserves.</li> <li>Financial instruments measured at fair value through OCI.</li> </ul>



**Guidance – Presentation of the statement of comprehensive income**

**Classification of expenses by nature or function:**

AASB 101.29, 99  
TI 1102(7)(i)

Expenses must be classified and presented (either in the statement of comprehensive income or in the related notes) based on either their nature or their function, whichever provides information that is reliable and more relevant.

AASB 101.97

Regardless of whether expenses are classified by nature or by function, each material class is separately disclosed.

**Material items of income and expense:**

AASB 101.97

When items of income and expense are material, their nature and amount shall be disclosed separately either in the statement of comprehensive income or in the notes to the financial statements.

AASB 101.7, 92

Further, an agency shall disclose, either in the statement of comprehensive income or in the notes, any amounts related to components of other comprehensive income that are reclassified to net result in the current period, that were previously recognised in other comprehensive income in the current or previous periods.

AASB 101.85-86

Additional disclosures such as additional line items, headings and subtotals shall be presented on the face when it is relevant to an understanding of the financial performance of the agency, subject to those disclosures being consistent with requirements of AASB 101.



**Guidance – Income from other public sector entities**

TI 1102  
Guidelines

Public sector entities refer to ‘wholly-owned public sector entities’ as defined in TI 955. Recurrent (service) appropriations received through a central department (controlled and/or administered) should be classified as income from other public sector entities. They include, for example, ‘indirect appropriations’ from the Department of Health to Health Service Providers (HSPs) and administered appropriations from Treasury to HSPs. They may also include funding from Treasurer’s special purpose accounts such as Royalties for Regions Fund. Finally, they might include funding from other wholly owned public sector entities (including funding from agency special purpose accounts such as Road Trauma Trust Account). Furthermore, income from other public sector entities should include amounts paid by other public sector entities on a charge out basis if material. However, operating subsidies should be classified as sales revenue in relation to trading operations or revenues from the provision of goods and/or services (and not as income from other public sector entities) as they are considered payments made on behalf of an external party.

Furthermore, income from other public sector entities should not include National Specific Purpose Payments and National Partnership Payments received through Treasury. These payments should be classified as grants and contributions from the Commonwealth Government under the heading Income as they are made under pass through arrangements.

## Reference

FMA sec 61(1)(a),  
62(1), TI 1103,  
AASB 101.10(a)

## Statement of financial position

As at 30 June 2022

	Notes	2022 (\$'000)	2021 (\$'000)
<b>Assets</b>			
<b>Current Assets</b>			
TI 1103(5)			
TI 1103(5)(i)	7.6	8,308	6,435
TI 1103(7)	7.6	3,590	970
AASB 101.54(g)	4.3	15,333	15,375
AASB 101.54(h)	6.1	9,097	9,189
	6.2	17,139	19,795
AASB 101.55	6.3	550	560
AASB 101.54(j)	9.10	2,900	2,628
TI 1103(5)(iv)		<b>56,917</b>	<b>54,952</b>
<b>Non-Current Assets</b>			
TI 1103(6)			
TI 1103(7)	7.6	60	50
	6.2	55,725	41,707
AASB 101.54(a)	5.1	1,369,572	1,246,992
AASB 101.54(c)	5.2	1,008	1,402
TI 1103(6)(ii)	5.3	22,005	24,598
TI 1103(6)(iii)	5.4	-	-
AASB 101.55	6.3	-	60
TI 1103(6)(iv)		<b>1,448,370</b>	<b>1,314,809</b>
		<b>1,505,287</b>	<b>1,369,761</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
TI 1103(9)			
AASB 101.54(k)	6.4	4,207	4,791
AASB 15.116(a)	6.5	638	895
AASB 1058.31	6.6	574	718
AASB 101.54(m)	7.1	-	-
TI 1103(9)(ii)	7.2	5,979	6,562
	6.7	2,400	7,970
AASB 101.54(l)	3.1(b)	13,758	13,950
AASB 101.54(l)	6.8	62	45
AASB 101.55	6.9	-	-
TI 1103(9)(iv)		<b>27,618</b>	<b>34,931</b>
<b>Non-Current Liabilities</b>			
TI 1103(10)			
AASB 1058.31	6.6	2,298	2,872
TI 1103(10)(ii)	7.2	11,317	17,296
TI 1103(10)(iii)	7.3	-	-
AASB 101.54(l)	3.1(b)	989	1,015
AASB 101.54(l)	6.8	550	525
AASB 101.55	6.9	-	-
TI 1103(10)(iv)		<b>15,154</b>	<b>21,708</b>
		<b>42,772</b>	<b>56,639</b>
TI 1103(12)		<b>1,462,515</b>	<b>1,313,122</b>
<b>Equity</b>			
TI 1103(13(i))	9.11	100,960	88,960
TI 1103(13(ii))	9.11	305,500	205,500
TI 1103(13(iii))		1,056,055	1,018,662
TI 1103(14)		<b>1,462,515</b>	<b>1,313,122</b>

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



## Guidance – Statement of financial position

AASB 101.60

### **Current/non-current distinction**

*Assets and liabilities shall be classified as either current or non-current.*

AASB 101.77, 78  
TI 1103

### **Sub-classification of line items**

*Depending on the size, nature and function of the amounts involved and requirements of AAS, the statement of financial position line items must be sub-classified in a manner appropriate to the agency's operations (either in the statement of financial position or in the related notes).*

AASB 101.72

### **Refinancing liabilities – classification**

*Financial liabilities shall be categorised as current when they are due to be settled within 12 months of the reporting period, even if:*

- (a) *The original term was for a period longer than 12 months; and*
- (b) *An agreement to refinance, or to reschedule payments, beyond 12 months, is completed after the reporting period and before the financial statements are authorised for issue.*

AASB 101.54,55

### **Where material, information to be presented includes:**

#### Assets:

- *Contract assets;*
- *Investment property;*
- *Investments in associates;*
- *Investments in joint ventures;*
- *Biological assets;*
- *Current tax assets; and*
- *Deferred tax assets.*

#### Liabilities:

- *Current tax liabilities;*
- *Deferred tax liabilities; and*
- *Liabilities included in disposal groups classified as held for sale under AASB 5 Non-current Assets Held for Sale and Discontinued Operations.*

*It must be noted that the line items need only be presented where the agency recognises such an asset or liability. This model includes additional line items as examples only.*

*If an agency holds additional assets/liabilities and the presentation of these is important for the understanding of the financial results they must be disclosed on the face of the statement of financial position.*

## Reference

FMA sec 61(1)(a), 62  
AASB 101.10(c),  
106-110

## Statement of changes in equity

For the year ended 30 June 2022

	Notes	Contributed equity (\$000)	Reserves (\$000)	Accumulated surplus/ (deficit) (\$000)	Total equity (\$000)	
		<b>Balance at 1 July 2020</b>	33,650	180,000	992,329	1,205,979
AASB 101.106(b)		<i>Changes in accounting policy or correction of prior period errors</i>				
AASB 1059.C2		Initial application of AASB 1059	-	-	-	-
		<b>Restated balance at 1 July 2020</b>	33,650	180,000	992,329	1,205,979
AASB 101.106(d)(i)		Surplus/(deficit)	-	-	26,333	26,333
AASB 101.106(d)(ii)		Other comprehensive income	-	25,500	-	25,500
AASB 101.106(a)		<b>Total comprehensive income for the period</b>	-	<b>25,500</b>	<b>26,333</b>	<b>51,833</b>
AASB 101.106(d)(iii)		<i>Transactions with owners in their capacity as owners:</i>				
TI 955(3)(i)	<a href="#">9.11</a>	Capital appropriation	65,000	-	-	65,000
AASB 1004.48	<a href="#">9.11</a>	Other contributions by owners	1,500	-	-	1,500
AASB 1004.49	<a href="#">9.11</a>	Distributions to owners	(11,190)	-	-	(11,190)
		<b>Total</b>	<b>55,310</b>	-	-	<b>55,310</b>
		<b>Balance at 30 June 2021</b>	<b>88,960</b>	<b>205,500</b>	<b>1,018,662</b>	<b>1,313,122</b>
		<b>Balance at 1 July 2021</b>	88,960	205,500	1,018,662	1,313,122
AASB 101.106(d)(i)		Surplus/(deficit)	-	-	37,393	37,393
AASB 101.106(d)(ii)		Other comprehensive income	-	100,000	-	100,000
AASB 101.106(a)		<b>Total comprehensive income for the period</b>	-	<b>100,000</b>	<b>37,393</b>	<b>137,393</b>
AASB 101.106(d)(iii)		<i>Transactions with owners in their capacity as owners:</i>				
TI 955(3)(i)	<a href="#">9.11</a>	Capital appropriation	12,000	-	-	12,000
AASB 1004.48	<a href="#">9.11</a>	Other contributions by owners	-	-	-	-
AASB 1004.49	<a href="#">9.11</a>	Distributions to owners	-	-	-	-
		<b>Total</b>	<b>12,000</b>	-	-	<b>12,000</b>
		<b>Balance at 30 June 2022</b>	<b>100,960</b>	<b>305,500</b>	<b>1,056,055</b>	<b>1,462,515</b>

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



### **Guidance – Statement of changes in equity**

*This statement is included to present a reconciliation between the various classes of equity at the beginning of the period to the end of the period.*

AASB 101.106

*Where material, the following information must be disclosed:*

- (a) *Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;*
- (b) *For each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and*
- (c) *For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:*
  - (i) *Profit or loss;*
  - (ii) *Other comprehensive income; and/or*
  - (iii) *Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.*

AASB 108.24, 42(b)  
TI 1101

#### **Changes in accounting policy or correction of prior period errors**

*An example of a voluntary change in accounting policy is an increase in the asset capitalisation threshold.*

*Under AASB 108, voluntary changes in accounting policy and correction of prior period errors are adjusted against the opening balances of each affected component of equity in the comparatives. Note that changes in accounting policy under AASB 116 and AASB 138 in respect of the revaluation of assets are not accounted for under AASB 108. Changes to the revaluation model under these Standards are not applied retrospectively.*

*In accordance with AASB 108.24, under limited circumstances, the current period may be the beginning of the earliest period for which retrospective application is practicable for a change in accounting policy.*

*Additional guidance on disclosures regarding changes in accounting policy has been included in [note 9](#) 'other disclosures'.*

## Reference

FMA sec 61(1)(a),62,  
TI 1101(7)(i), (8),  
AASB 101.10(d)  
AASB 107

## Statement of cash flows

For the year ended 30 June 2022

	Notes	2022 (\$'000)	2021 (\$'000)
		<b>Cash flows from State Government</b>	
TI 1101(8)(i)(a)(dd)		741,242	681,212
TI 1101(8)(i)(b)(aa)		12,000	65,000
TI 1101(8)(i)(b)(aa)		-	-
TI 1101(8)(i)(b)(aa)		19,795	7,688
TI 1101(8)(i)(b)(bb)		-	-
		<b>773,037</b>	<b>753,900</b>
	<i>Utilised as follows:</i>		
		<b>Cash flows from operating activities</b>	
		<b>Payments</b>	
AASB 107.14(d)		(637,715)	(592,654)
AASB 107.14(c)		(68,267)	(60,666)
AASB 107.31		(175)	(270)
		(6,292)	(5,720)
		(9,801)	(8,910)
		(7,336)	(6,829)
		-	-
		(6,618)	(6,016)
		<b>Receipts</b>	
AASB 107.14(a)		9,989	9,081
AASB 107.14(b)		15,497	14,997
		4,640	1,000
AASB 107.31		-	-
		2,345	1,730
		4,056	3,034
		1,067	970
		<b>(698,610)</b>	<b>(650,253)</b>
		<b>Cash flows from investing activities</b>	
		<b>Payments</b>	
AASB 107.16(a)		(58,727)	(96,992)
		<b>Receipts</b>	
AASB 107.16(b)		2,798	10,100
		<b>(55,929)</b>	<b>(86,892)</b>
		<b>Cash flows from financing activities</b>	
		<b>Payments</b>	
AASB 107.17(e)		(6,025)	(1,090)
AASB 107.17(b)		-	(11,190)
AASB 107.17(d)		(7,970)	(1,160)
		<b>Receipts</b>	
		-	-
		<b>(13,995)</b>	<b>(13,440)</b>
		4,503	3,315
		7,455	4,140
AASB 107.7		<b>11,958</b>	<b>7,455</b>

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





**Guidance – Statement of cash flows**

TI 1101(8)(i)

TI 1101 mandates an additional classification within an Agency’s Statement of cash flows. The category of cash flows from/to State Government in terms of paragraph (8)(i)(b) of this instruction is intended to include only those from or to the State Government. This includes appropriations and funds from other public sector entities. Non-repayable grants and contributions received from the Commonwealth (not re-appropriated through the Consolidated Account) are cash flows from operating activities. Treasurer’s Advances should be classified as cash flows from financing activities as they are repayable to the Treasurer.

TI 1101(14)

Purchase of non-current assets – due to the capitalisation threshold where assets below \$5,000 are to be expensed, the cash flows under investing activities represent the extent to which expenditure has been made for resources that are initially recognised as an asset in the Statement of financial position. Therefore, expenditure on items below \$5,000 is to be accounted for under operating activities.

TI 916(3)

Principal elements of lease payments – due to the threshold where leases below \$5,000 are to be expensed, the cash flows under financing activities represent the extent of amounts recognised as lease liabilities in the Statement of financial position. Therefore, expenditure on items below \$5,000 is to be accounted for under operating activities.

TI 1101(7)(i)

Cash and cash equivalent assets transferred to/from an agency as part of a distribution to/contribution by owners should be reported under Cash flows from State Government.

While AASB 107 permits the use of either the direct or the indirect method for reporting cash flows from operating activities, it encourages entities to use the direct method, as it provides information which may be useful in estimating future cash flows and which is not available under indirect method. This model financial report therefore uses direct method, a statement of cash flows presented using this method has been disclosed in this instance.

**Non-cash transactions**

AASB 107.43

An entity shall exclude from the Statement of cash flows investing and financing transactions that do not require the use of cash or cash equivalents. An entity shall disclose such transactions elsewhere in the financial statements in a way that provides all the relevant information about those investing and financing activities.



Where finance costs represent service concession interest expenses, leasing interest expenses or borrowing interest expenses, agencies have a policy choice as to where to present these. In the model above they are shown as operating activities as the model assumes the costs are in relation to the operations of the agency as opposed to financing or investing matters of the agency.

These models have highlighted common cash flow line items. In some instances, such as interest received, these line items are not populated. Where an agency does not have values to populate against line items, these line items should not be shown.

## Administered schedules (Departments only)

Reference  
AASB 1050.7

## Administered income and expenses by service

	Information Technology		Training and assistance		Competition policy		General – not attributed		Total	
	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)
<b>INCOME FROM ADMINISTERED ITEMS</b>										
<b>Income</b>										
For transfer:										
Regulatory fees and charges	4,586	3,823	154	130	115	97	-	-	4,855	4,050
Other revenue	480	437	348	357	262	286	50	-	1,140	1,080
<b>Total administered income</b>	<b>5,066</b>	<b>4,240</b>	<b>502</b>	<b>487</b>	<b>377</b>	<b>383</b>	<b>50</b>	<b>-</b>	<b>5,995</b>	<b>5,130</b>
<b>Expenses</b>										
Supplies and services	248	237	194	179	118	104	-	-	560	520
Grants and subsidies	2,207	1,546	1,269	901	94	83	-	-	3,570	2,530
Transfer payments <sup>(a)</sup>	1,505	250	-	-	-	-	-	-	1,505	250
<b>Total administered expenses</b>	<b>3,960</b>	<b>2,033</b>	<b>1,463</b>	<b>1,080</b>	<b>212</b>	<b>187</b>	<b>-</b>	<b>-</b>	<b>5,635</b>	<b>3,300</b>

(a) Transfer payments represent the transfer of non-retainable regulatory fees to the Consolidated Account.



### Guidance – Disclosure of administered income and expenses by service (Departments only)

When an administering department retains the capital appropriation and administers the funds on behalf of central government, i.e. the appropriation is not transferred to a department (controlled agency), the department administering the capital appropriations should disclose the administered item in the notes as administered revenue called 'non-repayable capital appropriation'.

AASB 1050.22

In respect of administered payments to eligible beneficiaries, the details of the broad categories of recipients and the amounts transferred to those recipients to be disclosed.

AASB 1050.7

Each major class of administered income and administered expenses that are reliably attributable to each of the department's activities and those not attributable to activities must be disclosed. Where a department is unable to reliably attribute administered income and administered expenses to the department's activities after making every reasonable effort to do so, this fact should be disclosed together with a brief explanation.

Where central agencies act as a conduit in connection with payments to an agency, they should not recognise administered income as those payments are made under pass-through arrangements.

Reference

**Administered assets and liabilities**

AASB 1050.7

	2022 (\$000)	2021 (\$000)
<b>Current assets</b>		
Cash and cash equivalents	1,850	1,490
Receivables	430	320
Other items as required	-	-
<b>Total administered current assets</b>	<b>2,280</b>	<b>1,810</b>
<b>Non-current assets</b>		
Property, Plant and equipment	280	260
Other items as required	-	-
<b>Total administered non-current assets</b>	<b>280</b>	<b>260</b>
<b>TOTAL ADMINISTERED ASSETS</b>	<b>2,560</b>	<b>2,070</b>
<b>Current liabilities</b>		
Payables	1,200	950
Other items as required	-	-
<b>Total administered current liabilities</b>	<b>1,200</b>	<b>950</b>
<b>Non-current liabilities</b>		
Other items as required	-	-
<b>Total administered non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL ADMINISTERED LIABILITIES</b>	<b>1,200</b>	<b>950</b>



***Additional disclosures required for administered assets and liabilities***

- Disclose any administered contingent assets and/or liabilities here.
- In the rare circumstance that an administering department receives a repayable administered capital appropriation or an administered loan (e.g. an administered Treasurer's Advance), these administered items should be classified as administered borrowings here.

## Notes to the financial statements

### Reference

### 1. Basis of preparation

AASB 101.138(c)

The Agency is a WA Government entity, controlled by the State of Western Australia which is the ultimate parent. The Agency is a not-for-profit entity (as profit is not its principal objective).

AASB 1054.8(b)  
AASB 101.138(b)

A description of the nature of its operations and its principal activities have been included in the **Overview** which does not form part of these financial statements.

AASB 110.17

These annual financial statements were authorised for issue by the accountable authority of the Agency on 1 September 2022.

### Statement of compliance

AASB 101.112(a),  
Aus16.3,  
AASB 1054.7-9

These general purpose financial statements are prepared in accordance with:

- 1) The *Financial Management Act 2006 (FMA)*
- 2) The Treasurer's instructions (**TIs**)
- 3) Australian Accounting Standards (**AASs**) including applicable interpretations
- 4) Where appropriate, those **AAS** paragraphs applicable for not-for-profit entities have been modified.

TI 1101(12), (13)

The FMA and TIs take precedence over AASs. Several AASs are modified by the TIs to vary application, disclosure format and wording. Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### Basis of preparation

AASB 121.9,17  
AASB 101.51(d),(e),  
117(a)  
AASB 101.27

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case, the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

### Judgements and estimates

AASB 101.122,  
125

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Int 1031.6-11

### Accounting for Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- (a) amount of GST incurred by the Agency as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- (b) receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### Contributed equity

Int 1038  
TI 955

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 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 will be credited directly to Contributed Equity.

AASB 1050

**Administered items (Departments only)**

The Department administers, but does not control, certain activities and functions for and on behalf of Government that do not contribute to the Department's services or objectives. It does not have discretion over how it utilises the transactions in pursuing its own objectives.

Transactions relating to the administered activities are not recognised as the Department's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered income and expenses', and 'Administered assets and liabilities'.

The accrual basis of accounting and applicable AASs have been adopted.

This model contains disclosures for Administered items which applies only to Departments. Statutory authorities should remove this item, along with the [Administered financial information](#) and [note 10.2 Explanatory statement for administered items](#).



## Guidance – Basis of preparation and reporting entity

AASB 101.122

### Judgements, estimates and assumptions:

In preparing financial statements, the nature of significant judgements, estimates and assumptions made by management need to be disclosed. The following disclosures are required:

- The fact that significant assumptions, judgements and estimates were made.
- The nature of the significant assumptions, judgements and estimates.
- How these were made (the method used).

Examples include lease assessments, valuation of investments, and impairment of Infrastructure, property, plant and equipment etc.

In these financial statements where judgements have been made they have been included in the relevant note along with the policy description.

Agencies should consider carefully where there are material judgements and estimates they are making in the recognition and measurement of financial statement items. Agencies may have more judgements and estimates than are disclosed in these model statements.

AASB 101.125

### Key sources of estimation uncertainty

Agencies shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- (a) their nature; and
- (b) their carrying amount at the end of the reporting period.

AASB 101.126

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period.

AASB 101.128

These disclosures are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on recently observed market prices.

### Other significant judgements:

In addition, significant judgements and assumptions made (and changes to those judgements and assumptions) need to be disclosed in determining:

AASB 12.7(a)

- that it controls another entity;

AASB 12.7(b)

- that it has joint control of an arrangement or significant influence over another entity;

AASB 12.7(c)

- the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle;

AASB 9.4.1.1

- whether financial assets are held at amortised cost or fair value;

AASB 101.123(b)

- when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;

AASB 101.123(c)

- whether, in substance, particular sale of goods are financing arrangements and therefore do not give rise to income; and

Int 112

- whether the substance of the relationship between the agency and a special purpose entity indicates that the special purpose entity is controlled by the agency.

## Reference

**2. Agency outputs****How the Agency operates**

This section includes information regarding the nature of funding the Agency receives and how this funding is utilised to achieve the Agency's objectives. This note also provides the distinction between controlled funding and administered funding:

	<b>Notes</b>
Agency objectives	<a href="#">2.1</a>
Schedule of Income and Expenses by Service	<a href="#">2.2</a>
Schedule of Assets and Liability by Service	<a href="#">2.3</a>

**2.1 Agency objectives**

AASB 1052.15(b)

**Mission**

The Agency's mission is to provide leadership, support and services to ensure that Western Australians have easy and affordable access to a diverse range of information technology.

The Agency is predominantly funded by State parliamentary appropriations. It also provides information technology services on a fee-for-service basis. The fees charged are determined by prevailing market forces.

AASB 1052.15(a)

**Services**

The Agency provides the following services:

*Service 1: Information Technology*

Comprises various information technology services to the public sector.

*Service 2: Training and Assistance*

Comprises various training and assistance activities relating to information technology, including seminars and training courses.

*Service 3: Competition Policy*

Ensures that the competitiveness of the technology industry in the public sector is maintained and improved continuously.

***Additional disclosure (Departments only)***

AASB 1050.7

The agency administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to, the function of the agency. These administered balances and transactions are not recognised in the principal financial statements of the agency but schedules are prepared using the same basis as the financial statements and are presented at [Administered financial information](#) and [Note 10.2](#) 'Explanatory statement for administered items'.



### Guidance – Disaggregated disclosures (background)

AASB 1052.15

AASB 1052 *Disaggregated Disclosures* requires departments to make disclosures that allow users to understand and assess the performance of a department in utilising funds made available to it.

A complete set of financial statements includes:

- (a) in summarised form, the identity and purpose of each major activity undertaken by the government department during the reporting period;
- (b) if not otherwise disclosed in, or in conjunction with, the government department's complete set of financial statements, a summary of the government agency's objectives;
- (c) expenses reliably attributable to each of the activities identified in (a) above, showing separately each major class of expenses; and
- (d) income reliably attributable to each of the activities identified in (a) above, showing separately user charges, income from State Government and other income by major class of income.

AASB 1052.17

Departments are required to demonstrate their achievement of service delivery objectives as well as financial objectives. Throughout the annual report, information must be presented in a manner that allows for the assessment of the department's achievement of their objectives.

The department output note includes a summary of the services and the mission of the department. The language used should be simple and clearly articulate the objectives of the department.

Each activity of the department should be summarised and set out in the **Services** section.

The objectives of the department should be articulated in the **Mission** section of the annual report.

These messages may be included in other sections of the annual report, as such departments should take care to ensure a consistent message is conveyed throughout the entire annual report.

TI 1101(9)

These requirements are extended to statutory authorities by Treasurer's instruction.



## 2.2 Schedule of income and expenses by service

For the year ended on 30 June 2022

	Information Technology		Training & Assistance		Competition Policy		General-Not Attributed		Total	
	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)
<b>Cost of services</b>										
<u>Expenses</u>										
Employee benefits expense	294,693	263,585	214,322	191,753	160,742	143,664	-	-	669,757	599,002
Depreciation and amortisation expense	13,595	12,780	13,060	12,237	9,109	11,431	-	-	35,764	36,448
Grants and subsidies	4,028	3,662	3,806	3,460	1,967	1,788	-	-	9,801	8,910
Other	40,597	40,076	24,227	24,406	21,351	15,243	-	-	86,175	79,725
<b>Total cost of services</b>	<b>352,913</b>	<b>320,103</b>	<b>255,415</b>	<b>231,856</b>	<b>193,169</b>	<b>172,126</b>	-	-	<b>801,497</b>	<b>724,085</b>
<u>Income</u>										
User charges and fees	9,388	8,157	4,294	4,540	2,230	2,300	-	-	15,912	14,997
Sales	7,117	6,470	4,180	3,800	2,970	2,700	-	-	14,267	12,970
Commonwealth grants	1,100	1,000	-	-	-	-	-	-	1,100	1,000
Other income	1,270	6,300	394	-	506	-	-	-	2,170	6,300
<b>Total income</b>	<b>18,875</b>	<b>21,927</b>	<b>8,868</b>	<b>8,340</b>	<b>5,706</b>	<b>5,000</b>	-	-	<b>33,449</b>	<b>35,267</b>
<b>Net cost of services</b>	<b>334,038</b>	<b>298,176</b>	<b>246,547</b>	<b>223,516</b>	<b>187,463</b>	<b>167,126</b>	-	-	<b>768,048</b>	<b>688,818</b>
<b>Income from State Government</b>										
Service appropriation	364,812	323,901	299,156	265,608	139,878	124,192	-	-	803,846	713,701
Income from other public sector entities	-	-	-	-	-	-	-	-	-	-
Liabilities assumed	-	-	-	-	-	-	-	-	-	-
Resources received	660	600	594	540	341	310	-	-	1,595	1,450
Royalties for Regions Fund	-	-	-	-	-	-	-	-	-	-
<b>Total income from State Government</b>	<b>365,472</b>	<b>324,501</b>	<b>299,750</b>	<b>266,148</b>	<b>140,219</b>	<b>124,502</b>	-	-	<b>805,441</b>	<b>715,151</b>
<b>Surplus/(deficit) for the period</b>	<b>31,434</b>	<b>26,325</b>	<b>53,203</b>	<b>42,632</b>	<b>(47,244)</b>	<b>(42,624)</b>	-	-	<b>37,393</b>	<b>26,333</b>

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.



**Guidance – Schedule of income and expenses by service**

AASB 1052.15(c), (d)  
TI 1101(9)

Departments should disclose income and expenses reliably attributable to each of the activities, showing separately each major class of income and expenses.

Income and expenses should only be attributed to the extent that they can be reliably attributed. The model report has assumed that all items could be reliably attributed, however a column has been included for demonstration purposes for where an agency cannot identify all income and expenditure to be allocated to the relevant services.



**Alternative disclosure**


Where there is only one service it is not necessary to prepare these tables. Instead, departments should disclose:

Our department is only responsible for delivering one service as set out above. All income, expenditure, assets and liabilities are in relation to the delivery of this service.

**2.3 Schedule of assets and liabilities by service**  
As at 30 June 2022

	Information Technology		Training & Assistance		Competition Policy		General–Not Attributed		Total	
	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)	2022 (\$000)	2021 (\$000)
<b>Assets</b>										
Current assets	18,168	16,684	19,124	19,504	19,625	16,136	-	-	56,917	54,952
Non-current assets	587,869	521,882	494,515	482,634	368,886	312,921	-	-	1,448,370	1,314,809
<b>Total assets</b>	<b>606,037</b>	<b>538,566</b>	<b>513,639</b>	<b>502,138</b>	<b>388,511</b>	<b>329,057</b>	-	-	<b>1,505,287</b>	<b>1,369,761</b>
<b>Liabilities</b>										
Current liabilities	8,985	10,273	1,876	8,789	16,757	15,869	-	-	27,618	34,931
Non-current liabilities	5,049	5,364	8,394	8,407	1,711	7,937	-	-	15,154	21,708
<b>Total liabilities</b>	<b>14,034</b>	<b>15,637</b>	<b>10,270</b>	<b>17,196</b>	<b>18,468</b>	<b>23,806</b>	-	-	<b>42,772</b>	<b>56,639</b>
<b>NET ASSETS</b>	<b>592,003</b>	<b>522,929</b>	<b>503,369</b>	<b>484,942</b>	<b>370,043</b>	<b>305,251</b>	-	-	<b>1,462,515</b>	<b>1,313,122</b>

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.




**Guidance – Schedule of assets and liabilities by service**

AASB 1052.16

Departments should disclose assets and liabilities reliably attributable to each of the activities, showing separately each major class of assets and liabilities. Statutory Authorities may elect to present this information, but the minimum reporting obligation is imposed on Departments.

Assets and liabilities should only be attributed to the extent that they can be reliably attributed. The model report has assumed that all items could be reliably attributed, however a column has been included for demonstration purposes for where an agency cannot identify all income and expenditure to be allocated to the relevant services.



**Alternative disclosure**

- Where there is only one service it is not necessary to prepare these tables. Instead, departments should disclose:
- Our department is only responsible for delivering one service as set out above. All income, expenditure, assets and liabilities are in relation to the delivery of this service.

## Reference

**3. Use of our funding****Expenses incurred in the delivery of services**

This section provides additional information about how the Agency's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Agency in achieving its objectives and the relevant notes are:

	<b>Notes</b>
AASB 101.99,102	<a href="#">3.1(a)</a>
AASB 101.54(l)	<a href="#">3.1(b)</a>
AASB 101.99,102	<a href="#">3.2</a>
AASB 101.99,102	<a href="#">3.3</a>

**Guidance – Expenditure**

AASB 101.97,99

*When items included in 'Expenses' are material, their nature and amounts need to be disclosed separately, either in the statement of comprehensive income or in the notes to the financial statements. Expenses can be classified by either 'nature' or 'function' depending on which classification provides more reliable and relevant information.*

*In the illustrative disclosures, the agency classifies its expenses by nature. Expenses are recorded on the face of the statement of comprehensive income and further disaggregated in the notes.*



Note that 'Other expenditure', for which no description of the nature is disclosed, cannot exceed 10% of total expenses. Agencies should review their categories of expenses and ensure that they are providing users with the appropriate level of detail to understand how the agency is utilising its funding.

## Reference

## 3.1(a) Employee benefits expenses

		2022 (\$000)	2021 (\$000)
AASB 101.102	Employee benefits	636,757	569,002
	Termination benefits	-	-
AASB 119.53	Superannuation – defined contribution plans	33,000	30,000
	<b>Total employee benefits expenses</b>	<b>669,757</b>	<b>599,002</b>
TI 916(8)	Add: AASB 16 Non-monetary benefits (not included in employee benefits expense)	5,000	4,000
APG 6	Less: Employee contributions (per the statement of comprehensive income)	(2,000)	(1,600)
	<b>Net employee benefits</b>	<b>672,757</b>	<b>601,402</b>

AASB 119.11, 13, 153  
TI 1101 Guidelines  
AASB 119.165

**Employee benefits** include wages, salaries and social contributions, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits recognised under accounting standards other than AASB 16 (such as medical care, housing, cars and free or subsidised goods or services) for employees.

**Termination benefits** are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Agency is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

AASB 119.51-52  
TI 1101 Guidelines

**Superannuation** is the amount recognised in profit or loss of the Statement of comprehensive income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, other GESB schemes or other superannuation funds.

TI 1103 Guidelines

**AASB 16 non-monetary benefits** are non-monetary employee benefits predominantly relating to the provision of vehicle and housing benefits that are recognised under AASB 16 which are excluded from the employee benefits expense.

TI 1103 Guidelines

**Employee contributions** are contributions made to the Agency by employees towards employee benefits that have been provided by the Agency. This includes both AASB 16 and non-AASB 16 employee contributions.



Termination benefits have been included as a line item, and the associated policy note has also been included above. If the agency does not have such expenses in a given reporting period these should be excluded from the annual report.



### Guidance – Non-monetary benefits provided to employees

TI 1103 Guidelines  
TI 916(8)

*An agency that provides employee benefits in the form of non-monetary benefits, and the employees' right to those benefits do not accrue in proportion to their periods of service and do not accumulate. The agency recognises the cost incurred in providing the benefits on a gross basis in the period the benefits are taken by employees. Employee contributions towards these benefits are recognised as income to the agency.*

*For non-monetary benefits provided to employees that are subject to leases recognised in the Statement of financial position, the total cost of providing these benefits is interest and depreciation expenses recognised in accordance with AASB 16 Leases. A notional reconciliation will be required to enable the employee benefits expenses note to the financial statements to show the total cost of employee benefits incurred by the agency and the net benefits provided to employees. Refer to TI 916 Leases for further advice on accounting for leases.*

*The employee benefits expenses note to the financial statements should show both the total cost of employee benefits incurred by the agency (employer) and the net benefits provided to employees.*

*In the notes to the financial statements, employee benefits expenses should show both the total cost of employee benefits incurred by an agency (employer) and the net benefits provided to employees.*

## Reference

**3.1(b) Employee related provisions**

	2022 (\$000)	2021 (\$000)
<b>Current</b>		
<u>Employee benefits provisions</u>		
Annual leave	9,136	10,124
Long service leave	2,614	2,326
Deferred salary scheme	50	102
	<b>11,800</b>	<b>12,552</b>
<u>Other provisions</u>		
Employment on-costs	1,958	1,398
<b>Total current employee related provisions</b>	<b>13,758</b>	<b>13,950</b>
<b>Non-current</b>		
<u>Employee benefits provisions</u>		
Long service leave	500	666
<u>Other provisions</u>		
Employment on-costs	489	349
<b>Total non-current employee related provisions</b>	<b>989</b>	<b>1,015</b>
<b>Total employee related provisions</b>	<b>14,747</b>	<b>14,965</b>

AASB 137.5(d)  
AASB 119.11, 13

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

AASB 101.69(d)  
TI 1101

**Annual leave liabilities** are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2022 (\$000)	2021 (\$000)
Within 12 months of the end of the reporting period	8,746	9,820
More than 12 months after the end of the reporting period	390	304
	<b>9,136</b>	<b>10,124</b>

AASB 101.61

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.



This model is prepared on the expectation that it is unlikely for annual leave to be settled wholly within 12 months after the end of the reporting period.

AASB 119.8, 155

Therefore, the model characterises annual leave as 'other long-term employee benefits', recognising and measuring the liability for employee benefits at present value.

AASB 119.8, 11

Where annual leave is expected to be settled wholly within 12 months after the end of the reporting period, the liability may be recognised and measured at nominal amounts.

AASB 101.69(d)  
TI 1101

**Long service leave liabilities** are unconditional long service leave provisions are classified as current liabilities as the Agency does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

AASB 119.11, 155-156

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2022 (\$000)	2021 (\$000)
Within 12 months of the end of the reporting period	2,614	2,326
More than 12 months after the end of the reporting period	500	666
	<b>3,114</b>	<b>2,992</b>

AASB 101.61

The provision for long service leave is calculated at present value as the Agency does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

AASB 101.69(d)  
TI 1101

**Deferred salary scheme liabilities** are classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

AASB 101.61

	2022 (\$000)	2021 (\$000)
Within 12 months of the end of the reporting period	-	-
More than 12 months after the end of the reporting period	4,778	52
	<b>4,778</b>	<b>52</b>

AASB 137.85  
TI 1101

**Employment on-costs** involve settlements of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance premiums, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses, [Note 3.3](#) (apart from the unwinding of the discount (finance cost))' and are not included as part of the Agency's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

AASB137 84

<b>Employment on-costs provision</b>	2022 (\$000)	2021 (\$000)
Carrying amount at start of period	1,747	2,397
Additional/(reversals of) provisions recognised	6,040	5,491
Payments/other sacrifices of economic benefits	(5,400)	(6,191)
Unwinding of the discount	60	50
<b>Carrying amount at end of period</b>	<b>2,447</b>	<b>1,747</b>



### Guidance – Employment on-costs

TI 1103 Guidelines

Employment on-costs are recognised in other expenses at [note 3.3](#) Other expenditure.

Where a claim has been accepted, the amount of workers' compensation an agency pays its employee is considered to be made for and on behalf of the insurer (e.g. WorkCover). As such, the agency will account for the payment as a receivable and apply the subsequent recoups against that receivable.



### Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the Agency's long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and

- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision. Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.



**Guidance – Deferred salary**

TI 1101 Guidelines

Deferred salary schemes represent agreements between the agency and individual employees, whereby the employee sacrifices salary to purchase additional leave. The liability for leave is measured on a discounted basis by calculating the present value of estimated future cash outflows.

Disclose any 48/52 leave arrangements in place as a separate line item similar to the Deferred salary scheme.

Accumulating, non-vesting sick leave entitlements should be recognised as sick leave provisions, where appropriate, and disclosed as a separate line item.



**Guidance – Employee benefits**

AASB 101.104

Entities classifying expenses by function shall disclose additional information on the nature of expenses, including employee benefits expense.

AASB 119.9, 153

**Distinction between short-term and long-term employee benefits**

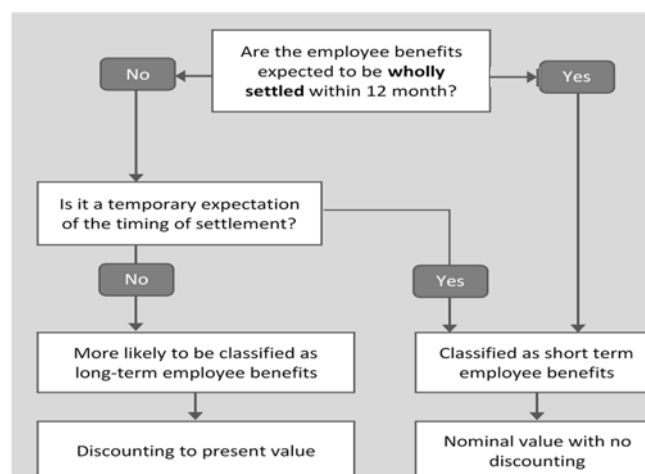
Employee benefits are classified as short-term when they are expected to be settled wholly within 12 months after the employees render the related services. For instance, the characterisation of annual leave benefit is mutually exclusive and it cannot be apportioned to ‘short-term benefits’ and ‘other long-term benefits’.

Government agencies should review their current short-term employee benefits to ensure their classification remains appropriate.

AASB 119.155

**Measurement of short-term and long-term employee benefits**

Short-term employee benefits are accounted for on an undiscounted basis in the period in which the related service is rendered. For employee benefits that are classified as long-term, the obligations are measured at present value (discounted basis). The decision tree below highlights the process considering the ‘short-term/long-term’ classification and measurement. It is generally expected that accrued annual leave will not be wholly settled before the end of the next annual reporting period, so that the provisions will need to be measured at present value (on a discounted basis).





**Unit of account**

The definition of short-term employee benefits introduces the notion of 'wholly'. The expectation of the timing of settlement is based on the agency level, not at the individual employee level.

It is unnecessary for agencies to obtain detailed information of each employee's anticipated timing for their leave settlement. However, they should form their own reasonable expectations and document the timing of expected annual leave settlement. Expectations of characterisation of annual leave benefits being construed as 'short-term employee benefits' requires a greater onus of evidence to justify the calculation of the benefit at nominal values without discounting.

This Model Report assumes the annual leave accrued by the agency as at 30 June 2022 is not expected to be settled wholly within 12 months thereafter. Accordingly, the provision for annual leave is classified as 'other long-term benefits' for measurement purposes, and is discounted to its present value.

The Model Report assumes the discounting method is done on an annual basis, and entities are encouraged to adopt similar assumptions to ensure the consistency of agency reports.

**Provision for on-costs**

On-costs, such as payroll tax and workers' compensation insurance, are recognised as liabilities when the employment to which they relate has occurred. They are not employee benefits and are to be disclosed separately from provisions for employee benefits.

**Current/non-current classification of employee benefits**

All annual leave and unconditional vested long service leave are disclosed as current liabilities. This is based on the assumption that the agency cannot avoid settling these liabilities within 12 months.

Conditional long service leave (less than seven years of continuous service) is disclosed as a non-current liability.

In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated timing of benefit payments.

AASB 101.69(c), (d)  
TI 1101

**Guidance – Casual employees and long service leave**

Government Sector Labour Relations (GSLR) confirmed and communicated in September 2019 that casual employees under the Public Service Award or Government Officers Salaries Allowances and Conditions (GOSAC) awards are entitled to long service leave (LSL). The entitlement arises even if the applicable award provides casual loading in lieu of LSL. Prior to this, agencies were required to calculate LSL for casual employees under the Long Service Leave Act 1958 (LSL Act).

GSLR has released guidance information to assist agencies with the transition from calculating casual employees LSL entitlements under the LSL Act to an applicable award.

When undertaking an assessment of their casual employees LSL entitlements agencies should take into consideration the following:

- The transitional arrangements and worked examples provided from the GSLR;
- The extent to which GSLR's guidance applies to the agency;
- The term 'continuous service' and the application of this to current and former employees;
- What time period the entitlement should be calculated back to (i.e. a retrospective approach); and
- Whether legal advice is required.

If the LSL entitlements for their casual employees can be quantified, an agency should include it as part of their LSL provision.



**Guidance – Casual employees and long service leave**

Further guidance is available on the GSLR's website: <https://www.commerce.wa.gov.au/labour-relations/casuals-and-long-service-leave>

Agencies may wish to contact their Labour Relations Advisor at the Department of Mines, Industry Regulation and Safety's Government Sector Labour Relations unit if there are any queries on the implementation and transition to any new industrial agreements or related matters.

Reference  
AASB 101.99, 102

### 3.2 Grants and subsidies

	2022 (\$000)	2021 (\$000)
<u>Recurrent</u>		
Function A	6,095	5,544
Agency A	164	146
Royalties for Regions Fund – Regional Infrastructure and Headworks Account	77	70
<u>Capital</u>		
Function B	935	850
Industry group	2,530	2,300
<b>Total grants and subsidies</b>	<b>9,801</b>	<b>8,910</b>

Transactions in which the Agency provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant or subsidy expenses'. These payments or transfers are recognised at fair value at the time of the transaction and are recognised as an expense in the reporting period in which they are paid. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

The model Agency is not responsible for administering a government subsidy scheme.



#### **Guidance – Grants and subsidies**

*Broad categories of recipients must be disclosed in the notes to the financial statements under 'Grants and Subsidies', where material. Presentation of grants and subsidies expenditures should be tailored to the needs of users reliant on general purpose financial statements and reflect discharge of accountability requirements. To achieve this, a mixture of classifications may be required. These classifications can be based on sector, function, project, destination/recipient or a combination of these classifications, as appropriate.*

*Disclosure of the nature of the grants or subsidies expenditures is appropriate, for example:*

- whether grants are for general purposes, that are not subject to conditions regarding their use, or for specific purposes which are paid for a particular purpose and/or have conditions attached regarding their use;*
- whether grants are for operating or capital uses; and/or*
- which government program gives rise to the subsidy.*

*Classification by sector may entail distinguishing public sector, private sector, private sector NFP recipients. Alternatively, the profile of the sector might be significant for transparency purposes (e.g. schools, households or sporting clubs).*

*Functional classification may incorporate differentiation between grants for research, targeted subsidy schemes, donations and sponsorships. Grants for research can be further disaggregated by area of research, distinguishing differences in the funding of aquaculture research, environmental research or digital system research.*



Have you identified and disclosed all grants and subsidies? Agencies should ensure adequate line item disclosure is made for material grants on issue by the government. E.g. Royalties for Regions Funds – Regional Community Services Account.

## Reference

## 3.3 Other expenditure

	2022 (\$000)	2021 (\$000)
<b>Supplies and services</b>		
Communications	16,302	14,820
Consultants and contractors	15,318	13,925
Consumables	8,910	8,100
Materials	18,591	17,810
Travel	1,489	1,390
Other	370	300
<b>Total supplies and services expenses</b>	<b>60,980</b>	<b>56,345</b>
<b>Accommodation expenses</b>		
Office rental	6,306	5,770
Repairs and maintenance	360	290
Cleaning	297	270
<b>Total accommodation expenses</b>	<b>6,963</b>	<b>6,330</b>
<b>Other expenses</b>		
Restoration costs	-	-
Building and infrastructure maintenance	1,040	945
Equipment repairs and maintenance	4,185	4,475
Expected credit losses expense	100	8
Software modification costs	550	500
Warranties expense	42	38
Employment on-costs	6,040	5,491
Loss from earthquake	-	1,250
Research and development costs expensed	-	20
Other [ <i>List type of other expenses</i> ]	102	55
<b>Total other expenses</b>	<b>12,059</b>	<b>12,782</b>
<b>Total other expenditure</b>	<b>80,002</b>	<b>75,457</b>

AASB 9.5.5.15,  
B5.5.35, TI 1101

AASB 138.126

AASB 102.36(d),  
Aus36.1(c)

AASB 16.6, 38

AASB 116.12, 13

AASB 9.5.5.8, 5.5.15,  
B5.5.35

TI 1101

AASB 5.15

AASB 138.54

**Supplies and services expenses** are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

**Office rental** is expensed as incurred as Memorandum of Understanding Agreements between the Agency and the Department of Finance for the leasing of office accommodation contain significant substitution rights.

**Other operating expenses** generally represent the day-to-day running costs incurred in normal operations.

**Building and infrastructure maintenance and equipment repairs and maintenance costs** are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

**Expected credit losses** is recognised for movement in allowance for impairment of trade receivables.. Please refer to [note 6.1.1](#) Receivables for more details..

**Software modification costs** are recognised as expenses as incurred.

**Restoration expenses and warranties expenses** are recognised as the movement in the provision for restoration costs of leased premises and warranty claims. Please refer to [note 6.8.1](#) Provisions for warranty claims for more details.

**Employee on-cost** includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at [note 3.1\(b\)](#) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

**Write-down of non-current assets classified as held for sale** to the lower of carrying amount and fair value less selling costs.

**Expenditure on research activities** is recognised as an expense in the period in which it is incurred.

**Guidance – Other expenditure**

AASB 101.97

*Material income or expenses should be disclosed separately.*

*Note that ‘Other expenditure’ aggregating to more than 10% of total expenses without disclosure of the description of its nature may materially mislead users of general purpose financial statements. Agencies should review their categories of expenses and ensure that they are providing users with the appropriate level of detail to understand how the agency is utilising its funding. [AASB Practice Statement 2 Making Materiality Judgements](#) may assist agencies in determining which disclosures are appropriate.*

*For example, include notes on impairment losses and revaluation decrements, where they are material enough to warrant disclosure.*

## Reference

**4. Our funding sources****How we obtain our funding**

This section provides additional information about how the Agency obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Agency and the relevant notes are:

	<b>Notes</b>
AASB 1058.26(c)	<a href="#">4.1</a>
AASB 15.113(a)	<a href="#">4.2</a>
AASB 15.113(a)	<a href="#">4.3</a>
AASB 1058.26(a)	<a href="#">4.4</a>
AASB 5.30	<a href="#">4.5</a>

## Reference

## 4.1 Income from State Government

		2022 (\$000)	2021 (\$000)
AASB 1058.10	Appropriation received during the period		
	- Service appropriation	803,846	713,701
	<b>Total service appropriation received</b>	<b>803,846</b>	<b>713,701</b>
AASB 1058.10 AASB 15.31	Income received from other public sector entities during the period		
	- IT Training	-	-
	- IT Support	-	-
	<b>Total income from other public sector entities</b>	<b>-</b>	<b>-</b>
TI 1102(11)(i)	Liabilities assumed by the Treasurer or other public sector entities during the period [List of liabilities]	-	-
	<b>Total liabilities assumed</b>	<b>-</b>	<b>-</b>
TI 1102(11)(ii)	Resources received from other public sector entities during the period		
	- Assets transferred in	1,000	1,000
	- Services received free of charge	595	450
	<b>Total resources received</b>	<b>1,595</b>	<b>1,450</b>
AASB 1058.10, 16	Royalties for Regions Fund		
	- Regional Infrastructure and Headworks Account	-	-
	- Regional Community Services Account	-	-
	<b>Total Royalties for Regions Fund</b>	<b>-</b>	<b>-</b>
	<b>Total income from State Government</b>	<b>805,441</b>	<b>715,151</b>

AASB 1058.26

**Service Appropriations** are recognised as income at the fair value of consideration received in the period in which the Agency gains control of the appropriated funds. The Agency gains control of the appropriated funds at the time those funds are deposited in the bank account or credited to the holding account held at Treasury.

**Income from other public sector entities** are recognised as income when the Agency has satisfied its performance obligations under the funding agreement. If there is no performance obligation, income will be recognised when the Agency receives the funds.

**Liabilities assumed by the Treasurer or other public sector entities** are recognised as income for an amount equivalent to the liability assumed when the liability is assumed.

**Resources received from other public sector entities** is recognised as income equivalent to the fair value of assets received or the fair value of services received that can be reliably determined and which would have been purchased if not donated.

**The Regional Infrastructure and Headworks Account, and, Regional Community Services Accounts** are sub-funds within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas and are recognised as income when the Agency receives the funds.



### Guidance – Income from State Government

APG 5

Agencies should assess whether a Royalties for Regions agreement contains any performance obligations that are sufficiently specific. Such performance obligations will be recognised as contract liabilities under AASB 15 when the fund is received. Revenue will then be recognised when (or as) the performance obligations are satisfied.

Reference  
AASB 1058.39-41

## Summary of consolidated account appropriations For the year ended 30 June 2022

	2022 Budget (\$000)	2022 Supple- mentary Funding (\$000)	2022 Revised Budget (\$000)	2022 Actual (\$000)	2022 Variance (\$000)
<b>Delivery of Services</b>					
Item X Net amount appropriated to deliver services	802,950	-	802,950	803,846	896
Section 25 Transfer of service appropriation	-	-	-	-	-
Amount Authorised by Other Statutes - <i>Salaries and Allowances Act 1975</i>	150	-	150	200	50
<b>Total appropriations provided to deliver services</b>	<b>803,100</b>	<b>-</b>	<b>803,100</b>	<b>804,046</b>	<b>946</b>
<b>Capital</b>					
Item Y Capital appropriations	11,000	-	11,000	12,000	1,000
<b>Administered Transactions</b>					
Item XX Administered grants, subsidies and other transfer payments	1,085	-	1,085	1,085	-
Item YY Administered capital appropriations	-	-	-	-	-
<b>Total administered transactions</b>	<b>1,085</b>	<b>-</b>	<b>1,085</b>	<b>1,085</b>	<b>-</b>
<b>GRAND TOTAL</b>	<b>815,185</b>	<b>-</b>	<b>815,185</b>	<b>817,131</b>	<b>1,946</b>

No supplementary funding was received by the agency in 2021-22.



### Guidance – Summary of consolidated account appropriations

AASB 1058.39(a)(ii)

*The total of any supplementary amounts appropriated and amounts authorised other than by way of appropriation received by the agency must be separately disclosed.*

AASB 1058.38

*Agencies which:*

- *receive an appropriation identified by an item number;*
- *submit a separate cash disbursement profile for funding from the Consolidated Account; or*
- *appear as a single Division of the Consolidated Account Expenditure Estimates,*

*must prepare a summary of consolidated account appropriations. Statutory authorities that receive their funding as a grant from a department under an agreement (e.g. service agreement, or delivery and performance agreement) are not required to present the summary.*

*Where a department and statutory authorities form a single Division of the Consolidated Account Expenditure Estimates, the department prepares the summary and includes both controlled appropriations and administered appropriations passed through the department to the statutory authorities.*



## Reference

## 4.2 User charges and fees

AASB 15.114,  
B97-B89

	2022 (\$000)	2021 (\$000)
User charges and fees		
- IT Training	15,207	14,382
- IT Support	705	615
	<b>15,912</b>	<b>14,997</b>

AASB 15.119, 123-126

Revenue is recognised at the transaction price when the Agency transfers control of the services to customers. Revenue is recognised for the major activities as follows:

Revenue is recognised at a point-in-time for IT training [*insert description of the nature of the services that the Agency has promised to transfer*]. The performance obligations for these user fees and charges are satisfied when the services have been provided, [*Disclose the significant judgements made in evaluating when a customer obtains control of the services*].

Revenue is recognised over-time for IT support [*insert description of the nature of the services that the Agency has promised to transfer*]. The Agency typically satisfies its performance obligations in relation to these user fees and charges when [*disclose the methods used to recognise revenue which may include the description of the output methods or input methods used and how these methods are applied; and an explanation of why the methods used provide a faithful depiction of the transfer of goods or services*].



Please note that the accounting policy for user charges and fees, as noted above, is a generic accounting policy and should be tailored to suit your relevant agency.

**Guidance – Fees and charges**

APG 5

*Fees and charges in subsidiary legislation are generally set annually at a level that is authorised by statute under which the subsidiary legislation is made.*

*Agencies should ensure that their fees and charges are a reasonable reflection of costs, though factors such as competitive neutrality and government policy objectives may alter this situation.*

*Most public sector fees and charges are recognised at a point in time (or over a relatively short period of time, e.g. a trip of public transport) when the services have been provided and payments are received. For example, the motor vehicle record fee will be recognised on the grant, renewal or variation of a vehicle licence and that is generally when a motorist makes the payment. If payments are not received, agencies will recognise a receivable. Note that trade receivables are subject to 'expected credit losses' under AASB 9 Financial Instruments.*

*Where fees and charges are recognised over-time (e.g. water and electricity charges), agencies may recognise revenue at the end of a period when they have provided the services to customers. This may coincide with their billing cycle. Revenue and receivables would be recognised on the issuance of the bills. If the periods of providing the services fall within a reporting period (e.g. school fees), subject to materiality, agencies may recognise all revenue at the end of the reporting period. That is, contract liabilities will be recognised at the end of the reporting period and revenue would be recognised at the end of the reporting period for the amount of the contract liabilities that is outstanding.*

**Net Appropriation Determinations (Departments only)**

FMA sec 23(2)

*Net Appropriation Determinations issued by the Treasurer allow a department to retain prescribed receipts.*

*Where relevant, user charges and fees retained by departments under authority of a Net Appropriation Determination should be described in the accounting policy note accompanying this section.*

## Reference

## 4.3 Sale of Goods

	2022 (\$000)	2021 (\$000)
AASB 15.114	<b>Sale of goods:</b>	
	- IT booklets	1,934
	- IT equipment	11,036
	<b>14,267</b>	<b>12,970</b>
AASB 102.36(d)	<b>Cost of Sales:</b>	
	Opening Inventory	(11,300)
	Purchases	(7,775)
	(20,893)	(19,075)
AASB 102.36(b)	<b>Closing Inventory</b>	<b>15,375</b>
AASB 102.36(d)	Cost of Goods Sold	(3,700)
	<b>Gross profit</b>	<b>9,270</b>
AASB 101.78(c)	<b>Closing Inventory comprises:</b>	
	<u>Current Inventories</u>	
	Raw materials & stores (at cost)	
	6,123	6,365
	Work in progress (at cost)	
	2,510	2,495
	Finished goods	
	At cost	
	4,570	4,545
	At net realisable value	
	2,130	1,970
	<b>Total current inventories</b>	<b>15,333</b>
	<u>Non-current Inventories</u>	
	[List classes of inventories]	
	-	-
	<b>Total non-current inventories</b>	<b>-</b>
	<b>Total Inventories</b>	<b>15,333</b>

**Sale of Goods**

AASB 15.119

Revenue is recognised at the transaction price when the Agency transfers control of the goods to customers. [Disclose any obligations for returns, refunds and warranties]

**Inventories**

AASB 102.9, 25

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate for each class of inventory, with the majority being measured on a first in first out basis [specify other cost methods used].

Inventories not held for resale are measured at cost unless they are no longer required, in which case they are measured at net realisable value.



Please note that the accounting policy for sale of goods and inventories, as noted above, are generic accounting policies and should be tailored to suit your relevant agency.

Note that these models do not include inventory impairment losses recognised or reversed in profit or loss (AASB 102.36(e)-(f)). Agencies should ensure they consider their inventory valuations and make the appropriate disclosures should they result in such an impairment.



### Guidance – Sale of goods

APG 5

A sale of goods results in the goods being transferred to the customer or to other parties on behalf of the customer (i.e. reciprocal). Therefore, revenue from sales of goods will be recognised in accordance with AASB 15 Revenue from Contracts with Customers.

Sale of goods in the public sector will generally be recognised at a point in time when the goods have been transferred and payments are received.

Where a sale of goods contains a significant financing component, agencies shall discount the promised amount of consideration to its present value. This is to recognise revenue at an amount that reflects the price a customer would pay for the goods if the customer paid cash on receiving the goods. The discount rate should reflect the credit characteristics of the customer as well as any collateral or security provided. That is, the discount rate should take into account any 'expected credit losses' from the customer. As a result, trade receivables that have been discounted should not be re-assessed year by year for expected credit losses, unless there are significant increases in credit risk.

As a practical expedient, an agency needs not discount the promised amount of consideration for the effects of a significant financing component if the agency expects it will receive the payments within a year.



### Guidance – Inventories

AASB 102.36

**The financial statements shall disclose:**

- (a) the accounting policies adopted in measuring inventories, including the cost formula used;
- (b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the agency;
- (c) the carrying amount of inventories carried at fair value less costs to sell;
- (d) the amount of inventories recognised as an expense during the period;
- (e) impairment losses recognised or reversed in profit or loss in accordance with AASB 102 Inventories;
- (f) the circumstances or events that led to the reversal of a write down of inventories; and
- (g) the total carrying amount of inventories pledged as security for liabilities.

**Other considerations:**

AASB 102.Aus9.1

Inventories 'held for distribution' by not-for-profit entities must be disclosed separately in the notes and measured at cost, adjusted when applicable for any loss of service potential.

## Reference

**4.4 Commonwealth grants**

	2022 (\$000)	2021 (\$000)
AASB 1058.26		
National Partnership Payments		
- Recurrent grants	50	30
- Capital grants	1,050	970
<b>Total Commonwealth grants</b>	<b>1,100</b>	<b>1,000</b>

AASB 1058.10

Recurrent grants are recognised as income when the grants are receivable.

AASB 1058.16, 32-36

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the Agency is recognised when the Agency satisfies its obligations under the transfer. The Agency satisfies the obligations under the transfer to construct assets over time as the non-financial assets are being constructed. The Agency typically satisfies the obligations under the transfer when it achieves milestones specified in the grant agreement and amounts received in advance of obligation satisfaction are reported at [note 6.5](#). [Disclose the significant judgements made in evaluating when the Agency has satisfied its obligations]



Please note that the accounting policy for commonwealth grants, as noted above, are generic accounting policies and should be tailored to suit your relevant agency.

**Guidance – National Partnership Payments**

APG 5

National Partnership Payments (NPP) are generally be accounted for in accordance with AASB 1058. However, this would not necessarily result in cash accounting. For example, in relation to the Disaster Recovery Funding Arrangements where the Commonwealth will provide financial assistance to the State in certain circumstances (usually in the form of partial reimbursement of the State's expenditure and estimated reconstruction costs), the State would be able to recognise income under AASB 1058 when it incurs eligible expenses (prior to receiving the Commonwealth payments). This accrual accounting is possible because of the 'enforceable' Intergovernmental Agreement.

Note that NPPs for capital purposes shall be accounted for in accordance with paragraphs 15-16 of AASB 1058. For example, in relation to the NPP on Land Transport Infrastructure Projects where the Commonwealth provides funding for land transport infrastructure projects administered under the National Land Transport Act 2014, a capital grant liability will be recognised for any Commonwealth payments received in-advance. The State (through its agencies) will then recognise income when it achieves agreed project milestones.

Reference

**4.5 Other income**

		2022 (\$000)	2021 (\$000)
APG 6	Employee contributions <sup>(a)</sup> [Other income]	2,000	1,600
		<b>2,000</b>	<b>1,600</b>
AASB 101.98(c)	<b>Net proceeds from disposal of non-current assets</b>		
	Land	990	-
	Plant, equipment and vehicles	1,808	11,190
	<b>Carrying amount of non-current assets disposed</b>		
	Land	(690)	-
	Plant, equipment and vehicles	(1,938)	(6,490)
TI 1102(7)(ii)(e)	<b>Net gains/(losses) on disposal of non-current assets</b>	<b>170</b>	<b>4,700</b>
	[List types of other material gains/(losses)]	-	-
	<b>Other gains/(losses)</b>	-	-
	<b>Total other income</b>	<b>2,170</b>	<b>6,300</b>

(a) Income received by the Agency from subleasing of right-of-use assets relates to lease payments received from operating leases. The Agency has leased a number of right-of-use assets from the Government Regional Officer Housing (GROH), which it subleases out to employees at a subsidised rate. Information on the Agency's leasing arrangements with GROH can be found in [note 3.1\(a\)](#).

AASB 101.34

**Gains and losses on the disposal of non-current assets** are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the statement of comprehensive income.

**Guidance – Gains/(losses) on disposal**

Net disposal proceeds are gross proceeds less costs to sell. Costs to sell (e.g. sales commissions netted from agency receipts) are ordinarily immaterial. Where the amounts are material, additional disclosure is warranted.

TI 1102(6)(iv)(a),  
(7)(iv)

Insured non-current assets written-off as a result of an insurable event should be treated as other expenses (write-off of assets destroyed by fire/storm/earthquake etc.). The subsequent insurance recovery is to be treated as 'Income from State Government' when it is received or receivable.

TI 1102(7)(i) & (ii) requires any material net gain/(loss), other income or other expense components of this note disclosure to be presented on the face of the Statement of comprehensive income. The amounts recognised in these models is immaterial and presentation in the notes is compliant with the required treatment.



Did you have instances of:

- Material reversals of impairments; and
- Revaluation increments (offsetting decrements).

**These will need to be disclosed as other income.**

Reference

## 5. Key assets

This section includes information regarding the key assets the Agency utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	<b>Notes</b>
Infrastructure, property, plant and equipment	<a href="#">5.1</a>
Intangibles	<a href="#">5.2</a>
Right-of-use assets	<a href="#">5.3</a>
Service concession assets	<a href="#">5.4</a>

## 5.1 Infrastructure, property, plant and equipment

Year ended 30 June 2022	Land	Buildings	Buildings under construction	Plant, equipment and vehicles	Office equipment	Infrastructure	Works of art	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>1 July 2021</b>								
Gross carrying amount	97,910	494,164	96,090	23,751	800	624,079	150	1,336,944
Accumulated depreciation	-	(55,454)	-	(11,402)	(94)	(23,002)	-	(89,952)
Accumulated impairment loss	-	-	-	-	-	-	-	-
<b>Carrying amount at start of period</b>	<b>97,910</b>	<b>438,710</b>	<b>96,090</b>	<b>12,349</b>	<b>706</b>	<b>601,077</b>	<b>150</b>	<b>1,246,992</b>
Additions	-	22,400	20,000	16,327	-	-	-	58,727
Transfers <sup>(a)</sup>	-	-	-	(3,370)	-	-	-	(3,370)
Disposals	-	-	-	-	-	-	-	-
Reclassification of assets held for sale	-	-	-	-	-	-	-	-
Revaluation increments/(decrements)	15,000	45,000	-	-	-	40,000	-	100,000
Impairment losses <sup>(b)</sup>	-	-	-	-	-	-	-	-
Impairment losses reversed <sup>(b)</sup>	-	-	-	-	-	-	-	-
Depreciation	-	(17,939)	-	(6,091)	(160)	(8,587)	-	(32,777)
<b>Carrying amount at 30 June 2022</b>	<b>112,910</b>	<b>488,171</b>	<b>116,090</b>	<b>19,215</b>	<b>546</b>	<b>632,490</b>	<b>150</b>	<b>1,369,572</b>
Gross carrying amount	112,910	561,564	116,090	36,708	800	664,079	150	1,492,301
Accumulated depreciation	-	(73,393)	-	(17,493)	(254)	(31,589)	-	(122,729)
Accumulated impairment loss	-	-	-	-	-	-	-	-

(a) The Department of Planning, Lands and Heritage (DPLH) is the only Department with the power to sell Crown land. The land is transferred to DPLH for sale and the agency accounts for the transfer as a distribution to owner.

(b) Recognised in the Statement of comprehensive income. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

Year ended 30 June 2021	Land (\$000)	Buildings (\$000)	Buildings under construction (\$000)	Plant, equipment and vehicles (\$000)	Office equipment (\$000)	Infrastructure (\$000)	Works of art (\$000)	Total (\$000)
<b>1 July 2020</b>								
Gross carrying amount	93,500	418,925	70,000	27,416	800	612,079	150	1,222,870
Accumulated depreciation	-	(38,032)	-	(5,002)	(44)	(14,202)	-	(57,280)
Accumulated impairment loss	-	-	-	-	-	-	-	-
<b>Carrying amount at start of period</b>	<b>93,500</b>	<b>380,893</b>	<b>70,000</b>	<b>22,414</b>	<b>756</b>	<b>597,877</b>	<b>150</b>	<b>1,165,590</b>
Net adjustment on initial application of AASB 1059	-	-	-	-	-	-	-	-
<b>Restated carrying amount</b>	<b>93,500</b>	<b>380,893</b>	<b>70,000</b>	<b>22,414</b>	<b>756</b>	<b>597,877</b>	<b>150</b>	<b>1,165,590</b>
Additions	-	57,239	26,090	3,663	-	10,000	-	96,992
Transfers <sup>(a)</sup>	(1,090)	-	-	-	-	-	-	(1,090)
Disposals	-	-	-	-	-	-	-	-
Reclassification of assets held for sale	-	-	-	-	-	-	-	-
Revaluation increments/(decrements)	5,500	18,000	-	-	-	2,000	-	25,500
Impairment losses <sup>(b)</sup>	-	-	-	-	-	-	-	-
Impairment losses reversed <sup>(b)</sup>	-	-	-	-	-	-	-	-
Depreciation	-	(17,422)	-	(6,400)	(50)	(8,800)	-	(32,672)
Write-off of assets destroyed by earthquake	-	-	-	(370)	-	-	-	(370)
Classified as held for sale	-	-	-	(6,958)	-	-	-	(6,958)
<b>Carrying amount at 30 June 2021</b>	<b>97,910</b>	<b>438,710</b>	<b>96,090</b>	<b>12,349</b>	<b>706</b>	<b>601,077</b>	<b>150</b>	<b>1,246,992</b>
Gross carrying amount	97,910	494,164	96,090	23,751	800	624,079	150	1,336,944
Accumulated depreciation	-	(55,454)	-	(11,402)	(94)	(23,002)	-	(89,952)
Accumulated impairment loss	-	-	-	-	-	-	-	-

(a) The Department of Planning, Lands and Heritage (DPLH) is the only Department with the power to sell Crown land. The land is transferred to DPLH for sale and the agency accounts for the transfer as a distribution to owner.

(b) Recognised in the Statement of comprehensive income. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.



**Reference**

AASB 116.73  
TI 1101(14)  
TI 1102(11)

**Initial recognition**

Items of infrastructure, property, plant and equipment, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. Items of infrastructure, property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of comprehensive income (other than where they form part of a group of similar items which are significant in total).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

**Subsequent measurement**

AASB 116.31,  
TI 954

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of:

- land; and
- buildings.

Land is carried at fair value.

Buildings are carried at fair value less accumulated depreciation and accumulated impairment losses.

Infrastructure, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

**Land and buildings** are independently valued annually by the Western Australian Land Information Authority (Landgate) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Land and buildings were revalued as at 1 July 2021 by Landgate. The valuations were performed during the year ended 30 June 2022 and recognised at 30 June 2022. In undertaking the revaluation, fair value was determined by reference to market values for land: \$108,000,000 (2021: \$93,640,000) and buildings: \$348,821,000 (2021: \$320,969,000). For the remaining balance, fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

AASB 116.77



The above wording is provided on an example basis only. Agencies should be tailoring these disclosures to meet their facts and circumstances.



AASB 13.B2

**Significant assumptions and judgements:** The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.



## Guidance – Infrastructure, property, plant and equipment

### Initial recognition

The following guidance is relevant in relation to the initial recognition and measurement of assets:

- AASB 116.Aus15.1 • Assets acquired for significantly less than fair value should be initially recognised at their fair value.
- AASB 116.16 • All other assets are initially measured at cost. AASB 116 Property, Plant and Equipment provides guidance around the elements of cost. Agencies should make reference to this guidance when acquiring and/or developing new assets.
- TI 1102(11)(ii) Agencies should consider their capitalisation thresholds when recognising new assets and/or elements of cost that make up new assets.

### Subsequent measurement

- TI 954 Land and buildings are mandated by TI 954 Revaluation of Non-Current Physical Assets to be subsequently measured at fair value. In addition, land and buildings measured where AASB 140 Investment properties applies must also subsequently be measured at fair value.
- The adoption of the fair value basis for subsequent measurement of infrastructure, plant and equipment is at the agency's discretion.
- All assets within a class (e.g. buildings) must have the same measurement principles applied to it.
- In this model, the agency has recognised revaluations annually. However, AASB 116 only requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

AASB 116.35

### On revaluation

Agencies may elect to either:

- Restate the gross carrying amount by reference to observable market data (gross method); or
- Eliminate accumulated depreciation against the gross carrying amount of the asset and restate the net carrying amount to the revalued amount (net method).

TI 954 Guidelines

This model is prepared on the **gross basis** and the disclosure above reflects this election. By retaining useful information the basis provides a better disclosure outcome, though it may not always be practicable.

## Reference

### 5.1.1 Depreciation and impairment Charge for the period

	Notes	2022 (\$000)	2021 (\$000)
<u>Depreciation</u>			
Plant, equipment and vehicles	<a href="#">5.1</a>	6,091	7,154
Buildings	<a href="#">5.1</a>	17,939	17,422
Infrastructure	<a href="#">5.1</a>	8,587	8,800
Office equipment	<a href="#">5.1</a>	160	50
<b>Total depreciation for the period</b>		<b>32,777</b>	<b>33,426</b>

As at 30 June 2022, there were no indications of impairment to property, plant and equipment or infrastructure.

All surplus assets at 30 June 2022 have either been classified as assets held for sale or have been written-off.



This model assumes that no impairment charge has been recognised. Additional tables will need to be included to make the necessary impairment disclosures.

AASB 116. 51, 52,  
73(b)**Useful lives**

All infrastructure, property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life: years
Building	20 to 40 years
Plant and equipment	10 to 15 years
Office equipment	5 years
Software <sup>(a)</sup>	3 to 5 years
Motor vehicles	3 to 7 years
Infrastructure	55 to 80 years

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Land and works of art, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.



The useful lives illustrated in the Model Report are for illustrative purposes only. Agencies should determine appropriate useful lives for asset classes.

Other agencies may comment on indefinite lives of earthworks, land under roads, and core cultural assets where those assets are germane to their Statement of financial position.

**Impairment**

AASB 136.9, 59

Non-financial assets, including items of infrastructure, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

AASB 136.60

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

AASB 136.Aus61.1

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

AASB 136.Aus5.1

As the Agency is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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



Consider the policy wording above. It includes policy descriptions for impairment reversals. Agencies should ensure they tailor policies to their circumstances.



## Guidance – Depreciation and impairment

### Depreciation

AASB 116.50-51,  
60-61

AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* require that the consumption of physical or intangible assets by wear over time is classified as either depreciation or amortisation expense.

Agencies should be electing depreciation policies and useful lives that best reflect the pattern of use.

Agencies should ensure they are reviewing at least annually:

- depreciation methods;
- useful lives; and
- residual values.

Where adjustments are required, these should be treated as adjustments to an estimate. The change in depreciation only affects prospective Statements of comprehensive income. Changes to previously recognised depreciation expenses are expressly prohibited.

AASB 136.9, Aus61.1

### Impairment

#### Steps to follow to determine whether an asset is impaired:

- Each agency shall apply AASB 136 *Impairment of Assets* to determine whether an asset is impaired and to account for any impairment loss identified.
- Each agency shall assess at the end of each reporting period whether there is any indication that an asset may be impaired.
- AASB 136.12 sets out potential indicators of impairment.
- Indicators can be external and internal to the organisation and include factors such as:
  - evidence of obsolescence or damage
  - changes in Government policy
  - technological changes

AASB 136.12

Agencies should consider all factors and evidence available to them when assessing for indicators of impairment.

If any such indication exists, the agency shall estimate the recoverable amount of the asset.

- Recoverable amount is the higher of fair value less costs of disposal and value in use.
- For not-for-profit agencies regularly revaluing specialised assets, the recoverable amount is anticipated to be materially the same as fair value.

Please note that the above is generic and each agency should refer to AASB 136 and their individual circumstances to determine if impairment exists.

AASB 136.59, 60

#### Steps to follow after it was concluded that the asset is impaired:

- If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.
- An impairment loss is recognised immediately in profit or loss for items carried at historical cost.
- If the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and accounted for in other comprehensive income.

AASB 136.117, 119

#### Steps to follow if there is a reversal in an impairment loss previously recognised:

- When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.
- A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.
- If the above is the case, please refer to AASB 136 for further guidance.

## Reference

## 5.2 Intangible assets

AASB 138.118

Year ended 30 June 2022	Licences (\$000)	Computer Software (\$000)	Total (\$000)
<b>1 July 2021</b>			
Gross carrying amount	200	1,994	2,194
Accumulated amortisation	(20)	(772)	(792)
<b>Carrying amount at start of period</b>	<b>180</b>	<b>1,222</b>	<b>1,402</b>
Additions	-	-	-
Classified as held for sale	-	-	-
Impairment losses	-	-	-
Impairment losses reversed	-	-	-
Amortisation expense	(10)	(384)	(394)
<b>Carrying amount at 30 June 2022</b>	<b>170</b>	<b>838</b>	<b>1,008</b>

Year ended 30 June 2021	Licences (\$000)	Computer Software (\$000)	Total (\$000)
<b>1 July 2020</b>			
Gross carrying amount	200	1,994	2,194
Accumulated amortisation	(10)	(388)	(398)
<b>Carrying amount at start of period</b>	<b>190</b>	<b>1,606</b>	<b>1,796</b>
Additions	-	-	-
Classified as held for sale	-	-	-
Impairment losses	-	-	-
Impairment losses reversed	-	-	-
Amortisation expense	(10)	(384)	(394)
<b>Carrying amount at 30 June 2021</b>	<b>180</b>	<b>1,222</b>	<b>1,402</b>

## Initial recognition

AASB 138.24, Aus24.1

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.

AASB 138.57

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) an intention to complete the intangible asset, and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) the intangible asset will generate probable future economic benefit;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

TI 1101(14)

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$5,000 or more that comply with the recognition criteria of AASB 138.57 *Intangible Assets* (as noted above), are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of comprehensive income.

AASB 138.54, 57

Costs incurred in the research phase of a project are immediately expensed.

### Subsequent measurement

AASB 138.74

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



This note should be tailored to meet the requirements of your agency. There may be elements of the policy wording that can be omitted or summarised depending on your agency's circumstances.

## Reference

### 5.2.1 Amortisation and impairment

#### Charge for the period

	2022 (\$000)	2021 (\$000)
Licences	10	10
Computer software	384	384
<b>Total amortisation for the period</b>	<b>394</b>	<b>394</b>

AASB 136.9

As at 30 June 2022 there were no indications of impairment to intangible assets.

AASB 136.10

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

Amortisation of finite life intangible assets is calculated on a straight-line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the Agency have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

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

Asset	Useful life: years
Licences	up to 10 years
Development Costs	3 to 5 years
Software <sup>(a)</sup>	3 to 5 years
Website Costs	3 to 5 years

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

### Impairment of intangible assets

AASB 138.108

Intangible assets with indefinite useful lives are tested for impairment annually or when an indication of impairment is identified.

AASB 136.10(a)

The policy in connection with testing for impairment is outlined in [note 5.1.1](#).



### Guidance – Intangibles

APG 2

The following is relevant for the recognition and measurement of intangibles:

- Agencies should assess their own circumstances in determining capitalisation thresholds for intangible assets (TI 1101 requires a minimum threshold of \$5,000).
- Intangible assets can only be revalued to fair value where an active market exists. Please note that it is exceptionally rare that an active market exists for intangible assets and it is therefore unlikely that intangible assets will be revalued to fair value.
- Intangible assets that have an indefinite useful life are not subject to amortisation but must be tested annually for impairment.

- *Amortisation commences when the intangible asset is available for use and ceases when the asset is classified as held-for-sale or where the asset has been fully amortised.*

**Disclosure of amortisation**

*An agency shall disclose the line item(s) of the statement of comprehensive income in which any amortisation of intangible assets is included.*

AASB 138.122(b)

*An agency shall also disclose a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements.*

**Additional disclosures for indefinite life Intangible assets**

AASB 138.122(a)

*An agency shall disclose, for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the agency shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.*

**Impairment of intangible assets**

AASB 138.120

*An agency discloses information on impaired intangible assets in accordance with AASB 136 Impairment of Assets in addition to the information required by AASB 138 Intangible Assets.*

**Amortisation policies**

AASB 138.97

*Agencies should be electing amortisation policies and useful lives that best reflect the pattern of use.*



**Additional disclosures - intangibles**

The following are examples of policy notes that may be applicable for some agencies:

**Licences**

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

**Website Costs**

Website costs are expensed when incurred unless they directly relate to the acquisition or development of an intangible asset. In this instance they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

**Development Costs**

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can be reasonably regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

**Computer Software**

Software that is an integral part of the related hardware is recognised as part of the tangible asset. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

## 5.3 Right-of-use assets

Year ended 30 June 2022	Land	Buildings	Plant, equipment and vehicles	Residential housing	Concessionary leases <i>[Specify asset class]</i>	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>At 1 July 2021</b>						
Gross carrying amount	-	24,375	3,605	-	-	27,980
Accumulated depreciation	-	(1,907)	(1,475)	-	-	(3,382)
Accumulated impairment loss	-	-	-	-	-	-
<b>Carrying amount at start of period</b>	-	<b>22,468</b>	<b>2,130</b>	-	-	<b>24,598</b>
<i>AASB 16.53</i>						
Additions	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Impairment losses reversed	-	-	-	-	-	-
Depreciation	-	(1,890)	(703)	-	-	(2,593)
<i>AASB 16.53(j)</i>						
<b>Carrying amount at 30 June 2022</b>	-	<b>20,578</b>	<b>1,427</b>	-	-	<b>22,005</b>
Gross carrying amount	-	24,375	3,605	-	-	27,980
Accumulated depreciation	-	(3,797)	(2,178)	-	-	(5,975)
Accumulated impairment loss	-	-	-	-	-	-



Year ended 30 June 2021	Land	Buildings	Plant, equipment and vehicles	Residential housing	Concessionary leases <i>[Specify asset class]</i>	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>At 1 July 2020</b>						
Gross carrying amount	-	24,375	3,605	-	-	27,980
Accumulated depreciation	-	-	(754)	-	-	(754)
Accumulated impairment loss	-	-	-	-	-	-
<b>Carrying amount at start of period</b>	-	<b>24,375</b>	<b>2,851</b>	-	-	<b>27,226</b>
Additions	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Impairment losses reversed	-	-	-	-	-	-
Depreciation	-	(1,907)	(721)	-	-	(2,628)
<b>Carrying amount at 30 June 2021</b>	-	<b>22,468</b>	<b>2,130</b>	-	-	<b>24,598</b>
Gross carrying amount	-	24,375	3,605	-	-	27,980
Accumulated depreciation	-	(1,907)	(1,475)	-	-	(3,382)
Accumulated impairment loss	-	-	-	-	-	-

AASB 16.53(j)

**Initial recognition**

AASB 16.23, 24

At the commencement date of the lease, the Agency recognises right-of-use assets are measured at cost comprising of:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs, including dismantling and removing the underlying asset.

This includes all leased assets other than investment property ROU assets, which are measured in accordance with AASB 140 *Investment Property*.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in [note 7.2 Lease liabilities](#).

AASB 16.5  
TI 916(3)-(4)

The Agency has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

**Subsequent measurement**

AASB 16.29

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

**Depreciation and impairment of right-of-use assets**

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to the Agency at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

AASB 16.33  
AASB 136.10(a)

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in [note 5.1.1](#).



This note should be tailored to meet the requirements of your agency. There may be elements of the policy wording that can be omitted or summarised depending on your agency's circumstances.

AASB 16.53

The following amounts relating to leases have been recognised in the statement of comprehensive income:

	2022 (\$000)	2021 (\$000)
Depreciation expenses of right-of-use assets	2,593	2,628
AASB 16.53(b) Lease interest expense	365	371
AASB 16.53(e) Expenses relating to variable lease payments not included in lease liabilities	232	237
AASB 16.53(c) Short-term leases	-	-
AASB 16.53(d) Low-value leases	118	122
AASB 16.53(i) Gains or losses arising from sale and leaseback transactions	-	-

AASB 16.53(g)  
AASB 136.9

The total cash outflow for leases in 2022 was \$6,300,000 (2021: \$1,200,000). As at 30 June 2022 there were no indications of impairment to right-of-use assets.

*The Agency's leasing activities and how these are accounted for:*

AASB 16.59(a)

The Agency has leases for vehicles, office and residential accommodations.

The Agency has also entered into a Memorandum of Understanding Agreements (MOU) with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

The Agency recognises leases as right-of-use assets and associated lease liabilities in the Statement of financial position.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in [note 7.2](#).



### Guidance – Right-of-use assets under concessionary leases

AASB 16.Aus59.1  
TI 916(5)

TI 916 mandates that right of use (ROU) assets resulting from concessionary leases are measured at cost, comprising of:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs, including dismantling and removing the underlying asset.

Therefore, in accordance with AASB 16 Leases, where the lessee is a not-for-profit entity and where the leases have below-market terms and conditions principally to enable the entity to further its objectives (concessionary leases) and measures a class or classes of concessionary lease right-of-use assets at initial recognition at cost, the lessee shall disclose additional qualitative and quantitative information about those leases necessary to meet the disclosure objectives. This is to ensure users understand the effects of these leases on the entity's financial position, financial performance and cash flows.

This additional information shall include, but is not limited to, information that helps users of financial statements to assess:

- (a) the entity's dependence on leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives; and
- (b) the nature and terms of the leases, including:
  - (i) the lease payments;
  - (ii) the lease term;
  - (iii) a description of the underlying assets; and
  - (iv) restrictions on the use of the underlying assets specific to the entity.



## 5.4 Service Concession Assets

This note header has been included as a placeholder for the disclosure of service concession assets.



### Guidance – Service concession assets

#### Scope

AASB 1059.2

*Service concession arrangement is an arrangement which involves an operator:*

- *that is contractually obliged to provide public services related to a service concession asset on behalf of the grantor; and*
- *managing at least some of those services under its own discretion, rather than at the direction of the grantor.*

*Whether an arrangement is providing a public service is a significant area of judgement, as the Standard does not define public services. The Standard, however, has identified the following indicators of public services:*

- *the services are necessary or essential to the general public;*
- *generally expected to be provided by a public sector entity in accordance with government policy or regulation; and*
- *services provided by the asset are not wholly consumed by a public sector entity for the purpose of assisting in the delivery of public services and managed by an external party.*

AASB 1059.B7

*The provision of primary or ancillary services by assets in service concession arrangements are other key considerations that should be taken into account in assessing whether assets provide public services. Ancillary services are excluded from public services assessment as they relate to services that are insignificant to the arrangement as a whole.*

#### Recognition

AASB 1059.B16

*Control is an essential aspect in assessing whether an arrangement is a service concession arrangement. It is defined as the ability to exclude or regulate access to the benefits of an asset.*

*Control can be explicit or implicit. The grantor may have explicit control through rights held under the contractual arrangement or the grantor may have implicit control through regulation. It is not essential for the contract to specify the grantor's control. Explicit or implicit control over the asset would result in the arrangement falling within the scope of AASB 1059.*

AASB 1059.5

*The grantor has control of the asset if, and only if:*

- (a) the grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and*
- (b) the grantor controls significant residual interest in the asset at the end of the term of the arrangement.*

AASB 1059.6, B36

*Requirement (b) above is not applicable for assets that will be used in a service concession arrangement for its entire economic life or the major part of its economic life. The grantor is considered to have control if they meet requirement (a) under this circumstance.*

*Assets recognised in a service concession arrangement include:*

- *existing assets of the operator or grantor provided for use in the arrangement;*
- *asset constructed, developed, acquired or otherwise provided by the operator; and*
- *upgrade or replacement of a major component of any of the above assets.*

*Service concession arrangements may involve multiple assets, comprising of a primary asset that provides the principal public service, and a secondary asset that is used or mainly used to complement the primary asset. Both of which can fall within the scope of AASB 1059.*

Where an arrangement contains several assets, the grantor should separately assess individual components of the assets within the arrangement that are:

- physically separable;
- capable of being operated independently; and
- meet the definition of a cash-generating unit under AASB 136 Impairment of Assets.

In recognising a service concession asset, the grantor is required to recognise a corresponding liability.

AASB 1059.11

#### **Measurement**

A service concession asset is initially measured at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement.

AASB 1059.7

This same measurement approach applies to existing assets of an agency that has been reclassified as service concession assets at the date of reclassification. Any difference between the carrying amount of the asset and its current replacement cost will be accounted for as if it is a revaluation of the asset.

AASB 1059.8

Subsequent to initial recognition or reclassification, a service concession asset is depreciated or amortised in accordance with AASB 116 Property, Plant and Equipment or AASB 136 Intangible Assets, with any impairment recognised in accordance with AASB 136.

AASB 1059.9(a)

References to fair value in other Standards shall be read as references to current replacement cost in accordance with AASB 1059.

AASB 1059.9(b)

At the end of the service concession arrangement, the agency:

AASB 1059.10

- (a) reclassifies the asset based on its nature or function;
- (b) discontinue references to fair value in other Standards as current replacement cost under AASB 1059; and
- (c) derecognises the asset in accordance with AASB 116 or AASB 138 when the agency loses control of the asset.

#### **Example Disclosure**

The example disclosure below is only intended to demonstrate how agencies could satisfy their disclosure obligations under AASB 1059 Service Concession Assets: Grantor.

Name of the service concession asset (SCA)	Service concession asset 1	Service concession asset 2
Description of the arrangements		
Terms of the arrangement		
Period of the arrangement		
Rights and obligations		
Changes in the arrangements occurred in period ending 30 June 2022		
Carrying amount as at 30 June 2022		

*Reference*

## 6. Other assets and liabilities

This section sets out those assets and liabilities that arose from the Agency's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	<b>Notes</b>
Receivables	<a href="#">6.1</a>
Amounts receivable for services	<a href="#">6.2</a>
Other assets	<a href="#">6.3</a>
Payables	<a href="#">6.4</a>
Contract liabilities	<a href="#">6.5</a>
Capital grant liabilities	<a href="#">6.6</a>
Amounts due to Treasurer	<a href="#">6.7</a>
Other provisions	<a href="#">6.8</a>
Other liabilities	<a href="#">6.9</a>

## Reference

## 6.1 Receivables

	2022 (\$000)	2021 (\$000)
AASB 7.7		
	<b>Current</b>	
AASB 9.5.1.3, 5.2.1	Trade receivables	8,794
AASB 9.5.5.1	Allowance for impairment of trade receivables	(118)
	Accrued revenue	-
	GST receivable	421
	<b>9,097</b>	<b>9,189</b>
AASB 9.5.1.1, 5.2.1	Loans and advances:	
	Other debtors	-
	-	-
	<b>Total current</b>	<b>9,097</b>
	<b>Non-current</b>	
AASB 9.5.1.1, 5.2.1	Loans and advances:	
	Other debtors	-
	-	-
	<b>Total non-current</b>	<b>-</b>
	<b>Total receivables</b>	<b>9,097</b>

AASB 9.5.1.1, 5.1.3,  
4.1.2, 5.4.1

Trade receivables are initially recognised at their transaction price or, for those receivables that contain a significant financing component, at fair value. The Agency holds the receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

AASB 9.5.5.1,  
B3.2.16(r)

The Agency recognises a loss allowance for expected credit losses (ECLs) on a receivable not held at fair value through profit or loss. The ECLs based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate. Individual receivables are written off when the Agency has no reasonable expectations of recovering the contractual cash flows.

AASB 9.5.15, B5.5.35

For trade receivables, the Agency recognises an allowance for ECLs measured at the lifetime expected credit losses at each reporting date. The Agency has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to [note 3.3](#) for the amount of ECLs expensed in this financial year.



### Guidance – Receivables

AASB 7.25

An agency shall disclose the fair value of each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount.

AASB 7.42D

An agency shall disclose at each reporting date for each class of transferred financial assets that are not derecognised (including those that are not derecognised in their entirety):

- (a) the nature of the transferred assets.
- (b) the nature of the risks and rewards of ownership to which the agency is exposed.
- (c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the agency's use of the transferred assets.
- (e) when the agency continues to recognise all of the transferred assets, the carrying amount of the transferred assets and the associated liabilities.
- (f) when the agency continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the agency continues to recognise, and the carrying amount of the associated liabilities.



The above is included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a receivable balance is not material, the agency should consider whether disclosure is necessary.

## Reference


## 6.1.1 Movement in the allowance for impairment of trade receivables

	2022 (\$000)	2021 (\$000)
AASB 7.35H-I	<b>Reconciliation of changes in the allowance for impairment of trade receivables:</b>	
	18	15
AASB 9.5.5.8	100	8
AASB 9.5.4.4	-	(5)
	<b>118</b>	<b>18</b>

AASB 7.35K

The maximum exposure to credit risk at the end of the reporting period for trade receivables is the carrying amount of the asset inclusive of any allowance for impairment as shown in the table at [Note 8.1\(c\)](#) 'Financial instruments disclosures'.

The Agency does not hold any collateral as security or other credit enhancements for trade receivables.

	<b>Guidance – Expected credit losses</b>
AASB 9.5.5.17	<p>An agency shall measure expected credit losses of a financial instrument in a way that reflects:</p> <ul style="list-style-type: none"> <li>• an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;</li> <li>• the time value of money; and</li> <li>• reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.</li> </ul>
AASB 9.B5.5.35	<p>An agency would use its historical credit loss experience (adjusted as appropriate) for trade receivables to estimate the lifetime expected credit losses. A provision matrix might, for example, specify fixed provision rates depending on the number of days that a trade receivable is past due (for example, 1 per cent if not past due, 2 per cent if less than 30 days past due, 3 per cent if more than 30 days but less than 90 days past due, 20 per cent if 90-180 days past due etc.). Depending on the diversity of its customer base, the agency would use appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. Examples of criteria that might be used to group assets include geographical region, product type, customer rating, collateral or trade credit insurance and type of customer (such as wholesale or retail).</p>



The above is included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a receivable balance is not material, the agency should consider whether disclosure is necessary.



## Reference

**6.2 Amounts receivable for services (Holding Account)**

	2022 (\$000)	2021 (\$000)
Current	17,139	19,795
Non-current	55,725	41,707
<b>Total amounts receivable for services at end of period</b>	<b>72,864</b>	<b>61,502</b>

**Amounts receivable for services** represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

TI 1101 Guidelines

The amounts receivable for services are financial assets at amortised cost, and are not considered impaired (i.e. there is no expected credit loss of the holding accounts).

**6.3 Other assets**

	2022 (\$000)	2021 (\$000)
<b>Current</b>		
Other [describe]	550	560
<b>Total current</b>	<b>550</b>	<b>560</b>
<b>Non-current</b>		
Other [describe]	-	60
<b>Total non-current</b>	<b>-</b>	<b>60</b>
<b>Total other assets at end of period</b>	<b>550</b>	<b>620</b>



Entities should be applying materiality to all note disclosures to determine if their disclosure is relevant for the understanding of the financial statements.

## Reference

AASB 7.6

**6.4 Payables**

	2022 (\$000)	2021 (\$000)
<b>Current</b>		
Trade payables	1,028	1,350
Other payables	528	480
Accrued expenses	201	160
Accrued salaries	2,450	2,801
Other [describe]	-	-
<b>Total payables at end of period</b>	<b>4,207</b>	<b>4,791</b>

AASB 9.5.1.1, 5.3.1

AASB 119.11,153

AASB 7.21, B5

**Payables** are recognised at the amounts payable when the Agency becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as settlement for the Agency is generally within 15-20 days.

**Accrued salaries** represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The Agency considers the carrying amount of accrued salaries to be equivalent to its fair value.



The above is included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a payable balance is not material, the agency should consider whether disclosure is necessary.

TI 323 *Timely Payment Of Accounts* requirements payments for goods, services and construction of less than \$1 million and not subject to an exemption, to be paid within 20 days. Payments over \$1 million are required to be settled all payments within 30 calendar days of the sooner of the receipt of a correctly rendered invoice, or, provision of goods or services.

## Reference

AASB 15.116

**6.5 Contract liabilities**

	2022 (\$000)	2021 (\$000)
<b>Reconciliation of changes in contract liabilities</b>		
Opening balance	895	397
Additions	638	895
Revenue recognised in the reporting period.	(895)	(397)
<b>Total contract liabilities at end of period</b>	<b>638</b>	<b>895</b>
Current	638	895
Non-current	-	-

AASB 15.117, 118,  
120

The Agency's contract liabilities relate to IT supports yet to be performed at the end of the reporting period. Typically, a contract payment is received upfront for 12 months of continuing support services.

The Agency expects to satisfy the performance obligations unsatisfied at the end of the reporting period within the next 12 months.

## Reference

AASB 1058.16

**6.6 Capital grant liabilities**

	2022 (\$000)	2021 (\$000)
<b>Reconciliation of changes in capital grant liabilities</b>		
Opening balance at the beginning of the period	3,590	-
Additions	-	4,640
Income recognised in the reporting period.	(718)	(1,050)
<b>Capital grant liabilities at the end of period</b>	<b>2,872</b>	<b>3,590</b>
Current	574	718
Non-current	2,298	2,872

AASB 1058.16

The Agency recognises a capital grant liability for the excess of the initial carrying amount of a financial asset received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity.

When (or as) the obligations of the capital grant liability are satisfied under the transfer, the Agency recognises income in profit or loss. Information on the Agency's obligations can be found in [note 4.4](#).



Please note that the accounting policy for commonwealth grants, as noted above, are generic accounting policies and should be tailored to suit your relevant agency.

**6.6.1 Expected satisfaction of capital grant liabilities**

AASB 1058.33(a)

	2022 (\$000)	2021 (\$000)
<b>Expected satisfaction of capital grant liabilities</b>		
1 year	574	718
1 to 5 years	653	574
Over 5 years	1,645	2,298
	<b>2,872</b>	<b>3,590</b>



## Guidance – Grant recognition

### Capital grant liabilities

The agency will need to determine if obligations attached to a capital grant require deferral of income until the obligations are satisfied. Refer to AASB 1058.IE6 Example 9 for an example of the treatment of a capital grant.

### National Partnership Payments

National Partnership Payments (NPP) are generally be accounted for in accordance with AASB 1058. However, this would not necessarily result in cash accounting. For example, in relation to the Disaster Recovery Funding Arrangements where the Commonwealth will provide financial assistance to the State in certain circumstances (usually in the form of partial reimbursement of the State's expenditure and estimated reconstruction costs), the State would be able to recognise income under AASB 1058 when it incurs eligible expenses (prior to receiving the Commonwealth payments). This accrual accounting is possible because of the 'enforceable' Intergovernmental Agreement.

Note that NPPs for capital purposes shall be accounted for in accordance with paragraphs 15-16 of AASB 1058. For example, in relation to the NPP on Land Transport Infrastructure Projects where the Commonwealth provides funding for land transport infrastructure projects administered under the National Land Transport Act 2014, a capital grant liability will be recognised for any Commonwealth payments received in-advance. The State (through its agencies) will then recognise income when it achieves agreed project milestones.

AASB 1058.16  
AASB 1058.IE6 -  
Example 9

APG 5

## Reference

**6.7 Amounts due to Treasurer**

		2022 (\$000)	2021 (\$000)
<i>FMA sec 9</i>	Current	2,400	7,970
	Non-current	-	-

*AASB 7.21, B5*

The **amount due to the Treasurer** is in respect of a Treasurer's Advance. This amount is payable within 12 months after the reporting period. Although no interest is charged on the outstanding amount, the carrying amount is equivalent to fair value.

## Reference

**6.8 Other provisions**

	Notes	2022 (\$000)	2021 (\$000)
<b>Current</b>			
<i>Int 1</i>	Warranties <a href="#">6.8.1</a>	62	45
	Restoration provision <a href="#">6.8.2</a>	-	-
	<b>Total current</b>	<b>62</b>	<b>45</b>
<b>Non-current</b>			
<i>Int 1</i>	Warranties <a href="#">6.8.1</a>	-	-
	Restoration provision <a href="#">6.8.2</a>	550	525
	<b>Total non-current</b>	<b>550</b>	<b>525</b>
	<b>Total other provisions at end of period</b>	<b>612</b>	<b>570</b>

*AASB 15.B30  
AASB 137.85***6.8.1 Provision for warranty claims**

The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Agency's obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled within two reporting periods, but this may be extended if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective.

*AASB 137.85***6.8.2 Restoration (make good) provision**

Some leased premises are required to be restored to their original condition at the end of their respective lease terms. A provision needs to be recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs are capitalised as part of the cost of leasehold improvements or right-of-use assets and are amortised over the shorter of the lease term and the useful life of the assets.

Under [*detail circumstances*] the Agency has a legal or constructive obligation to dismantle [*detail the property*] and restore the site.

A restoration provision is recognised when:

- there is a present obligation as a result of [*exploration, development, production, transportation or storage*] activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

The estimated future obligations include the costs of [*removing facilities, abandoning sites/wells and restoring the affected areas*].

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date [*based on current legal and other requirements and technology*]. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

Agencies should also detail expected timing of payments, any significant uncertainties regarding the timing and amounts of payments required to settle the obligations.



## Reference

## 6.8.3 Movement in provisions

AASB 137.84

	2022 (\$000)	2021 (\$000)
<b>Movements in each class of provision during the period, are set out below.</b>		
<u>Warranty provisions</u>		
Carrying amount at start of period	45	30
Additional/(reversals of) provisions recognised	42	38
Payments	(28)	(25)
Unwinding of the discount	3	2
<b>Carrying amount at end of period</b>	<b>62</b>	<b>45</b>
<u>Restoration provisions</u>		
Carrying amount at start of period	525	500
Additional/(reversals of) provisions recognised	-	-
Payments	-	-
Unwinding of the discount	25	25
<b>Carrying amount at end of period</b>	<b>550</b>	<b>525</b>

**Guidance – Provisions (recognition)**

AASB 137.14-15,.23

A provision shall be recognised when:

- (a) an agency has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

In rare cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period.

For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation. For the purpose of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, that is, the probability that the event will occur is greater than the probability that it will not. Where it is not probable that a present obligation exists, an agency discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.



### Guidance – Provisions (disclosures)

AASB 137.84-85

For each class of provision, an agency shall disclose:

- (a) the carrying amount at the beginning and end of the period;
- (b) additional provisions made in the period, including increases to existing provisions;
- (c) amounts used (that is, incurred and charged against the provision) during the period;
- (d) unused amounts reversed during the period; and
- (e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

Comparative information is not required.

An agency shall disclose the following for each class of provision:

- (a) A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits; and
- (b) An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an agency shall disclose the major assumptions made concerning future events.

#### Exemptions

AASB 137.92

In extremely rare cases, disclosure of some or all of the information required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets can be expected to prejudice seriously the position of the agency in a dispute with other parties on the subject matter of the provision. In such cases, an agency need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Regardless of how sensitive certain information about provisions may be, this exemption from disclosure does not affect the requirement to recognise provisions that satisfy the criteria for recognition set out in AASB 137.

#### Contingent Liabilities

AASB 137.88

Where a provision and a contingent liability arise from the same set of circumstances, the disclosures in the financial statements should be made in a way that shows the link between the provision and the contingent liability.

## 6.9 Other liabilities

	2022 (\$000)	2021 (\$000)
<u>Current</u>		
Other [describe]	-	-
<b>Total current</b>	-	-
<u>Non-current</u>		
Other [describe]	-	-
<b>Total non-current</b>	-	-
<b>Total other liabilities at end of period</b>	-	-



The above table is included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a balance is not material, the agency should consider whether disclosure is necessary.

## 7. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the Agency.

	<b>Notes</b>
Borrowings	<a href="#">7.1</a>
Lease liabilities	<a href="#">7.2</a>
Service concession liabilities	<a href="#">7.3</a>
Assets pledged as security	<a href="#">7.4</a>
Finance costs	<a href="#">7.5</a>
Cash and cash equivalents	<a href="#">7.6</a>
Reconciliation of cash	<a href="#">7.6.1</a>
Reconciliation of operating activities	<a href="#">7.6.2</a>
Capital commitments	<a href="#">7.7</a>

Reference

AASB 7.7  
TI 1103(9)

7.1 Borrowings

	2022 (\$000)	2021 (\$000)
<u>Current</u>		
Other [describe]	-	-
<b>Total current</b>	<b>-</b>	<b>-</b>
<u>Non-current</u>		
Other [describe]	-	-
<b>Total non-current</b>	<b>-</b>	<b>-</b>
<b>Total borrowings at end of period</b>	<b>-</b>	<b>-</b>

AASB 9.5.1.1

Borrowings refer to interest bearing liabilities mainly raised through Western Australian Treasury Corporation.

Interest bearing financial liabilities are classified at amortised cost are initially recognised at fair value of the consideration received less directly attributable transactions costs.

Subsequent to initial recognition the borrowings are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

The Agency designates the financial instruments at FVPL upon initial recognition when the designation eliminates, or significantly reduces, measurement or recognition inconsistency that would otherwise arise.

The Agency has not designated any financial liabilities as at fair value through profit or loss.

The changes in fair value of financial liabilities designated at fair value through profit or loss are recognised in profit or loss with movements in fair value due to changes in the Agency’s own credit risk recognised in other comprehensive income.



**Additional disclosures – Borrowings**

AASB 7.21, B5

- If your agency has borrowings (e.g. bank overdraft, advances from Government etc.) consider the below example disclosure:
- ‘Borrowings’ refer to interest bearing liabilities mainly raised from public borrowings raised through [detail where these borrowings have been obtained] and other interest bearing arrangements. If borrowings are secured, this fact must be disclosed.
- Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.
- The measurement basis subsequent to initial recognition depends on whether the agency has categorised its interest bearing liabilities as either ‘financial liabilities designated at fair value through profit or loss’, or financial liabilities at ‘amortised cost’. The classification depends on the nature and purpose of the interest bearing liabilities. The agency determines the classification of its interest bearing liabilities at initial recognition.





## Guidance – Borrowings

TI 822  
AASB 132.AG12

### Statutory borrowings

Liabilities that are not contractual (such as liabilities that arise as a result of statutory requirements) are not financial instruments. Therefore, although these liabilities are similar to financial instruments, they are in fact not in the scope of AASB 7 Financial Instruments: Disclosures. However, entities who wish to apply disclosure requirements similar to those from AASB 7 to such liabilities may do so at their own discretion.

### Classification of financial instruments

When the Statement of financial position presentation of a financial instrument differs from the instrument's legal form, it is desirable for an agency to explain in the notes the nature of the financial instrument.



### Additional disclosures – Defaults and breaches

AASB 7.18-19

- If your agency has defaults and breaches for loans payable recognised at the end of the reporting period, an agency shall disclose:
  - (i) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;
  - (ii) the carrying amount of the loans payable in default at the end of the reporting period; and
  - (iii) whether the default was remedied, or the terms of the loans payable was renegotiated, before the financial statements was authorised for issue.

## Reference

### 7.2 Lease liabilities

	2022 (\$000)	2021 (\$000)
Current	5,979	6,562
Non-current	11,317	17,296
	<b>17,296</b>	<b>23,858</b>

#### Initial measurement

AASB 16.26

At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Agency uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

AASB 16.27

Lease payments included by the Agency as part of the present value calculation of lease liability include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options (where these are reasonably certain to be exercised);
- payments for penalties for terminating a lease, where the lease term reflects the agency exercising an option to terminate the lease.

AASB 16.37, 38(a)

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

AASB 16.27(e)

Periods covered by extension or termination options are only included in the lease term by the Agency if the lease is reasonably certain to be extended (or not terminated).

AASB 16.38(b)

Variable lease payments, not included in the measurement of lease liability, that are dependent on sales are recognised by the Agency in profit or loss in the period in which the condition that triggers those payment occurs

This section should be read in conjunction with [note 5.3](#).

### Subsequent Measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.



Did you have instances of licences that are in substance leases or contain leases?

**These will be within the scope of AASB 16 Leases.**



The model agency has not received any COVID-19 rent concessions and therefore has made no assessment of whether a concession is a lease modification. This assessment impacts the measurement of the lease liability and additional disclosure is required.

## Guidance – Leases

AASB 16.9

### Recognition of lease contract

At inception, agencies assess whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

TI 916(7)

When a lease contract contains a lease component and non-lease component, and if the non-lease component is material, agencies account for the amount of the non-lease component separately, where practicable from the lease amount by applying other applicable Standards. Immaterial non-lease component(s) may be included in the lease amount and accounted for as a single lease.

### Reassessment of lease liability

AASB 16.40-43

Agencies are required to remeasure a lease liability where there has been a change in lease payments, change in the lease term or a change in the assessment of an option to purchase the underlying asset. These remeasurements are referred to as lease reassessments and the revised lease payments are discounted using a revised discount rate. In some situations, change in lease payments will require the use of an unchanged discount rate.

### Lease modifications

AASB 16.44-46

Agencies may also encounter lease modifications. Lease modifications will either be accounted for as a separate lease or as part of the existing lease. A separate lease is distinguished where the scope of the lease is increased by adding the right to use one or more underlying assets, and the consideration for a lease increases by an amount commensurate with the stand-alone price of the increase in scope.

### Additional disclosures

AASB 16.59

Additional qualitative and quantitative information about a lessee's leasing activities is required to meet the disclosure objective of the Standard. This additional information may include, but is not limited to, information that helps users of the financial statements to assess:

- the nature of the lessee's leasing activities
- future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:
  - (a) variable lease payments;
  - (b) extension options and termination options;
  - (c) residual value guarantee;
  - (d) leases not yet commenced to which the lessee is committed;
  - (e) restrictions or covenants imposed by leases; and
  - (f) sale and leaseback transactions.



### 7.3 Service concession liabilities

This note header has been included as a placeholder for the disclosure of service concession liabilities.



#### Guidance – Service concession liabilities

AASB 1059.11-12

Where the grantor recognises a service concession asset in accordance with AASB 1059 Service Concession Arrangements: Grantors, the grantor shall:

- (a) recognise a liability for the amount initially recognised as the service concession asset (i.e. current replacement cost), adjusted by the amount of any other considerations; and
- (b) not recognise a liability when an existing asset of the grantor is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Depending on the nature of the service concession arrangement, the grantor recognises a liability based on the 'financial liability' model, 'grant of right to the operator' model or a combination of both.

#### Types of consideration

AASB 1059.14, B51, B56

Depending on the terms of the service concession arrangement, the grantor may compensate the operator for the service concession asset and service provision by any combination of the following:

- (a) making payments to the operator; and
- (b) compensating the operator through non-monetary exchange.

#### Initial and subsequent measurement

##### Financial liability model

AASB 1059.15

Where the grantor has a contractual obligation to compensate the operator for the construction, development, acquisition or upgrade of the service concession asset, through the delivery of cash or another financial asset, the grantor shall recognise a financial liability.

AASB 1059.17

The financial liability shall be recognised and disclosed in accordance with AASB 9 Financial Instruments, AASB 132 Financial Instruments: Presentation and AASB 7 Financial Instruments: Disclosures, unless otherwise specified by the Standard.

AASB 1059.B64

For compensation in the form of predetermined payment or series of payments, the grantor shall determine the financial liability under such arrangement using contractually specified interest rate in the arrangement to measure the financial liability. If this is not practical the grantor shall use the prevailing market rate(s) of interest.

##### Grant of a right to the operator model (GORTO)

AASB 1059.21

Where the operator is compensated through non-monetary means by the granting of the right to earn revenue from third-party users from the service concession asset or access to another revenue generating asset, the grantor shall recognise a liability.

AASB 1059.22

The liability is recognised as unearned revenue at the inception of the service concession arrangement and subsequently reduced as revenue is recognised according to the economic substance of the service concession arrangement. Usually the service concession asset is provided to the operator over the term of the service concession arrangement.

##### Hybrid arrangement

AASB 1059.24

A hybrid arrangement is a service concession arrangement consisting of a portion related to the financial liability model and a portion related to the grant of a right to the operator model. Under such an arrangement, each portion of the total liability related to the grantor's consideration must be accounted for separately.

AASB 1059.25

In apportioning the hybrid arrangement, the grantor will first measure and account for the financial liability portion under the hybrid arrangement, before allocating the remaining portion of the liability to the grant of a right to the operator model.

**Example disclosure**

The example disclosure below is only intended to demonstrate how agencies could satisfy their disclosure obligations under AASB 1059 Service Concession Arrangements: Grantors.

	2022 (\$000)	2021 (\$000)
<b>Current</b>		
Service concession financial liability	-	-
Service concession liability - GORTO	-	-
<b>Non-current</b>		
Service concession financial liability	-	-
Service concession liability - GORTO	-	-

**Reference**

AASB 7.15

**7.4 Assets pledged as security**

	2022 (\$000)	2021 (\$000)
<b>Assets pledged as security</b>		
The carrying amounts of non-current assets pledged as security are:		
Right-of-use asset - vehicles	1,427	2,130
<b>Total assets pledged as security</b>	<b>1,427</b>	<b>2,130</b>

The Agency has secured the right-of-use assets against the related lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor.



Agencies should ensure they tailor this note to fit their circumstances and delete if not relevant to the facts and circumstances of the agency.

**Guidance – Assets pledged as security**

The financial statements shall disclose the following for assets pledged as security:

AASB 102.36(h)	(a) the carrying amount of inventories pledged as security for liabilities;
AASB 138.122(d)	(b) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities;
AASB 116.74(a)	(c) the carrying amount of the infrastructure, property, plant and equipment pledged and the related existence and amounts of restrictions on title;
AASB 140.75(g)	(d) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and
AASB 7.14	(e) the carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities and any material terms and conditions relating to assets pledged as collateral.

## Reference

## 7.5 Finance costs

	2022 (\$000)	2021 (\$000)
<b>Finance costs</b>		
Interest expense	160	120
Lease interest expense	365	371
Service concession interest expense	-	-
<b>Total interest expenses</b>	<b>525</b>	<b>491</b>
<b>Other finance costs</b>		
Unwinding of discounts applied to provisions	88	77
<b>Total finance costs expensed</b>	<b>613</b>	<b>568</b>

AASB 16.53(b)

AASB 1059.B80

AASB 7.20(b)

AASB 137.60

AASB 101.82(b)

'Finance cost' includes [*tailor to your agency, example includes: costs incurred in connection with the borrowing of funds and includes interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings*] the interest component of lease liability repayments, interest component of service concession financial liabilities and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.



The agency may elect to recognise borrowing costs as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset (AASB 123.Aus8.1). Where they do so the policy should reflect that this is the case. (AASB 123.Aus26.1)

**Guidance – Finance costs**

AASB 123.5, 6

Finance costs are interest and other costs incurred by an agency in connection with the borrowing of funds and may include:

- (a) interest expense calculated using the effective interest method as described in AASB 9 Financial Instruments;
- (b) lease interest expense in respect of lease liabilities recognised in accordance with AASB 16 Leases;
- (c) interest expense from the financial liability component of service concession arrangements that are calculated using the effective interest method in accordance with AASB 9; and
- (d) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

## Reference

**7.6 Cash and cash equivalents**

AASB 107.45

**7.6.1 Reconciliation of cash**

	Notes	2022 (\$000)	2021 (\$000)
Cash and cash equivalents		8,308	6,435
Restricted cash and cash equivalents		3,650	1,020
<b>Total cash and cash equivalents at end of period</b>		<b>11,958</b>	<b>7,455</b>
<b>Restricted cash and cash equivalents</b>			
		<b>2022</b>	<b>2021</b>
		<b>(\$000)</b>	<b>(\$000)</b>
<b>Current</b>			
Grant <sup>(a)</sup>		3,590	970
<b>Non-current</b>			
Accrued salaries suspense account <sup>(b)</sup>		60	50

TI 1103(7)

- (a) Funds held for the research and development project on software development for public sector accounting.
- (b) Funds held in the suspense account for the purpose of meeting the 27<sup>th</sup> pay in a reporting period that occurs every 11<sup>th</sup> year. This account is classified as non-current for 10 out of 11 years.

AASB 107.48

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.

The accrued salaries suspense account consists of amounts paid annually, from agency appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

**Guidance – Cash flow**

AASB 107.43

**Non-cash financing and investing activities**

Information about transactions and other events which do not result in any cash flows during the reporting period, but affect assets and liabilities that are recognised, must be disclosed in the general purpose financial statements where they:

- (a) involve external parties; and
- (b) relate to the financing, investing and other non-operating activities of the agency.

## Reference

AASB 107.Aus20  
TI 1101(7)(i)

## 7.6.2 Reconciliation of net cost of services to net cash flows used in operating activities

	Notes	2022 (\$000)	2021 (\$000)
Net cost of services		(768,048)	(688,818)
<b>Non-cash items</b>			
Depreciation and amortisation expense	<a href="#">5.1.1</a>	45,799	35,839
Expected credit losses expense	<a href="#">3.3</a>	100	8
Resources received	<a href="#">4.1</a>	1,595	1,450
Finance costs – unwinding of discounts	<a href="#">7.5</a>	88	77
Net (gain)/loss on disposal	<a href="#">4.5</a>	(170)	(4,700)
Write down of non-current assets classified as held for sale	<a href="#">3.3</a>	843	1,100
Write-off of assets destroyed by earthquake	<a href="#">3.3</a>	-	1,250
Adjustment for other non-cash items		(88)	(32)
<b>(Increase)/decrease in assets</b>			
Receivables <sup>(a)</sup>		(408)	(266)
Inventories		(1,935)	(3,625)
Other current assets		5,000	250
<b>Increase/(decrease) in liabilities</b>			
Payables <sup>(a)</sup>		4,747	780
Current provisions		7,038	6,208
Other current liabilities		(815)	20
Non-current provisions		8,409	15
Other non-current liabilities		(613)	-
Net GST receipts/(payments) <sup>(b)</sup>		(80)	(65)
Change in GST in receivables/payables <sup>(c)</sup>		(72)	256
<b>Net cash used in operating activities</b>		<b>(698,610)</b>	<b>(650,253)</b>

(a) 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.

(b) This is the net GST paid/received, i.e. cash transactions.

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



Reference

**7.7 Capital commitments**

	2022 (\$000)	2021 (\$000)
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	27,000	35,000
Later than 1 year and not later than 5 years	41,000	53,000
Later than 5 years	-	-
	<b>68,000</b>	<b>88,000</b>

**Guidance – Capital commitments**

TI 1103 Guidelines

**Contracted capital commitments**

*Capital commitments contracted for as at the end of the reporting period do not require disclosure where the commitments have been recognised as liabilities in the statement of financial position.*

**GST**

*The purpose of the commitment note disclosure is to inform users of the commitments for payments from a cash flow perspective and consequently includes GST as appropriate.*

*Reference*

## 8. Risks and Contingencies

This note sets out the key risk management policies and measurement techniques of the Agency.

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	<b>Notes</b>
Financial risk management	<a href="#">8.1</a>
Contingent assets and liabilities	<a href="#">8.2</a>
Fair value measurements	<a href="#">8.3</a>

*Reference***8.1 Financial risk management**

AASB 7.31, 32

Financial instruments held by the Agency are cash and cash equivalents, restricted cash and cash equivalents, receivables, payables, Western Australian Treasury Corporation (WATC)/bank borrowings, finance leases, and Treasurer's advances. The Agency has limited exposure to financial risks. The Agency's overall risk management program focuses on managing the risks identified below.

AASB 7.33-34

**(a) Summary of risks and risk management**

AASB 7.35F

*Credit risk*

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

Credit risk associated with the Agency's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than Government, the Agency trades only with recognised, creditworthy third parties. The Agency has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Agency's exposure to bad debts is minimal. Debt will be written-off against the allowance account when it is improbable or uneconomical to recover the debt. At the end of the reporting period there were no significant concentrations of credit risk.

AASB 7.39

*Liquidity risk*

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

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

The Agency has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

AASB 7.40

*Market risk*

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Agency's income or the value of its holdings of financial instruments. The Agency does not trade in foreign currency and is not materially exposed to other price risks [for example, equity securities or commodity prices changes]. The Agency's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations.

All borrowings are due to the WATC and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at [note 8.1\(e\)](#), the Agency is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the Treasurer's advance (non-interest bearing), WATC borrowings and finance leases (fixed interest rate).



### Guidance – Financial risk management objectives and policies

AASB 7.7, 31

AASB 7 sets out detailed requirements regarding the agency's obligations to report the identification and management of financial risks.

The note included in this model report includes minimum disclosures by way of example only. Each agency needs to consider their financial instruments and risk management processes and modify the wording accordingly. The standard requires:

AASB 7.33, 34

- the qualitative and quantitative disclosures for each type of risk (e.g. credit risk, liquidity risk, and market risk) that the agency is exposed to;
- qualitative disclosures concerning:
  - the exposures to risk and how they arise;
  - the objectives, policies and processes for managing the risk and the methods used to measure the risk; and
  - any changes in these from the previous period.
- quantitative disclosures in relation to:
  - summary quantitative data about the agency's exposure to a particular risk at the end of the reporting period, including concentrations of risk.

AASB 7.42D

If appropriate, an agency should also include disclosures that enable financial statement users to: understand the relationship between transferred financial assets not derecognised in their entirety and associated liabilities, and, evaluate the nature and risks associated with continuing involvement in derecognised financial assets.



Each agency shall consider the appropriate level of disclosures to make based on their facts and circumstances. Only risks that the agency faces and manages need to be disclosed.

#### Reference

AASB 7.8

#### (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:

	2022 (\$000)	2021 (\$000)
<b>Financial assets</b>		
Cash and cash equivalents	11,958	7,455
Financial assets at amortised cost <sup>(a)</sup>	81,540	70,277
<b>Total financial assets</b>	<b>93,498</b>	<b>77,732</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost <sup>(b)</sup>	23,903	36,619
<b>Total financial liability</b>	<b>23,903</b>	<b>36,619</b>

AASB 132.AG12

(a) The amount of financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

(b) The amount of financial liabilities at amortised cost excludes GST payable to the ATO (statutory payable).

## Reference

**(c) Credit risk exposure**

AASB 7.35M-N, B8H-J

The following table details the credit risk exposure on the Agency's trade receivables using a provision matrix.

	Total (\$000)	Days past due				
		Current (\$000)	<30 days (\$000)	30-60 days (\$000)	61-90 days (\$000)	>91 days (\$000)
<b>30 June 2022</b>						
Expected credit loss rate		0.12%	1.5%	4%	7%	12%
Estimated total gross carrying amount at default	<b>8,794</b>	5,972	1,600	950	400	175
Expected credit losses	<b>(118)</b>	(7)	(24)	(38)	(28)	(21)
<b>30 June 2021</b>						
Expected credit loss rate		0.07%	1.2%	0.5%	5%	10%
Estimated total gross carrying amount at default	<b>8,793</b>	1,442	750	400	60	30
Expected credit losses	<b>(18)</b>	(1)	(9)	(2)	(3)	(3)

## Reference

AASB 7.39, B11,  
B11C-F  
AASB 16.58

**(d) Liquidity risk and Interest rate exposure**

The following table details the Agency's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

<b>Interest rate exposure and maturity analysis of financial assets and financial liabilities</b>											
	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Nominal amount	Maturity dates				
			Fixed interest rate	Variable interest rate	Non-interest bearing		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)
<b>2022</b>											
<u>Financial assets</u>											
Cash and cash equivalents	7.5	8,308	-	-	8,308	8,308	8,308	-	-	-	-
Restricted cash and cash equivalents	7.5	3,650	-	-	3,650	3,650	300	260	480	2,610	-
Receivables <sup>(a)</sup>	-	8,676	-	-	8,676	8,676	8,676	-	-	-	-
Amounts receivable for services	-	72,864	-	-	75,764	75,764	-	9,017	5,222	18,074	40,551
		<b>93,498</b>	-	-	<b>96,398</b>	<b>96,398</b>	<b>17,284</b>	<b>9,277</b>	<b>5,702</b>	<b>20,684</b>	<b>40,551</b>
<u>Financial liabilities</u>											
Payables	-	4,207	-	-	4,207	4,207	4,207	-	-	-	-
Lease liabilities <sup>(b)</sup>	7.2	17,296	17,296	-	-	18,652	-	1,270	5,978	1,356	5,695
Service concession financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Amounts due to the Treasurer	-	2,400	-	-	2,400	2,400	240	960	1,200	-	-
		<b>23,903</b>	<b>17,296</b>	-	<b>6,607</b>	<b>25,259</b>	<b>4,447</b>	<b>2,230</b>	<b>7,178</b>	<b>1,356</b>	<b>5,695</b>

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

(b) The amount of lease liabilities includes \$15,076 from leased buildings and \$2,200 from leased vehicles.

## (d) Liquidity risk and interest rate exposure (cont.)

Interest rate exposure and maturity analysis of financial assets and financial liabilities											
	Weighted average effective interest rate	Carrying amount	Interest rate exposure			Nominal amount	Maturity dates				
			Fixed interest rate	Variable interest rate	Non-interest bearing		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)
<b>2021</b>											
<u>Financial assets</u>											
Cash and cash equivalents	7.5	6,435	-	-	6,435	6,435	6,435	-	-	-	-
Restricted cash and cash equivalents	7.5	1,020	-	-	1,020	1,020	200	220	250	350	-
Receivables <sup>(a)</sup>	-	8,775	-	-	8,775	8,775	8,775	-	-	-	-
Amounts receivable for services	-	61,502	-	-	61,502	61,502	-	6,606	11,531	18,848	24,517
		<b>77,732</b>	-	-	<b>77,732</b>	<b>77,732</b>	<b>15,410</b>	<b>6,826</b>	<b>11,781</b>	<b>19,198</b>	<b>24,517</b>
<u>Financial liabilities</u>											
Payables	-	4,791	-	-	4,791	4,791	4,791	-	-	-	-
Service concession financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Lease liabilities <sup>(b)</sup>	7.2	23,858	23,858	-	-	25,979	-	900	1,270	8,099	15,710
Amounts due to the Treasurer	-	7,970	-	-	7,970	7,970	727	3,188	4,055	-	-
		<b>36,619</b>	<b>23,858</b>	-	<b>12,761</b>	<b>38,740</b>	<b>5,518</b>	<b>4,088</b>	<b>5,325</b>	<b>8,099</b>	<b>15,710</b>

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

(b) The amount of lease liabilities includes \$21,728 from leased buildings and \$2,130 from leased vehicles.



Disclose a maturity analysis for derivative financial liabilities where applicable. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows.

AASB 7.40, B17-21

**(e) Interest rate sensitivity analysis**

The following table represents a summary of the interest rate sensitivity of the Agency's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount (\$000)	-100 basis points		+100 basis points	
		Surplus (\$000)	Equity (\$000)	Surplus (\$000)	Equity (\$000)
<b>2022</b>					
<u>Financial assets</u>					
Restricted cash and cash equivalents	3,650	(36.5)	(36.5)	36.5	36.5
<u>Financial liabilities</u>					
<i>[List details]</i>	-	-	-	-	-
<b>Total increase/(decrease)</b>		<b>(36.5)</b>	<b>(36.5)</b>	<b>36.5</b>	<b>36.5</b>
<b>2021</b>					
<u>Financial assets</u>					
Restricted cash and cash equivalents	1,020	(10.2)	(10.2)	10.2	10.20
<u>Financial liabilities</u>					
<i>[List details]</i>	-	-	-	-	-
<b>Total increase/(decrease)</b>		<b>(10.2)</b>	<b>(10.2)</b>	<b>10.2</b>	<b>10.2</b>

**Guidance – Interest rate sensitivity analysis**

AASB 7.40(c)

Take account of past performance, future explanations, economic forecasts, and management's knowledge and experience of the financial markets to determine the possible movements that are reasonably likely over the next 12 months.

Disclose any changes in the methods and assumptions used in the previous period.



If applicable, a sensitivity analysis for currency risk and other price risks should be disclosed.



## Reference

AASB 101.114(d)  
AASB 137.86-92

## 8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### 8.2.1 Contingent assets

The following contingent assets are excluded from the assets included in the financial statements:

#### Litigation in progress

A negligence claim has been filed against a supplier for faulty materials. The potential financial effect of the success of the claim cannot be reliably measured at this time.

### 8.2.2 Contingent liabilities

The following contingent liabilities are excluded from the liabilities included in the financial statements:

#### Litigation in progress

A plaintiff has made a claim for \$50,000 in relation to an alleged breach of copyright. Liability has been denied and any legal claim will be defended.

#### Native title claims

The Agency's land is subject to a number of native title claims that have yet to be assessed by the National Native Title Tribunal. The financial effect should these claims be successful cannot be estimated at this time.

#### Contaminated sites

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

During the year the Agency reported three suspected contaminated sites to DWER. These have yet to be classified. The Agency is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the Agency may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.



### Guidance – Contingent assets and liabilities

AASB 137.34

*A contingent asset is disclosed where an inflow of economic benefits is probable.*

AASB 137.28, 30

*A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. If it becomes probable that an outflow of future economic benefits will be required, a provision is recognised in the period in which the change in probability occurs.*

AASB 137.2  
AASB 9.4.2.1(c)  
AASB 7.35M, 38, 39

*AASB 137 Provisions, Contingent Liabilities and Contingent Assets does not apply to financial instruments that are within the scope of AASB 9 Financial Instruments. This includes contracts or arrangements that agencies entered into as the issuer of 'financial guarantee contracts'.*

## Reference

## 8.3 Fair value measurements

Assets measured at fair value: 2022	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Fair value at end of period (\$000)
Non-current assets classified as held for sale (Note 9.10)	-	2,900	-	2,900
Land (Note 5.1)	-	108,000	4,910	112,910
Buildings (Note 5.1)	-	348,821	139,350	488,171
	-	<b>459,721</b>	<b>144,260</b>	<b>603,981</b>

Assets measured at fair value: 2021	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Fair Value At end of period (\$000)
Non-current assets classified as held for sale (Note 9.10)	-	2,628	-	2,628
Land (Note 5.1)	-	93,640	4,270	97,910
Buildings (Note 5.1)	-	320,969	117,741	438,710
	-	<b>417,237</b>	<b>122,011</b>	<b>539,248</b>

There were no transfers between Levels 1, 2 or 3 during the current and previous periods.

**Valuation techniques to derive Level 2 fair values**

Level 2 fair values of non-current assets held for sale, land and buildings (office accommodation) are derived using the market approach. Market evidence of sales prices of comparable land and buildings (office accommodation) in close proximity is used to determine price per square metre.

Non-current assets held for sale have been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.

**Guidance – Transfers in fair value hierarchy**

AASB 13.93(e)(iv)  
AASB 13.95

*Additional consequential narrative disclosures are required when assets transfer levels in the fair value hierarchy. An asset deemed surplus and in the process of preparation for disposal may change levels in the fair value hierarchy.*

*The narrative disclosure for changes in this circumstance will include a reference to the relevant assets being prepared for sale subsequent to being deemed surplus to requirement and the agency's policy for determining when transfers between levels are deemed to have occurred.*

## Reference

**Fair value measurements using significant unobservable inputs (Level 3)**

2022	Land (\$000)	Buildings (\$000)
Fair value at start of period	4,270	117,741
Additions	-	22,400
Revaluation increments/(decrements) recognised in Profit or Loss	-	-
AASB 13.93 (e)(ii) Revaluation increments/(decrements) recognised in Other Comprehensive Income	640	4,026
AASB 13.93 (e)(iv) Transfers from/(to) Level 2	-	-
Disposals	-	-
Depreciation Expense	-	(4,817)
Fair Value at end of period	<b>4,910</b>	<b>139,350</b>
AASB 13.93 (e)(i) Total gains or losses for the period included in profit or loss	-	-

	Land (\$000)	Buildings (\$000)
<b>2021</b>		
Fair value at start of period	4,040	122,420
Additions	-	-
Revaluation increments/(decrements) recognised in Profit or Loss	-	-
AASB 13.93(e)(ii) Revaluation increments/(decrements) recognised in Other Comprehensive Income	230	-
AASB 13.93(e)(iv) Transfers from/(to) Level 2	-	-
Disposals	-	-
Depreciation Expense	-	(4,679)
Fair Value at end of period	<b>4,270</b>	<b>117,741</b>
AASB 13.93(e)(i) Total gains or losses for the period included in profit or loss	-	-



The reconciliation for the comparative period includes a parcel of land which moved from 'existing use' basis (Level 3) to market value basis (Level 2) as the restrictions on the use of the land were removed prior to marketing the asset to the public. At the end of the comparative reporting period, the transferred land parcel was classified as non-current assets classified as held for sale.

### Valuation processes

There were no changes in valuation techniques during the period. However, the valuation processes have been significantly impacted by the COVID-19 pandemic.

TI 954(5)

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's instructions require valuations of land and buildings to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

### Land (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by Landgate and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.



### Guidance – Restricted use land

*Level 3 estimated land values may be either: high restricted use or low restricted use. The above illustration is for high restricted use land.*

#### **Low restricted use land**

*Where the agency controls low restricted use land, the following wording is appropriate:*

*“Fair value for restricted use land is based on market value, using market evidence of sales of comparable land that is unrestricted less restoration costs to return the site to a vacant and marketable condition (low restricted use land). The estimate of restoration cost as provided by [state name of expert] as at [date of estimate] represents a significant Level 3 input, with higher restoration costs correlating with lower estimated fair values of land.”*

*Restoration costs are estimated for the purpose of returning the site to a vacant and marketable condition and include costs for: building demolition, clearing, re-zoning and an allowance for time factors.*

#### **Disclosures for low restricted use land and high restricted use land**

AASB 13.91  
AASB 13.93(g)

*If the agency's fair value estimates of land comprise both low restricted use and high restricted use land values, the relevant amounts and comparatives should be disclosed.*

### **Buildings (Level 3 fair values)**

Fair value for existing use specialised buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

Valuation using current replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by Landgate. The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings.



### **Guidance – Valuation approaches and disclosures**

#### **Cost Approach (Current Replacement Cost)**

*In applying the current replacement cost for valuing specialised assets (buildings), both observable and unobservable inputs may be utilised in determining fair value. For example, Landgate may utilise replacement costs (per unit volume) that are observable in the market via the Cordell's Publication or the Rawlinson's Publication for constructing a similar asset. In contrast, the effective age and the consumed economic benefit of the asset is an asset specific value and unobservable to the market.*

*Where applicable to an agency's specialised non-current assets, the following statement may be added to the above paragraph:*

*"For some specialised buildings, the current replacement cost is determined by reference to the historical cost adjusted by relevant indices. 'Historical cost per square metre floor area (m<sup>2</sup>)' and 'Historical cost per cubic metre (m<sup>3</sup>)' represent significant Level 3 inputs used in the valuations of these respective buildings (2022:[Insert value]; 2021:[Insert value]) , with higher historical costs per m<sup>2</sup> or m<sup>3</sup> correlating with higher estimated fair values."*

*Current replacement cost contains an implicit reference to asset optimisation, whereby the cost is determined by reference to obtaining the asset at the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. Consequently, assets are replaced with a modern equivalent with optimisation for obsolescence and relevant surplus capacity.*

#### **Income Approach**

*Whilst TI 954 generally considers the income approach irrelevant for valuing specialised assets in the public sector, agencies applying AASB 140 are more likely to be required to disclose inputs in this section. Where this occurs, the following example disclosure may be appropriate:*

*"The discounted cash flow approach takes into account the ability of the property to generate income over a 12 year period based on certain assumptions. Provision is made for leasing up periods upon the expiry of the various leases throughout the 12 year time horizon. Each year's net operating income during the period is discounted to arrive at the present value of expected future cash flows."*

#### **Additional Disclosures**

*Agencies may need to disclose additional information for liabilities where liabilities are measured at fair value. Liabilities of the agency are normally measured at amortised cost.*

*Where assets or liabilities are not measured at fair value, but fair value information is provided in the notes to the financial statements the AASB 13 disclosures are required.*

AASB 13. 93(e)(iv)  
AASB 13.95

AASB 13.92, 94, 98

AASB 13.97

AASB 13.93(g), (i)  
TI 954 Guidelines

### **Basis of valuation**

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.



Agencies will need to disclose the nature of the legal, natural or socio-political restrictions on the potential use of assets valued on an existing use basis.

## Information about significant unobservable inputs (Level 3) in fair value measurements [where applicable]

Description	Fair value 2022 (\$000)	Fair value 2021 (\$000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (weighted average) 2022	Range of unobservable inputs (weighted average) 2021	Relationship of unobservable inputs to fair value
[insert class of asset or liability]	[insert value]	[insert value]	Income approach	[insert description]	[insert data]	[insert data]	[insert narrative on relationship between input and fair value]



AASB 13.Aus93.1

These disclosure requirements are not required, in respect of not-for-profit public sector entities, for assets within the scope of AASB 116 for which the future economic benefits are not primarily dependent on the asset's ability to generate net cash inflows.

## Reference

**9. Other disclosures**

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	<b>Notes</b>
<i>AASB 110.3, 19, 21</i>	Events occurring after the end of the reporting period <a href="#">9.1</a>
<i>AASB 108.41-49(c)</i>	Changes in accounting policies <a href="#">9.2</a>
<i>AASB 108.30, 31</i>	Future impact of Australian standards issued but not yet operative <a href="#">9.3</a>
<i>AASB 124.17, 17A</i>	Key management personnel <a href="#">9.4</a>
<i>AASB 124.18, 26</i>	Related party transactions <a href="#">9.5</a>
<i>TI 951(3), (4)</i>	Related bodies <a href="#">9.6</a>
<i>TI 951(5), (6)</i>	Affiliated bodies <a href="#">9.7</a>
<i>TI 1103(15)</i>	Special purpose accounts <a href="#">9.8</a>
<i>AASB 1054.10</i>	Remuneration of auditors <a href="#">9.9</a>
<i>AASB 5.30</i>	Non-current assets classified as assets held for sale <a href="#">9.10</a>
<i>AASB 101.106</i>	Equity <a href="#">9.11</a>
<i>TI 952(6)</i>	Supplementary financial information <a href="#">9.12</a>

## Reference

**9.1 Events occurring after the end of the reporting period**

AASB 110.3, 19, 21

The following table represents a summary of events occurring after the end of the reporting period:

- Provide details of the events that occurred after the end of the reporting period

**Guidance – Events occurring after the end of the reporting period**

AASB 110.3

*Events after the end of the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:*

- *those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the end of the reporting period); and*
- *those that are indicative of conditions that arose after the end of the reporting period (non-adjusting events after the end of the reporting period).*

Updating disclosure about conditions at the end of the reporting period

*If an agency receives information after the end of the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to these conditions, in light of the new information.*

Non-adjusting Events After the End of the Reporting Period

*If non-adjusting events after the end of the reporting period are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial report. Accordingly, an agency shall disclose the following for each material category of non-adjusting event after the end of the reporting period:*

- *the nature of the event; and*
- *an estimate of its financial effect, or a statement that such an estimate cannot be made.*



## Reference

**9.2 Changes in accounting policy**

AASB 110.3, 19, 21

The following table represents a summary of prior period errors/changes in accounting policy:

- Provide details of the changes in accounting policy.

**Guidance – Initial application of Australian Accounting Standards**

The following standards are operative for reporting periods ended on or after 30 June 2022:

AASB 1060 – General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts

AASB 2020-7 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures

AASB 2021-1 – Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities

AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021

Treasury considers the above standards do not have material impact on agency accounts or principally affect agencies that apply Tier 2 reporting requirements. However, it is the agency's responsibility to assess whether the standards apply to its own individual circumstances.

Agencies should ensure they:

- review the list of pending standards at: [Accounting Standards \(aasb.gov.au\)](https://www.aasb.gov.au)
- identify standards with potentially material impact on the reported results of the agency;
- put in place appropriate procedures to consider and measure the potential impact; and
- provide appropriate disclosures around the expected impact of the standard.



Where any new or amended standards issued but not effective do not impact the reported results of the agency, the following **suggested wording** should be used to demonstrate compliance with AASB 108.30:

*“After assessed all new or amended standards issued but not yet effective, the agency has determined that none of those issued standards impact future reported results.”*

**Guidance – Correction of prior period errors**

AASB 108.42, 49

Where an agency has identified material prior period errors, they should be retrospectively corrected in the first complete set of financial statements authorised for issue after their discovery by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

AASB 108.44, 45

Exemptions to this arise when it is demonstrably impracticable to measure the effect of the prior period error. In such circumstances appropriate disclosures need to be made to describe the event.

Whether or not the impact is measured, agencies need to provide adequate narration to the financial statements to allow for users to understand the impact of the error on the financial results.



### Guidance – Changes in accounting policies

AASB 108.22, 29

Where an agency elects to make policy changes voluntarily that change should be applied retrospectively. Where the policy change is applied retrospectively, it needs to demonstrate the effect on the earliest period possible, i.e. the opening balance of the comparative period. An example of a voluntary change in accounting policy is an increase in the asset capitalisation threshold.

Under AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, voluntary changes in accounting policy and correction of prior period errors are adjusted against the opening balances of each affected component of equity in the comparatives. Note that changes in accounting policy under AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets in respect of the revaluation of assets are not accounted for under AASB 108. Changes to the revaluation model under these Standards are not applied retrospectively.

Under limited circumstances, where it is impracticable to determine the period-specific effects of changing an accounting policy, the current period may be the beginning of the earliest period for which retrospective application is practicable for a change in accounting policy.



### Guidance – Software-as-a-Service (SaaS) arrangements

The IFRS Interpretations Committee (IFRIC) has issued the following agenda decisions with respect to accounting for SaaS arrangements.

- The first agenda decision, published in March 2019, concludes that SaaS arrangements are likely to be service arrangements, rather than intangible or leased assets. This is because the customer typically only has a right to receive future access to the supplier's software running on the supplier's cloud infrastructure and therefore the supplier controls the intellectual property (IP) of the underlying software code.
- The second agenda decision, published in April 2021, deals with specific circumstances in relation to configuration and customisation costs incurred in implementing SaaS:
  - a. In limited circumstances, certain configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset, where the customer controls the IP of the underlying software code. For example, the development of bridging modules to existing on-premise systems or bespoke additional software capability.
  - b. In all other instances, configuration and customisation costs will be an operating expense. They are generally recognised in profit or loss as the customisation and configuration services are performed or, in certain circumstances, over the SaaS contract term when access to the cloud application software is provided.

Agencies should consider whether these agenda decisions affect their current accounting treatments of SaaS arrangements and, if necessary, seek external advice. Any resulting change in accounting policy should be applied in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

## Reference

**9.3 Future impact of Australian Accounting Standards not yet operative**

AASB 108.30, 31

The Agency cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. Where applicable, the Agency plans to apply the following Australian Accounting Standards from their application date.

		<b>Operative for reporting periods beginning on/after</b>
AASB 17	<p><i>Insurance Contracts</i></p> <p>This Standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.</p> <p>The Agency has not assessed the impact of the Standard.</p>	<b>1 Jan 2023</b>
AASB 2020-1	<p><i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i></p> <p>This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.</p> <p>There is no financial impact.</p>	<b>1 Jan 2023</b>
AASB 2020-3	<p><i>Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments</i></p> <p>This Standard amends: (a) AASB 1 to simplify the application of AASB 1; (b) AASB 3 to update a reference to the <i>Conceptual Framework for Financial Reporting</i>; (c) AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; (d) AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset; (e) AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making; and (f) AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value.</p> <p>There is no financial impact.</p>	<b>1 Jan 2022</b>
AASB 2020-6	<p><i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i></p> <p>This Standard amends AASB 101 to defer requirements for the presentation of liabilities in the statement of financial position as current or non-current that were added to AASB 101 in AASB 2020-1.</p> <p>There is no financial impact.</p>	<b>1 Jan 2022</b>

AASB 2021-2	<i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	<p>This Standard amends: (a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity’s financial statements; (b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies; (c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; (d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and (e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</p> <p>There is no financial impact.</p>	<b>1 Jan 2023</b>
AASB 2021-6	<i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards</i>	<p>This standard amends This standard amends: (a) AASB 1049, to require entities to disclose their material accounting policy information rather than their significant accounting policies; (b) AASB 1054 to reflect the updated accounting policy terminology used in AASB 101 Presentation of Financial Statements; and (c) AASB 1060 to required entities to disclose their material accounting policy information rather than their significant accounting policy and to clarify that information about measurement bases for financial instruments is expected to be material to an entity’s financial statements.</p> <p>There is no financial impact.</p>	<b>1 Jan 2023</b>
AASB 2021-7	<i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	<p>This standard further defers (to 1 January 2025) the amendments to AASB 10 and AASB 128 relating to the sale or contribution of assets between an investor and its associated or joint venture. The standard also includes editorial corrections</p> <p>There is no financial impact.</p>	<b>1 Jan 2022</b>



### Guidance – Standards issued but not yet effective

Treasury considers the above standards as usually applicable to the public sector. However, it is the agency's responsibility to confirm whether standards not listed apply to their own individual circumstances.

Agencies should ensure they:

- review the list of pending standards at [Accounting Standards \(aasb.gov.au\)](https://www.aasb.gov.au);
- identify standards with potentially material impact on the reported results of the agency;
- put in place appropriate procedures to consider and measure the potential impact of the standard; and
- provide appropriate disclosures around the expected impact of the standard.

Appropriate disclosures include:

- if the agency has undertaken an assessment of the standard;
- conclusions of that assessment and materiality of the potential impact;
- summary of expected impacts on statement of financial position and statement of comprehensive income; and
- if the changes are unlikely to effect the agency.

Treasury considers the following standards as either impacting a limited number of agencies or not usually applicable to the public sector:

- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction



In the table above suggested wording has been included about the potential impacts these standards may have on the reported results of agencies in *[italics]*. This is **suggested wording** only. Agencies should ensure they undertake the appropriate assessment and make the appropriate disclosures.

## Reference

AASB 124.17, 17A

**9.4 Key management personnel**

The Agency has determined key management personnel to include cabinet ministers and senior officers of the Agency. The Agency does not incur expenditures to compensate Ministers and those disclosures may be found in the *Annual Report on State Finances*.

TI 952(2)

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the Agency for the reporting period are presented within the following bands:

<b>Compensation band (\$)</b>	<b>2022</b>	<b>2021</b>
130,001 – 140,000	1	1
110,001 – 120,000	1	-
100,001 – 110,000	2	2
60,001 – 70,000	1	2
50,001 – 60,000	1	1
	<b>2022</b>	<b>2021</b>
	<b>(\$000)</b>	<b>(\$000)</b>
Short-term employee benefits	556	450
Post-employment benefits	54	43
Other long-term benefits	(30)	47
Termination benefits	-	-
<b>Total compensation of senior officers</b>	<b>580</b>	<b>540</b>

Total compensation includes the superannuation expense incurred by the Agency in respect of senior officers.

**Guidance – Key management personnel**

TI 952(2)(c)

*Statutory Authorities shall disclose the number of members of the accountable authority, whose total compensation for the financial year falls within each band of income of \$10,000, separately from those for other senior officers.*

TI 952(2)(d)

*Agencies should ensure they disclose the number of senior officers who are members of the Pension Scheme.*

*Compensation should be determined by applying the relevant requirements under AASB 119 'Employee Benefits' as the basis for measuring the components of remuneration.*

*AASB 119 distinguishes employee benefits on the basis of when the benefits are expected to be settled and the employment status at the time of that settlement.*

Reference

AASB 124.13, 14, and 26  
APG 4

**9.5 Related party transactions**

The Agency is a wholly owned public sector entity that is controlled by of the State of Western Australia.

Related parties of the Agency include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities);
- associates and joint ventures of a wholly-owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

**Significant transactions with Government-related entities**

In conducting its activities, the Agency is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Significant transactions include:

- service appropriation ([Note 4.1](#));
- capital appropriation ([Note 9.11](#));
- superannuation contributions to GESB ([Note 3.1\(a\)](#));
- amounts due to the Treasurer ([Note 6.7](#)); and
- remuneration for services provided by the Auditor General ([Note 9.9](#)).

**Material transactions with other related parties**

Outside of normal citizen type transactions with the Agency, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.



**Example of a specific related party disclosure note**

AASB 124.18

During the year, a company controlled by a related party of a Minister, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm's length transactions under the State's procurement process. The transaction involved the provision of IT support services to support the migration of the agency's financial management system and various databases to cloud-based platforms with a total value of \$45 million spread evenly over four years. The contract imposes no further commitments.

All other transactions that have occurred with key management personnel and other related parties have been trivial or domestic in nature.



### **Guidance – Related party transactions**

APG 4

*The Western Australian Government is the parent of almost all public sector agencies. However, agencies should note that there are a number of entities that are not regarded as being controlled (for example: universities, local governments, the Public Trustee and the Legal Contribution Trust) by the State.*

*The Government Employee Superannuation Board is a related party as it benefits the majority of the agency's employees in accordance with paragraph 9(b)(v) of AASB 124, despite not being controlled by the Western Australian Government.*

*Refer to Note 8 'Composition of Sectors' in Appendix 1 'Detailed Financial Projections' of the Budget Paper No. 3 'Economic and Fiscal Outlook' for a list of entities included in the State's consolidated financial statements.*

*AASB 124 only require the disclosure of material related party transactions, including outstanding balances and commitments.*

- *Materiality is subject to professional judgement and goes beyond the dollar value of the transaction or balance.*
- *Judgements should consider the objective of the Standard when determining whether quantitative or qualitative materiality justifies the disclosure, or non-disclosure, of transactions in the financial statements.*

*However, it is important to note that all key management personnel need to complete the mandated declaration form.*

*This information is necessary to enable agencies to prepare the financial statements and external auditors to conduct the necessary audit work according to Australian Auditing Standard ASA 550 Related Parties.*

*This provides evidence (subject to audit) that all relevant information has been made available for the assessment and also because a transaction that may appear immaterial on its own, may in combination with other like transactions have a material effect on the State's or agency's financial statements and therefore warrants disclosure.*



## Reference

**9.6 Related bodies**

TI 951(3), (4)

The Agency had two related bodies during the financial year and meet all operating expenses of these bodies as follows:

	2022 (\$000)	2021 (\$000)
TNT Agency	6,290	6,540
ABN Agency	75	70
<b>Total</b>	<b>6,365</b>	<b>6,610</b>

The transactions and results of the related bodies have been included in the financial statements.

**9.7 Affiliated bodies**

TI 951(5), (6)

Excellent Board is a government affiliated body that received administrative support and a grant of \$2,300,000 (2021: \$1,200,000) from the Agency. The Excellent Board is not subject to operational control by the Agency.

**Guidance – Related and affiliated bodies**

TI 951(3)

*A related body is a body that receives more than half of its funding and resources from an agency and is subject to operational control by that agency.*

TI 951(5)

*An affiliated body is a body that receives more than half its funding and resources from an agency but is not subject to operational control by that agency.*

## Reference

FMA sec 17  
TI 1103(15)(iii)

## 9.8 Special purpose accounts

### The Prize Fund<sup>(a)</sup>

The purpose of the account is to hold funds from donations and bequests in trust for the purpose of awarding prizes to schools and colleges in the information technology field.

	2022 (\$000)	2021 (\$000)
Balance at start of period	-	560
Receipts	390	135
Payments	(305)	(695)
<b>Balance at end of period</b>	<b>85</b>	<b>-</b>

### The Industry Fund<sup>(b)</sup>

The purpose of the account is to hold funds appropriated by Parliament for the development of initiatives improving the competitiveness of the Western Australian technology industry.

	2022 (\$000)	2021 (\$000)
Balance at start of period	-	-
Receipts	100	-
Payments	(50)	-
<b>Balance at end of period</b>	<b>50</b>	<b>-</b>

(a) Established under section 16(1)(c) of FMA.

(b) Established under section 16(1)(d) of FMA.



### Guidance – Special purpose accounts

TI 1103(15)(iii)

Agencies are required to provide cash-based reporting for any special purpose accounts established under section 16(1)(b), (c) or (d) of the FMA. The relevant disclosure requirements are:

- the purpose of the special purpose account;
- the balance of the account at the beginning of the financial year;
- total receipts;
- total payments; and
- the balance of the account at the end of the financial year.

The above information can be presented in a table format.

## Reference

**9.9 Remuneration of auditors**

AASB 1054.10

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

	2022 (\$000)	2021 (\$000)
Auditing the accounts, financial statements, controls, and key performance indicators	55	50

**Guidance – Remuneration of auditors**

AASB 1054.10-11

AASB 1054 requires agencies to disclose the amounts paid or payable to:

- (a) The auditor of the entity for an audit or a review of the financial statements of the entity; and
- (b) The auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.

## Reference

AASB 5.30

**9.10 Non-current assets classified as assets held for sale**

The following table represents a summary of assets held for sale:

	Land	Plant, equipment and vehicles	Less write- down from cost to fair value less selling costs	Total
<b>2022</b>				
Opening Balance	-	2,170	-	<b>2,170</b>
Assets reclassified as held for sale	1,090	6,958	(1,100)	<b>6,948</b>
<b>Total assets classified as held for sale</b>	<b>1,090</b>	<b>9,128</b>	<b>(1,100)</b>	<b>9,118</b>
Less assets sold	-	(7,090)	(600)	<b>(6,490)</b>
Total non-current assets classified as assets held for sale at end of period	<b>1,090</b>	<b>2,038</b>	<b>(500)</b>	<b>2,628</b>
<b>2021</b>				
Opening Balance	1,090	2,038	(500)	<b>2,628</b>
Assets reclassified as held for sale	-	3,370	(470)	<b>2,900</b>
<b>Total assets classified as held for sale</b>	<b>1,090</b>	<b>5,408</b>	<b>(970)</b>	<b>5,528</b>
Less assets sold	(1,090)	(2,038)	(500)	<b>(2,628)</b>
Total non-current assets classified as assets held for sale at end of period	-	<b>3,370</b>	<b>(470)</b>	<b>2,900</b>

AASB 5.Aus2.1  
AASB 1004

This note may be extended to include discontinued operations where relevant. However, discontinued operations does not refer to restructuring of administrative arrangements. Restructuring of administrative arrangements is out of scope of AASB 5.



### **Guidance – Non-current assets held for sale**

*Discontinued operations are rare in the public sector and therefore are not addressed in this model.*

*Disclose any write-downs that occurred during the reporting period.*

*The above table is a long-hand disclosure and is included as guidance. The following remarks are provided for clarity:*

- (i) The contra amount under opening balance is equivalent to write-downs from prior financial years.*
- (ii) The contra amount under assets reclassified as held for sale is equivalent to the write-down in the current financial year.*
- (iii) The contra amount under total assets classified as held for sale is equal to the contra amount for (i) and (ii).*
- (iv) The contra amount under assets sold is the full amount of write-downs attributable to the assets sold. In this example, all assets in the opening balance were sold within the reporting period.*

*Describe the non-current asset, the facts and circumstances of the disposal, and the expected manner and timing of that disposal.*

*Where an agency decides to change its plan to sell an asset held for sale or the criteria for the classification of an asset held for sale is no longer met, the agency must reclassify it and adjust in accordance with AASB 5. Disclose a description of the facts and circumstances leading to the decision and its effect on the results of the operations for the period and any prior periods presented.*

AASB 5.41

## Reference

## 9.11 Equity

AASB 101.106

	2022 (\$000)	2021 (\$000)
<b>Contributed equity</b>		
Balance at start of period	88,960	33,650
<i>Contributions by owners</i>		
Capital appropriation	12,000	65,000
<i>Other contributions by owners</i>		
Royalties for Regions Fund – Regional Infrastructure and Headworks Account	-	-
Royalties for Regions Fund – Regional Community Services Account	-	-
<i>Transfer of net assets from other agencies</i> [Provide details]	-	1,500
<b>Total contributions by owners</b>	<b>12,000</b>	<b>66,500</b>
<i>Distributions to owners</i>		
Transfer of net assets to other agencies:		
Land for sale transferred to the DPLH	-	(1,090)
Net assets transferred to Government:		
Proceeds for disposal of assets paid to Consolidated Account	-	(10,100)
<b>Total distributions to owners</b>	<b>-</b>	<b>(11,190)</b>
<b>Total contributed equity at end of period</b>	<b>100,960</b>	<b>88,960</b>

AASB 101.106

	2022 (\$000)	2021 (\$000)
<b>Asset revaluation surplus</b>		
Balance at start of period	205,500	180,000
<i>Net revaluation increments/(decrements)</i>		
Land	15,000	5,500
Buildings	45,000	18,000
Plant and equipment	-	-
Infrastructure	40,000	2,000
Non-current assets classified as held for sale	-	-
Others [describe]	-	-
<b>Total asset revaluation surplus at end of period</b>	<b>305,500</b>	<b>205,500</b>



## Guidance – Contributed equity

TI 955(3)(i)  
Int 1038

### Capital appropriations

TI 955 Contributions by Owners Made to Wholly Owned Public Sector Entities designates capital appropriations as contributions by owners in accordance with Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

### Transfer of net assets from other agencies

AASB 1004.54-59

AASB 1004 Contributions requires transfers of net assets as a result of a restructure of administrative arrangements to be accounted for as contributions by owners and distributions to owners.

Where activities are transferred from one agency to another agency as a result of a restructure of administrative arrangements, AASB 1004 (paragraph 57) requires the transferee agency to disclose the expenses and income attributable to the transferred activities for the reporting period, showing separately those expenses and income recognised by the transferor agency during the reporting period. Furthermore, AASB 1004 (paragraph 58) requires disclosures by class for each material transfer of assets and liabilities in relation to a restructure of administrative arrangements, together with the name of the counterparty transferor/transferee agency. In respect of transfers that are individually immaterial, the assets and liabilities are to be disclosed on an aggregate basis.

TI 955 designates non-discretionary and non-reciprocal transfers of net assets between agencies as contributions by owners in accordance with Interpretation 1038. Where the transferee agency accounts for a non-discretionary and non-reciprocal transfer of net assets as a contribution by owners, the transferor agency accounts for the transfer as a distribution to owners.

TI 955(5)  
Int 1038

### Distribution to owners

TI 955 requires non-reciprocal transfers of net assets to Government to be accounted for as distribution to owners in accordance with Interpretation 1038.

## Reference

**9.12 Supplementary financial information**

FMA sec 48  
FMR reg 7  
TI 952(5)(i)

**(a) Write-offs**

During the financial year, nil (2021: \$370,000) was written off the Agency's asset register under the authority of:

	2022 (\$000)	2021 (\$000)
TI 807		
The accountable authority	-	10
The Minister	-	105
The Treasurer	-	255
	-	<b>370</b>

FMA sec 49  
TI 952(5)(ii)

**(b) Losses through theft, defaults and other causes**

	2022 (\$000)	2021 (\$000)
Losses of public money and public and other property through theft or default	-	-
Amounts recovered	-	-
	-	-

TI 952(5)(iii)

**(c) Forgiveness of debts**

	2022 (\$000)	2021 (\$000)
Forgiveness (or waiver) of debts by the Agency	-	-
	-	-

TI 952(5)(iv)

**(d) Gifts of public property**

	2022 (\$000)	2021 (\$000)
Gifts of public property provided by the Agency	-	-
	-	-

**Guidance – Supplementary financial information**

Disclose details of any other write-offs during the financial year, such as bad debts and, revenue and debts due to the State, public and other property written off during the financial year.

**Forgiveness (or waiver) of debts by the Agency**

- TI 952(5)(iii) Forgiving or waiving debts occurs under other written law administered by the Agency. Where this occurs, TI 952 then requires disclosure of amounts forgiven or waived as a total.
- Amounts written off under section 48 of the FMA should not be disclosed in this total.



*Reference***10. Explanatory Statements**

This section explains variations in the financial performance of the Agency.

*AASB 1050.6*

Explanatory statement for controlled operations

**Notes**[10.1](#)*AASB 1055.7*

Explanatory statement for administered items (Departments only)

[10.2](#)

## Reference

TI 945(3)-(5)  
TI 945(2)(iii)(c)

## 10.1 Explanatory statement for controlled operations

This explanatory section explains variations in the financial performance of the Agency undertaking transactions under its own control, as represented by the primary financial statements.

All variances between annual estimates (original budget) and actual results for 2022, and between the actual results for 2022 and 2021 are shown below. Narratives are provided for key major variances which vary more than 10% from their comparative and that the variation is more than 1% of the dollar aggregate of:

- Total Cost of Services for the Statements of comprehensive income and Statement of cash flows (i.e. 1% of \$724,085,000 in the example below), and
- Total Assets for the Statement of financial position (i.e. 1% of \$1,369,761,000 in the example below).

AASB 1050.6(a)

### 10.1.1 Statement of comprehensive income variances

	Variance note	Estimate 2022	Actual 2022	Actual 2021	Variance between actual and estimate	Variance between actual results for 2022 and 2021
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Expenses</b>						
Employee benefits expense	a	670,435	669,757	599,002	(678)	70,755
Supplies and services		65,487	60,980	56,345	(4,507)	4,635
Depreciation and amortisation expense		34,530	35,764	36,448	1,234	(684)
Finance costs		679	613	568	(66)	45
Accommodation expenses		6,843	6,963	6,330	120	633
Grants and subsidies		9,904	9,801	8,910	(103)	891
Cost of Sales		5,156	5,560	3,700	404	1,860
Other expenses		12,945	12,059	12,782	(886)	(723)
<b>Total cost of services</b>		<b>805,979</b>	<b>801,497</b>	<b>724,085</b>	<b>(4,482)</b>	<b>77,412</b>
<b>Income</b>						
User charges and fees		14,654	15,912	14,997	1,258	915
Sales		13,348	14,267	12,970	919	1,297
Commonwealth grants		1,050	1,100	1,000	50	100
Interest revenue		-	-	-	-	-
Other Income		2,015	2,170	6,300	155	(4,130)
<b>Total income other than income from State Government</b>		<b>31,067</b>	<b>33,449</b>	<b>35,267</b>	<b>2,382</b>	<b>(1,818)</b>

<b>Net cost of services</b>		<b>774,912</b>	<b>768,048</b>	<b>688,818</b>	<b>(6,864)</b>	<b>79,230</b>
<b>Income from State Government</b>						
Service appropriation	<b>b</b>	802,950	803,846	713,701	896	90,145
Income from other public sector entities		-	-	-	-	-
Liabilities assumed		-	-	-	-	-
Resources received		1,507	1,595	1,450	88	145
Royalties for Regions Fund		-	-	-	-	-
<b>Total income from State Government</b>		<b>804,457</b>	<b>805,441</b>	<b>715,151</b>	<b>984</b>	<b>90,290</b>
<b>Surplus/(deficit) for the period</b>		<b>29,545</b>	<b>37,393</b>	<b>26,333</b>	<b>(7,848)</b>	<b>(11,060)</b>
<b>Other comprehensive income</b>						
<b>Items not reclassified subsequently to profit or loss</b>						
Changes in asset revaluation surplus		95,000	100,000	25,500	5,000	74,500
<b>Total other comprehensive income</b>		<b>95,000</b>	<b>100,000</b>	<b>25,500</b>	<b>5,000</b>	<b>74,500</b>
<b>Total comprehensive income for the period</b>		<b>124,545</b>	<b>137,393</b>	<b>51,833</b>	<b>(2,848)</b>	<b>63,440</b>

**Major estimate and actual (2022) variance narratives:**

Nil

**Major actual (2022) and comparative (2021) variance narratives:**

- a) Employee benefits expense increased by \$70.7 million (11.8%) due to *[insert narrative]*.
- b) Service appropriations increased by \$90.1 million (12.6%) due to *[insert narrative]*.

AASB 1050.6(b)

## 10.1.2 Statement of financial position variances

	Variance notes	Estimate 2022	Actual 2022	Actual 2021	Variance between actual and estimate	Variance between actual results for 2022 and 2021
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents		8,154	8,308	6,435	154	1,873
Restricted cash and cash equivalents		3,210	3,590	970	380	2,620
Inventories		15,400	15,333	15,375	(67)	(42)
Receivables		8,564	9,097	9,189	533	(92)
Amounts receivable for services		17,960	17,139	19,795	(821)	(2,656)
Other current assets		590	550	560	(40)	(10)
Non-current asset classified as held for sale		2,900	2,900	2,628	-	272
<b>Total current assets</b>		<b>56,778</b>	<b>56,917</b>	<b>54,952</b>	<b>139</b>	<b>1,965</b>
<b>Non-current assets</b>						
Restricted cash and cash equivalents		60	60	50	-	10
Amounts receivable for services		70,170	55,725	41,707	(14,445)	14,018
Infrastructure, property, plant and equipment		1,374,690	1,369,572	1,246,992	(5,118)	122,580
Intangible assets		505	1,008	1,402	503	(394)
Right-of-use assets		22,800	22,005	24,598	(795)	(2,593)
Service concession assets		-	-	-	-	-
Other non-current assets		-	-	60	-	(60)
<b>Total non-current assets</b>		<b>1,468,225</b>	<b>1,448,370</b>	<b>1,314,809</b>	<b>(19,855)</b>	<b>133,561</b>
<b>Total assets</b>		<b>1,525,003</b>	<b>1,505,287</b>	<b>1,369,761</b>	<b>(19,716)</b>	<b>135,526</b>

<b>Liabilities</b>					
<b>Current liabilities</b>					
Payables	4,106	4,207	4,791	101	(584)
Contract liabilities	908	638	895	(270)	(257)
Capital grant liabilities	980	574	718	(406)	(144)
Borrowings	-	-	-	-	-
Lease liabilities	6,826	5,979	6,562	(847)	(583)
Amounts due to the Treasurer	2,650	2,400	7,970	(250)	(5,570)
Employee related provisions	13,400	13,758	13,950	358	(192)
Other provisions	20	62	45	42	17
Other current liabilities	-	-	-	-	-
<b>Total current liabilities</b>	<b>28,890</b>	<b>27,618</b>	<b>34,931</b>	<b>(1,272)</b>	<b>(7,313)</b>
<b>Non-current liabilities</b>					
Capital grant liabilities	2,610	2,298	2,872	(312)	(574)
Lease liabilities	11,243	11,317	17,296	74	(5,979)
Service concession liabilities	-	-	-	-	-
Employee related provisions	865	989	1,015	124	(26)
Other provisions	600	550	525	(50)	25
Other non-current liabilities	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>15,318</b>	<b>15,154</b>	<b>21,708</b>	<b>(164)</b>	<b>(6,554)</b>
<b>Total liabilities</b>	<b>44,208</b>	<b>42,772</b>	<b>56,639</b>	<b>(1,436)</b>	<b>(13,867)</b>
<b>Net assets</b>	<b>1,477,895</b>	<b>1,462,515</b>	<b>1,313,122</b>	<b>(15,380)</b>	<b>149,393</b>
<b>Equity</b>					
Contributed equity	100,300	100,960	88,960	660	12,000
Reserves	a 326,599	305,500	205,500	(21,099)	100,000
Accumulated surplus/(deficit)	1,050,996	1,056,055	1,018,662	5,059	37,393
<b>Total equity</b>	<b>1,477,895</b>	<b>1,462,515</b>	<b>1,313,122</b>	<b>(15,380)</b>	<b>149,393</b>

**Major estimate and actual (2022) variance narratives:**

Nil

**Major actual (2022) and comparative (2021) variance narratives:**a) Reserves increased by \$100 million (48.7%) due to *[insert narrative]*.

AASB 1050.6(c)

## 10.1.3 Statement of cash flows variances

	Variance notes	Estimate 2022	Actual 2022	Actual 2021	Variance between actual and estimate	Variance between actual results for 2022 and 2021
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Cash flows from state government</b>						
Service appropriation		763,234	741,242	681,212	(21,992)	60,030
Capital appropriations	a	11,125	12,000	65,000	875	(53,000)
Funds from other public sector entities		-	-	-	-	-
Holding account drawdown	b	19,650	19,795	7,688	145	12,107
Royalties for Regions Fund		-	-	-	-	-
<b>Net cash provided by state government</b>		<b>794,009</b>	<b>773,037</b>	<b>753,900</b>	<b>(20,972)</b>	<b>19,137</b>
<b>Cash flows from operating activities</b>						
<b>Payments</b>						
Employee benefits		(658,960)	(637,715)	(592,654)	21,245	(45,061)
Supplies and services		(70,766)	(68,267)	(60,666)	2,499	(7,601)
Finance costs		(191)	(175)	(270)	16	95
Accommodation		(6,843)	(6,292)	(5,720)	551	(572)
Grants and subsidies		(9,904)	(9,801)	(8,910)	103	(891)
GST payments on purchases		(7,648)	(7,336)	(6,829)	312	(507)
GST payments to taxation authority		-	-	-	-	-
Other payments		(5,973)	(6,618)	(6,016)	(645)	(602)
<b>Receipts</b>						
Sale of goods and services		9,626	9,989	9,081	363	908
User charges and fees		15,210	15,497	14,997	287	500
Commonwealth grants		4,640	4,640	1,000	-	3,640
Interest received		-	-	-	-	-
GST receipts on sales		2,777	2,345	1,730	(432)	615
GST receipts from taxation authority		4,506	4,056	3,034	(450)	1,022
Other receipts		1,000	1,067	970	67	97
<b>Net cash provided by/(used in) operating activities</b>		<b>(722,526)</b>	<b>(698,610)</b>	<b>(650,253)</b>	<b>23,916</b>	<b>(48,357)</b>

<b>Cash flows from investing activities</b>						
<b>Payments</b>						
Purchase of non-current assets	c	(55,783)	(58,727)	(96,992)	(2,944)	38,265
<b>Receipts</b>						
Proceeds from sale of non-current assets		2,800	2,798	10,100	(2)	(7,302)
<b>Net cash provided by/(used in) investing activities</b>		<b>(52,983)</b>	<b>(55,929)</b>	<b>(86,892)</b>	<b>(2,946)</b>	<b>30,963</b>
<b>Cash flows from financing activities</b>						
<b>Payments</b>						
Principal elements of lease payments		(6,025)	(6,025)	(1,090)	-	(4,935)
Non-retained revenue distributed to owner	d	-	-	(11,190)	-	11,190
Repayment of borrowings		(7,970)	(7,970)	(1,160)	-	(6,810)
<b>Receipts</b>						
Other proceeds		-	-	-	-	-
<b>Net cash provided by/(used in) financing activities</b>		<b>(13,995)</b>	<b>(13,995)</b>	<b>(13,440)</b>	<b>-</b>	<b>(555)</b>
Net increase/(decrease) in cash and cash equivalents		4,505	4,503	3,315	(2)	1,188
Cash and cash equivalents at the beginning of the period		7,455	7,455	4,140	-	3,315
<b>Cash and cash equivalents at the end of the period</b>		<b>11,960</b>	<b>11,958</b>	<b>7,455</b>	<b>(2)</b>	<b>4,503</b>

**Major estimate and actual (2022) variance narratives:**

Nil

**Major actual (2022) and comparative (2021) variance narratives:**

- Capital appropriation decreased by \$53.0 million (81.5%) due to *[insert narrative]*.
- Holding account drawdown increased by \$12.1 million (157.5%) due to *[insert narrative]*.
- Purchases of non-current assets decreased by \$38.3 million (39.5%) due to *[insert narrative]*.
- Non-retained revenue distributed to owner decreased by \$11.2 million (100.0%) due to *[insert narrative]*



### **Guidance – Explanatory statement for controlled items**

*Narratives are required for major variances between actuals versus comparatives, and, actuals versus annual estimates and include commentary on:*

- *specified variances greater than a 10% movement of the line item and greater than the dollar aggregate calculated in accordance with TI 945 Explanatory Statement requires disclosure of major variances, which are defined by two characteristics:*
  - (1) the actual differs from budget, or the comparative, by more than 10%; and*
  - (2) the variance exceeds the relevant key fiscal aggregate for Total Cost of Services or Total Assets multiplied by 1%; or*
- *where qualitative evidence indicates omission of narrative information could potentially mislead readers of financial statements;*
- *items requiring narrative disclosure under written laws.*

*Agencies are also encouraged to incorporate variances lower than these thresholds where qualitative reasons exist.*

*Explanatory variance narratives are required to disclose details of, and the reasons for, all major variances in the elements comprising the total. This includes variances that offset each other.*



This disclosure is based on an agency within scope of TI 945. Agencies within scope of TI 945P *Explanatory Statement for Non-GGS Agencies* have differing reporting obligations and this example is not always appropriate.



Reference  
AASB 1055.7

## 10.2 Explanatory statement for administered items (Departments only)

TI 945(2)(iii)(d)  
TI 945(5)

This explanatory section explains variations in the financial performance of the Department undertaking transactions as an agent of the government, as detailed in the administered schedules.

All variances between annual estimates and actual results for 2022, and between the actual results for 2022 and 2021 are shown below. Narratives are provided for key major variances which vary by more than 10% from their comparative and that the variation is more than 1% of the dollar aggregate of Total Administered Income (i.e. 1% of \$5,995,000).

	Variance note	Estimate 2022 (\$000)	Actual 2022 (\$000)	Actual 2021 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2022 and 2021 (\$000)
<b>Income from administered items</b>						
<b>Income</b>						
For transfer:						
Regulatory fees and charges		4,750	4,855	4,050	105	805
Other revenue		1,179	1,140	1,080	(39)	60
<i>[Other items as required]</i>		-	-	-	-	-
<b>Total administered income</b>		<b>5,929</b>	<b>5,995</b>	<b>5,130</b>	<b>66</b>	<b>865</b>
<b>Expenses</b>						
Supplies and services		539	560	520	21	40
Grants and subsidies	a	4,125	3,570	2,530	(555)	1,040
Transfer payments	b	1,460	1,505	250	45	1,255
<i>[Other items as required]</i>		-	-	-	-	-
<b>Total administered expenses</b>		<b>6,124</b>	<b>5,635</b>	<b>3,300</b>	<b>(489)</b>	<b>2,335</b>

### Major estimate and actual (2022) variance narratives:

Nil

### Major actual (2022) and comparative (2021) variance narratives:

- (a) Grants and subsidies increased by \$1.0 million (41%) owing to new grant programs targeting Information Technology programs (65% of increase) and Training & Assisting seniors to build computing literacy skills (35% of increase).
- (b) Transfer payments increased by \$1.3 million (502%) owing to increased non-retainable regulatory fees legally required to be remitted to the Consolidated Account.

**Guidance – Explanatory statement for administered items (Departments only)**

TI 945(2)(iii)(d)

Thresholds for providing narrative on major variances for items administered by departments in accordance with AASB 1055 are stipulated in TI 945. The monetary (quantitative) threshold is determined by reference to a 10% movement of the line item and the dollar aggregate calculated in accordance with TI 945.

Departments may also incorporate variances lower than these thresholds where:

- qualitative evidence indicates omission of narrative information could potentially mislead readers of financial statements; or
- items requiring narrative disclosure under written laws.

Explanatory variance narratives are required to disclose details of, and the reasons for, all major variances in the elements comprising the total. This includes variances that offset each other.

## Audited key performance indicators

Reference

### Certification of key performance indicator

TI 905

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Agency's performance, and fairly represent the performance of the Agency for the financial year ended 30 June 2022.

(Signature)

B. King

Accountable Authority

1 September 2022



#### Guidance – Audited key performance indicators

TI 903(8)

Agencies are required to include a discussion of actual results against budget targets for both financial and non-financial indicators in the agency performance section of the annual report.

In addition to the summary information contained in the agency performance section, agencies may wish to disclose further details including long term trends, graphs and supporting explanatory notes, as part of this section.

FMA sec 61(1)(b)

As the key performance indicators are audited, the Auditor General's opinion is usually inserted into this section.

TI 905(2)(ii)

Where the accountable authority is a body, the statement shall be signed by two members of that body.

## Reference

TI 904(3)(iv)

## Detailed information in support of key performance indicators

Agency level desired outcome: sustainability of the provision of information technology

	2019	2020	2021	2022
	%	%	%	%
<b>Key effectiveness indicator</b>				
The proportion (%) of government agencies using sustainable information technology plans	82	83	85	86

Service 1: Information Technology

	2019	2020	2021	2022
	%	%	%	%
<b>Key efficiency indicators</b>				
Cost per sustainable IT plan	24,000	23,500	22,700	21,950
Cost per hour of service delivered	6,032	6,000	6,000	5,957



### Guidance – Additional key performance indicators

TI 904

*An example of longer term trend data is shown above. This is also an appropriate place to provide graphs and charts.*

*Insert a brief description of the services provided and a statement of how each service contributes to the identified agency level government desired outcome.*

*Key Performance Indicators are to be disclosed in the annual report in accordance with TI 904.*

*In addition to the information disclosed on outcomes and services in the report on the operations, all accountable authorities are required to disclose:*

- *the relationship between government goals, agency level government desired outcomes and services;*
- *key performance indicators of effectiveness; and*
- *key performance indicators of efficiency and cost effectiveness (if applicable).*

*Key effectiveness indicators provide information on the extent to which agency level government desired outcomes have been achieved through the funding and production of agreed services. For statutory authorities that are the subject of a separate division of the Consolidated Account Expenditure Estimates, the agency level government desired outcomes are those specified in the Budget Statements. For off-budget agencies, the government agency level government desired outcomes will need to be either identified within the relevant enabling legislation or specified/endorsed by the Minister.*

*Agencies are encouraged to supplement their reporting of effectiveness with narrative. This narrative may include comment on the projected timing of outcomes to be achieved in the long term. It is also appropriate for agencies to identify and discuss influences on achievement of outcomes other than their own services. These influences may include services provided by other agencies, or factors such as social or demographic trends.*

*Key efficiency indicators generally relate services to the level of resource inputs required to deliver them. In some cases 'per unit cost' information provided in the budget process may fulfil the key performance indicator reporting requirement. In other cases cost per unit information may need to be aggregated, or productivity indicators used.*

*Key cost effectiveness indicators are a type of key effectiveness indicator. They relate outcomes directly to inputs. In addition to providing key cost effectiveness indicators where there are no suitable key efficiency indicators, agencies are encouraged to also report cost effectiveness indicators where doing so adds value to reporting information.*

*Further information on, and discussion of, agency level government desired outcomes, services and key performance indicators are available in the Treasury publication 'Outcome Based Management: Guidelines for Use in the Western Australian Public Sector'.*

## Other statutory information

Reference

### Ministerial directions

TI 903(12)

No Ministerial directives were received during the financial year.



#### **Guidance – Ministerial directions**

*Disclose any Ministerial directives relevant to the setting of desired outcomes or operational objectives, the achievement of desired outcomes or operational objectives, investment activities, and financing activities.*

## Other financial disclosures

TI 903(13)(i)

### Pricing Policies of Services Provided

The Agency charges for goods and services rendered on a full or partial cost recovery basis. These fees and charges were determined in accordance with [Costing and Pricing Government Services: Guidelines for Use by Agencies in the Western Australian Public Sector](#) published by Treasury.

The current list of fees and charges were published in the Gazette on 31 December 2021 and introduced/payable from 7 January 2022. Details are available on the Agency's website at [www.agency.wa.gov.au](http://www.agency.wa.gov.au).

TI 903(13)(ii)

### Capital Works

#### *Capital project incomplete*

The construction of a new building to accommodate the Agency's increasing demand for additional seminars and training sessions will be completed by January 2023. The building will also be used as a display centre for new computer equipment, which will be open to the public for viewing. The estimated total cost of the project is \$20,000,000 and the estimated remaining cost to complete the project at 30 June 2022 is \$13,000,000.

#### *Capital projects completed*

No capital projects were completed during 2022.

TI 903(13)(iii)

### Employment and Industrial Relations

<b>Staff Profile</b>	<b>2022</b>	<b>2021</b>
Full-time permanent	260	255
Full-time contract	150	140
Part-time measured on a FTE basis	10	8
On secondment	3	2
	<b>423</b>	<b>405</b>

### Staff Development

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

During the financial year, our employees received training in excess of 3,000 hours of in-house and external training. As the result of our commitment to staff training and development, we are recognised as the industry leader in the information technology area in the public sector.

### Workers Compensation

Five compensation claims of a minor nature were recorded during the financial year. This compares with seven compensation claims of a minor nature recorded in 2022.

Reference

### Governance disclosures

TI 903(14)

[populated by agencies in line with requirements]

## Reference

## Other legal requirements

**Act of grace payments**

FMA sec 80

**Sample disclosure:** This note header has been included as a placeholder for the disclosure of act of grace (and ex gratia) payments. Where an agency did not make the payments, this note should be omitted.

**Guidance – Act of grace payments**TI 319(15)(i)  
TI 903(15)(i)

An agency shall disclose all act of grace payments made by it during a reporting period in the annual report of the agency.

The following information should be disclosed in relation to each act of grace (or ex gratia) payment:

- the payment date;
- the amount of the payment; and
- the purpose of the payment.

It may not be appropriate to disclose the recipient(s) of the payment. Legal advice should be sought before such a disclosure is made.

TI 903(15)(ii)

**Unauthorised use of credit cards**

Officers of the Agency hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the Agency's credit card policy, one employee inadvertently utilised the corporate credit card for parking at an event that they were not attending in an official capacity. The matter was not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, and, that the nature of the expenditure was immaterial and characteristic of an honest mistake.

	<b>2022</b>
	<b>\$</b>
Number of instances the Western Australian Government Purchasing Cards have been used for personal purposes	-
Aggregate amount of personal use expenditure for the reporting period	27
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	27
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	-
Aggregate amount of personal use expenditure remaining unpaid at the end of the reporting period	-
Number of referrals for disciplinary action instigated by the notifiable authority during the reporting period	-



The above disclosure is an example and agencies should consider their own circumstances in addressing the requirements of TI 903(15).

**Guidance – Other legal requirements**

A comprehensive list of Other Legal Requirements is available from the WA Government website:

[Annual report guidelines for 2020-21 \(www.wa.gov.au\)](http://www.wa.gov.au)



Reference

## Government policy requirements

TI 903(16)

[populated by agencies in line with requirements]



### **Guidance – Government policy requirements**

*Public sector agencies must incorporate the above disclosures in their Annual Report as required. Information on this reporting requirement is available at:*

*[Annual report guidelines for 2020-21 \(www.wa.gov.au\)](http://www.wa.gov.au)*

## Contact information

### Reference

AASB 101.138(a)

Postal	Address	Electronic
PO Box 9999	1 William Street	Internet: <a href="http://www.agency.wa.gov.au">www.agency.wa.gov.au</a>
Perth WA 6000	Perth WA 6000	Email: <a href="mailto:customer.service@agency.wa.gov.au">customer.service@agency.wa.gov.au</a>
		Telephone: 61 8 6551 0000
		Facsimile: 61 8 6551 1111



### Guidance

AASB 101 requires the following disclosures:

- *the domicile and legal form of the agency; and*
- *its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office).*

# **Model Annual Report**

**Tier 2  
(Simplified Disclosures)  
Agency**

**For the year ended 31 December 2022**

## Foreword

This **Model Annual Report** (the Model) has been designed to provide you with a guide to understand and efficiently meet your financial reporting obligations, as a Tier 2 (Simplified Disclosures) reporting agency in the public sector. This model incorporates annual reporting requirements of the *Financial Management Act 2006* (FMA) and Treasurer's instructions (TIs) pertinent to the modelled agency.

Agencies should be aware that the Model is for general use and is not intended to cover every potential circumstances. This model is suitable for use by public sector agencies and streamlines financial statements by grouping notes in a functional structure. Agencies are encouraged to streamline its financial statements and this may entail following a more appropriate structuring methodology that is more relevant to its financial statements. Streamlining reduces the costs and burdens of preparing the annual report whilst improving the relevance and meaning for users.

Agencies are encouraged to consider materiality in preparing its financial statements. Agencies should determine which disclosures could be omitted on the basis that they are not quantitatively or qualitatively material. Any omissions should be documented and retained as part of preparation for the annual audit process.

Further reporting requirements are specified in the WA Government website available at: [Annual report guidelines for 2021-22 \(www.wa.gov.au\)](http://www.wa.gov.au)

## Instructions for using the Model

Set out below are instructions for using the Model including some key things to consider when preparing your annual financial statements:

- ✓ Highlighted disclosures must be included in agency annual reports where required by legislation or are material under accounting standards.
- ✓ Apply critical judgements in determining if the model needs to be modified to meet specific circumstances that are material to the understanding of the financial results of the agency.
- ✓ Apply operative Australian Accounting Standards (AASs) and Treasurer's instructions (TIs), issued between publication of this Model and balance date.
- ✓ Set an appropriate materiality limit and exclude disclosures that are not material to the understanding of the financial statements.

The Model is not designed to be used as a template. Agencies need to apply its judgement and understanding of its own financial results to determine the appropriate level of disclosures that need to be made. In addition, the Model is also not designed as a replacement for referring to AASs and TIs.

## Significant changes to the Model

This Tier 2 Model Annual Report for the year ended 31 December 2022 reflects the initial adoption of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

### Which agencies does Tier 2 reporting apply to?

Treasury has the discretion as to which agencies will report as a Tier 2 reporting entity. Tier 2 reporting entities are those that are not included in Schedule 1 of T1 1107 *Application of Tiered Reporting – Simplified Disclosures*.

## Setting out the disclosures and guidance

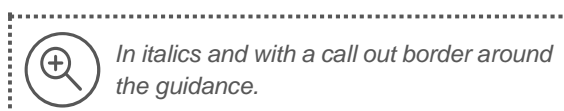
The reporting requirements as set out in the Model are presented as follows:

- 1) **Illustrative disclosures:** Presented first – predominantly in black text and for a fictitious agency.

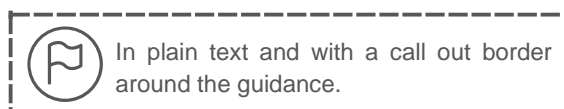
These disclosures have been designed to demonstrate compliance with Australian Accounting Standards and Treasurer's instructions for a model agency.

Treasury encourages agencies to streamline its financial reporting. Accordingly, agencies should be considering its own reporting requirements and applying materiality considerations to determine disclosures that are relevant to the users of the financial statements.

- 2) **Guidance (or commentary):** Guidance has been set out in the illustrative disclosures as follows:



In some instances, the Model may present illustrative examples that fit for a certain set of circumstances. In such instances the guidance may call out alternative disclosures where an agency may be faced with alternative disclosures. These are demonstrated as follows:



- 3) **References:** Highlighted throughout the illustrative disclosures and the guidance and are prefixed by **AASB...**, **Int...**, **TI...**, and/or **FMA...**
- 4) **Consideration points:** Throughout the Model, markers are used to indicate where additional consideration and application of materiality and factors specific to the agency should be applied.



Indicates '**stop and consider**'. Do you need to include this disclosure?



Indicates '**items for attention**'. These disclosures may be non-standard.

- 5) **Key judgements:** These statements include key judgements and estimates within the note disclosing the quantitative impact of the estimate and/or judgement. Where a sample judgement or estimate is disclosed it is marked with the icon as shown below. Agencies should ensure they consider throughout the need to disclose estimates and judgements and make the appropriate disclosures.



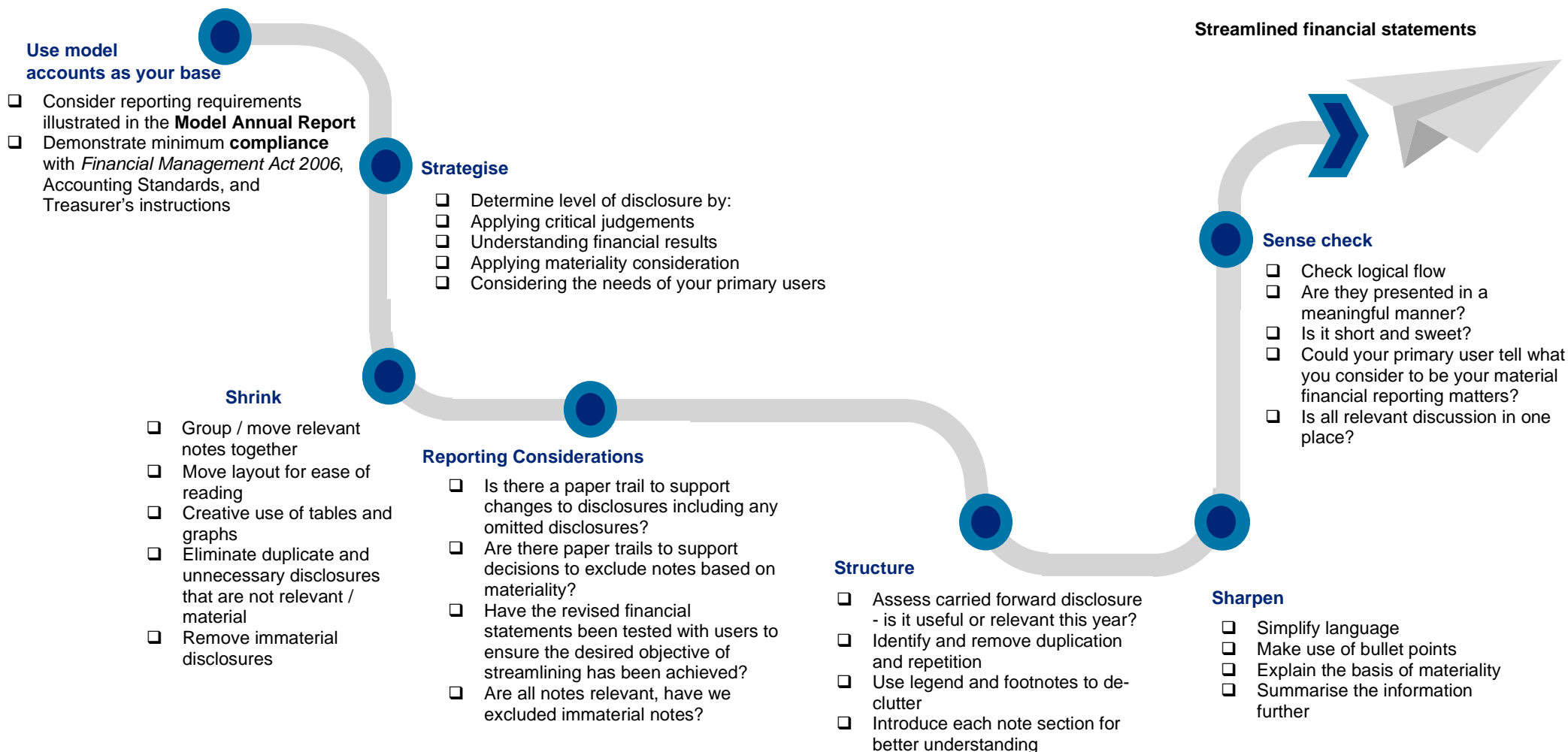
Sample key judgement or estimate disclosure.

## Where to go for additional information

Treasury seeks to provide users of the Model with relevant and sufficient guidance to be able to apply the requirements included within the Model.

A guide to streamlining a set of financial statements is included on the following page.

# A guide to continuously streamlining financial statements



## Table of contents

<b>Foreword</b> .....	<b>2</b>
<b>Instructions for using the Model</b> .....	<b>2</b>
<b>Significant changes to the Model</b> .....	<b>2</b>
<b>Which agencies does Tier 2 reporting apply to?</b> .....	<b>2</b>
<b>Setting out the disclosures and guidance</b> .....	<b>3</b>
<b>Where to go for additional information</b> .....	<b>3</b>
<b>A guide to continuously streamlining financial statements</b> .....	<b>4</b>
<b>Table of contents</b> .....	<b>5</b>
<b>Statement of Compliance</b> .....	<b>7</b>
<b>Overview</b> .....	<b>8</b>
Executive Summary .....	8
Performance highlights .....	8
Operational Structure .....	8
Enabling legislation .....	8
Responsible minister .....	8
Organisational structure .....	9
Administered legislation .....	10
Other key legislation impacting on the Agency's activities .....	10
Performance Management Framework .....	11
Outcome-based management framework .....	11
Changes to outcome-based management framework .....	11
Shared responsibilities with other agencies .....	11
<b>Agency Performance</b> .....	<b>12</b>
Report on the operations .....	12
Actual results versus budget targets .....	12
<b>Significant Issues Impacting the Agency</b> .....	<b>15</b>
Current and emerging issues and trends .....	15
Economic and social trends .....	15
Changes in written law .....	15
Likely developments and forecast results of the operations .....	15
<b>Disclosures and Legal Compliance</b> .....	<b>17</b>
Certification of financial statements .....	17
Financial statements .....	18
Statement of comprehensive income .....	21
Statement of financial position .....	24
Statement of changes in equity .....	26
Statement of cash flows .....	29
Administered Schedules (Departments only) .....	31
Administered income and expenses .....	31

Administered assets and liabilities .....	32
Notes to the financial statements .....	33
1. Basis of preparation.....	33
2. Use of our funding .....	36
3. Our funding sources .....	46
4. Key assets .....	55
5. Other assets and liabilities .....	69
6. Financing .....	77
7. Financial instruments and contingencies .....	89
8. Other disclosures.....	92
9. Explanatory Statements .....	105
<b>Audited key performance indicators .....</b>	<b>115</b>
Certification of key performance indicators .....	115
Detailed information in support of key performance indicators .....	116
<b>Other statutory information .....</b>	<b>118</b>
Ministerial directions .....	118
Other financial disclosures .....	119
Pricing Policies of Services Provided .....	119
Capital Works .....	119
Employment and Industrial Relations .....	119
Staff Development .....	119
Workers Compensation .....	119
Governance disclosures .....	119
Other legal requirements .....	120
Unauthorised use of credit cards.....	120
Government policy requirements.....	121
<b>Contact information.....</b>	<b>122</b>



Reference

TI 902

## Statement of Compliance

**For year ended 31 December 2022**

**Hon Michael Jackson**

**Minister for Information Technology**

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Agency for the reporting period ending 31 December 2022.

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

The financial statements comply with Australian Accounting Standards – Simplified Disclosures issued by the Australian Accounting Standards Board.

(Signature)

B. King

Chief Executive Officer

1 March 2023



### **Guidance – Statement of Compliance**

TI 902(3)(ii)

Where the accountable authority is a body, the Statement of compliance shall be signed by two members of that body.

Reference

## Overview

TI 903(3)(i)

### Executive Summary

TI 903(5)

#### Performance highlights

- The Agency received a commendation from the State Government for its services in providing assistance to public sector agencies to complement the corporate services reforms.
- Customer surveys indicated that 95% of agencies rated the services provided for the implementation of corporate services reforms as exceptional.
- The Agency's research and development project on software development for public sector accounting is on schedule and is expected to be completed in 2023.

TI 903(6)

### Operational Structure

The Agency delivers services through the following divisions:


- Information Technology;
- Customer Relations; and
- Corporate Services.

#### Enabling legislation

The Agency was established as an agency on 1 July 2007, under the *Public Sector Management Act 1994*.

#### Responsible minister

The Hon. Michael Jackson, BCom MLA, Minister for Information Technology.

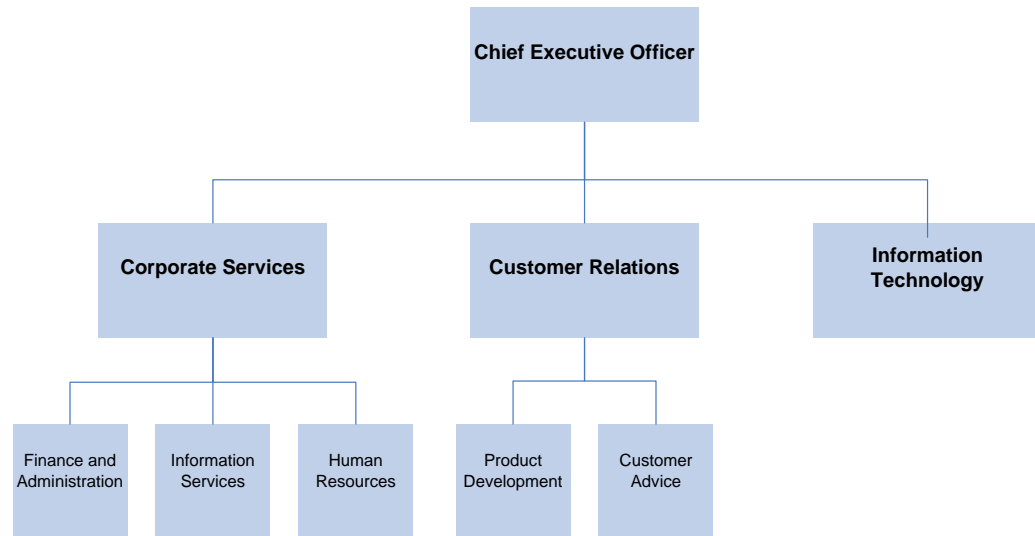
	<b>Guidance – Overview</b>
TI 903(5)	<p><b>Executive Summary</b></p> <p><i>Each agency must include a statement from the accountable authority that includes performance highlights and/or other significant events impacting on the agency. In the above example, this has been included under 'Executive Summary'.</i></p>
TI 903(6)	<p><b>Operational Structure</b></p> <p><i>Under this section, agencies are required to disclose a summary of activities and responsibilities for each division or its equivalent. In the above example, this has been included under 'Operational Structure'.</i></p>

## Organisational structure

### Mission

To provide leadership, support and services necessary to ensure that Western Australians have easy and affordable access to a diverse range of information technology.

### Organisational chart



### Senior officers

**Dr Bill King PhD** (Chief Executive Officer)

Mr King has extensive experience in corporate management and public sector information technology.

**Elliot Ng BCom CA** (Director Information Technology)

Mr Ng has 7 years' public sector management experience and 15 years corporate advisory experience in the private sector.

**Christy Fleming BCom FCPA** (Director Corporate Services, Chief Finance Officer)

Ms Fleming has 17 years' experience in public sector finance, in addition to experience in the private sector.

**Delia Smith BA (Hons)** (Director Customer Relations)

Ms Smith has 10 years' experience in public sector customer relations.

	<p><b>Guidance – Overview</b></p>
	<p><i>Statutory authorities should include information about the appointment of Board members and a short biographical summary for each member of the Board whose term of appointment is pertinent to the reporting period.</i></p>

Reference

TI 903(6)

## Administered legislation

The Agency assists the Minister for Information Technology in the administration of the following Acts:

- *Information Technology Act 1983*; and
- *Information Protection Act 1959*.

## Other key legislation impacting on the Agency's activities

In the performance of its functions, the Agency complies with the following relevant written laws:

- *Auditor General Act 2006*;
- *Contaminated Sites Act 2003*;
- *Disability Services Act 1993*;
- *Equal Opportunity Act 1984*;
- *Financial Management Act 2006*;
- *Freedom of Information Act 1992*;
- *Industrial Relations Act 1979*;
- *Long Service Leave Act 1958*;
- *Minimum Conditions of Employment Act 1993*;
- *Occupational Safety and Health Act 1984*;
- *Procurement Act 2020*;
- *Public Sector Management Act 1994*;
- *Salaries and Allowances Act 1975*; and
- *State Records Act 2000*.



### Guidance – Overview

TI 903(6)(v)-(vii)

#### **Administered legislation**

*Include the name of and authority for establishment of each subsidiary, related and affiliated body and information about the legislation administered pertaining to each subsidiary and related body.*

#### **Other key legislation impacting on the agency's activities**

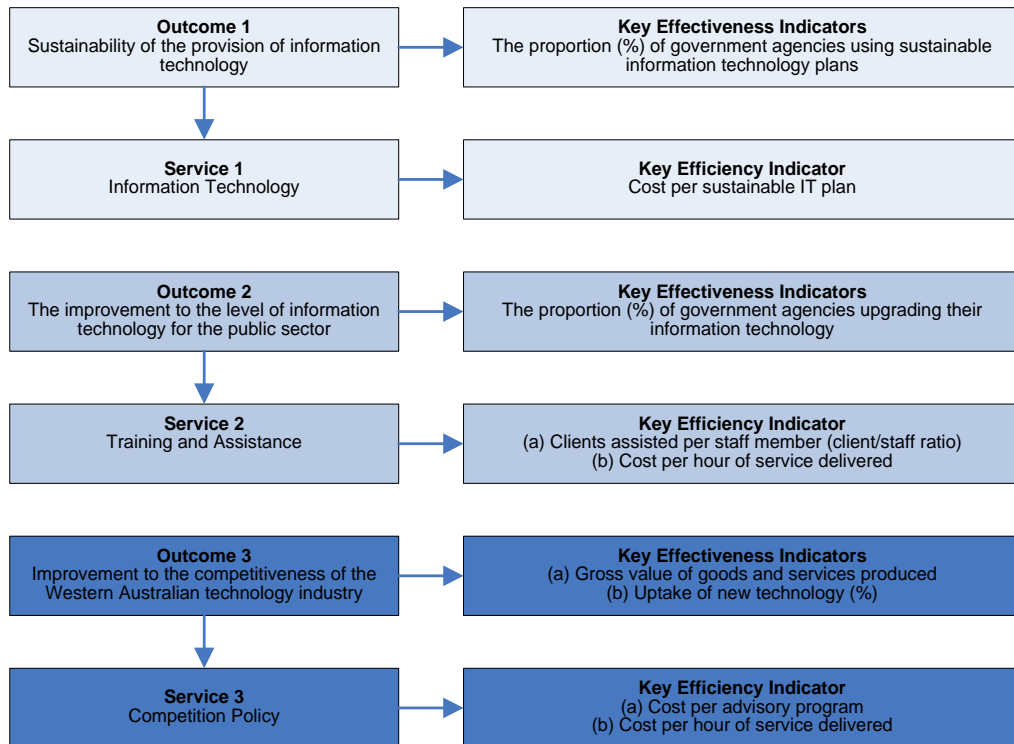
*In addition to the abovementioned legislation, where applicable, agencies may consider disclosing specialised legislation that impacts upon their area of operations. Although the above information is not mandatory, listing the key legislation impacting on the agency's activities provides useful information to users.*

Reference

T1 903(7)

## Performance Management Framework

### Outcome-based management framework



### Changes to outcome-based management framework

The Agency's outcome-based management framework did not change during 2022.

### Shared responsibilities with other agencies

The Agency did not share any responsibilities with other agencies in 2022.



### Guidance – Performance management framework

T1 903(7)

#### **Outcome-based management framework**

*Include a description of the links between the relevant government goals, agency level government desired outcomes and services.*

#### **Changes to outcome-based management framework**

*Include a discussion of any changes to agency level government desired outcomes, services and key performance indicators from the previous year. This segment should be included even if there is a nil return.*

#### **Shared responsibilities with other agencies**

*Include a statement of which services are being delivered jointly with other agencies and how the agency is contributing to other agencies' desired outcomes. This segment should be included even if there is a nil return.*

Reference

## Agency Performance

TI 903(8)

### Report on the operations

#### Actual results versus budget targets

TI 808(2)

#### Financial Targets

	2022 Target <sup>(1)</sup> (\$000)	2022 Actual (\$000)	Variation <sup>(2)</sup> (\$000)
Total cost of services (expense limit) (details from Statement of comprehensive income)	805,979	801,497	(4,482) <sup>(a)</sup>
Net cost of services (details from Statement of comprehensive income)	774,912	768,048	(6,864) <sup>(b)</sup>
Total equity (details from Statement of financial position)	1,477,895	1,462,515	(15,380) <sup>(c)</sup>
Agreed salary expense level	670,435	669,757	(678)
Agreed borrowing limit (where applicable)	-	-	-

(1) Information on the Target is based on estimates published in the 2022 budget statements.

(2) Further explanations are contained in Notes [2.3](#), [3.2](#), [3.3](#), and [9.1](#) to the financial statements.

(a) The variation is mainly due to implementing tighter cost controls, resulting in savings of \$4,482,000.

(b) In addition to the explanation above regarding expenses, the variation was mainly due to an increase in user charges and fees, and sales revenue (\$2,177,000) as a result of better than expected demand.

(c) The variation is mainly due to a lower than expected asset revaluation increments for land and buildings.

	<b>Guidance – Agency performance</b>
TI 903(8)	<p><b>Report on the operations</b></p> <p>The report must include a brief discussion of agency performance, including references to key achievements and other key highlights about agency performance during the year. This can include both financial and non-financial performances as well as the agency's vision and mission.</p> <p>Include any narrative necessary to explain the results and describe the agency's performance, including any material variations and the impact of any external factors.</p>
TI 808(3)	<p><b>Reporting actual performance compared to resource agreement targets</b></p> <p>Agencies are required to adopt the format shown in the Guidelines to TI 808 'Resource Agreements'.</p>
TI 822	<p><b>Borrowing limits</b></p> <p>The agreed borrowing limit is the total borrowings authorised by the Treasurer during, or subsequent to, the budget process due to impact on the State's Net Debt. Accountable authorities should refer to TI 822 Borrowings, which provides background on borrowing limits and provides guidance on amounts included in the agency borrowing limit.</p>

Reference

TI 808(2)

### Working cash targets

	2022 Agreed limit (\$000)	2022 Target /Actual (\$000)	Variation (\$000)
Agreed working cash limit (at Budget)	9,934	9,934	-
Agreed working cash limit (at Actuals)	8,074	6,808 <sup>(d)</sup>	(1,266) <sup>(e)</sup>

(d) The actual working cash balance at the close of the 2022 financial year is \$6,808,000. This amount consists of the cash and cash equivalents of \$8,308,000, as identified in the Statement of financial position as at 31 December 2022, minus the \$1,500,000 for Asset Investment Program milestone payments due early in the first month of the successive reporting period. The milestone payments relate to capital works projects which are omitted from the calculation of working cash limit.

(e) The variation is mainly due to *[insert narrative]*.



#### **Guidance – Working cash targets**

The 'Agreed working cash limit (at Budget)' is calculated by multiplying budgeted recurrent payments (total operating and financing) by 5%. Further information on the working cash limit may be found in the Cash Management Policy (2007) at:

[https://www.wa.gov.au/system/files/2020-02/cash\\_management\\_policy.pdf](https://www.wa.gov.au/system/files/2020-02/cash_management_policy.pdf)

Reference

## Summary of key performance indicators

TI 808(3)

	2022 Target <sup>(1)</sup>	2022 Actual	Variation <sup>(2)</sup>
<p><i>Outcome 1: Sustainability of the provision of information technology</i></p> <p>Key effectiveness indicator(s): <b>The proportion (%) of government agencies using sustainable information technology plans</b></p> <p><i>Service 1: Information technology</i></p> <p>Key efficiency indicator(s): <b>Cost per sustainable IT plan</b></p>	85%	86%	1%
	\$22,700	\$21,950	\$750
<p><i>Outcome 2: The improvement to the level of information technology for the public sector</i></p> <p>Key effectiveness indicator(s): <b>The proportion (%) of government agencies upgrading their information technology</b></p> <p><i>Service 2: Training and assistance</i></p> <p>Key efficiency indicator(s): <b>Clients assisted per staff member (client/staff ratio)</b></p> <p><b>Cost per hour of service delivered</b></p>	75%	76%	1%
	0.36	0.39	0.03
	\$5,000	\$5,311	(\$311)
<p><i>Outcome 3: Improvement to the competitiveness of the Western Australian technology industry</i></p> <p>Key effectiveness indicator(s): <b>Gross value of goods and services produced</b></p> <p><b>Uptake of new technology (%)</b></p> <p><i>Service 3: Competition policy</i></p> <p>Key efficiency indicator(s): <b>Cost per advisory program</b></p> <p><b>Cost per hour of service delivered</b></p>	\$200m	\$206m	\$6m
	66%	68%	2%
	\$19,300	\$18,900	\$400
	\$5,000	\$5,155	(\$155)

(1) As specified in the budget statements.

(2) Explanations for the variations between target and actual results are presented in [Note 9.1](#) Explanatory statement for controlled operations.



### Guidance – Summary of key performance indicators

TI 903(8), TI 904

More detailed information, including long term trends and supporting footnotes, may be disclosed either in this section or in the section 'Disclosures and Legal Compliance'. The report on the operations shall include any narrative necessary to explain the results and describe the agency's performance, including any material variations and the impact of any external factors.

If further information is disclosed elsewhere, a cross reference to the page number would be required.

Where there is no resource agreement, the key performance indicators approved under TI 904 Key Performance Indicators are to be used in this reporting process by reporting, at a minimum, a summary assessment of actual performance relative to target performance as set in the budget statements, Statement of corporate intent or any equivalent document in accordance with paragraph 8 of TI 903 Agency Annual Reports.



Reference

TI 903(9)

## Significant Issues Impacting the Agency

### Current and emerging issues and trends

The rapid pace of technological advancements are leading to a reduction in the Agency costs and creates opportunities to deliver enhanced services.

### Economic and social trends

There is an expectation in society that services delivered by the Agency will be enhanced to take advantage of technological advances.

### Changes in written law

There were no changes in any written law that affected the Agency during the reporting period.

### Likely developments and forecast results of the operations

It is likely that the Agency operations will undergo a period of consolidation during 2022 as a result of the full impact of changes made during the 2022 reporting period. The most significant areas for change will be in relation to:

- the continuation of the research and development project on software development for public sector accounting. This project is expected to deliver significant cost savings to the public sector; and
- the measures taken in the current period with respect to information technology services, which should begin to deliver significant cost savings and greater sales growth.



#### **Guidance – Significant issues impacting the agency**

TI 903(9)

*Include a brief description of current and emerging issues and trends impacting on the agency's operations, as well as the operations of any subsidiary and/or related bodies, and how the agency and bodies intend to address them. This may include economic and social trends and changes in any written law and significant judicial decisions affecting the agency or bodies.*

*Any likely developments in the operations of the agency or bodies and the forecast results of those developments should also be disclosed, unless the disclosure is likely to be prejudicial to the agency.*



Climate change is an emerging risk with possible future implications that could impact on the welfare of communities and economies, both domestically and globally. Agencies should consider current and emerging impacts that climate-related risks could have to its operations from:

- physical risks, both direct and indirect, that could impact on the physical assets, and financial and non-financial performance of agencies. It can be either event-driven or the result from longer-term shifts in climate patterns;
- transition risks as a result of transitioning to a lower-carbon economy. This could be in the form of policy, regulatory, legal, reputation, technological and market changes;
- liability risks that are associated with people or businesses seeking compensation for losses suffered due to climate change; and
- climate-related opportunities, such as improved operational efficiency, savings on energy costs, adaptive capacity to respond to climate change, capitalise on shifting consumer preferences, etc.

With respect to climate-related disclosures in financial statements, the Australian Accounting Standards Board and the Auditing and Assurance Standards Board have not directly addressed climate-related disclosures in their standards. Instead they have issued [AASB Practice Statement 2 Making Materiality Judgements](#), a **non-mandatory** guidance, to assist management, preparers and auditors with assessing the materiality of climate-related and other emerging risks for disclosure in their financial statements. It is recommended that Agencies read this Practice Statement for possible future applications. The Australian Accounting Standards Board have also published a Position Statement supporting the voluntary adoption of the recommendations of the *Task Force on Climate-related Financial Disclosures (TCFD)*. The TCFD has been adopted by significant bodies in financial reporting in Australia and is the basis for the sustainability standards being developed by the International Sustainability Standards Board. Although this is subject to change, the AASB has encouraged its voluntary use as an interim climate-related financial reporting framework.

Government policy discussing transitioning to a lower-carbon economy and benefiting from climate related opportunities may be accessed at:

- [Western Australian Climate Change Policy](#); and,
- [Sectoral Emissions Reduction Strategies](#).

Reference

TI 903(10)

TI 947

## Disclosures and Legal Compliance

### Certification of financial statements

#### For the reporting period ended 31 December 2022

The accompanying financial statements of the Agency have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 31 December 2022 and the financial position as at 31 December 2022.

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

(Signature)

C. Fleming

Chief Finance Officer


1 March 2023

(Signature)

B. King

Accountable Authority

1 March 2023

	<b>Guidance – Disclosures and legal compliance</b>
<i>FMA sec 62(1)</i>	<p><i>Financial statements are to be prepared in accordance with accounting standards and other requirements issued by the Australian Accounting Standards Board.</i></p> <p><i>Financial statements include any financial statements and information prescribed by Treasurer's instructions and any other financial information required by a written direction given by the Minister.</i></p>
<i>AASB 1060.186</i>	<p><i>Disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the agency's owners or others have the power to amend the financial statements after issue, the agency shall disclose that fact.</i></p>
<i>TI 947(2)(ii)</i>	<p><i>Where the accountable authority is a body, the statement shall be signed by two members of that body.</i></p>

## Financial statements

The Agency has pleasure in presenting its audited general purpose financial statements for the reporting period ended 31 December 2022 which provides users with the information about the Agency's stewardship of resources entrusted to it. The financial information is presented in the following structure:

<b>Financial statements .....</b>	<b>18</b>
Statement of comprehensive income .....	21
Statement of financial position.....	24
Statement of changes in equity .....	26
Statement of cash flows .....	29
<b>Administered Schedules (Departments only).....</b>	<b>31</b>
Administered income and expenses .....	31
Administered assets and liabilities .....	32
<b>Notes to the financial statements .....</b>	<b>33</b>
1. Basis of preparation.....	33
Statement of compliance .....	33
Basis of preparation.....	33
Accounting for Goods and Services Tax (GST) .....	33
Contributed equity .....	34
Administered items (Departments only) .....	34
Comparative information .....	34
Judgements and estimates .....	34
2. Use of our funding .....	36
2.1(a) Employee benefits expenses .....	37
2.1(b) Employee related provisions.....	39
2.2 Grants and subsidies.....	43
2.3 Other expenditure.....	44
3. Our funding sources .....	46
3.1 Income from State Government .....	47
Summary of consolidated account appropriations .....	48
3.2 User charges and fees .....	50
3.3 Sale of goods.....	51
3.4 Commonwealth grants .....	53
3.5 Other income .....	54
4. Key assets .....	55
4.1 Infrastructure, property, plant and equipment .....	56
4.2 Intangible assets.....	62
4.3 Right-of-use assets.....	66
4.4 Service Concession Assets.....	68
5. Other assets and liabilities.....	69
5.1 Receivables .....	70
5.2 Amounts receivable for services (Holding Account).....	71

5.3 Other assets .....	72
5.4 Payables.....	72
5.5 Capital grant liabilities .....	73
5.6 Other provisions .....	74
5.7 Other liabilities .....	76
6. Financing .....	77
6.1 Borrowings.....	78
6.2 Lease liabilities .....	80
6.3 Service concession liabilities.....	83
6.4 Assets pledged as security.....	85
6.5 Finance costs .....	86
6.6 Cash and cash equivalents .....	87
6.7 Capital commitments .....	88
7. Financial instruments and contingencies .....	89
7.1 Financial instruments.....	90
Additional disclosures for financial Instruments .....	90
7.2 Contingent assets and liabilities .....	91
8. Other disclosures.....	92
8.1 Events occurring after the end of the reporting period.....	93
8.2 Changes in accounting policy.....	94
8.3 Key management personnel .....	97
8.4 Related party transactions.....	98
8.5 Related bodies.....	100
8.6 Affiliated bodies .....	100
8.7 Special purpose accounts .....	101
8.8 Remuneration of auditors .....	102
8.9 Non-current assets classified as assets held for sale .....	103
8.10 Supplementary financial information .....	104
9. Explanatory Statements .....	105
9.1 Explanatory statement for controlled operations.....	106
9.2 Explanatory statement for administered items (Departments only) .....	113



**Guidance – Financial report structure**

AASB 1060.25  
TI 1102(5)(iii)

A complete set of financial statements comprises the following:

- Statement of comprehensive income;
- Statement of financial position;
- Statement of changes in equity;
- Statement of cash flows; and
- notes, comprising significant accounting policies and other explanatory information.

AASB 1060.90-94

**Contents of the notes to the financial statements**

The notes to the financial statements of an agency shall:

- present information about the basis of preparation of the financial statements and the specific accounting policies used;
- disclose the information required by AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities that is not presented in the face of the financial statements;
- provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them; and
- be presented in a systematic manner with cross references to each item in the financial statements to any related information in the notes.

The TI 945 Explanatory Statement and AASB 1060 require agencies to disclose the following in their complete set of financial statements:

Statutory authorities and departments

AASB 1060.238-241  
AASB 1060.222, 225  
TI 945(3), (4)

- Summary of consolidated account appropriations;
- Explanatory statements disclosing original budgets versus actual results; and
- Explanatory statements disclosing current year actual results versus prior year comparative results for the agency.

Departments

AASB 1060.219-220  
AASB 1060.223, 225  
TI 945(5)

- Schedules for administered income, expenses, assets and liabilities;
- Explanatory statements for administered items disclosing original budgets versus actual results; and
- Explanatory statements for administered items disclosing current year actual results versus prior year comparative results for the agency.

## Reference

## Statement of comprehensive income

TI 1102(7)

For the year ended 31 December 2022

	Notes	2022 (\$'000)	2021 (\$'000)
<b>Cost of services</b>			
<b>Expenses</b>			
TI 1102(7)(i)			
TI 1102(7)(i)(a)	<a href="#">2.1(a)</a>	669,757	599,002
TI 1102(7)(i)(e)	<a href="#">2.3</a>	60,980	56,345
	<a href="#">4.1</a>		
TI 1102(7)(i)(b)	<a href="#">4.2</a>	35,764	36,448
	<a href="#">4.3</a>		
TI 1102(7)(i)(c)	<a href="#">6.5</a>	613	568
TI 1102(7)(i)(e)	<a href="#">2.3</a>	6,963	6,330
TI 1102(7)(i)(e)	<a href="#">2.2</a>	9,801	8,910
TI 1102(7)(i)(e)	<a href="#">3.3</a>	5,560	3,700
TI 1102(7)(i)(e)	<a href="#">2.3</a>	12,059	12,782
TI 1102(7)(i)(g)		<b>801,497</b>	<b>724,085</b>
TI 1102(7)(ii)			
<b>Income</b>			
TI 1102(7)(ii)(a)	<a href="#">3.2</a>	15,912	14,997
TI 1102(7)(ii)(f)	<a href="#">3.3</a>	14,267	12,970
TI 1102(7)(ii)(b)	<a href="#">3.4</a>	1,100	1,000
TI 1102(7)(ii)(c)		-	-
TI 1102(7)(ii)(g)	<a href="#">3.5</a>	2,170	6,300
		<b>33,449</b>	<b>35,267</b>
TI 1102(7)(iii)		<b>768,048</b>	<b>688,818</b>
<b>Income from State Government</b>			
TI 1102(7)(iv)			
TI 1102(7)(iv)(a)	<a href="#">3.1</a>	803,846	713,701
TI 1102(7)(iv)(b)	<a href="#">3.1</a>	-	-
TI 1102(7)(iv)(c)	<a href="#">3.1</a>	-	-
TI 1102(7)(iv)(d)	<a href="#">3.1</a>	1,595	1,450
	<a href="#">3.1</a>	-	-
TI 1102(7)(iv)(e)		<b>805,441</b>	<b>715,151</b>
TI 1102(7)(vi)		<b>37,393</b>	<b>26,333</b>
<b>Other comprehensive income</b>			
<i>Items not reclassified subsequently to profit or loss</i>			
TI 1102(7)(vii)(a)	<a href="#">4.1</a>	100,000	25,500
		<b>100,000</b>	<b>25,500</b>
TI 1102(7)(viii)		<b>137,393</b>	<b>51,833</b>

The Statement of comprehensive income should be read in conjunction with the accompanying notes.




**Guidance – Presentation of the Statement of comprehensive income**

Income and expense items are classified within the Statement of comprehensive income depending on whether they arise from ‘transactions’ or ‘other comprehensive income’. In addition, the Statement of comprehensive income also presents movements due to changes in non-owner equity under ‘other comprehensive income’. All owner changes in equity in their capacity as owners can be found in the Statement of changes in equity.


In the ‘Total cost of services’ section:	In the ‘Net cost of services’ section:	In the ‘Total income from State Government’ section:	In the ‘Other comprehensive income’ section:
<p><b>Transactions</b> are those economic flows that arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an agency. Transactions can be in cash or in kind. In simple terms, transactions arise from the policy decisions of the government.</p> <p>Please note the following:</p> <ul style="list-style-type: none"> <li>Supplies and services - include administrative expenses.</li> <li>Finance costs - include borrowing costs, including costs incurred in the borrowing of funds (AASB 123.5), and the effect of unwinding of discounting of items measured at present value (AASB 5.17 and AASB 137.45) and the interest component of the lease liability repayments (AASB 16.49).</li> <li>The discounting of employee benefits should be recognised under employee benefits expense rather than separately as a finance cost.</li> </ul>	<p>This section includes changes in the volume or value of an asset or liability that do not result from transactions. It includes:</p> <ul style="list-style-type: none"> <li>Revaluations and impairments of physical and intangible assets;</li> <li>Fair value changes of financial instruments through profit or loss;</li> <li>Gains and losses attributable to agricultural assets (AASB 141.26-29);</li> <li>Share of the profit or loss of equity accounted investments;</li> <li>A single amount for the total of discontinued operations; and</li> <li>Other income</li> </ul>	<p>This section includes:</p> <ul style="list-style-type: none"> <li>Service appropriation;</li> <li>Income from other public sector entities;</li> <li>Liabilities assumed;</li> <li>Resources received; and</li> <li>Royalties for Regions Fund.</li> </ul> <p>Please note the following:</p> <ul style="list-style-type: none"> <li>Resources received includes assets transferred - made at the transferor agency’s discretion and represents an expense to the transferor and income to the transferee.</li> </ul>	<p>This section presents line items for amounts classified by nature. These items are then grouped into those that:</p> <ul style="list-style-type: none"> <li>Will not be reclassified subsequently to profit or loss; or</li> <li>Will be reclassified subsequently to profit or loss when specific conditions are met.</li> </ul> <p>It includes:</p> <ul style="list-style-type: none"> <li>Changes in physical asset revaluation surpluses;</li> <li>Share of movements of other comprehensive income of equity accounted investments; and</li> <li>Changes in fair value of financial instruments through OCI.</li> </ul> <p>This model illustrates only items that will not be subsequently reclassified to the profit and loss. Certain items do get re-classified to profit or loss and appropriate disclosures would need to be made if agencies hold such items as listed below:</p> <ul style="list-style-type: none"> <li>Exchange differences reserves.</li> <li>Financial instruments measured at fair value through OCI.</li> </ul>



	<p><b>Guidance – Presentation of the Statement of comprehensive income</b></p>
<p>AASB 1060.21 TI 1102(7)(i)(e)</p>	<p><b>Classification of expenses by nature or function:</b></p> <p>Expenses must be classified and presented (either in the Statement of comprehensive income or in the related notes) based on either their nature or their function, whichever provides information that is reliable and more relevant.</p> <p>In the illustrative disclosures, the agency classifies its expenses by nature, with the exception of sale of goods which is a functional classification. Expenses are recorded on the face of the Statement of comprehensive income and further disaggregated in the notes.</p>
<p>AASB 1060.21-22</p>	<p>When items of income and expense are material, their nature and amount shall be disclosed separately either in the Statement of comprehensive income or in the notes to the financial statements. TI 1102 prescribes the minimum disclosure required in the Statement of comprehensive income.</p>
<p>AASB 1060.52(g)</p>	<p>Further, an agency shall disclose, either in the Statement of comprehensive income or in the notes, any amounts related to components of other comprehensive income that are reclassified to net result in the current period, that were previously recognised in other comprehensive income in the current or previous periods.</p>
<p>AASB 1060.56</p>	<p>Additional disclosures such as additional line items, headings and subtotals shall be presented on the face when it is relevant to an understanding of the financial performance of the agency.</p>



Note that ‘Other expenditure’, for which no description of the nature is disclosed, cannot exceed 10% of total expenses. Agencies should review their categories of expenses and ensure that they are providing users with the appropriate level of detail to understand how the agency is utilising its funding.

	<p><b>Guidance – Income from other public sector entities</b></p>
<p>TI 1102 Guidelines</p>	<p>Public sector entities refer to ‘wholly-owned public sector entities’ as defined in TI 955 Contributions by Owners Made to Wholly Owned Public Sector Entities. Recurrent (service) appropriations received through a central department (controlled and/or administered) should be classified as ‘Income from other public sector entities’. They include, for example, ‘indirect appropriations’ from the Department of Health to Health Service Providers (HSPs) and administered appropriations from Treasury to HSPs. They may also include funding from Treasurer’s special purpose accounts such as Royalties for Regions Fund. Finally, they might include funding from other wholly owned public sector entities (including funding from agency special purpose accounts such as Road Trauma Trust Account). Furthermore, income from other public sector entities should include amounts paid by other public sector entities on a charge out basis <u>if material</u>. However, operating subsidies should be classified as sales revenue in relation to trading operations or revenues from the provision of goods and/or services (and not as income from other public sector entities) as they are considered payments made on behalf of an external party.</p> <p>Furthermore, income from other public sector entities should not include National Specific Purpose Payments and National Partnership Payments received through Treasury. These payments should be classified as grants and contributions from the Commonwealth Government under the heading Income as they are made under pass through arrangements.</p>

Reference

**Statement of financial position**

TI 1103(4)

**As at 31 December 2022**

	Notes	2022 (\$000)	2021 (\$000)
<b>Assets</b>			
<b>Current Assets</b>			
TI 1103(5)			
TI 1103(5)(i)	<a href="#">6.6</a>	8,308	6,435
TI 1103(7)	<a href="#">6.6</a>	3,590	970
AASB 1060.35(d)		15,333	15,375
AASB 1060.35(b)	<a href="#">5.1</a>	9,097	9,189
	<a href="#">5.2</a>	17,139	19,795
AASB 1060.36	<a href="#">5.3</a>	550	560
AASB 1060.35(r)	<a href="#">8.9</a>	2,900	2,628
TI 1103(5)(iv)		<b>56,917</b>	<b>54,952</b>
TI 1103(6)			
TI 1103(7)			
	<a href="#">6.6</a>	60	50
	<a href="#">5.2</a>	55,725	41,707
AASB 1060.35(e)	<a href="#">4.1</a>	1,369,572	1,246,992
AASB 1060.35(g)	<a href="#">4.2</a>	1,008	1,402
TI 1103(6)(ii)	<a href="#">4.3</a>	22,005	24,598
TI 1103(6)(iii)	<a href="#">4.4</a>	-	-
AASB 1060.36	<a href="#">5.3</a>	-	60
TI 1103(6)(iv)		<b>1,448,370</b>	<b>1,314,809</b>
TI 1103(8)		<b>1,505,287</b>	<b>1,369,761</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
TI 1103(9)			
AASB 1060.35(k)	<a href="#">5.4</a>	4,207	4,791
AASB 1060.44(d)		638	895
AASB 1060.233	<a href="#">5.6</a>	574	718
AASB 1060.35(l)	<a href="#">6.1</a>	-	-
TI 1103(9)(ii)	<a href="#">6.2</a>	5,979	6,562
		2,400	7,970
AASB 1060.35(o)	<a href="#">2.1(b)</a>	13,758	13,950
AASB 1060.35(o)	<a href="#">5.6</a>	62	45
AASB 1060.36	<a href="#">5.7</a>	-	-
TI 1103(9)(iv)		<b>27,618</b>	<b>34,931</b>
TI 1103(10)			
AASB 1060.233	<a href="#">5.5</a>	2,298	2,872
TI 1103(10)(ii)	<a href="#">6.2</a>	11,317	17,296
TI 1103(10)(iii)	<a href="#">6.3</a>	-	-
AASB 1060.35(o)	<a href="#">2.1(b)</a>	989	1,015
AASB 1060.35(o)	<a href="#">5.6</a>	550	525
AASB 1060.36	<a href="#">5.7</a>	-	-
TI 1103(10)(iv)		<b>15,154</b>	<b>21,708</b>
TI 1103(11)		<b>42,772</b>	<b>56,639</b>
TI 1103(12)		<b>1,462,515</b>	<b>1,313,122</b>
TI 1103(13)			
TI 1103(13)(i)		100,960	88,960
TI 1103(13)(ii)		305,500	205,500
TI 1103(13)(iii)		1,056,055	1,018,662
TI 1103(14)		<b>1,462,515</b>	<b>1,313,122</b>

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



## Guidance – Statement of financial position

AASB 1060.37-41

### Current/non-current distinction

Assets and liabilities shall be classified as either current or non-current. Tier 2 reporting reflects the same liquidity distinction requirements imposed on Tier 1 reporters under AASB 101.60.

AASB 1060.44

### Sub-classification of line items

Depending on the size, nature and function of the amounts involved and requirements of AASs, the Statement of financial position line items must be sub-classified in a manner appropriate to the agency's operations (either in the Statement of financial position or in the related notes).

AASB 1060.40, 185

### Refinancing liabilities – classification

Financial liabilities shall be categorised as current when they are due to be settled within 12 months of the reporting period, even if:

- (a) the original term was for a period longer than 12 months; and
- (b) an agreement to refinance, or to reschedule payments, beyond 12 months, is completed after the reporting period and before the financial statements are authorised for issue.

### Where material, information to be presented includes:

AASB 1060.21, 35-36

#### Assets:

- Investment property;
- Biological assets;
- Investments in associates;
- Investments in joint ventures;
- Current tax assets; and
- Deferred tax assets.

#### Liabilities:

- Current tax liabilities;
- Deferred tax liabilities; and
- Liabilities included in disposal groups classified as held for sale under AASB 5 Non-current Assets Held for Sale and Discontinued Operations.

It must be noted that the line items need only be presented where the agency recognises such an asset or liability. This model includes additional line items as examples only.

If an agency holds additional assets/liabilities and the presentation of these is important for the understanding of the financial results they must be disclosed on the face of the Statement of financial position.

AASB 1053.9

### Simplified Disclosures

Agencies applying Tier 2 simplified disclosure requirements are exempted from the requirement of preparing a third statement of financial position (i.e. a third column) when they apply an accounting policy retrospectively, make a retrospective restatement of items in their financial statements or reclassify items in their financial statements.

AASB 1060.104,  
125-128, 129-131

### Interests in Other Entities

Where the financial statements consolidate another entity or recognise investments in associates or joint ventures, specific disclosures are required. This model excludes these disclosures.

## Reference

## Statement of changes in equity

AASB 1060.25(c)

For the year ended 31 December 2022

	Contributed equity	Reserves	Accumulated surplus/ (deficit)	Total equity	
	(\$000)	(\$000)	(\$000)	(\$000)	
	<b>Balance at 1 January 2021</b>	33,650	180,000	992,329	1,205,979
AASB 1060.61(b)	<i>Changes in accounting policy or correction of prior period errors</i>				
	<b>Restated balance at 1 January 2021</b>	33,650	180,000	992,329	1,205,979
AASB 1060.61(c)(i)	Surplus/(deficit)	-	-	26,333	26,333
AASB 1060.61(c)(ii)	Other comprehensive income	-	25,500	-	25,500
AASB 1060.61(a)	<b>Total comprehensive income for the period</b>	-	<b>25,500</b>	<b>26,333</b>	<b>51,833</b>
AASB 1060.61(c)(iii)	<i>Transactions with owners in their capacity as owners:</i>				
TI 955(3)(i)	Capital appropriation	65,000	-	-	65,000
	Royalties for Regions Fund – Regional Infrastructure and Headworks Account	-	-	-	-
AASB 1004.48	Other contributions by owners	1,500	-	-	1,500
AASB 1004.49	Distributions to owners	(11,190)	-	-	(11,190)
	<b>Total</b>	<b>55,310</b>	-	-	<b>55,310</b>
	<b>Balance at 31 December 2021</b>	<b>88,960</b>	<b>205,500</b>	<b>1,018,662</b>	<b>1,313,122</b>
	<b>Balance at 1 January 2022</b>	88,960	205,500	1,018,662	1,313,122
AASB 1060.61(c)(i)	Surplus/(deficit)	-	-	37,393	37,393
AASB 1060.61(c)(ii)	Other comprehensive income	-	100,000	-	100,000
AASB 1060.61(a)	<b>Total comprehensive income for the period</b>	-	<b>100,000</b>	<b>37,393</b>	<b>137,393</b>
AASB 1060.61(c)(iii)	<i>Transactions with owners in their capacity as owners:</i>				
TI 955(3)(i)	Capital appropriation	12,000	-	-	12,000
	Royalties for Regions Fund – Regional Infrastructure and Headworks Account	-	-	-	-
AASB 1004.48	Other contributions by owners	-	-	-	-
AASB 1004.49	Distributions to owners	-	-	-	-
	<b>Total</b>	<b>12,000</b>	-	-	<b>12,000</b>
	<b>Balance at 31 December 2022</b>	<b>100,960</b>	<b>305,500</b>	<b>1,056,055</b>	<b>1,462,515</b>

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

**Guidance – Statement of changes in equity**

AASB 1060.61

*This statement is included to present a reconciliation between the various classes of equity at the beginning of the period to the end of the period.*

*Where material, the following information must be disclosed:*

- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;*
- (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and*
- (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
  - (i) profit or loss;*
  - (ii) other comprehensive income; and/or*
  - (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.**



## Guidance – Contributed equity

### Capital appropriations

TI 955(3)(i)

TI 955 Contributions by Owners Made to Wholly Owned Public Sector Entities designates capital appropriations as contributions by owners in accordance with Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

### Transfer of net assets from other agencies

AASB 1060.216-218

AASB 1004 Contributions requires transfers of net assets as a result of a restructure of administrative arrangements to be accounted for as contributions by owners and distributions to owners.

Where activities are transferred from one agency to another agency as a result of a restructure of administrative arrangements, AASB 1004 (paragraph 57) requires the transferee agency to disclose the expenses and income attributable to the transferred activities for the reporting period, showing separately those expenses and income recognised by the transferor agency during the reporting period. Furthermore, AASB 1060 (paragraph 217) requires disclosures by class for each material transfer of assets and liabilities in relation to a restructure of administrative arrangements, together with the name of the counterparty transferor/transferee agency. In respect of transfers that are individually immaterial, the assets and liabilities are to be disclosed on an aggregate basis.

TI 955(3)(ii)


TI 955 designates non-discretionary and non-reciprocal transfers of net assets between state government agencies as contributions by owners in accordance with Interpretation 1038. Where the transferee agency accounts for a non-discretionary and non-reciprocal transfer of net assets as a contribution by owners, the transferor agency accounts for the transfer as a distribution to owners.

### Distribution to owners

TI 955(5)

TI 955 requires non-reciprocal transfers of net assets to the Government to be accounted for as distribution to owners in accordance with Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.



	<p><b>Guidance – Statement of cash flows</b></p>
<p>TI 1101(8)(i)</p>	<p>TI 1101 mandates an additional classification within an Agency’s Statement of cash flows. The category of cash flows from/to State Government in terms of paragraph (8)(i)(b) of this instruction is intended to include only those from or to the State Government. This includes appropriations and funds from other public sector entities. Non-repayable grants and contributions received from the Commonwealth (not re-appropriated through the Consolidated Account) are cash flows from operating activities. Treasurer’s Advances should be classified as cash flows from financing activities as they are repayable to the Treasurer.</p>
<p>TI 1101(14)</p>	<p>Purchase of non-current assets – due to the capitalisation threshold where assets below \$5,000 are to be expensed, the cash flows under investing activities represent the extent to which expenditure has been made for resources that are initially recognised as an asset in the Statement of financial position. Therefore, expenditure on items below \$5,000 is to be accounted for under operating activities.</p>
<p>TI 916(3)</p>	<p>Principal elements of lease payments – due to the threshold where leases below \$5,000 are to be expensed, the cash flows under financing activities represent the extent of amounts recognised as lease liabilities in the Statement of financial position. Therefore, expenditure on items below \$5,000 is to be accounted for under operating activities.</p> <p>Cash and cash equivalent assets transferred to/from an agency as part of a distribution to/contribution by owners should be reported under ‘Cash flows from State Government’.</p>
<p>TI 1101(7)(i)</p>	<p>While AASB 1060 permits the use of either the direct or the indirect method for reporting cash flows from operating activities, TI 1101 Application of Australian Accounting Standards and Other Pronouncements mandates application of the direct method.</p>
<p>AASB 1060.86</p>	<p><b>Non-cash transactions</b></p> <p>An entity shall exclude from the Statement of cash flows investing and financing transactions that do not require the use of cash or cash equivalents. An entity shall disclose such transactions elsewhere in the financial statements in a way that provides all the relevant information about those investing and financing activities.</p>



Where finance costs represent service concession interest expenses, leasing interest expenses or borrowing interest expenses, agencies have a policy choice as to where to present these. In the model above they are shown as operating activities as the model assumes the costs are in relation to the operations of the agency as opposed to financing or investing matters of the agency.

These models have highlighted common cash flow line items. In some instances, such as interest received, these line items are not populated. Where an agency does not have values to populate against line items, these line items should not be shown.



## Administered Schedules (Departments only)

Reference

### Administered income and expenses

For the year ended 31 December 2022

AASB 1060.219(a)-(b)

	Notes	2022 (\$'000)	2021 (\$'000)
<b>Income</b>			
For transfer:			
Regulatory fees and charges		4,855	4,050
Other revenue		1,140	1,080
<b>Total administered income</b>		<b>5,995</b>	<b>5,130</b>
<b>Expenses</b>			
Supplies and services		560	520
Grants and subsidies	<a href="#">9.2</a>	3,570	2,530
Transfer payments <sup>(a)</sup>	<a href="#">9.2</a>	1,505	250
<b>Total administered expenses</b>		<b>5,635</b>	<b>3,300</b>

(a) Transfer payments represent the transfer of non-retainable regulatory fees to the Consolidated Account.

(b) Further explanations of variances are contained in [note 9.2](#) 'Explanatory statement for administered items'.



### Guidance – Disclosure of administered income and expenses

TI 955 Guidelines

When an administering department retains the capital appropriation and administers the funds on behalf of central government, i.e. the appropriation is not transferred to a department (controlled agency), the department administering the capital appropriations should disclose the administered item in the notes as administered revenue called 'non-repayable capital appropriation'.

AASB 1060.220

In respect of administered payments to eligible recipients, the details of the broad categories of recipients and the amounts transferred to those recipients shall be disclosed.

Each major class of administered income and administered expenses that are reliably attributable to each of the department's activities and those not attributable to activities must be disclosed. Where a department is unable to reliably attribute administered income and administered expenses to the department's activities after making every reasonable effort to do so, this fact should be disclosed together with a brief explanation.

Where central agencies act as a conduit in connection with payments to an agency, they should not recognise administered income as those payments are made under pass-through arrangements.

Reference

**Administered assets and liabilities****As at 31 December 2022**

AASB 1060,219(c), (d)

**Current assets**

Cash and cash equivalents

1,850 1,490

Receivables

430 320

Other items as required

- -

**Total administered current assets****2,280 1,810****Non-current assets**

Property, Plant and equipment

280 260

Other items as required

- -

**Total administered non-current assets****280 260****Total administered assets****2,560 2,070****Current liabilities**

Payables

1,200 950

Other items as required

- -

**Total administered current liabilities****1,200 950****Non-current liabilities**

Other items as required

- -

**Total administered non-current liabilities****- -****Total administered liabilities****1,200 950*****Additional disclosures required for administered assets and liabilities***

Disclose any administered contingent assets and/or liabilities here.

In the rare circumstance that an administering department receives a repayable administered capital appropriation or an administered loan (e.g. an administered Treasurer's Advance), these administered items should be classified as administered borrowings here.

## Notes to the financial statements

### Reference

AASB 1060.11(b), 32(a)	The Agency is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The Agency is a not-for-profit entity (as profit is not its principal objective).
AASB 1060.32(b)	A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements.
AASB 1060.186	These annual financial statements were authorised for issue by the Accountable Authority of the Agency on 1 March 2023.

### Statement of compliance

AASB 1060.10, 11(a)  
TI 1101(12)-(13)

These general purpose financial statements are prepared in accordance with:

- 1) the *Financial Management Act 2006 (FMA)*
- 2) Treasurer's instructions (**TIs**)
- 3) Australian Accounting Standards (**AASs**) – Simplified Disclosures
- 4) where appropriate, those **AAS** paragraphs applicable for not-for-profit entities have been applied.


The FMA and TIs take precedence over AASs. Several AASs are modified by the TIs to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### Basis of preparation

TI 1101(3), (5)

AASB 1060.31(d),(e), 95(a)

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

	<b>Additional disclosures – Fair Values</b>
AASB 1060.115; AASB 1060.128; AASB 1060.131 AASB 1060.132(a) AASB 1060.140(c) AASB 1060.204(b)	<p>Agencies applying fair value to various assets and liabilities are required to provide qualitative disclosures concerning the basis of the valuation, assumptions and unobservable inputs affecting the values. The following references should be reviewed, where relevant:</p> <ul style="list-style-type: none"> <li>• Financial assets and liabilities;</li> <li>• Investment in associates;</li> <li>• Investments in joint ventures;</li> <li>• Investment property;</li> <li>• Intangible assets; and</li> <li>• Biological assets</li> </ul>

### Accounting for Goods and Services Tax (GST)

Int 1031.6-11

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- (c) amount of GST incurred by the Agency as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- (d) receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### Contributed equity

Int 1038

TI 955

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, as designated as contributions by owners (at the time of, or prior to, transfer) 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.

### Administered items (Departments only)

AASB 1060.219

The Department administers, but does not control, certain activities and functions for and on behalf of Government that do not contribute to the Department's services or objectives. It does not have discretion over how it utilises the transactions in pursuing its own objectives.

Transactions relating to the administered activities are not recognised as the Department's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered income and expenses', and 'Administered assets and liabilities'.

The accrual basis of accounting and applicable AASs have been adopted.



This model contains disclosures for Administered items which applies only to Departments. Statutory authorities should remove this item, along with [Note 9.2 Explanatory statement for administered items \(Departments only\)](#).

### Comparative information

AASB 1060.20

Except when an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. AASB 1060 provides relief from presenting comparatives for:

- Property, Plant and Equipment reconciliations;
- Intangible Asset reconciliations; and
- Right-of-Use Asset reconciliations.

### Judgements and estimates

AASB 1060.96, 97

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.



## Guidance – Basis of preparation and reporting entity

AASB 1060.96

### **Judgements, estimates and assumptions:**

*In preparing financial statements, the nature of significant judgements, estimates and assumptions made by management need to be disclosed. The following disclosures are required:*

- *the fact that significant assumptions, judgements and estimates were made;*
- *the nature of the significant assumptions, judgements and estimates; and*
- *how these were made (the method used).*

*Examples include lease commitments, valuation of investments and impairment of Infrastructure, property, plant and equipment etc.*

*In these financial statements where judgements have been made they have been included in the relevant note along with the policy description.*

*Agencies should consider carefully where there are material judgements and estimates they are making in the recognition and measurement of financial statement items. Agencies may have more judgements and estimates than are disclosed in these model statements.*

AASB 1060.97

### **Key sources of estimation uncertainty**

*Agencies shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:*

- (a) their nature; and*
- (b) their carrying amount at the end of the reporting period.*

AASB 1060.97

*Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period.*

*These disclosures are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on recently observed market prices.*

Reference

## 2. Use of our funding

### Expenses incurred in the delivery of services

This section provides additional information about how the Agency's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Agency in achieving its objectives and the relevant notes are:

	<b>Notes</b>
Employee benefits expenses	<a href="#">2.1(a)</a>
Employee related provisions	<a href="#">2.1(b)</a>
Grants and subsidies	<a href="#">2.2</a>
Other expenditure	<a href="#">2.3</a>

Reference

**2.1(a) Employee benefits expenses**

	<b>2022</b>	<b>2021</b>	
	<b>(\$000)</b>	<b>(\$000)</b>	
AASB 1060.58(a)	Employee benefits	635,757	569,002
AASB 1060.174	Termination benefits	1,000	-
AASB 1060.172	Superannuation – defined contribution plans	33,000	30,000
	<b>Employee benefits expenses</b>	<b>669,757</b>	<b>599,002</b>
TI 916(8)	Add: AASB 16 non-monetary benefits (not included in employee benefits expense)	5,000	4,000
APG 6	Less: Employee contributions (per <a href="#">note 3.5 Other income</a> )	(2,000)	(1,600)
	<b>Total employee benefits provided</b>	<b>672,757</b>	<b>601,402</b>

AASB 119.11,13,153

TI 1101 Guidelines

**Employee benefits** include wages, salaries and social contributions, accrued and paid leave entitlements and paid sick leave, and non-monetary benefits recognised under accounting standards other than AASB 16 (such as medical care, housing, cars and free or subsidised goods or services) for employees.

AASB 119.165

TI 1101 Guidelines

**Termination benefits** are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Agency is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

AASB 119.51-52

TI 1101 Guidelines

**Superannuation** is the amount recognised in profit or loss of the Statement of comprehensive income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, other GESB schemes or other superannuation funds.

TI 916(8), Guidelines,  
APG 6

**AASB 16 non-monetary benefits** are non-monetary employee benefits, predominantly relating to the provision of vehicle and housing benefits that are recognised under AASB 16 and are excluded from the employee benefits expense.

TI 1103 Guidelines

**Employee contributions** are contributions made to the Agency by employees towards employee benefits that have been provided by the Agency. This includes both AASB 16 and non-AASB 16 employee contributions.



Where an agency has more than one defined benefit plan, TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* mandates that disclosures shall be made separately for each plan.

Termination benefits have been included as a line item, and the associated policy note has also been included above. If the agency does not have such expenses in a given reporting period these should be excluded from the annual report.

For each category of termination benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date.

When there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. The Agency shall disclose information about its contingent liabilities in accordance with the section on Provisions and Contingencies in AASB 1060 unless the possibility of an outflow in settlement is remote.



### **Guidance – Non-monetary benefits provided to employees**

TI 916(8)  
TI 1103 Guidelines

*An agency that provides employee benefits in the form of non-monetary benefits, and the employees' right to those benefits do not accrue in proportion to their periods of service and do not accumulate. The agency recognises the cost incurred in providing the benefits on a gross basis in the period the benefits are taken by employees. Employee contributions towards these benefits are recognised as income to the agency.*

*For non-monetary benefits provided to employees that are subject to leases recognised in the Statement of financial position, the total cost of providing these benefits is interest and depreciation expenses recognised in accordance with AASB 16 Leases. A notional reconciliation will be required to enable the employee benefits expenses note to the financial statements to show the total cost of employee benefits incurred by the agency and the net benefits provided to employees. Refer to TI 916 Leases for further advice on accounting for leases.*

*In the notes to the financial statements, employee benefits expenses should show both the total cost of employee benefits incurred by an agency (employer) and the net benefits provided to employees.*



Reference

**2.1(b) Employee related provisions**

AASB 1060.44(e)

	2022 (\$'000)	2021 (\$'000)
<b>Current</b>		
<u>Employee benefits provisions</u>		
Annual leave	9,136	10,124
Long service leave	2,614	2,326
Deferred salary scheme	50	102
	<b>11,800</b>	<b>12,552</b>
<u>Other provisions</u>		
Employment on-costs	1,958	1,398
<b>Total current employee related provisions</b>	<b>13,758</b>	<b>13,950</b>
<b>Non-current</b>		
<u>Employee benefits provisions</u>		
Long service leave	500	666
<u>Other provisions</u>		
Employment on-costs	489	349
<b>Total non-current employee related provisions</b>	<b>989</b>	<b>1,015</b>
<b>Total employee related provisions</b>	<b>14,747</b>	<b>14,965</b>

AASB 119.13

Provision is made for benefits accruing to employees in respect of annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

AASB 1060.40(d)

**Annual leave liabilities** are classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.



This model is prepared on the expectation that it is unlikely for annual leave to be settled wholly within 12 months after the end of the reporting period.

AASB 119.8, 155

Therefore, the model characterises annual leave as 'other long-term employee benefits', recognising and measuring the liability for employee benefits at present value.

AASB 119.8, 11

Where annual leave is expected to be settled wholly within 12 months after the end of the reporting period, the liability may be recognised and measured at nominal amounts.

AASB 1060.40(d)

**Long service leave liabilities** are unconditional long service leave provisions and are classified as current liabilities as the Agency does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

AASB 119.11, 155


The provision for long service leave is calculated at present value as the Agency does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

AASB 1060.40(d)

**Deferred salary scheme liabilities** are classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

AASB 1060.153(b)-(d) **Employment on-costs** involve settlements of annual and long service leave liabilities which gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance premiums, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses, [note 2.3](#) (apart from the unwinding of the discount (finance cost))' and are not included as part of the Agency's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	<b>Guidance – Employment on-costs</b>
TI 1103 Guidelines	<p><i>Employment on-costs are recognised in other expenses at <a href="#">note 2.3</a> Other expenditure.</i></p> <p><i>Where a claim has been accepted, the amount of workers' compensation an agency pays its employee is considered to be made for and on behalf of the insurer (e.g. WorkCover). As such, the agency will account for the payment as a receivable and apply the subsequent recoups against that receivable.</i></p>

AASB 1060.153(a)	<b>2022 (\$000)</b>
<b>Employment on-costs provision</b>	
Carrying amount at start of period	1,747
Additional/(reversals of) provisions recognised	6,040
Payments/other sacrifices of economic benefits	(5,400)
Unwinding of the discount	60
<b>Carrying amount at end of period</b>	<b>2,447</b>




#### Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating an agency's long service leave provision. These include:

- expected future salary rates;
- discount rates;
- employee retention rates; and
- expected future payments.

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision. Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

	<b>Guidance – Deferred salary</b>
TI 1101 Guidelines	<p><i>Deferred salary schemes represent agreements between the agency and individual employees, whereby the employee sacrifices salary to purchase additional leave. The liability for leave is measured on a discounted basis by calculating the present value of estimated future cash outflows.</i></p> <p><i>Disclose any 48/52 leave arrangements in place as a separate line item similar to the Deferred salary scheme.</i></p> <p><i>Accumulating, non-vesting sick leave entitlements should be recognised as sick leave provisions, where appropriate, and disclosed as a separate line item.</i></p>



## Guidance – Employee benefits

AASB 119.9, 153

### Distinction between short-term and long-term employee benefits

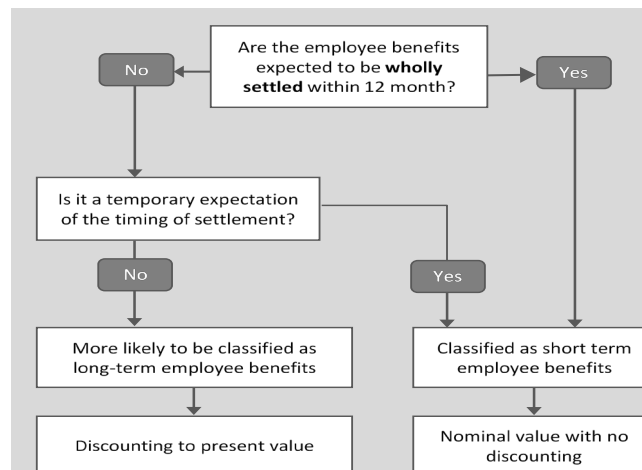
Employee benefits are classified as short-term when they are expected to be settled wholly within 12 months after the employees render the related services. For instance, the characterisation of annual leave benefit is mutually exclusive and it cannot be apportioned to ‘short-term benefits’ and ‘other long-term benefits’.

Government agencies should review their current short-term employee benefits to ensure their classification remains appropriate.

AASB 119.11, 155

### Measurement of short-term and long-term employee benefits

Short-term employee benefits are accounted for on an undiscounted basis in the period in which the related service is rendered. For employee benefits that are classified as long-term, the obligations are measured at present value (discounted basis). The decision tree below highlights the process considering the ‘short-term/long-term’ classification and measurement. It is generally expected that accrued annual leave will not be wholly settled before the end of the next annual reporting period, so that the provisions will need to be measured at present value (on a discounted basis).



### Unit of account

The definition of short-term employee benefits introduces the notion of ‘wholly’. The expectation of the timing of settlement is based on the agency level, not at the individual employee level.

It is unnecessary for agencies to obtain detailed information of each employee’s anticipated timing for their leave settlement. However, they should form their own reasonable expectations and document the timing of expected annual leave settlement. Expectations of characterisation of annual leave benefits being construed as ‘short-term employee benefits’ requires a greater onus of evidence to justify the calculation of the benefit at nominal values without discounting.

This Model assumes the annual leave accrued by the agency as at 31 December 2022 is not expected to be settled wholly within 12 months thereafter. Accordingly, the provision for annual leave is classified as ‘other long-term benefits’ for measurement purposes, and is discounted to its present value.

The Model assumes the discounting method is done on an annual basis, and entities are encouraged to adopt similar assumptions to ensure the consistency of agency reports.

### Provision for on-costs

On-costs, such as payroll tax and workers’ compensation insurance, are recognised as liabilities when the employment to which they relate has occurred. They are not employee benefits and are to be disclosed separately from provisions for employee benefits.



## Guidance – Employee benefits

AASB 1060.40(d)

### Current/non-current classification of employee benefits

All annual leave and unconditional vested long service leave are disclosed as a current liabilities. This is based on the assumption that the agency cannot avoid settling these liabilities within 12 months.

Conditional long service leave (less than seven years of continuous service) is disclosed as a non-current liability.

In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated timing of benefit payments.



## Guidance – Casual employees and long service leave

TI 1101 Guidelines

Government Sector Labour Relations (GSLR) confirmed and communicated in September 2019, that casual employees under the Public Service Award or Government Officers Salaries Allowances and Conditions (GOSAC) awards are entitled to long service leave (LSL). The entitlement arises even if the applicable award provides casual loading in lieu of LSL. Prior to this, agencies were required to calculate LSL for casual employees under the Long Service Leave Act 1958 (LSL Act).

GSLR has released guidance information to assist agencies with the transition from calculating casual employees LSL entitlements under the LSL Act to an applicable award.

When undertaking an assessment of their casual employees LSL entitlements agencies should take into consideration the following:

- the transitional arrangements and worked examples provided from the GSLR;
- the extent to which GSLR's guidance applies to the agency;
- the term 'continuous service' and the application of this to current and former employees;
- what time period the entitlement should be calculated back to (i.e. a retrospective approach); and
- whether legal advice is required.

If the LSL entitlements for their casual employees can be quantified, an agency should include it as part of their LSL provision.

Further guidance is available on the GSLR's website → <https://www.commerce.wa.gov.au/labour-relations/casuals-and-long-service-leave>

Agencies may wish to contact their Labour Relations Advisor at the Department of Mines, Industry Regulation and Safety's Government Sector Labour Relations unit if there are any queries on the implementation and transition to any new industrial agreements or related matters.

Reference

AASB 1060.58

## 2.2 Grants and subsidies

	2022 (\$000)	2021 (\$000)
<b>Recurrent</b>		
Function A	6,095	5,544
Agency A	164	146
Royalties for Regions Fund – Regional Infrastructure and Headworks Account	77	70
	-	-
<b>Capital</b>		
Function B	935	850
Industry group	2,530	2,300
<b>Total grants and subsidies</b>	<b>9,801</b>	<b>8,910</b>

Transactions in which the Agency provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant or subsidy expenses'. These payments or transfers are recognised at fair value at the time of the transaction and are recognised as an expense in the reporting period in which they are paid. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

The model agency is not responsible for administering a government subsidy scheme.



### Guidance – Grants and subsidies

*Broad categories of recipients must be disclosed in the notes to the financial statements under 'Grants and Subsidies', where material. Presentation of grants and subsidies expenditures should be tailored to the needs of users reliant on general purpose financial statements and reflect discharge of accountability requirements. To achieve this, a mixture of classifications may be required. These classifications can be based on sector, function, project, destination/recipient or a combination of these classifications, as appropriate.*

*Disclosure of the nature of the grants or subsidies expenditures is appropriate, for example:*

- *whether grants are for general purposes, that are not subject to conditions regarding their use, or for specific purposes which are paid for a particular purpose and/or have conditions attached regarding their use;*
- *whether grants are for operating or capital uses; and/or*
- *which government program gives rise to the subsidy.*

*Classification by sector may entail distinguishing public sector, private sector, private sector NFP recipients. Alternatively, the profile of the sector might be significant for transparency purposes (e.g. schools, households or sporting clubs).*

*Functional classification may incorporate differentiation between grants for research, targeted subsidy schemes, donations and sponsorships. Grants for research can be further disaggregated by area of research, distinguishing differences in the funding of aquaculture research, environmental research or digital system research.*



Have you identified and disclosed all grants and subsidies? Agencies should ensure adequate line item disclosure is made for material grants on issue by the government. E.g. Royalties for Regions Funds – Regional Community Services Account.

Reference

**2.3 Other expenditure**

	<b>2022</b>	<b>2021</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>Supplies and services</b>		
Communications	16,302	14,820
Consultants and contractors	15,318	13,925
Consumables	8,910	8,100
Materials	18,591	17,810
Other supplies and services expenses	1,859	1,690
<b>Total supplies and services expenses</b>	<b>60,980</b>	<b>56,345</b>
<b>Accommodation expenses</b>		
Office rental	6,306	5,770
Other accommodation expenses	657	560
<b>Total accommodation expenses</b>	<b>6,963</b>	<b>6,330</b>
<b>Other expenses</b>		
Repairs and maintenance	5,225	5,420
Expected credit losses expense	100	100
Employment on-costs	6,040	5,491
Research and development costs expensed	-	-
Other [ <i>List type of other material expenses</i> ]	694	1,771
<b>Total other expenses</b>	<b>12,059</b>	<b>12,782</b>
<b>Total other expenditure</b>	<b>80,002</b>	<b>75,457</b>

AASB 9.5.5.15,  
B5.5.35

AASB 1060.139

AASB 1060.95

**Supplies and services expenses** are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

**Office rental** is expensed as incurred as Memorandum of Understanding Agreements between the Agency and the Department of Finance for the leasing of office accommodation contain significant substitution rights.

**Repairs, maintenance and cleaning costs** are recognised as expenses as incurred.

**Other operating expenses** generally represent the day-to-day running costs incurred in normal operations.

**Building and infrastructure maintenance and equipment repairs and maintenance costs** are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

**Expected credit losses** is recognised for movement in allowance for impairment of trade receivables. Please refer to [note 5.1](#) Receivables for more details.

**Software modification costs** are recognised as expenses as incurred.

**Restoration expenses and warranties expenses** are recognised as the movement in the provision for restoration costs of leased premises and warranty claims. Please refer to [note 5.6](#) for more details.

**Employee on-cost** includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at [note 2.1\(b\)](#) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

**Expenditure on research activities** is recognised as an expense in the period in which it is incurred.



Note that 'Other expenditure' aggregating to more than 10% of total expenses without disclosure of the description of its nature may materially mislead users of general purpose financial statements. Agencies should review their categories of expenses and ensure that they are providing users with the appropriate level of detail to understand how the agency is utilising its funding. [AASB Practice Statement 2 Making Materiality Judgements](#) may assist agencies in determining which disclosures are appropriate.



'Other' may include short-term lease, low-value lease and variable lease payment expenses when they are immaterial. Further disclosure of these items is at [note 6.2 Lease liabilities](#).

Reference

### 3. Our funding sources

#### How we obtain our funding

This section provides additional information about how the Agency obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Agency and the relevant notes are:

	<b>Notes</b>
Income from State Government	<a href="#">3.1</a>
User charges and fees	<a href="#">3.2</a>
Sale of goods	<a href="#">3.3</a>
Commonwealth grants	<a href="#">3.4</a>
Other income	<a href="#">3.5</a>



Reference

**3.1 Income from State Government**

	2022 (\$000)	2021 (\$000)
AASB 1060.229(c)	Appropriation received during the period:	
	- Service appropriation	713,701
	<b>Total service appropriation</b>	<b>713,701</b>
AASB 1060.229(a) AASB 1060.157(b)	Income received from other public sector entities during the period:	
	- IT Training	-
	- IT Support	-
	<b>Total income from other public sector entities</b>	<b>-</b>
AASB 1060.215	Liabilities assumed by the Treasurer or other public sector entities during the period:	
	[List of liabilities]	-
	<b>Total liabilities assumed</b>	<b>-</b>
	Resources received from other public sector entities during the period:	
	- Assets transferred in	1,000
	- Services received free of charge	450
	<b>Total resources received</b>	<b>1,450</b>
AASB 1060.229(a)	Royalties for Regions Fund:	
	- Regional Infrastructure and Headworks Account	-
	- Regional Community Services Account	-
	<b>Total Royalties for Regions Fund</b>	<b>-</b>
	<b>Total income from State Government</b>	<b>805,441</b>

AASB 1058.10

**Service Appropriations** are recognised as income at the fair value of consideration received in the period in which the Agency gains control of the appropriated funds. The Agency gains control of the appropriated funds at the time those funds are deposited in the bank account or credited to the holding account held at Treasury.

AASB 1058.10  
AASB 15.31

**Income from other public sector entities** are recognised as income when the Agency has satisfied its performance obligations under the funding agreement. If there is no performance obligation, income will be recognised when the Agency receives the funds.

TI 1102(11)(i)


**Liabilities assumed by the Treasurer or other public sector entities** are recognised as income for an amount equivalent to the liability assumed when the liability is assumed.

TI 1102(11)(ii)

**Resources received from other public sector entities** is recognised as income equivalent to the fair value of assets received, or the fair value of services received that can be reliably determined and which would have been purchased if not donated.

AASB 1058.10, 16

**The Regional Infrastructure and Headworks Account, and, Regional Community Services Accounts** are sub-funds within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas and are recognised as income when the Agency receives the funds.

	<b>Guidance – Income from State Government</b>
APG 5	Agencies should assess whether a Royalties for Regions agreement contains any performance obligations that are sufficiently specific. Such performance obligations will be recognised as contract liabilities under AASB 15 Revenue from Contracts with Customers when the fund is received. Revenue will then be recognised when (or as) the performance obligations are satisfied.


Reference

**Summary of consolidated account appropriations**

AASB 1060.239

For the year ended 31 December 2022

	2022	2022	2022	2022	2022
	Budget	Supple- mentary funding	Revised budget	Actual	Variance
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Delivery of Services</b>					
Item X Net amount appropriated to deliver services	802,950	-	802,950	803,846	896
Section 25 Transfer of service appropriation	-	-	-	-	-
Amount authorised by other statutes	-	-	-	-	-
- Salaries and Allowances Act 1975	150	-	150	200	50
<b>Total appropriations provided to deliver services</b>	<b>803,100</b>	<b>-</b>	<b>803,100</b>	<b>804,046</b>	<b>946</b>
<b>Capital</b>					
Item Y Capital appropriations	11,000	-	11,000	12,000	1,000
<b>Administered Transactions</b>					
Item XX Administered grants, subsidies and other transfer payments	1,085	-	1,085	1,085	-
Item YY Administered capital appropriations	-	-	-	-	-
<b>Total administered transactions</b>	<b>1,085</b>	<b>-</b>	<b>1,085</b>	<b>1,085</b>	<b>-</b>
<b>Total consolidated account appropriations</b>	<b>815,185</b>	<b>-</b>	<b>815,185</b>	<b>817,131</b>	<b>1,946</b>

	<b>Guidance – Summary of consolidated account appropriations</b>
AASB 1060.239(a)(ii)	<p>The total of any supplementary amounts appropriated and amounts authorised other than by way of appropriation received by the agency must be separately disclosed.</p> <p>Agencies which:</p> <ul style="list-style-type: none"> <li>• receive an appropriation identified by an item number;</li> <li>• submit a separate cash disbursement profile for funding from the Consolidated Account; or</li> <li>• appear as a single Division of the Consolidated Account Expenditure Estimates,</li> </ul>

*must prepare a summary of consolidated account appropriations. Statutory authorities that receive their funding as a grant from a department under an agreement (e.g. service agreement, or delivery and performance agreement) are not required to present the summary.*

*Where a department and statutory authorities form a single Division of the Consolidated Account Expenditure Estimates, the department prepares the summary and includes both controlled appropriations and administered appropriations passed through the department to the statutory authorities.*

Reference

**3.2 User charges and fees**

	2022 (\$000)	2021 (\$000)
AASB 1060.157(b) User charges and fees		
- IT Training	15,207	14,382
- IT Support	705	615
	<b>15,912</b>	<b>14,997</b>

AASB 15.31, 46

Revenue is recognised at the transaction price when the Agency transfers control of the services to customers.

AASB 1060.157(a)

Revenue is recognised at a point-in-time for IT training [*insert description of the nature of the services that the Agency has promised to transfer*]. The performance obligations for these user fees and charges are satisfied when services have been provided [*Disclose the significant judgements made in evaluating when a customer obtains control of the services*].

AASB 1060.157(a), 158

Revenue is recognised over-time for IT support [*insert description of the nature of the services that the Agency has promised to transfer*]. The Agency typically satisfies its performance obligations in relation to these user fees and charges when [*disclose the methods used to recognise revenue which may include the description of the output methods or input methods used and how these methods are applied*].



Please note that the accounting policy for user charges and fees, as noted above, is a generic accounting policy and should be tailored to suit your relevant agency.

If applicable, agencies should include information on the significant payment terms, obligations for returns, refunds and other similar obligations and types of warranties and related obligations from their revenue from contracts with customers (AASB 1060.157(a)).

**Guidance – Fees and charges**

APG 5

*Fees and charges in subsidiary legislation are generally set annually at a level that is authorised by statute under which the subsidiary legislation is made.*

*Agencies should ensure that their fees and charges are a reasonable reflection of costs, though factors such as competitive neutrality and government policy objectives may alter this situation.*

*Most public sector fees and charges are recognised at a point in time (or over a relatively short period of time, e.g. a trip of public transport) when the services have been provided and payments are received. For example, the motor vehicle record fee will be recognised on the grant, renewal or variation of a vehicle licence and that is generally when a motorist makes the payment. If payments are not received, agencies will recognise a receivable. Note that trade receivables are subject to 'expected credit losses' under AASB 9 Financial Instruments.*

*Where fees and charges are recognised over-time (e.g. water and electricity charges), agencies may recognise revenue at the end of a period when they have provided the services to customers. This may coincide with their billing cycle. Revenue and receivables would be recognised on the issuance of the bills. If the periods of providing the services fall within a reporting period (e.g. school fees), subject to materiality, agencies may recognise all revenue at the end of the reporting period. That is, contract liabilities will be recognised at the end of the reporting period and revenue would not be recognised at the end of the reporting period for the amount of the contract liabilities that is outstanding.*

Reference

**3.3 Sale of goods**

	<b>2022</b>	<b>2021</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>Sale of goods:</b>		
AASB 1060.157(b) - IT booklets	2,435	1,934
- IT equipment	11,832	11,036
	<b>14,267</b>	<b>12,970</b>
<b>Cost of Sales:</b>		
AASB 1060.123(c) Opening Inventory	(16,375)	(11,300)
Purchases	(4,518)	(7,775)
	(20,893)	(19,075)
AASB 1060.123(b) <b>Closing Inventory</b>	15,333	15,375
Cost of Goods Sold	(5,560)	(3,700)
<b>Gross profit</b>	<b>8,707</b>	<b>9,270</b>
<b>Closing Inventory comprises:</b>		
<u>Current Inventories</u>		
Raw materials & stores (at cost)	6,123	6,365
Work in progress (at cost)	2,510	2,495
Finished goods:		
- At cost	4,570	4,545
- At net realisable value	2,130	1,970
<b>Total current inventories</b>	<b>15,333</b>	<b>15,375</b>
<u>Non-current Inventories</u>		
[List classes of inventories]	-	-
<b>Total non current inventories</b>	-	-
<b>Total Inventories</b>	<b>15,333</b>	<b>15,375</b>

AASB 15.31, 46  
AASB 1060.157(a)**Sale of Goods**

Revenue from the sales of goods is recognised at the transaction price when the Agency transfers control of the goods to customers. [Disclose any obligations for returns, refunds and warranties].

AASB 102.9, 25  
AASB 1060.123(a)**Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate for each class or inventory, with the majority being measured on a first in first out basis.

Inventories not held for resale are measured at cost unless they are no longer required, in which case they are measured at net realisable value.



Please note that the accounting policy for sale of goods and inventories, as noted above, are generic accounting policies and should be tailored to suit your relevant agency.

Note that these models do not include inventory impairment losses recognised or reversed in profit or loss (AASB 1060.123(d)). Agencies should ensure they consider their inventory valuations and make the appropriate disclosures should they result in such an impairment.

	<b>Guidance – Sale of goods</b>
APG 5	<p><i>A sale of goods results in the goods being transferred to the customer or to other parties on behalf of the customer (i.e. reciprocal). Therefore, revenue from sale of goods will be recognised in accordance with AASB 15 Revenue from Contracts with Customers.</i></p> <p><i>Sale of goods in the public sector will generally be recognised at a point in time when the goods have been transferred and payments are received.</i></p> <p><i>Where a sale of goods contains a significant financing component, agencies shall discount the promised amount of consideration to its present value. This is to recognise revenue at an amount that reflects the price a customer would pay for the goods if the customer paid cash on receiving the goods. The discount rate should reflect the credit characteristics of the customer as well as any collateral or security provided. That is, the discount rate should take into account any 'expected credit losses' from the customer. As a result, trade receivables that have been discounted should not be re-assessed year by year for expected credit losses, unless there are significant increases in credit risk.</i></p> <p><i>As a practical expedient, an agency needs not discount the promised amount of consideration for the effects of a significant financing component if the agency expects it will receive the payments within a year.</i></p>

	<b>Guidance – Inventories</b>
AASB 1060.123	<p><b>The financial statements shall disclose:</b></p> <ul style="list-style-type: none"> <li>(a) <i>the accounting policies adopted in measuring inventories, including the cost formula used;</i></li> <li>(b) <i>the total carrying amount of inventories and the carrying amount in classifications appropriate to the agency;</i></li> <li>(c) <i>the amount of inventories recognised as an expense during the period;</i></li> <li>(d) <i>impairment losses recognised or reversed in profit or loss in accordance with AASB 102 Inventories; and</i></li> <li>(e) <i>the total carrying amount of inventories pledged as security for liabilities.</i></li> </ul>
AASB 102.Aus9.1	<p><b>Other considerations:</b></p> <p><i>Inventories 'held for distribution' by not-for-profit entities must be disclosed separately in the notes and measured at cost, adjusted when applicable for any loss of service potential.</i></p>

Reference

**3.4 Commonwealth grants**

	<b>2022</b>	<b>2021</b>
	<b>(\$000)</b>	<b>(\$000)</b>
National Partnership Payments		
AASB 1060.229(a) - Recurrent grants	50	30
AASB 1060.233 - Capital grants	1,050	970
<b>Total commonwealth grants</b>	<b>1,100</b>	<b>1,000</b>

AASB 1058.10

Recurrent grants are recognised as income when the grants are receivable.

AASB 1060.234-237

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the Agency is recognised when the Agency satisfies its obligations under the transfer. The Agency satisfies the obligations under the transfer to construct assets over time as the non-financial assets are being constructed. The Agency typically satisfies the obligations under the transfer when it achieves milestones specified in the grant agreement and amounts received in advance of obligation satisfaction are reported at [note 5.5](#).



Please note that the accounting policy for commonwealth grants, as noted above, are generic accounting policies and should be tailored to suit your relevant agency.

**Guidance – National Partnership Payments**

APG 5

*National Partnership Payments (NPP) are generally be accounted for in accordance with AASB 1058. However, this would not necessarily result in cash accounting. For example, in relation to the Disaster Recovery Funding Arrangements where the Commonwealth will provide financial assistance to the State in certain circumstances (usually in the form of partial reimbursement of the State's expenditure and estimated reconstruction costs), the State would be able to recognise income under AASB 1058 when it incurs eligible expenses (prior to receiving the Commonwealth payments). This accrual accounting is possible because of the 'enforceable' Intergovernmental Agreement.*


*Note that NPPs for capital purposes shall be accounted for in accordance with paragraphs 15-16 of AASB 1058. For example, in relation to the NPP on Land Transport Infrastructure Projects where the Commonwealth provides funding for land transport infrastructure projects administered under the National Land Transport Act 2014, a capital grant liability will be recognised for any Commonwealth payments received in-advance. The State (through its agencies) will then recognise income when it achieves agreed project milestones.*

Reference

**3.5 Other income**

	<b>2022</b>	<b>2021</b>
	<b>(\$000)</b>	<b>(\$000)</b>
APG 6		
Employee Contributions <sup>(a)</sup>	2,000	1,600
	<b>2,000</b>	<b>1,600</b>
<u>Net proceeds from disposal of non-current assets</u>		
Land	990	-
Plant, equipment and vehicles	1,808	11,190
<u>Carrying amount of non-current assets disposed</u>		
Land	(690)	-
Plant, equipment and vehicles	(1,938)	(6,490)
<b>Net gains/(losses) on disposal of non-current assets</b>	<b>170</b>	<b>4,700</b>
TI 1102(7)(ii)(e)		
[List types of other material gains/(losses)]	-	-
AASB 1060.119		
<b>Other gains/(losses)</b>	<b>-</b>	<b>-</b>
<b>Total other income</b>	<b>2,170</b>	<b>6,300</b>

- (a) Income received by the Agency from subleasing of right-of-use assets relates to lease payments received from operating leases. The Agency has leased a number of right-of-use assets from the Government Regional Officer Housing (GROH), which it subleases out to employees at a subsidised rate. Information on the Agency's leasing arrangements with GROH can be found in [note 2.1\(a\)](#).

	<b>Guidance – Gains/(losses) on disposal</b>
TI 1102(6)(iv)(a), (7)(iv)	<p><i>Net disposal proceeds are gross proceeds less costs to sell. Costs to sell (e.g. sales commissions, netted from agency receipts) are ordinarily immaterial. Where the amounts are material, additional disclosure is warranted.</i></p> <p><i>Insured non-current assets written-off as a result of an insurable event should be treated as other expenses (write-off of assets destroyed by fire/storm/earthquake etc.). The subsequent insurance recovery is to be treated as 'Income from State Government' when it is received or receivable.</i></p> <p><i>TI 1102(7)(i) &amp; (ii) requires any material net gain/(loss), other income or other expense components of this note disclosure to be presented on the face of the Statement of comprehensive income. The amounts recognised in these models is immaterial and presentation in the notes is compliant with the required treatment.</i></p>



Did you have instances of:

- Material reversals of impairments; and
- Revaluation increments (offsetting decrements previously expensed).

**These will need to be disclosed as other income.**



*Reference*

## 4. Key assets

This section includes information regarding the key assets the Agency utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	<b>Notes</b>
Infrastructure, property, plant and equipment	<a href="#">4.1</a>
Intangibles	<a href="#">4.2</a>
Right-of-use assets	<a href="#">4.3</a>
Service concession assets	<a href="#">4.4</a>

## 4.1 Infrastructure, property, plant and equipment

Year ended 31 December 2022	Land	Buildings	Buildings under construction	Plant, equipment and vehicles	Office equipment	Infrastructure	Works of art	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>1 January 2022</b>								
Gross carrying amount	97,910	494,164	96,090	23,751	800	624,079	150	1,336,944
Accumulated depreciation	-	(55,454)	-	(11,402)	(94)	(23,002)	-	(89,952)
Accumulated impairment loss	-	-	-	-	-	-	-	-
<b>Carrying amount at start of period</b>	<b>97,910</b>	<b>438,710</b>	<b>96,090</b>	<b>12,349</b>	<b>706</b>	<b>601,077</b>	<b>150</b>	<b>1,246,992</b>
Additions	-	22,400	20,000	16,327	-	-	-	58,727
Transfers(a)	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Reclassification of assets held for sale	-	-	-	(3,370)	-	-	-	(3,370)
Revaluation increments/(decrements)	15,000	45,000	-	-	-	40,000	-	100,000
Impairment losses(b)	-	-	-	-	-	-	-	-
Impairment losses reversed(b)	-	-	-	-	-	-	-	-
Depreciation	-	(17,939)	-	(6,091)	(160)	(8,587)	-	(32,777)
<b>Carrying amount at end of period</b>	<b>112,910</b>	<b>488,171</b>	<b>116,090</b>	<b>19,215</b>	<b>546</b>	<b>632,490</b>	<b>150</b>	<b>1,369,572</b>
Gross carrying amount	112,910	561,564	116,090	36,708	800	664,079	150	1,492,301
Accumulated depreciation	-	(73,393)	-	(17,493)	(254)	(31,589)	-	(122,729)
Accumulated impairment loss	-	-	-	-	-	-	-	-

(a) The Department of Planning, Lands and Heritage (DPLH) is the only Department with the power to sell Crown land. The land is transferred to DPLH for sale and the Agency accounts for the transfer as a distribution to owner.

(b) Recognised in the Statement of comprehensive income. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.



### **Guidance – Infrastructure, property, plant and equipment**

AASB 1060.134(e)

*A reconciliation of the carrying amount of infrastructure, property, plant and equipment for the comparative period is not required under Tier 2 reporting requirements.*

AASB 1060.169

*Impairment losses and reversal of impairment losses for each class of asset shall be disclosed.*

## Reference

**Initial recognition**

AASB 1060.134(a)  
AASB 116.Aus15.1

Items of property, plant and equipment and infrastructure, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of comprehensive income (other than where they form part of a group of similar items which are significant in total).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

**Subsequent measurement**

AASB 1060.136

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of:

- land; and
- buildings.

Land is carried at fair value.

Buildings are carried at fair value less accumulated depreciation and accumulated impairment losses.

Infrastructure, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

AASB 1060.136

**Land and buildings** are independently valued annually by the Western Australian Land Information Authority (Landgate) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Land and buildings were revalued as at 1 January 2022 by Landgate. The valuations were performed during the year ended 31 December 2022 and recognised at 31 December 2022. In undertaking the revaluation, fair value was determined by reference to market values for land: \$108,000,000 (2021: \$93,640,000) and buildings: \$348,821,000 (2021: \$320,969,000). For the remaining balance, unobservable (level 3) inputs were used to determine the fair value. As at 31 December 2022, there were no indications of impairment to property, plant and equipment or infrastructure.

AASB 1060.136(c)

**Unobservable (level 3) inputs** used to determine fair values of Infrastructure, property, plant and equipment are:

Infrastructure:	<p><i>Historical cost per cubic metre (m<sup>3</sup>)</i></p> <p>The costs of construction of infrastructure are extracted from financial records of the Agency and indexed by movements in construction costs by quantity surveyors.</p>
Land:	<p>Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).</p>
Buildings:	<p><i>Historical cost per square metre floor area (m<sup>2</sup>)</i></p> <p>The costs of constructing specialised buildings with similar utility are extracted from financial records of the Model Department, then indexed by movements in CPI.</p> <p><i>Consumed economic benefit/obsolescence of asset</i></p> <p>These are estimated by the Western Australian Land Information Authority (Valuation Services).</p>



The above wording is provided on an example basis only. Agencies should be tailoring these disclosures to meet their facts and circumstances.



**Significant assumptions and judgements:** The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

AASB 13.B2



## Guidance – Infrastructure, property, plant and equipment

AASB 116.Aus15.1

### Initial recognition:

AASB 116.16

The following guidance is relevant in relation to the initial recognition and measurement of assets:

TI 1102(11)(ii)

- Assets acquired for significantly less than fair value should be initially recognised at their fair value.
- All other assets are initially measured at cost. AASB 116 provides guidance around the elements of cost. Agencies should refer to that guidance when acquiring and/or developing new assets.

Agencies should consider their capitalisation thresholds when recognising new assets and/or elements of cost that make up new assets.

TI 954(4)

### Subsequent measurement:

Land and buildings are mandated by TI 954 Revaluation of Non-Current Physical Assets to be subsequently measured at fair value. In addition, land and buildings where AASB 140 Investment Property applies must also subsequently be measured at fair value.

The adoption of the fair value basis for subsequent measurement of infrastructure, plant and equipment is at the agency's discretion.

All assets within a class (i.e. Buildings) must have the same measurement principles applied to it.

In this model, the agency has recognised revaluations annually. However, AASB 116 only requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

AASB 116.35

### On revaluation:

Agencies may elect to either:

- Restate the gross carrying amount by reference to observable market data (gross method); or
- Eliminate accumulated depreciation against the gross carrying amount of the asset and restate the net carrying amount to the revalued amount (net method).

TI 954 Guidelines

This model is prepared on the **gross basis** and the disclosure above reflects this election. By retaining useful information the basis provides a better disclosure outcome, though it may not always be practicable.

## Reference

AASB 1060.134(b)-(c)

AASB 116.51, 52

**Useful lives**

All infrastructure, property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life
Building	20 to 40 years
Plant and equipment	10 to 15 years
Office equipment	5 years
Software <sup>(a)</sup>	3 to 5 years
Motor vehicles	3 to 7 years
Infrastructure	55 to 80 years

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Land and works of art, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.



The useful lives illustrated in the Model Report are for illustrative purposes only. Agencies should determine appropriate useful lives for asset classes.

Other agencies may comment on indefinite lives of earthworks, land under roads, and core cultural assets where those assets are germane to their Statement of financial position.

**Impairment**

AASB 136.9, 59

Non-financial assets, including items of infrastructure, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

AASB 136.60

Where an asset measured at cost and is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

AASB 136.Aus61.1

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the class of asset.

AASB 136.Aus5.1

As the Agency is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.



Consider the policy wording above. It includes policy descriptions for impairment reversals. Agencies should ensure they tailor policies to their circumstances.



## Guidance – Depreciation and impairment

### Depreciation

AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* require that the consumption of physical or intangible assets by wear over time is classified as either depreciation or amortisation expense.

Agencies should be electing depreciation policies and useful lives that best reflect the pattern of use.

Agencies should ensure they are reviewing at least annually, the depreciation methods, useful lives and residual values of their physical or intangible assets.

Where adjustments are required, these should be treated as adjustments to an estimate. The change in depreciation only affects prospective Statements of comprehensive income. Changes to previously recognised depreciation expenses are expressly prohibited.

### Impairment

#### Steps to follow to determine whether an asset is impaired:

- Each agency shall apply AASB 136 *Impairment of Assets* to determine whether an asset is impaired and to account for any impairment loss identified.
- Each agency shall assess at the end of each reporting period whether there is any indication that an asset may be impaired.
- AASB 136.12 sets out potential indicators of impairment.
- Indicators can be external and internal to the organisation and include factors such as:
  - Evidence of obsolescence or damage
  - Changes in Government policy
  - Technological changes

AASB 136.12

Agencies should consider all factors and evidence available to them when assessing for indicators of impairment.

If any such indication exists, the agency shall estimate the recoverable amount of the asset.

- Recoverable amount is the higher of fair value less costs of disposal and value in use.
- For not-for-profit agencies regularly revaluing specialised assets, the recoverable amount is anticipated to be materially the same as fair value.

Please note that the above is generic and each agency should refer to AASB 136 and their individual circumstances to determine if impairment exists.

AASB 136.59, 60

#### Steps to follow after it was concluded that the asset is impaired:

- If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.
- An impairment loss is recognised immediately in profit or loss for items carried at historical cost.
- If the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and accounted for in other comprehensive income.

AASB 136.117, 119

#### Steps to follow if there is a reversal in an impairment loss previously recognised:

- When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.
- A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.
- If the above is the case, please refer to AASB 136 for further guidance.

Reference

**4.2 Intangible assets**

AASB 1060.137

Year ended 31 December 2022	Licences (\$000)	Computer Software (\$000)	Total (\$000)
<b>1 January 2022</b>			
Gross carrying amount	200	1,994	2,194
Accumulated amortisation	(20)	(772)	(792)
<b>Carrying amount at start of period</b>	<b>180</b>	<b>1,222</b>	<b>1,402</b>
Additions	-	-	-
Classified as held for sale	-	-	-
Impairment losses	-	-	-
Impairment losses reversed	-	-	-
Amortisation expense	(10)	(384)	(394)
<b>Carrying amount at end of period</b>	<b>170</b>	<b>838</b>	<b>1,008</b>

**Initial recognition**AASB 138.24,  
Aus24.1

Intangible assets are initially recognised at cost. For assets acquired at significantly less than fair value, the cost is their fair value at the date of acquisition.

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$5,000 or more that comply with the recognition criteria of AASB 138 *Intangible Assets* (as noted above) are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of comprehensive income.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) an intention to complete the intangible asset, and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) the intangible asset will generate probable future economic benefit;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

AASB 138.54, 57

Costs incurred in the research phase of a project are immediately expensed.

**Subsequent measurement**


AASB 138.74

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



This note should be tailored to meet the requirements of your agency. There may be elements of the policy wording that can be omitted or summarised depending on your agency's circumstances.



	<b>Guidance – Intangibles (disclosures)</b>
AASB 1060.137(e)	A reconciliation of the carrying amount of intangibles for the comparative period is not required under Tier 2 reporting requirements.

**Reference**

AASB 1060.137(a)

**Useful lives**

Amortisation of finite life intangible assets is calculated on a straight-line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the Agency have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

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

Asset	Useful life
Licences	Up to 10 years
Development Costs	3 to 5 years
Software(a)	3 to 5 years
Website Costs	3 to 5 years


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

**Impairment of intangible assets**

AASB 138.108

Intangible assets with indefinite useful lives are tested for impairment annually or when an indication of impairment is identified. As at 31 December 2022 there were no indications of impairment to intangible assets.

The policy in connection with testing for impairment is outlined in [note 4.1](#).

	<b>Guidance – Intangibles</b>
APG 2	<p>The following is relevant for the recognition and measurement of intangibles:</p> <ul style="list-style-type: none"> <li>• Agencies should assess their own circumstances in determining capitalisation thresholds for intangible assets (TI 1101 requires a minimum threshold of \$5,000).</li> <li>• Intangible assets can only be revalued to fair value where an active market exists. Please note that it is exceptionally rare that an active market exists for intangible assets and it is therefore unlikely that intangible assets will be revalued to fair value.</li> <li>• Intangible assets that have an indefinite useful life are not subject to amortisation but must be tested annually for impairment.</li> <li>• Amortisation commences when the intangible asset is available for use and ceases when the asset is classified as held-for-sale or where the asset has been fully amortised.</li> </ul> <p><b>Disclosure of amortisation</b></p>
AASB 1060.137(d)	An agency shall disclose the line item(s) of the Statement of comprehensive income in which any amortisation of intangible assets is included.
AASB 1060.138(a)	An agency shall also disclose a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements.
	<b>Additional disclosures for indefinite useful life Intangible assets</b>
AASB 1060.141	An agency shall disclose, for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the agency shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

***Amortisation policies***

AASB 138.97

*Agencies should be electing amortisation policies and useful lives that best reflect the pattern of use.*



## Additional disclosures – Intangibles

The following are examples of policy notes that may be applicable for some agencies:

### Licences

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

### Website Costs

Website costs are expensed when incurred unless they directly relate to the acquisition or development of an intangible asset. In this instance they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

### Development Costs

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can be reasonably regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

### Computer Software

Software that is an integral part of the related hardware is recognised as part of the tangible asset. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Reference

**4.3 Right-of-use assets**

Year ended 31 December 2022

	Buildings	Vehicles	Residential Housing	Concessionary Leases	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Carry amount at beginning of period</b>	22,418	2,130	-	-	<b>24,598</b>
AASB 1060.145 Additions	58	-	-	-	-
AASB 1060.145 Impairment losses	-	-	-	-	-
AASB 1060.145 Impairment losses reversed	-	-	-	-	-
AASB 1060.145 Depreciation	(1,890)	(703)	-	-	-
<b>Net carrying amount as at end of period</b>	<b>20,578</b>	<b>1,427</b>	-	-	<b>22,005</b>

AASB 1060.144(a)

AASB 1060.144(c)

The Agency has leases for vehicles, office and residential housing. The lease contracts are typically made for fixed periods of 1-10 years with an option to renew the lease after that date. Lease payments for buildings not leased through the Department of Finance are renegotiated every five years to reflect market rentals.

The Agency subleases residential housing to employees at a subsidised rate. The Agency recognises lease payments from operating leases as income on a straight-line basis over the term of the lease.

The Agency has also entered into a Memorandum of Understanding Agreements with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.



Are fixed periods of 1-10 years appropriate for the agency? If not, adjust disclosure as appropriate.

**Initial recognition**

AASB 16.23, 24

At the commencement date of the lease, the Agency recognises right-of-use assets and a corresponding lease liability for most leases. The right-of-use assets are measured at cost comprising of:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in [note 6.2](#)

AASB 16.5, 6

TI 916(3)

The Agency has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

**Subsequent Measurement**

AASB 16.29

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

**Depreciation and impairment of right-of-use assets**

AASB 16.30, 31

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

AASB 16.32

If ownership of the leased asset transfers to the Agency at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

AASB 16.33

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in [note 4.1](#).



This note should be tailored to meet the requirements of your agency. There may be elements of the policy wording that can be omitted or summarised depending on your agency's circumstances.

**Guidance – Right-of-use assets under concessionary leases**

TI 916(5)

*Treasurer's instruction 916 Leases mandates that right-of-use assets resulting from concessionary leases are measured at cost, comprising of:*

AASB 16.23, 24

- *the amount of the initial measurement of lease liability;*
- *any lease payments made at or before the commencement date less any lease incentives received;*
- *any initial direct costs; and*
- *restoration costs, including dismantling and removing the underlying asset.*

AASB 1060.151

*Therefore, in accordance with AASB 16 Leases, where the lessee is a not-for-profit entity and where the leases have below-market terms and conditions principally to enable the entity to further its objectives (concessionary leases) and measures a class or classes of concessionary lease right-of-use assets at initial recognition at cost, the lessee shall disclose additional qualitative and quantitative information about those leases necessary to meet the disclosure objectives. This is to ensure users understand the effects of these leases on the entity's financial position, financial performance and cash flows.*

*This additional information shall include, but is not limited to, information that helps users of financial statements to assess:*

- (a) *the entity's dependence on leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives; and*
- (b) *the nature and terms of the leases, including:*
  - (i) *the lease payments;*
  - (ii) *the lease term;*
  - (iii) *a description of the underlying assets; and*
  - (iv) *restrictions on the use of the underlying assets specific to the entity.*



Paragraphs 147 and 148 of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* contain disclosures for lessors with finance and operating leases. Agencies sub-leasing GROH properties are excluded from the scope of paragraph 148(a).



#### 4.4 Service Concession Assets

AASB 1060.242, 243

The following is an example of the disclosure and policy note for a service concession asset.

Determining whether an arrangement is a service concession requires significant judgement and should be assessed on an asset by asset basis. There is no one size fits all approach and the characteristics of each potential service concession arrangement should be considered. Agencies may seek external accounting advice to assist them with determining whether they have arrangements that fall under this Standard.

Name of the service concession asset (SCA)	Service concession asset 1	Service concession asset 2
Description of the arrangements		
Terms of the arrangement		
Period of the arrangement		
Rights and obligations		
Existing assets reclassified to SCA in the period ending 31 December 2022		
Changes in the arrangements occurred in the period ended 31 December 2022		
Carrying amount as at 31 December 2022		

#### Recognition and measurement

AASB 1059.7

For arrangements within the scope of AASB 1059 *Service Concession Assets: Grantor*, the entity recognises a service concession asset when it controls the asset. Where the asset is provided by the operator, or is an upgrade to or a major component replacement of an existing asset of the entity, the asset is recognised at current replacement cost based on AASB 13 *Fair Value Measurement* principles.

AASB 1059.11

At the same time the Agency recognises a corresponding service concession liability.

AASB 1059.8

Where the asset is an existing asset of the grantor, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of reclassification. Any difference at that date between the carrying amount of the asset and its current replacement cost is recognised as if it is a revaluation of the asset.

AASB 1059.9(a)

Subsequent to initial measurement, service concession assets are depreciated over the useful life in accordance with AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets*, as appropriate, with any impairment recognised in accordance with AASB 136 *Impairment of Assets*.

AASB 1059.10

At the end of the term of the service concession arrangement, the Agency accounts for the asset in accordance with other AASs and:

- (a) reclassifies the asset based on its nature or function;
- (b) references to fair value in other AASs shall no longer be read as references to current replacement cost; and
- (c) derecognises the asset in accordance with AASB 116 or AASB 138 when the Agency loses control of the asset.

Reference

## 5. Other assets and liabilities

This section sets out those assets and liabilities that arose from the Agency's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	<b>Notes</b>
Receivables	<a href="#">5.1</a>
Amounts receivable for services	<a href="#">5.2</a>
Other assets	<a href="#">5.3</a>
Payables	<a href="#">5.4</a>
Capital grant liabilities	<a href="#">5.5</a>
Other provisions	<a href="#">5.6</a>
Other liabilities	<a href="#">5.7</a>

Reference

**5.1 Receivables**

	<b>2022</b>	<b>2021</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<u>Current</u>		
Trade receivables	8,794	8,793
Allowance for impairment of trade receivables	(118)	(18)
Accrued revenue	-	-
GST receivable	421	414
	<b>9,097</b>	<b>9,189</b>
<u>Loans and advances:</u>		
Other debtors	-	-
	-	-
<b>Total current</b>	<b>9,097</b>	<b>9,189</b>
<u>Non-current</u>		
<u>Loans and advances:</u>		
Other debtors	-	-
<b>Total non-current</b>	-	-
<b>Total receivables at end of the period</b>	<b>9,097</b>	<b>9,189</b>

AASB 9.5.1.1, 5.1.3,  
4.1.2, 5.4.1

Trade receivables are initially recognised at their transaction price or, for those receivables that contain a significant financing component, at fair value. The Agency holds the receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

AASB 9.5.5.1,  
B3.2.16(r)

The Agency recognises a loss allowance for expected credit losses (ECLs) on a receivable not held at fair value through profit or loss. The ECLs based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate. Individual receivables are written off when the Agency has no reasonable expectations of recovering the contractual cash flows.


AASB 9.5.5.15, B5.5.35

For trade receivables, the Agency recognises an allowance for ECLs measured at the lifetime expected credit losses at each reporting date. The Agency has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to [note 2.3](#) for the amount of ECLs expensed in this financial year.




This note should be tailored to meet the requirements of your agency. There may be elements of the policy wording that can be omitted or summarised depending on your agency's circumstances.



	<b>Guidance – Receivables</b>
AASB 1060.116	<p>An agency shall disclose at each reporting date for each class of transferred financial assets that are not derecognised (including those that are not derecognised in their entirety):</p> <ul style="list-style-type: none"> <li>(a) the nature of the transferred assets.</li> <li>(b) the nature of the risks and rewards of ownership to which the agency is exposed.</li> <li>(c) the carrying amounts of the assets and of any associated liabilities that the entity continues to recognise.</li> </ul>



The above is included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a receivable balance is not material, the agency should consider whether disclosure is necessary.

	<b>Guidance – Expected credit losses</b>
AASB 9.5.5.17	<p>An agency shall measure expected credit losses of a financial instrument in a way that reflects:</p> <ul style="list-style-type: none"> <li>• an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;</li> <li>• the time value of money; and</li> <li>• reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.</li> </ul>
AASB 9.B5.5.35	<p>An agency would use its historical credit loss experience (adjusted as appropriate) for trade receivables to estimate the lifetime expected credit losses. A provision matrix might, for example, specify fixed provision rates depending on the number of days that a trade receivable is past due (for example, 1 per cent if not past due, 2 per cent if less than 30 days past due, 3 per cent if more than 30 days but less than 90 days past due, 20 per cent if 90-180 days past due etc.). Depending on the diversity of its customer base, the agency would use appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. Examples of criteria that might be used to group assets include geographical region, product type, customer rating, collateral or trade credit insurance and type of customer (such as wholesale or retail).</p>

Reference

**5.2 Amounts receivable for services (Holding Account)**

	<b>2022</b>	<b>2021</b>
	<b>(\$000)</b>	<b>(\$000)</b>
Current	17,139	19,795
Non-current	55,725	44,335
<b>Total Amounts receivable for services at end of period</b>	<b>75,864</b>	<b>64,130</b>

AASB 1060.112

TI 1101 Guidelines

**Amounts receivable for services** represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

The amounts receivable for services are financial assets at amortised cost, and are not considered impaired. (i.e. there is no expected credit loss of the Holding Account).

### 5.3 Other assets

	2022 (\$000)	2021 (\$000)
<b>Current</b>		
Prepayments		-
Other [describe]	550	560
<b>Total current</b>	<b>550</b>	<b>560</b>
<b>Non-current</b>		
Other [describe]	-	60
<b>Total non-current</b>	<b>-</b>	<b>60</b>
<b>Total other assets at end of period</b>	<b>550</b>	<b>620</b>



Entities should be applying materiality to all note disclosures to determine if their disclosure is relevant for the understanding of the financial statements.

#### Reference

### 5.4 Payables

	2022 (\$000)	2021 (\$000)
<b>Current</b>		
Trade payables	1,028	1,350
Other payables	528	480
Accrued expenses	201	160
Accrued salaries	2,450	2,801
Other [describe]	-	-
<b>Total payables at end of period</b>	<b>4,207</b>	<b>4,791</b>

AASB 1060.112

**Payables** are recognised at the amounts payable when the Agency becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as settlement for the Agency is generally within 15-20 days.

**Accrued salaries** represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The Agency considers the carrying amount of accrued salaries to be equivalent to its fair value.



The above are included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a payable balance is not material, the agency should consider whether disclosure is necessary.

TI 323 *Timely Payment of Accounts* requires payments for goods, services and for works or construction of less than \$1 million and not subject to an exemption, to be paid within 20 days. Payments for invoices over \$1 million are required to be settled within 30 calendar days of the receipt of a correctly rendered invoice, or provision of goods or services.

## 5.5 Capital grant liabilities

AASB 1060.233

	2022 (\$000)	2021 (\$000)
<b>Reconciliation of changes in capital grant liabilities</b>		
<b>Opening balance at the beginning of the period</b>	3,590	-
Additions	-	4,640
Income recognised in the reporting period.	(718)	(1,050)
<b>Closing balance at the end of period</b>	<b>2,872</b>	<b>3,590</b>
Current	574	718
Non-current	2,298	2,872

AASB 1058.16

The Agency recognises a capital grant liability for the excess of the initial carrying amount of a financial asset received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity.

When (or as) the obligations of the capital grant liability are satisfied under the transfer, the Agency recognises income in profit or loss. Information on the Agency's obligations can be found in [note 3.4](#).



### **Guidance – Capital grant liabilities**

AASB 1058.16

*The agency will need to determine if obligations attached to a capital grant require deferral of income until the obligations are satisfied.*

Reference

**5.6 Other provisions**

	Notes	2022 (\$000)	2021 (\$000)
<b>Current</b>			
Warranties	<a href="#">5.6.1</a>	62	45
Restoration provision	<a href="#">5.6.2</a>	-	-
<b>Total current</b>		<b>62</b>	<b>45</b>
<b>Non-current</b>			
Warranties	<a href="#">5.6.1</a>	-	-
Restoration provision	<a href="#">5.6.2</a>	550	525
<b>Total non-current</b>		<b>550</b>	<b>525</b>
<b>Balance at end of period</b>		<b>612</b>	<b>570</b>

AASB 1060.153(b)-(d)

**5.6.1 Provision for warranty claims**

The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the Agency's obligations for warranties under local sale of goods legislation. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled within two reporting periods, but this may be extended if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective.

**5.6.2 Restoration (make-good) provisions**

Some leased premises are required to be restored to their original condition at the end of their respective lease terms. A provision needs to be recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs are capitalised as part of the cost of leasehold improvements or right-of-use assets and are amortised over the shorter of the lease term and the useful life of the assets.

Under [*detail circumstances*] the Agency has a legal or constructive obligation to dismantle [*detail the property*] and restore the site.

The estimated future obligations include the costs of [*removing facilities, abandoning sites/wells and restoring the affected areas*].

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date [*based on current legal and other requirements and technology*]. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.



Agencies should also detail expected timing of payments, any significant uncertainties regarding the timing and amounts of payments required to settle the obligations.

Reference

**5.6.3 Movement in provisions**

AASB 1060.153(a)

	2022 (\$'000)
<b>Movements in each class of provision during period</b>	
<u>Warranty provisions</u>	
Carrying amount at start of period	45
Additional/(reversals of) provisions recognised	42
Payments	(28)
Unwinding of the discount	3
<b>Carrying amount at end of period</b>	<b>62</b>
<u>Restoration provisions</u>	
Carrying amount at start of period	525
Additional/(reversals of) provisions recognised	-
Payments	-
Unwinding of the discount	25
<b>Carrying amount at end of period</b>	<b>550</b>

**Guidance – Provisions (recognition)**

AASB 137.14

A provision shall be recognised when:

- (a) An agency has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

AASB 137.15

In rare cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period.

AASB 1060.154

For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation. For the purpose of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, that is, the probability that the event will occur is greater than the probability that it will not. Where it is not probable that a present obligation exists, an agency discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.



### Guidance – Provisions (disclosures)

AASB 1060.153(a)

For each class of provision, an agency shall disclose:

- (a) the carrying amount at the beginning and end of the period;
- (b) amounts used (that is, incurred and charged against the provision) during the period;
- (c) unused amounts reversed during the period; and

Comparative information is not required.

AASB 1060.153(b), (c)

An agency shall disclose the following for each class of provision:

- (a) A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits; and
- (b) An indication of the uncertainties about the amount or timing of those outflows.

#### Exemptions

AASB 1060.156

In extremely rare cases, disclosure of some or all of the information required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets can be expected to prejudice seriously the position of the agency in a dispute with other parties on the subject matter of the provision. In such cases, an agency need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Regardless of how sensitive certain information about provisions may be, this exemption from disclosure does not affect the requirement to recognise provisions that satisfy the criteria for recognition set out in AASB 137.

Reference

### 5.7 Other liabilities

	2022 (\$000)	2021 (\$000)
<u>Current</u>		
Other [ <i>describe</i> ]	-	-
<b>Total current</b>	-	-
<u>Non-current</u>		
Other [ <i>describe</i> ]	-	-
<b>Total non-current</b>	-	-
<b>Balance at end of period</b>	-	-

AASB 1060.112  
AASB 9.5.1.1

Other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost.



The above table is included for example purposes. Agencies should ensure they tailor this note to fit their circumstances. Where a balance is not material, the agency should consider whether disclosure is necessary.

Reference

## 6. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the Agency.

	<b>Notes</b>
Borrowings	<a href="#">6.1</a>
Lease liabilities	<a href="#">6.2</a>
Service concession liabilities	<a href="#">6.3</a>
Assets pledged as security	<a href="#">6.4</a>
Finance costs	<a href="#">6.5</a>
Cash and cash equivalents	<a href="#">6.6</a>
Capital commitments	<a href="#">6.7</a>

## Reference

**6.1 Borrowings**

AASB 1060.113

TI 1103(9)

	2022 (\$000)	2021 (\$000)
<u>Current</u>		
Other [describe]	-	-
<b>Total current</b>	-	-
<u>Non-current</u>		
Other [describe]	-	-
<b>Total non-current</b>	-	-
<b>Balance at end of period</b>	-	-

AASB 9.5.1.1

Borrowings refer to interest bearing liabilities mainly raised through Western Australian Treasury Corporation.

Interest bearing financial liabilities are classified at amortised cost are initially recognised at fair value of the consideration received less directly attributable transactions costs.


Subsequent to initial recognition the borrowings are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

The Agency designates the financial instruments at FVPL upon initial recognition when the designation eliminates, or significantly reduces, measurement or recognition inconsistency that would otherwise arise.

The Agency has not designated any financial liabilities at fair value through profit or loss.

The changes in fair value of financial liabilities designated at fair value through profit or loss are recognised in profit or loss with movements in fair value due to changes in the Agency's own credit risk recognised in other comprehensive income.



	<b>Guidance – Borrowings</b>
<p>AASB 132.AG12</p>	<p><b>Statutory borrowings</b></p> <p><i>Liabilities that are not contractual (such as liabilities that arise as a result of statutory requirements) are not financial instruments. Therefore, although these liabilities are similar to financial instruments, they are in fact not in the scope of AASB 7 Financial Instruments: Disclosures. However, entities who wish to apply disclosure requirements similar to those from AASB 7 to such liabilities may do so at their own discretion.</i></p>
	<p><b>Classification of financial instruments</b></p> <p><i>When the Statement of financial position presentation of a financial instrument differs from the instrument's legal form, it is desirable for an agency to explain in the notes the nature of the financial instrument.</i></p> <p><i>Disclosure requirements of AASB 1060.113 require separate disclosures for specified classes of financial instruments, whilst paragraph 9 of TI 1103 Statements of Financial Position requires agencies to distinguish interest bearing and non-interest bearing borrowings.</i></p>
<p>AASB 1060.117</p>	<p><b>Collateral</b></p> <p><i>When an agency has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose the following:</i></p> <ul style="list-style-type: none"> <li><i>(a) The carrying amount of the financial assets pledged as collateral; and</i></li> <li><i>(b) the terms and conditions relating to its pledge</i></li> </ul>
<p>AASB 1060.123, 135, 138(c)</p>	<p><b>Assets pledged as security</b></p> <p><i>The Agency shall disclose the following for assets pledged as security:</i></p> <ul style="list-style-type: none"> <li><i>(a) The total carrying amount of inventories pledged as security for liabilities;</i></li> <li><i>(b) The existence and carrying amounts of infrastructure, property, plant and equipment which the entity has pledged as security for liabilities; and</i></li> <li><i>(c) The existence and carrying amounts of intangible assets which the entity has pledged as security for liabilities.</i></li> </ul>
<p>AASB 1060.118</p>	<p><b>Defaults and breaches on loans payable</b></p> <p><i>For loans payable recognised at the reporting date for which there is a breach of terms or a default of principal, interest, sinking fund or redemption terms that have not been remedied by the reporting date, an agency shall disclose the following:</i></p> <ul style="list-style-type: none"> <li><i>(i) details of that breach or default;</i></li> <li><i>(ii) the carrying amount of the related loans payable at the reporting date; and</i></li> <li><i>(iii) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.</i></li> </ul>

Reference

**6.2 Lease liabilities**

AASB 1060.144(b)

	2022 (\$'000)	2021 (\$'000)
Not later than one year	5,979	6,562
Later than one year and not later than five years	11,317	17,296
Later than five years	-	-
	<b>17,296</b>	<b>23,858</b>
Current	5,979	6,562
Non-current	11,317	17,296
	<b>17,296</b>	<b>23,858</b>

AASB 16.26

At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Agency uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

AASB 16.27

Lease payments included by the Agency as part of the present value calculation of lease liability include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options (where these are reasonably certain to be exercised);
- payments for penalties for terminating a lease, where the lease term reflects the agency exercising an option to terminate the lease.
- Periods covered by extension or termination options are only included in the lease term by the Agency if the lease is reasonably certain to be extended (or not terminated).

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

AASB 16.38(b)

Variable lease payments, not included in the measurement of lease liability, that are dependent on sales, an index or a rate are recognised by the Agency in profit or loss in the period in which the condition that triggers those payment occurs.

**Subsequent measurement**

AASB 16.36

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

This section should be read in conjunction with [note 4.3](#).



AASB 1060.146A

The model agency has not received any COVID-19 rent concessions and therefore has made no assessment of whether a concession is a lease modification. This assessment impacts the measurement of the lease liability and AASB 1060 requires additional consequential disclosures.

	2022 (\$000)	2021 (\$000)
<b>Lease expenses recognised in the Statement of comprehensive income</b>		
Lease interest expense	365	371
Expenses relating to variable lease payments not included in lease liabilities	232	237
AASB 1060.146(b) Short-term leases	-	-
AASB 1060.146(b) Low-value leases	118	122
AASB 1060.150 Losses/(gains) arising from sale and leaseback transactions	-	-

AASB 16.6  
T1916(3)

**Short-term leases** with a lease term of 12 months or less are recognised on a straight-line basis unless the lessor is an agency within the Western Australian public sector.

**Low-value leases** with an underlying value of \$5,000 or less are recognised on a straight-line basis.

AASB 16.38(a)

**Variable lease payments** that are not included in the measurement of the lease liability are recognised in the period in which the event or condition that triggers those payments occurs.



Agencies should ensure they tailor this note to fit their circumstances and delete if not relevant to the facts and circumstances of the agency.

AASB 1060.146 (a)

If commitments for short-term leases are for a portfolio of leases different from the portfolio of short-term leases disclosed in the above table, the Agency is required to disclose prospective short-term lease payments in accordance with the periods at AASB 1060.144(b).



Did you have instances of licences that are in substance leases or contain leases?

**These will be within the scope of AASB 16 Leases and paragraphs 151-152 of AASB 1060**



## Guidance – Leases

### Recognition of lease contract

AASB 16.9

At inception, an agency should assess whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

AASB 16.12, 15

When a lease contract contains a lease component and non-lease component, and if the non-lease component is material, agencies account for the amount of the non-lease component separately, where practicable from the lease amount by applying other applicable Standards. Immaterial non-lease component(s) may be included in the lease amount, and accounted for as a single lease, by the agency.

TI 916(7)

### Reassessment of lease liability

AASB 16.40-43

Agencies are required to remeasure a lease liability where there has been a change in lease payments, change in the lease term or a change in the assessment of an option to purchase the underlying asset. These remeasurements are referred to as lease reassessments and the revised lease payments are discounted using a revised discount rate. In some situations, change in lease payments will require the use of an unchanged discount rate.

### Lease modifications

AASB 16.44-46

Agencies may also encounter lease modifications. Lease modifications will either be accounted for as a separate lease or as part of the existing lease. A separate lease is distinguished where the scope of the lease is increased by adding the right to use one or more underlying assets, and the consideration for a lease increase by an amount commensurate with the stand-alone price of the increase in scope.

	<b>6.3 Service concession liabilities</b>	
AASB 1060.242	The below illustrative disclosure is only intended to demonstrate how agencies could satisfy their disclosure obligations under AASB 1059 <i>Service Concession Arrangements: Grantors</i> .	
		2022 (\$000)
	<b>Current</b>	
	Service concession financial liability	
	Service concession liability - GORTO	
	<b>Non-current</b>	
	Service concession financial liability	
	Service concession liability - GORTO	
	<b>Service concession financial liability</b>	
	A financial liability, measured at amortized cost, is recognised where the State has a contractual obligation to pay the operator under the service concession arrangement for the provision of service concession assets and/or services. The liability is increased by interest charges ( <a href="#">note 6.4</a> ), based on the interest rate implicit in the arrangement. The liability is reduced by any payments made by the State to the Operator as required under the contract.	
	These payments take the form of Contributions (also referred to as capital contributions/capital payments) and other periodic payments (referred to as “Service Payments”). The capital payments are usually made during the construction phase of the asset and are associated with the design, construction, and financing of the service concession asset. The service payments compensate the operator for delivery of services such as ongoing operation, maintenance, replacement, and other costs.	
	<b>Grant of a right to the operator (GORTO) liability</b>	
	A grant of a right to the operator (GORTO) liability is recognised where the agency does not have a contractual obligation to pay cash or another financial asset but grants the right to the operator to earn revenue from the public use of the asset ( <a href="#">note 4.4</a> ).	
AASB 1059.11-12	<b>Guidance – Service concession liabilities</b>	
	Where the grantor recognises a service concession asset in accordance with AASB 1059 <i>Service Concession Arrangements Grantors</i> , the grantor shall:	
	(a) recognise a liability for the amount initially recognised as the service concession asset (i.e. current replacement cost), adjusted by the amount of any other considerations; and	
	(b) not recognise a liability when an existing asset of the grantor is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.	
	Depending on the nature of the service concession arrangement, the grantor recognises a liability based on the ‘financial liability’ model, ‘grant of right to the operator’ model or a combination of both.	
	<b>Types of consideration</b>	
AASB 1059.14, B51, B56	Depending on the terms of the service concession arrangement, the grantor may compensate the operator for the service concession asset and service provision by any combination of the following:	
	(a) making payments to the operator; and	
	(b) compensating the operator through non-monetary exchange.	

**Initial and subsequent measurement**Financial liability model

AASB 1059.15 Where the grantor has a contractual obligation to compensate the operator for the construction, development, acquisition or upgrade of the service concession asset, through the delivery of cash or another financial asset, the grantor shall recognise a financial liability.

AASB 1059.17 The financial liability shall be recognised and disclosed in accordance with AASB 9 Financial Instruments, AASB 132 Financial Instruments: Presentation and AASB 7 Financial Instruments: Disclosures, unless otherwise specified by the Standard.

AASB 1059.B64 For compensation in the form of predetermined payment or series of payments, the grantor shall determine the financial liability under such arrangement using the contractually specified interest rate in the arrangement to measure the financial liability. If this is not practical the grantor shall use the prevailing market rate(s) of interest.

Grant of a right to the operator model

AASB 1059.21 Where the operator is compensated through non-monetary means by the granting of the right to earn revenue from third-party users from the service concession asset or access to another revenue generating asset, the grantor shall recognise a liability.

AASB 1059.22 The liability is recognised as unearned revenue at the inception of the service concession arrangement and subsequently reduced as revenue is recognised according to the economic substance of the service concession arrangement. Usually the service concession asset is provided to the operator over the term of the service concession arrangement.

Hybrid arrangement

AASB 1059.24 A hybrid arrangement is a service concession arrangement consisting of a portion related to the financial liability model and a portion related to the grant of a right to the operator model. Under such an arrangement, each portion of the total liability related to the grantor's consideration must be accounted for separately.

AASB 1059.25 In apportioning the hybrid arrangement, the grantor will first measure and account for the financial liability portion under the hybrid arrangement, before allocating the remaining portion of the liability to the grant of a right to the operator model.

**Example disclosure**

The example disclosure below is only intended to demonstrate how agencies could satisfy their disclosure obligations under AASB 1059 Service Concession Arrangements: Grantors.

	2022 (\$000)	2021 (\$000)
<b><u>Current</u></b>		
Service concession financial liability	-	-
Service concession liability - GORTO	-	-
<b><u>Non-current</u></b>		
Service concession financial liability	-	-
Service concession liability - GORTO	-	-

## Reference

**6.4 Assets pledged as security**

AASB 7.14, 7.15

	2022 (\$000)	2021 (\$000)
<b>Assets pledged as security</b>		
The carrying amounts of non-current assets pledged as security are:		
Inventories	2,130	2,851
<b>Total assets pledged as security</b>	<b>2,130</b>	<b>2,851</b>

The Agency has secured the right-of-use assets against the related lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor.



Agencies should ensure they tailor this note to fit their circumstances and delete if not relevant to the facts and circumstances of the agency.

**Guidance – Assets pledged as security**

*The financial statements shall disclose the following for assets pledged as security:*

AASB 102.36(h)

(a) *the carrying amount of inventories pledged as security for liabilities;*

AASB 138.122(d)

(b) *the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities;*

AASB 116.74(a)

(c) *the carrying amount of the infrastructure, property, plant and equipment pledged and the related existence and amounts of restrictions on title;*

AASB 140.75(g)

(d) *the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and*

AASB 7.14

(e) *the carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities and any material terms and conditions relating to assets pledged as collateral.*

## Reference

**6.5 Finance costs**

	<b>2022</b>	<b>2021</b>
	<b>(\$000)</b>	<b>(\$000)</b>
	<b>Interest expense</b>	
AASB 1060.161	365	371
	Interest expense on lease liabilities	
AASB 101.82(b)	-	-
	Interest expense on service concession assets	
	160	120
	Other interest expense	
	<b>525</b>	<b>491</b>
	<b>Total interest expense</b>	
	<b>Other finance costs</b>	
AASB 1060.153(a)(ii)	88	77
	Unwinding of discounts applied to provisions	
	<b>88</b>	<b>77</b>
	<b>Total other finance costs</b>	
	<b>613</b>	<b>568</b>
	<b>Total finance costs expended</b>	

Finance cost includes the interest component of lease liability repayments, interest component of service concession financial liabilities and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.



AASB 1060.162, 163

Agencies should ensure they tailor this note to fit their circumstances and delete if not relevant to the facts and circumstances of the agency.

The agency may elect to recognise borrowing costs as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset (AASB 123.Aus8.1). Where they do so the policy should reflect that this is the case.

**Guidance – Finance costs**

AASB 123.5

*Finance costs are interest and other costs incurred by an agency in connection with the borrowing of funds and may include:*

- (a) interest expense calculated using the effective interest method as described in AASB 9 Financial Instruments;*
- (b) lease interest expense in respect of lease liabilities recognised in accordance with AASB 16 Leases;*
- (c) interest expense from the financial liability component of service concession arrangements that are calculated using the effective interest method in accordance with AASB 9; and*
- (d) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.*



## Reference

**6.6 Cash and cash equivalents**

Reference		<b>2022</b>	<b>2021</b>
		<b>(\$000)</b>	<b>(\$000)</b>
AASB 1060.88	Cash and cash equivalents	8,308	6,435
	Restricted cash and cash equivalents	3,650	1,020
	<b>Balance at end of period</b>	<b>11,958</b>	<b>7,455</b>
	<b>Restricted cash and cash equivalents</b>		
AASB 1060.89		<b>2022</b>	<b>2021</b>
TI 1103(7)		<b>(\$000)</b>	<b>(\$000)</b>
	<b>Current</b>		
	Grant <sup>(a)</sup>	3,590	970
	<b>Non-current</b>		
	Accrued salaries suspense account <sup>(b)</sup>	60	50

(a) Funds held for the research and development project on software development for public sector accounting.

(b) Funds held in the suspense account for the purpose of meeting the 27<sup>th</sup> pay in a reporting period that occurs every 11<sup>th</sup> year. This account is classified as non-current for 10 out of 11 years.

AASB 107.6-8

For the purpose of the Statement of cash flows, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

AASB 1060.89

The accrued salaries suspense account consists of amounts paid annually, from agency appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

Reference

**6.7 Capital commitments**

AASB 1060.135(b)

	2022 (\$000)	2021 (\$000)
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	27,000	35,000
Later than 1 year and not later than 5 years	41,000	53,000
Later than 5 years	-	-
	<b>68,000</b>	<b>88,000</b>



Agencies with contractual commitments for the acquisition of intangible assets will need to disclose those in accordance with AASB 1060.138(d)

**Guidance – Capital commitments**

TI 1103 Guidelines

**Contracted capital commitments**

*Capital commitments contracted for as at the end of the reporting period do not require disclosure where the commitments have been recognised as liabilities in the Statement of financial position.*

**GST**

*The purpose of the commitment note disclosure is to inform users of the commitments for payments from a cash flow perspective and consequently includes GST as appropriate.*

*Reference*

## 7. Financial instruments and contingencies

This note sets out the key risk management policies and measurement techniques of the Agency.

	<b>Notes</b>
Financial instruments	<a href="#">7.1</a>
Contingent assets and liabilities	<a href="#">7.2</a>

## Reference

**7.1 Financial instruments**

AASB 1060.113


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

	2022 (\$000)	2021 (\$000)
<b>Financial assets</b>		
Cash and cash equivalents	11,958	7,455
Financial assets at amortised cost <sup>(a)</sup>	81,961	72,905
<b>Total financial assets</b>	<b>93,919</b>	<b>80,360</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost <sup>(b)</sup>	23,903	36,619
<b>Total financial liability</b>	<b>23,903</b>	<b>36,619</b>

AASB 7.8(f)

(a) The amount of financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

(b) The amount of financial liabilities at amortised cost excludes GST payable to the ATO (statutory payable)

	<b>Guidance – Categories of financial assets and financial liabilities</b>
AASB 1060.113	<p>An agency shall disclose the carrying amounts of each of the following categories of financial assets and financial liabilities at the reporting date, in total, either in the Statement of financial position or in the notes:</p> <ul style="list-style-type: none"> <li>(a) financial assets measured at fair value through profit or loss;</li> <li>(b) financial assets measured at amortised cost;</li> <li>(c) financial liabilities measured at fair value through profit or loss;</li> <li>(d) financial liabilities measured at amortised cost; and</li> <li>(e) financial assets measured at fair value through other comprehensive income, showing separately: <ul style="list-style-type: none"> <li>i. financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9 Financial Instruments; and</li> <li>ii. investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of AASB 9.</li> </ul> </li> </ul>

	<b>Additional disclosures for financial Instruments</b>
AASB 1060.114,  AASB 1060.115	<p>This model has simple financial instruments that aren't fair valued.</p> <p>More complex fair-valued financial instruments would require:</p> <ul style="list-style-type: none"> <li>• Disclosure of information enabling financial statements users to evaluate the significance of financial instruments for its financial performance and position (e.g. terms, repayment schedules, interest rates); and/or</li> <li>• Disclosure by class of instrument, assumptions concerning prepayment rates, rates of estimated credit losses, and interest rates or discount rates.</li> </ul>

Reference

## 7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

AASB 1060.155

### 7.2.1 Contingent assets

The following contingent assets are excluded from the assets included in the financial statements:

#### Litigation in progress

A negligence claim has been filed against a supplier for faulty materials. The potential financial effect of the success of the claim cannot be reliably measured at this time.

AASB 1060.154

### 7.2.2 Contingent liabilities

The following contingent liabilities are excluded from the liabilities included in the financial statements:

#### Litigation in progress

A plaintiff has made a claim for \$50,000 in relation to an alleged breach of copyright. Liability has been denied and any legal claim will be defended.


#### Native title claims

The Agency's land is subject to a number of native title claims that have yet to be assessed by the National Native Title Tribunal. The financial effect should these claims be successful cannot be estimated at this time.

#### Contaminated sites

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

During the year the Agency reported three suspected contaminated sites to DWER. These have yet to be classified. The Agency is unable to assess the likely outcome of the classification process, and accordingly, it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the Agency may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

	<b>Guidance – Contingent assets and liabilities</b>
AASB 137.34	A contingent asset is disclosed where an inflow of economic benefits is probable.
AASB 137.28, 30	A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. If it becomes probable that an outflow of future economic benefits will be required, a provision is recognised in the period in which the change in probability occurs.
AASB 137.2 AASB 9.4.2.1(c)	AASB 137 Provisions, Contingent Liabilities and Contingent Assets does not apply to financial instruments that are within the scope of AASB 9 Financial Instruments. This includes contracts or arrangements that agencies entered into as the issuer of 'financial guarantee contracts'.

Reference

## 8. Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	<b>Notes</b>
Events occurring after the end of the reporting period	<a href="#">8.1</a>
Correction of period errors/changes in accounting policies	<a href="#">8.2</a>
Key management personnel	<a href="#">8.3</a>
Related party transactions	<a href="#">8.4</a>
Related bodies	<a href="#">8.5</a>
Affiliated bodies	<a href="#">8.6</a>
Special purpose accounts	<a href="#">8.7</a>
Remuneration of auditors	<a href="#">8.8</a>
Non-current assets held for sale	<a href="#">8.9</a>
Supplementary financial information	<a href="#">8.10</a>


Reference

**8.1 Events occurring after the end of the reporting period**

AASB 1060.185-188

The following table represents a summary of events occurring after the end of the reporting period:

- Provide details of the non-adjusting events that occurred after the end of the reporting period

	<b>Guidance – events occurring after the end of the reporting period</b>
AASB 110.3	<p>Events after the end of the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:</p> <ul style="list-style-type: none"> <li>• those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the end of the reporting period); and</li> <li>• those that are indicative of conditions that arose after the end of the reporting period (non-adjusting events after the end of the reporting period).</li> </ul>
AASB 1060.185	<p><u>Updating disclosure about conditions at the end of the reporting period</u></p>
AASB 110.8-9	<p>Agencies applying Tier 2 simplified disclosure requirements are required to update their financial statements and related disclosures where the agency receives information after the end of the reporting period about conditions that existed at the end of the reporting period, in light of the new information.</p>
AASB 1060.187-188	<p><u>Non-adjusting Events After the End of the Reporting Period</u></p>
AASB 110.10-11	<p>If non-adjusting events after the end of the reporting period are material, non-disclosure could influence the economic decisions of users taken on the basis of the financial report. Accordingly, an agency shall disclose the following for each material category of non-adjusting event after the end of the reporting period:</p>
AASB 110.21	<ul style="list-style-type: none"> <li>• the nature of the event; and</li> <li>• an estimate of its financial effect, or a statement that such an estimate cannot be made.</li> </ul>

## Reference

**8.2 Changes in accounting policy**

AASB 1060.106-110

The following table represents a summary of changes in accounting policy from initial application of accounting standards:

- Provide details of the prior period errors/changes in accounting policy.

**Guidance – Initial application of Australian Accounting Standards**

The following standards are operative for reporting periods ended on or after 31 December 2022:

- **AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities**  
Treasury considers that this standard provides disclosure relief from full IFRS compliance for Tier 2 reporters. It does not affect the recognition or measurement of the financial aggregates presented for the current or prior period.
- **AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities**
- **AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments**
- **AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date**
- **AASB 2020-7 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures**
- **AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments**
- **AASB 2021-1 Amendments to Australian Accounting Standards - Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities**
- **AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021**
- **AASB 2021-7a Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections**

Treasury considers that the remainder of the standards operative for this reporting period do not have material impact on agency accounts. However, it is the agency's responsibility to assess whether the standards apply to its own individual circumstances.

Agencies should ensure they:


- review the list of pending standards at: [Accounting Standards \(aasb.gov.au\)](https://www.aasb.gov.au)
- identify standards with potentially material impact on the reported results of the agency;
- put in place appropriate procedures to consider and measure the potential impact; and
- provide appropriate disclosures around the expected impact of the standard.





Agencies applying AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2, are exempted from disclosure of the amount of the adjustment for each financial statement line item affected for the current period and each prior period presented.

AASB 1060.107A



	<h3 style="text-align: center;">Guidance – Software-as-a-Service (SaaS) arrangements</h3>
	<p>The IFRS Interpretations Committee (IFRIC) has issued the following agenda decisions with respect to accounting for SaaS arrangements.</p> <ul style="list-style-type: none"> <li>• The first agenda decision, published in March 2019, concludes that SaaS arrangements are likely to be service arrangements, rather than intangible or leased assets. This is because the customer typically only has a right to receive future access to the supplier's software running on the supplier's cloud infrastructure and therefore the supplier controls the intellectual property (IP) of the underlying software code.</li> <li>• The second agenda decision, published in April 2021, deals with specific circumstances in relation to configuration and customisation costs incurred in implementing SaaS:             <ol style="list-style-type: none"> <li>a. In limited circumstances, certain configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset, where the customer controls the IP of the underlying software code. For example, the development of bridging modules to existing on-premise systems or bespoke additional software capability.</li> <li>b. In all other instances, configuration and customisation costs will be an operating expense. They are generally recognised in profit or loss as the customisation and configuration services are performed or, in certain circumstances, over the SaaS contract term when access to the cloud application software is provided.</li> </ol> </li> </ul> <p>Agencies should consider whether these agenda decisions affect their current accounting treatments of SaaS arrangements and, if necessary, seek external advice. Any resulting change in accounting policy should be applied in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.</p>

	<h3 style="text-align: center;">Guidance – Voluntary changes in accounting policies</h3>
<p>AASB 108.21 TI 1101 Guidelines</p>	<p>Where an agency decides to make a voluntary change in accounting policy, this shall be accounted for under AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities and is to be applied retrospectively. An example of a voluntary change in accounting policy is an increase in the asset capitalisation threshold.</p>
<p>AASB 108.22 AASB 108.17</p>	<p>Under AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, voluntary changes in accounting policy are adjusted against the opening balances of each affected component of equity in the comparatives. Note that changes in accounting policy under AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets in respect of the revaluation of assets are not accounted for under AASB 108. Changes to the revaluation model under these Standards are not applied retrospectively.</p>
<p>AASB 108.22-27</p>	<p>A change in accounting policy is applied retrospectively, the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented shall be adjusted as if the policy had always been applied, except to the extent it is impracticable to do so.</p>

	<h3 style="text-align: center;">Guidance – Correction of prior period errors</h3>
<p>AASB 108.42</p>	<p>Where an agency has identified material prior period errors, they should be retrospectively corrected in the first complete set of financial statements authorised for issue after their discovery by:</p> <ul style="list-style-type: none"> <li>• restating the comparative amounts for the prior period(s) presented in which the error occurred; or</li> <li>• if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.</li> </ul>

AASB 108.44, 45	<i>Corrections of prior period errors are adjusted against the opening balances of each affected component of equity in the comparatives.</i>
AASB 1060.110(d)	<i>Exemptions to this arise when it is impracticable to measure the effect of the prior period error. In such circumstances appropriate disclosures need to be made to describe the event.</i>
	<i>Whether or not the impact is measured, agencies need to provide adequate narration to the financial statements to allow for users to understand the impact of the error on the financial results.</i>

Reference

### 8.3 Key management personnel

The Agency has determined key management personnel to include cabinet ministers and senior officers of the Agency. The Agency does not incur expenditures to compensate Ministers and those disclosures may be found in the *Annual Report on State Finances*.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the Agency for the reporting period are presented within the following bands:

TI 952(2)	<b>Compensation band (\$)</b>	<b>2022</b>	<b>2021</b>
	130,001 – 140,000	1	1
	110,001 – 120,000	1	-
	100,001 – 110,000	2	2
	60,001 – 70,000	1	2
	50,001 – 60,000	1	1
		<b>2022</b>	<b>2021</b>
		<b>(\$000)</b>	<b>(\$000)</b>
AASB 1060.194	<b>Total compensation of senior officers</b>	<b>580</b>	<b>580</b>



#### **Guidance – Key management personnel**

TI 952(2)(c)

Statutory Authorities shall disclose the number of members of the accountable authority, whose total compensation for the financial year falls within each band of income of \$10,000, separately from those for other senior officers.

TI 952(2)(d)

Agencies should ensure they disclose the number of senior officers who are members of the Pension Scheme.

Compensation should be determined by applying the relevant requirements under AASB 119 Employee Benefits as the basis for measuring the components of remuneration.

AASB 119 distinguishes employee benefits on the basis of when the benefits are expected to be settled and the employment status at the time of that settlement.

Reference

**8.4 Related party transactions**

AASB 1060.192

The Agency is a wholly owned public sector entity that is controlled by of the State of Western Australia.


APG 4

Related parties of the Agency include:

- all Cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other agencies and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities);
- associates and joint ventures of a wholly-owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

**Material transactions with related parties**

Outside of normal citizen type transactions with the Agency, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

	<p><b><i>Example of specific related party disclosure note</i></b></p>
<p>AASB 1060.198</p>	<p>During the year, a company controlled by a related party of a Minister, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm's length transactions under the State's procurement process. The transaction involved the provision of IT support services to support the migration of the agency's financial management system and various databases to cloud-based platforms with a total value of \$45 million spread evenly over four years. The contract imposes no further commitments.</p> <p>All other transactions that have occurred with key management personnel and other related parties have been trivial or domestic in nature.</p>



## Guidance – Related party transactions

APG 4

*The Western Australian Government is the parent of almost all public sector entities. However, agencies should note that there are a number of entities that are not regarded as being controlled (for example: universities, local governments, Public Trustee and Legal Contribution Trust) by the State.*

*The Government Employee Superannuation Board is a related party as it benefits the majority of the agency's employees in accordance with paragraph 9(b)(v) of AASB 124 Related Party Disclosures, despite not being controlled by the Western Australian Government.*

*Refer to note 7 'Composition of Sectors' in Appendix 1 'Detailed Financial Projections' of the Budget Paper No. 3 'Economic and Fiscal Outlook' for a list of entities included in the State's consolidated financial statements.*

*AASB 124 only require the disclosure of material related party transactions, including outstanding balances and commitments.*

- *Materiality is subject to professional judgement and goes beyond the dollar value of the transaction or balance.*
- *Judgements should consider the objective of the Standard when determining whether quantitative or qualitative materiality justifies the disclosure, or non-disclosure, of transactions in the financial statements.*

*However, it is important to note that all key management personnel need to complete the mandated declaration form.*

*This information is necessary to enable agencies to prepare the financial statements and external auditors to conduct the necessary audit work according to Australian Auditing Standard ASA 550 Related Parties.*

*This provides evidence (subject to audit) that all relevant information has been made available for the assessment and also because a transaction that may appear immaterial on its own, may in combination with other like transactions have a material effect on the State's or agency's financial statements and therefore warrants disclosure.*

Reference

**8.5 Related bodies**

TI 951(3), (4)

The Agency had two related bodies during the financial year and meet all operating expenses of these bodies as follows:


	2022 (\$000)	2021 (\$000)
TNT Agency	6,290	6,540
ABN Agency	75	70
<b>Total</b>	<b>6,365</b>	<b>6,610</b>

The transactions and results of the related bodies have been included in the financial statements.

**8.6 Affiliated bodies**

TI 951(5), (6)

Excellent Board is a government affiliated body that received administrative support and a grant of \$2,300,000 (2021: \$1,200,000) from the Agency. The Excellent Board is not subject to operational control by the Agency.

	<b>Guidance – Related and affiliated bodies</b>
TI 951(3)	<i>A related body is a body that receives more than half of its funding and resources from an agency and is subject to operational control by that agency.</i>
TI 951(5)	<i>An affiliated body is a body that receives more than half its funding and resources from an agency but is not subject to operational control by that agency.</i>

## Reference

**8.7 Special purpose accounts**

TI 1103(15)(iii)

*The Prize Fund<sup>(a)</sup>*

The purpose of the account is to hold funds from donations and bequests in trust for the purpose of awarding prizes to schools and colleges in the information technology field.

	2022 (\$000)	2021 (\$000)
Balance at start of period	-	560
Receipts	390	135
Payments	(305)	(695)
<b>Balance at end of period</b>	<b>85</b>	<b>-</b>

*The Industry Fund<sup>(b)</sup>*

The purpose of the account is to hold funds appropriated by Parliament for the development of initiatives improving the competitiveness of the Western Australian technology industry.

	2022 (\$000)	2021 (\$000)
Balance at start of period	-	-
Receipts	100	-
Payments	(50)	-
<b>Balance at end of period</b>	<b>50</b>	<b>-</b>


(a) Established under section 16(1)(c) of FMA.

(b) Established under section 16(1)(d) of FMA.

TI 802(6)



A copy of the approved special purpose statement or trust statement is required to be published in the annual report in the financial year it is approved or amended. This requirement was moved from TI 950 to TI 802(6) in preparation for December 2022 financial reporting.

	<b>Guidance – Special purpose accounts</b>
TI 1103(15)(iii)	<p>Agencies are required to provide cash-based reporting for any special purpose accounts established under section 16(1)(b), (c) or (d) of the FMA. The relevant disclosure requirements are:</p> <ul style="list-style-type: none"> <li>• the purpose of the special purpose account;</li> <li>• the balance of the account at the beginning of the financial year;</li> <li>• total receipts;</li> <li>• total payments; and</li> <li>• the balance of the account at the end of the financial year.</li> </ul> <p>The above information can be presented in a table format.</p>

## Reference

**8.8 Remuneration of auditors**

AASB 1060.98, 99

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

	2022 (\$000)	2021 (\$000)
Auditing the accounts, financial statements, controls, and key performance indicators	55	50

**Guidance – Remuneration of auditors**

AASB 1060.98, 99

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities requires agencies to disclose the amounts paid or payable to:

- a. the auditor of the entity for an audit or a review of the financial statements of the entity; and
- b. the auditor of the entity for non-audit services in relation to the entity, disclosing separately the nature and amount of each of the non-audit services provided by the auditor.



## Reference

**8.9 Non-current assets classified as assets held for sale**

AASB 1060.47(a)

The following table represents a summary of assets held for sale


	<b>2022 (\$000)</b>	<b>2021 (\$000)</b>
Land	-	1,090
Plant, equipment and vehicles	3,370	2,038
<b>Total assets classified as held for sale</b>	<b>3,370</b>	<b>3,028</b>

AASB 1060.47(b)

Assets surplus to requirements were identified for orderly disposals by the Agency.



This note may be extended to include discontinued operations where relevant. However, discontinued operations does not refer to restructuring of administrative arrangements. Restructuring of administrative arrangements is out of scope of AASB 5.

	<b>Guidance – Non-current assets held for sale</b>
	<i>Discontinued operations are rare in the public sector and therefore are not addressed in this model.</i>
AASB 1060.47(a)	<i>Describe asset(s) or classes of assets, with any associated liabilities on hand for disposal at year end.</i>
AASB 1060.47(b)	<i>Describe the facts and circumstances of the disposal, and the expected manner and timing of that disposal.</i>

Reference

**8.10 Supplementary financial information**

TI 952(5)(i)

**(a) Write-offs**

During the financial year, nil (2021: \$370,000) was written off the Agency's books under the authority of:

	2022 (\$000)	2021 (\$000)
The accountable authority	-	10
The Minister	-	105
The Treasurer	-	255
	-	370

TI 952(5)(ii)

**(b) Losses through theft, defaults and other causes**

	2022 (\$000)	2021 (\$000)
Losses of public money, other money and public and other property through theft or default	-	-
Amounts recovered	-	-
	-	-

TI 952(5)(iii)

**(c) Forgiveness of debts**

	2022 (\$000)	2021 (\$000)
Forgiveness (or waiver) of debts by the Agency	-	-
	-	-

TI 952(5)(iv)

**(d) Gift of public property**

	2022 (\$000)	2021 (\$000)
Gift of public property by the Agency	-	-
	-	-

***Forgiveness (or waiver) of debts by the Agency***

TI 952(5)(iii)

Forgiving or waiving debts occurs under other written law administered by the Agency. Where this occurs, TI 952 then requires disclosure of amounts forgiven or waived as a total. The authority for exercising the forgiveness or waiver should be disclosed (e.g. under authority of the relevant statute).

Amounts written off under section 48 of the FMA should not be disclosed in this total.

*Reference*

## 9. Explanatory Statements

This section explains variations in the financial performance of the Agency.

	<b>Note</b>
Explanatory statement for controlled operations	<a href="#">9.1</a>
Explanatory statement for administered items (Departments only)	<a href="#">9.2</a>

## Reference

**9.1 Explanatory statement for controlled operations**

TI 945(2)(ii)(c), (3), (4)

This explanatory section explains variations in the financial performance of the Agency undertaking transactions under its own control, as represented by the primary financial statements.

AASB 1060.222

All variances between annual estimates (original budget) and actual results for 2022, and between the actual results for 2022 and 2021 are shown below. Narratives are provided for key major variances which vary more than 10% from their comparative and that the variation is more than 1% of the:

- Total Cost of Services [for the previous year, or current year estimate] for the Statements of comprehensive income and Statement of cash flows (i.e. 1% of \$724,085,000 in the example below); and
- Total Assets [for the previous year, or current year estimate] for the Statement of financial position (i.e. 1% of \$1,369,761,000 in the example below).

**9.1.1 Statement of comprehensive income variances**

	Variance note	Estimate 2022	Actual 2022	Actual 2021	Variance between actual and estimate	Variance between actual results for 2022 and 2021
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Expenses</b>						
Employee benefits expense	a	670,435	669,757	599,002	(678)	70,755
Supplies and services		65,487	60,980	56,345	(4,507)	4,635
Depreciation and amortisation expense		34,530	35,764	36,448	1,234	(684)
Finance costs		679	613	568	(66)	45
Accommodation expenses		6,843	6,963	6,330	120	633
Grants and subsidies		9,904	9,801	8,910	(103)	891
Cost of Sales		5,156	5,560	3,700	404	1,860
Other expenses		12,945	12,059	12,782	(886)	(723)
<b>Total cost of services</b>		<b>805,979</b>	<b>801,497</b>	<b>724,085</b>	<b>(4,482)</b>	<b>77,412</b>
<b>Income</b>						
User charges and fees		14,654	15,912	14,997	1,258	915
Sales		13,348	14,267	12,970	919	1,297
Commonwealth grants		1,050	1,100	1,000	50	100
Interest revenue		-	-	-	-	-
Other Income		2,015	2,170	6,300	155	(4,130)
<b>Total income other than income from State Government</b>		<b>31,067</b>	<b>33,449</b>	<b>35,267</b>	<b>2,382</b>	<b>(1,818)</b>
<b>Net cost of services</b>		<b>774,912</b>	<b>768,048</b>	<b>688,818</b>	<b>(6,864)</b>	<b>79,230</b>

<b>Income from State Government</b>						
Service appropriation	b	802,950	803,846	713,701	896	90,145
Income from other public sector entities		-	-	-	-	-
Liabilities assumed		-	-	-	-	-
Resources received		1,507	1,595	1,450	88	145
Royalties for Regions Fund		-	-	-	-	-
<b>Total income from State Government</b>		<b>804,457</b>	<b>805,441</b>	<b>715,151</b>	<b>984</b>	<b>90,290</b>
<b>Surplus/(deficit) for the period</b>		<b>29,545</b>	<b>37,393</b>	<b>26,333</b>	<b>(7,848)</b>	<b>(11,060)</b>
<b>Other comprehensive income</b>						
<b>Items not reclassified subsequently to profit or loss</b>						
Changes in asset revaluation surplus		95,000	100,000	25,500	5,000	74,500
<b>Total other comprehensive income</b>		<b>95,000</b>	<b>100,000</b>	<b>25,500</b>	<b>5,000</b>	<b>74,500</b>
<b>Total comprehensive income for the period</b>		<b>124,545</b>	<b>137,393</b>	<b>51,833</b>	<b>(2,848)</b>	<b>63,440</b>

**Major estimate and actual (2022) variance narratives:**

Nil

**Major actual (2022) and comparative (2021) variance narratives:**

- a) Employee benefits expense increased by \$70.7 million (11.8%) due to *[insert narrative]*.
- b) Service appropriations increased by \$90.1 million (12.6%) due to *[insert narrative]*.

## 9.1.2 Statement of financial position variances

	Variance notes	Estimate 2022	Actual 2022	Actual 2021	Variance between actual and estimate	Variance between actual results for 2022 and 2021
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents		8,154	8,308	6,435	154	1,873
Restricted cash and cash equivalents		3,210	3,590	970	380	2,620
Inventories		15,400	15,333	15,375	(67)	(42)
Receivables		8,564	9,097	9,189	533	(92)
Amounts receivable for services		17,960	17,139	19,795	(821)	(2,656)
Other current assets		590	550	560	(40)	(10)
<b>Total current assets</b>		<b>53,878</b>	<b>54,017</b>	<b>52,324</b>	<b>139</b>	<b>1,693</b>
<b>Non-current assets</b>						
Restricted cash and cash equivalents		60	60	50	-	10
Amounts receivable for services		70,170	58,625	44,335	(11,545)	14,290
Infrastructure, property, plant and equipment		1,374,690	1,369,572	1,246,992	(5,118)	122,580
Intangible assets		505	1,008	1,402	503	(394)
Right-of-use assets		22,800	22,005	24,598	(795)	(2,593)
Service concession assets		-	-	-	-	-
Other non-current assets		-	-	60	-	(60)
<b>Total non-current assets</b>		<b>1,468,225</b>	<b>1,451,270</b>	<b>1,317,437</b>	<b>(16,955)</b>	<b>133,833</b>
<b>Total assets</b>		<b>1,522,103</b>	<b>1,505,287</b>	<b>1,369,761</b>	<b>(16,816)</b>	<b>135,526</b>

<b>Liabilities</b>					
<b>Current liabilities</b>					
Payables	4,106	4,207	4,791	101	(584)
Contract liabilities	908	638	895	(270)	(257)
Capital grant liabilities	980	574	718	(406)	(144)
Borrowings	-	-	-	-	-
Lease liabilities	6,826	5,979	6,562	(847)	(583)
Amounts due to the Treasurer	2,650	2,400	7,970	(250)	(5,570)
Employee related provisions	13,400	13,758	13,950	358	(192)
Other provisions	20	62	45	42	17
Other current liabilities	-	-	-	-	-
<b>Total current liabilities</b>	<b>28,890</b>	<b>27,618</b>	<b>34,931</b>	<b>(1,272)</b>	<b>(7,313)</b>
<b>Non-current liabilities</b>					
Capital grant liabilities	2,610	2,298	2,872	(312)	(574)
Lease liabilities	11,243	11,317	17,296	74	(5,979)
Service concession liabilities	-	-	-	-	-
Employee related provisions	865	989	1,015	124	(26)
Other provisions	600	550	525	(50)	25
Other non-current liabilities	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>15,318</b>	<b>15,154</b>	<b>21,708</b>	<b>(164)</b>	<b>(6,554)</b>
<b>Total liabilities</b>	<b>44,208</b>	<b>42,772</b>	<b>56,639</b>	<b>(1,436)</b>	<b>(13,867)</b>
<b>Net assets</b>	<b>1,477,895</b>	<b>1,462,515</b>	<b>1,313,122</b>	<b>(15,380)</b>	<b>149,393</b>
<b>Equity</b>					
Contributed equity	100,300	100,960	88,960	660	12,000
Reserves	a 326,599	305,500	205,500	(21,099)	100,000
Accumulated surplus/(deficit)	1,050,996	1,056,055	1,018,662	5,059	37,393
<b>Total equity</b>	<b>1,477,895</b>	<b>1,462,515</b>	<b>1,313,122</b>	<b>(15,380)</b>	<b>149,393</b>

**Major estimate and actual (2022) variance narratives:**

Nil

**Major actual (2022) and comparative (2021) variance narratives:**a) Reserves increased by \$100 million (48.7%) due to *[insert narrative]*.

## 9.1.3 Statement of cash flows variances

	Variance notes	Estimate 2022	Actual 2022	Actual 2021	Variance between actual and estimate	Variance between actual results for 2022 and 2021
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Cash flows from State Government</b>						
Service appropriation		763,234	741,242	681,212	(21,992)	60,030
Capital appropriations	a	11,125	12,000	65,000	875	(53,000)
Funds from other public sector entities		-	-	-	-	-
Holding account drawdown	b	19,650	19,795	7,688	145	12,107
Royalties for Regions Fund		-	-	-	-	-
<b>Net cash provided by State Government</b>		<b>794,009</b>	<b>773,037</b>	<b>753,900</b>	<b>(20,972)</b>	<b>19,137</b>
<b>Cash flows from operating activities</b>						
<b>Payments</b>						
Employee benefits		(658,960)	(637,715)	(592,654)	21,245	(45,061)
Supplies and services		(70,766)	(68,267)	(60,666)	2,499	(7,601)
Finance costs		(191)	(175)	(270)	16	95
Accommodation		(6,843)	(6,292)	(5,720)	551	(572)
Grants and subsidies		(9,904)	(9,801)	(8,910)	103	(891)
GST payments on purchases		(7,648)	(7,336)	(6,829)	312	(507)
GST payments to taxation authority		-	-	-	-	-
Other payments		(5,973)	(6,618)	(6,016)	(645)	(602)
<b>Receipts</b>						
Sale of goods and services		9,626	9,989	9,081	363	908
User charges and fees		15,210	15,497	14,997	287	500
Commonwealth grants		4,640	4,640	1,000	-	3,640
Interest received		-	-	-	-	-
GST receipts on sales		2,777	2,345	1,730	(432)	615
GST receipts from taxation authority		4,506	4,056	3,034	(450)	1,022
Other receipts		1,000	1,067	970	67	97
<b>Net cash provided by/(used in) operating activities</b>		<b>(722,526)</b>	<b>(698,610)</b>	<b>(650,253)</b>	<b>23,916</b>	<b>(48,357)</b>



<b>Cash flows from investing activities</b>						
<b>Payments</b>						
Purchase of non-current assets	c	(55,783)	(58,727)	(96,992)	(2,944)	38,265
<b>Receipts</b>						
Proceeds from sale of non-current assets		2,800	2,798	10,100	(2)	(7,302)
<b>Net cash provided by/(used in) investing activities</b>		<b>(52,983)</b>	<b>(55,929)</b>	<b>(86,892)</b>	<b>(2,946)</b>	<b>30,963</b>
<b>Cash flows from financing activities</b>						
<b>Payments</b>						
Principal elements of lease payments		(6,025)	(6,025)	(1,090)	-	(4,935)
Non-retained revenue distributed to owner	d	-	-	(11,190)	-	11,190
Repayment of borrowings		(7,970)	(7,970)	(1,160)	-	(6,810)
<b>Receipts</b>						
Other proceeds		-	-	-	-	-
<b>Net cash provided by/(used in) financing activities</b>		<b>(13,995)</b>	<b>(13,995)</b>	<b>(13,440)</b>	<b>-</b>	<b>(555)</b>
Net increase/(decrease) in cash and cash equivalents		4,505	4,503	3,315	(2)	1,188
Cash and cash equivalents at the beginning of the period		7,455	7,455	4,140	-	3,315
<b>Cash and cash equivalents at the end of the period</b>		<b>11,960</b>	<b>11,958</b>	<b>7,455</b>	<b>(2)</b>	<b>4,503</b>

**Major estimate and actual (2022) variance narratives:**

Nil

**Major actual (2022) and Comparative (2021) variance narratives:**

- a) Capital appropriation decreased by \$53.0 million (81.5%) due to *[insert narrative]*.
- b) Holding account drawdown increased by \$12.1 million (157.5%) due to *[insert narrative]*.
- c) Purchases of non-current assets decreased by \$38.3 million (39.5%) due to *[insert narrative]*.
- d) Non-retained revenue distributed to owner decreased by \$11.2 million (100.0%) due to *[insert narrative]*



### **Guidance – Explanatory statement for controlled items**

TI 945(2)(ii), (3), (4)

Narratives are required for major variances between actuals versus comparatives, and, actuals versus annual estimates. Major variances are:

- specified variances calculated in accordance with TI 945 Explanatory Statement which are when:
  - (1) the actual differs from budget, or the comparative, by more than 10%; and
  - (2) the variance exceeds 1% of Total Cost of Services or Total Assets, as appropriate; or
- where qualitative evidence indicates omission of narrative information could potentially mislead readers of financial statements; or
- items requiring narrative disclosure under written laws.

Agencies are also encouraged to incorporate variances lower than these thresholds where qualitative reasons exist.

Explanatory variance narratives are required to disclose details of, and the reasons for, all major variances in the elements comprising the total. This includes variances that offset each other.



This disclosure is based on an agency within scope of TI 945. Agencies within scope of TI 945P *Explanatory Statement for Non-GGS Agencies* have differing reporting obligations and this example is not always appropriate.

## Reference

TI 945(2)(iii)(d), (5)  
AASB 1060.223

## 9.2 Explanatory statement for administered items (Departments only)

This explanatory section explains variations in the financial performance of the Department undertaking transactions as an agent of the government, as detailed in the administered schedules.

All variances between annual estimates and actual results for 2022, and between the actual results for 2022 and 2021 are shown below. Narratives are provided for key major variances which vary by more than 10% from their comparative and that the variation is more than 1% of the dollar aggregate of Total Administered Income (i.e. 1% of \$5,130,000).

	Variance note	Estimate 2022 (\$000)	Actual 2022 (\$000)	Actual 2021 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2022 and 2021 (\$000)
<b>Income from administered items</b>						
<b>Income</b>						
For transfer:						
Regulatory fees and charges		4,750	4,855	4,050	105	805
Other revenue		1,179	1,140	1,080	(39)	60
[Other items as required]		-	-	-	-	-
<b>Total administered income</b>		<b>5,929</b>	<b>5,995</b>	<b>5,130</b>	<b>66</b>	<b>865</b>
<b>Expenses</b>						
Supplies and services		539	560	520	21	40
Grants and subsidies	a	4,125	3,570	2,530	(555)	1,040
Transfer payments	b	1,460	1,505	250	45	1,255
[Other items as required]		-	-	-	-	-
<b>Total administered expenses</b>		<b>6,124</b>	<b>5,635</b>	<b>3,300</b>	<b>(489)</b>	<b>2,335</b>

### Major estimate and actual (2022) variance narratives:

Nil

### Major actual (2022) and comparative (2021) variance narratives:

- Grants and subsidies increased by \$1.0 million (41%) owing to new grant programs targeting Information Technology programs (65% of increase) and Training & Assisting seniors to build computing literacy skills (35% of increase).
- Transfer payments increased by \$1.3 million (502%) owing to increased non-retainable regulatory fees legally required to be remitted to the Consolidated Account.



### **Guidance – Explanatory statement for administered items (Departments only)**

TI 945(2)(ii)(d)

Thresholds for providing narrative on major variances for items administered by departments in accordance with AASB 1055 Budgetary Reporting are stipulated in TI 945 Explanatory Statement. The monetary (quantitative) threshold is determined by reference to *when*:

- (1) the actual differs from the budget, or the comparative, by more than 10%; and
- (2) the variance exceeds 1% of total administered income.

Departments may also incorporate variances lower than these thresholds where:

- qualitative evidence indicates omission of narrative information could potentially mislead readers of financial statements; or
- items requiring narrative disclosure under written laws.

TI 945(5)

Explanatory variance narratives are required to disclose details of, and the reasons for, all major variances in the elements comprising the total. This includes variances that offset each other.

## Audited key performance indicators

Reference

### Certification of key performance indicators

TI 905


I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Agency's performance, and fairly represent the performance of the Agency for the financial year ended 31 December 2022.

*(Signature)*

B. King

Accountable Authority

1 March 2023

	<b>Guidance – Audited key performance indicators</b>
TI 903(8)	<p>Agencies are required to include a discussion of actual results against budget targets for both financial and non-financial indicators in the agency performance section of the annual report.</p> <p>In addition to the summary information contained in the agency performance section, agencies may wish to disclose further details including long term trends, graphs and supporting explanatory notes, as part of this section.</p> <p>As the key performance indicators are audited, the Auditor General's opinion is usually inserted into this section.</p>
TI 905(2)(ii)	<p>Where the accountable authority is a body, the statement shall be signed by two members of that body.</p>

Reference

TI 904(3)(iv)

## Detailed information in support of key performance indicators

Agency level desired outcome: sustainability of the provision of information technology

	2019	2020	2021	2022
	%	%	%	%
<b>Key effectiveness indicator</b>				
The proportion (%) of government agencies using sustainable information technology plans	82	83	85	86

### Service 1: Information Technology

	2019	2020	2021	2022
	\$	\$	\$	\$
<b>Key efficiency indicators</b>				
Cost per sustainable IT plan	24,000	23,500	22,700	21,950
Cost per hour of service delivered	6,032	6,000	6,000	5,957



### Guidance – Additional key performance indicators

TI 904

An example of longer term trend data is shown above. This is also an appropriate place to provide graphs and charts.

Insert a brief description of the services provided and a statement of how each service contributes to the identified agency level government desired outcome.

Key Performance Indicators are to be disclosed in the annual report in accordance with TI 904.

In addition to the information disclosed on outcomes and services in the report on operations, all accountable authorities are required to disclose:

- the relationship between government goals, agency level government desired outcomes and services;
- key performance indicators of effectiveness; and
- key performance indicators of efficiency and cost effectiveness (if applicable).

Key effectiveness indicators provide information on the extent to which agency level government desired outcomes have been achieved through the funding and production of agreed services. For statutory authorities that are the subject of a separate division of the Consolidated Account Expenditure Estimates, the agency level government desired outcomes are those specified in the Budget Statements. For off-budget agencies, the government agency level government desired outcomes will need to be either identified within the relevant enabling legislation or specified/endorsed by the Minister.

Agencies are encouraged to supplement their reporting of effectiveness with narrative. This narrative may include comment on the projected timing of outcomes to be achieved in the long term. It is also appropriate for agencies to identify and discuss influences on achievement of outcomes other than their own services. These influences may include services provided by other agencies, or factors such as social or demographic trends.

Key efficiency indicators generally relate services to the level of resource inputs required to deliver them. In some cases, 'per unit cost' information provided in the budget process may fulfil the key performance indicator reporting requirement. In other cases, cost per unit information may need to be aggregated, or productivity indicators used.

**Guidance – Additional key performance indicators**

Key cost effectiveness indicators are a type of key effectiveness indicator. They relate outcomes directly to inputs. In addition to providing key cost effectiveness indicators where there are no suitable key efficiency indicators, agencies are encouraged to also report cost effectiveness indicators where doing so adds value to reporting information.


Further information on, and discussion of, agency level government desired outcomes, services and key performance indicators are available in the Treasury publication '[Outcome Based Management: Guidelines](#)' for Use in the Western Australian Public Sector'.

## Other statutory information

Reference

### Ministerial directions

No Ministerial directives were received during the financial year.

	<p><b>Guidance – Ministerial directions</b></p>
<p>TI 903(12)</p>	<p><i>Disclose any Ministerial directives relevant to the setting of desired outcomes or operational objectives, the achievement of desired outcomes or operational objectives, investment activities, and financing activities.</i></p>



Reference

## Other financial disclosures

TI 903(13)(i)

### Pricing Policies of Services Provided

The Agency charges for goods and services rendered on a full or partial cost recovery basis. These fees and charges were determined in accordance with [Costing and Pricing Government Services: Guidelines for Use by Agencies in the Western Australian Public Sector](#) published by Treasury.

The current list of fees and charges were published in the Gazette on 31 December 2021 and introduced/payable from 7 January 2022. Details are available on the Agency's website at [www.agency.wa.gov.au](http://www.agency.wa.gov.au).

TI 903(13)(ii)

### Capital Works

#### *Capital project incomplete*

The construction of a new building to accommodate the Agency's increasing demand for additional seminars and training sessions will be completed by January 2024. The building will also be used as a display centre for new computer equipment, which will be open to the public for viewing. The estimated total cost of the project is \$20,000,000 and the estimated remaining cost to complete the project at 31 December 2022 is \$13,000,000.

#### *Capital projects completed*

No capital projects were completed during 2022.

TI 903(13)(iii)

### Employment and Industrial Relations

Staff Profile	2022	2021
Full-time permanent	260	255
Full-time contract	150	140
Part-time measured on a FTE basis	10	8
On secondment	3	2
	<b>423</b>	<b>405</b>

### Staff Development

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

During the financial year, our employees received training in excess of 3,000 hours of in-house and external training. As the result of our commitment to staff training and development, we are recognised as the industry leader in the information technology area in the public sector.

### Workers Compensation

Five compensation claims of a minor nature were recorded during the financial year. This compares with seven compensation claims of a minor nature recorded in 2021.


### Governance disclosures


TI 903(14)

[populated by agencies in line with requirements]

Reference

## Other legal requirements

	<b>Act of grace payments</b>
	This note header has been included as a placeholder for the disclosure of act of grace (and ex gratia) payments. Where an agency did not make the payments, this note should be omitted.

	<b>Guidance – Act of grace payments</b>
<p>TI 319(3)</p> <p>TI 903(15)(i)</p>	<p>An agency shall disclose all act of grace payments made by it during a reporting period in the annual report of the agency.</p> <p>The following information should be disclosed in relation to each act of grace (or ex gratia) payment:</p> <ul style="list-style-type: none"> <li>• the payment date;</li> <li>• the amount of the payment; and</li> <li>• the purpose of the payment.</li> </ul> <p>It may <u>not</u> be appropriate to disclose the recipient(s) of the payment. Legal advice should be sought before such a disclosure is made.</p>

TI 903(15)(ii)


## Unauthorised use of credit cards

Officers of the Agency hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations annually under the Agency's credit card policy, one employee inadvertently utilised the corporate credit card for parking at an event that they were not attending in an official capacity. The matter was not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount, and, that the nature of the expenditure was immaterial and characteristic of an honest mistake.

	<b>2022</b>
	<b>\$</b>
Number of instances the Western Australian Government Purchasing Cards have been used for personal purposes	
Aggregate amount of personal use expenditure for the reporting period	27
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	27
Aggregate amount of personal use expenditure settled after the period (after 5 working days)	-
Aggregate amount of personal use expenditure remaining unpaid at the end of the reporting period	-
Number of referrals for disciplinary action instigated by the notifiable authority during the reporting period	



The above disclosure is an example and agencies should consider their own circumstances in addressing the requirements of TI 903(15).

	<b>Guidance – Other legal requirements</b>
	<p>A comprehensive list of Other Legal Requirements is available from the WA Government website:</p> <p><a href="http://www.wa.gov.au">Annual report guidelines for 2021-22 (www.wa.gov.au)</a></p>

Reference

## Government policy requirements

T1 903(16)

[populated by agencies in line with requirements]



### **Guidance – Government policy requirements**


*Public sector agencies must incorporate the above disclosures in their Annual Report as required. Information on this reporting requirement is available at:*

[Annual report guidelines for 2021-22 \(www.wa.gov.au\)](http://www.wa.gov.au)

## Contact information

### Reference

Postal	Address	Electronic
PO Box 9999	Street Address.	Internet: <a href="http://www.agency.wa.gov.au">www.agency.wa.gov.au</a>
Suburb, Postcode	Suburb, Postcode	Email: <a href="mailto:customer.service@agency.wa.gov.au">customer.service@agency.wa.gov.au</a>
		Telephone: 61 8 6551 0000
		Facsimile: 61 8 6551 1111

	<b>Guidance – Identification of the financial statements</b>
AASB 1060.32(a)	<p>AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities requires the following disclosures:</p> <ul style="list-style-type: none"><li>• the domicile and legal form of the agency; and</li><li>• its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office).</li></ul>

# **ACCOUNTING POLICY GUIDELINES**

- APG 1      Accounting for Contaminated Sites**
- APG 2      AASB 138 'Intangible Assets'**
- APG 3      Provisions – Discount Rates and Other Factors**
- APG 4      Related Party Disclosures**
- APG 5      Revenue and Income**
- APG 6      Leasing**

## **Accounting Policy Guideline 1**

# **Accounting for Contaminated Sites**

**Department of Treasury**

**18 June 2021**

# TABLE OF CONTENTS

INTRODUCTION .....	3
KEY REQUIREMENTS .....	4
APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS .....	6
<i>AASB 137 Provisions, Contingent Liabilities and Contingent Assets</i> .....	6
Recognition .....	6
Measurement .....	8
Disclosure .....	8
<i>AASB 116 Property, Plant and Equipment</i> .....	9
Recognition .....	9
Measurement at recognition .....	9
Measurement after recognition .....	9
Depreciation.....	11
<i>AASB 1058 Income of Not-for-Profit Entities</i> .....	11
Scope.....	11
Recognition and measurement.....	11
APPENDIX 1: FACT SHEETS AND TECHNICAL ADVICE .....	12

## Introduction

The *Contaminated Sites Act 2003* (the Act) was introduced to identify, record, manage and clean up contamination. Under the Act, agencies are required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER), investigate and, if necessary, clean up (remediate).

The identification of known and suspected contaminated sites on land controlled or administered by an agency would have financial reporting implications, irrespective of whether or not actions of the agency caused contamination. The Accounting Policy Guideline (APG) 1 has been developed to assist agencies in identifying the relevant requirements under Australian Accounting Standards and applying those requirements in accounting for contaminated sites.

The APG should be read in conjunction with the following documents:

- *Contaminated Sites Act 2003*;
- Fact sheets and technical advice (see Appendix 1);
- *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*;
- *AASB 116 Property, Plant and Equipment*;
- *AASB 1058 Income of Not-for-Profit Entities*;
- *AASB Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities*; and
- Treasurer's instruction 954 *Revaluation of Non-Current Physical Assets*.



## Key Requirements

The *Contaminated Sites Act 2003* (the Act) provides for the identification, recording, management and remediation of contaminated sites.

Under the Act, agencies must report to the Department of Water and Environmental Regulation (DWER) known contaminated sites within 21 days of identification and suspected contaminated sites as soon as is reasonably practicable (section 11). DWER may approve a program for the identification and reporting of sites.

DWER is to classify a site (in consultation with the Department of Health) as:

- *Report not substantiated*: There is no ground to indicate possible contamination of the site;
- *Possibly contaminated – investigation required*: There are grounds to indicate possible contamination of the site;
- *Not contaminated – unrestricted use*: After investigation, the site is found not to be contaminated;
- *Contaminated – restricted use*: The site is contaminated but suitable for restricted use;
- *Remediated for restricted use*: The site contaminated but has been remediated so that it is suitable for restricted use;
- *Contaminated – remediation required*: The site is contaminated and remediation is required; or
- *Decontaminated*: The site has been remediated and is suitable for all uses.

DWER is to classify a site within 45 days after receiving a report, unless there are particular circumstances which make it difficult to classify the site within that time. For further information, see Fact sheets and technical advice listed in Appendix 1.

DWER will update the database and records to reflect the classification of a site, and make the information available to the public.

Sites classified as *contaminated – remediation required* are required to be remediated (section 23).

Where sites reported are classified as *possibly contaminated – investigation required* or *contaminated – remediation required*, agencies need to determine whether they are responsible under the Act in respect of those sites. It is not DWER's responsibility to determine responsibility.

Broadly, the hierarchy of responsibility under the Act is:

- person has caused, or contributed to, the contamination of the site (polluter);
- owner or occupier of the site who has changed, or proposes to change, the use of the site (only to the extent that remediation is required because of the change, or proposed change, of use);
- owner of the site (if polluter cannot be found or is insolvent);
- State (last resort).

If there is uncertainty as to responsibility, agencies can request the Contaminated Sites Committee (CSC) to make a determination of responsibility (section 36).

DWER may issue an investigation notice (in respect of sites classified as *possibly contaminated – investigation required*) and/or a clean up notice or hazard abatement notice (in respect of sites classified as *contaminated – remediation required*) where appropriate action is not being, or has not been, taken by the responsible agency (section 42).

DWER will lodge a memorial with the Registrar of Titles if land is classified as:

- *contaminated – remediation required;*
- *contaminated – restricted use;*
- *remediated for restricted use; or*
- *possibly contaminated – investigation required.*

DWER is to establish an agency special purpose account called the Contaminated Sites Management Account (CSMA).

Agencies may apply for funding from the CSMA to undertake investigation and/or remediation works (section 60(3)). Agencies may apply for funding even where actions of the agency caused contamination. All applications will be considered on a priority basis. However, funding to commercial entities will not be granted or given lower priority, unless specific circumstances warrant otherwise.

Funding will not be automatically granted once a notice is issued. Funding is a separate issue. Where a notice has been issued and funding is not available, agencies will need to meet the costs themselves or seek supplementary funding from Government. It is noted that payments from the CSMA will not be made to reimburse investigation and/or remediation costs already incurred.

## Application of Australian Accounting Standards

### AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*

#### Recognition

A *provision* is a liability of uncertain timing or amount.

A *liability* is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

A *provision* shall be recognised when:

- (a) an entity has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

A *legal obligation* is an obligation that derives from:

- (a) a contract (through its explicit or implicit terms);
- (b) legislation (e.g. *Contaminated Sites Act 2003*); or
- (c) other operation of law.

For the purpose of AASB 137, an outflow of resources is regarded as probable if the event is more likely than not to occur, i.e. the probability that the event will occur is greater than the probability that it will not. It is probable that agencies will need to undertake investigation works in respect of sites classified as *possibly contaminated - investigation required* and/or clean up works in respect of sites classified as *contaminated - remediation required*.

Therefore, agencies shall recognise a provision in respect of a site where:

- the site has been classified as *possibly contaminated - investigation required* or *contaminated - remediation required* under the Act;
- the agency is responsible for the site under the Act; and
- a reliable estimate can be made of the costs of investigation/remediation of the site.

**When a provision for future investigation/remediation costs is recognised in the Statement of Financial Position, an equivalent expense is generally recognised in the Statement of Comprehensive Income.** In some instances, the provision for future remediation costs can be recognised as a cost of an asset in accordance with AASB 116 *Property, Plant and Equipment*.

Agencies should be able to determine a range of possible outcomes and therefore make an estimate of the obligation that is sufficiently reliable to use in recognising a provision. It would be extremely rare for an agency not to recognise a provision because a reliable estimate cannot be made (AASB 137.25).

Nevertheless, in relation to Crown land, certain outcomes for investigation/remediation may be unknown so that a reliable estimate could not be made. For example, complete remediation for Wittenoom (which is affected by asbestos contamination derived from historical mining activities at Wittenoom Mine, Colonial Mine and Yampire Mine) is not practical as it would involve the elimination of asbestos tailings across 46,840 hectares of land. On the other hand, the cost for raising awareness, demolishing the townsite and managing the area is insignificant. Under such an instance, agencies should not recognise a provision until Government approves a preferred option (and generally provides funding) for the remediation.

If no reliable estimate could be made, agencies shall disclose the obligation as a contingent liability (AASB 137.26).

A *contingent liability* is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

In respect of sites classified as *possibly contaminated - investigation required*, agencies would disclose a contingent liability for possible remediation costs in addition to future investigation costs where the agency is responsible for the sites under the Act.

Agencies would also have a contingent liability in respect of a site where:

- the site has been reported but yet classified by DWER (DWER is required to classify the site within 45 days); and
- the agency is responsible for the site under the Act.

Agencies need to assess whether the possibility of the site being classified as *possibly contaminated - investigation required* or *contaminated - remediation required* is not remote. If it is remote, no disclosure is required (AASB 137.28).

For each class of contingent liability at the end of the reporting period, agencies shall disclose a brief description of the nature of the contingent liability and, where practicable:

- (a) an estimate of its financial effect;
- (b) an indication of the uncertainties relating to the amount or timing of any outflow; and
- (c) the possibility of any reimbursement.

For example:

Under the *Contaminated Sites Act 2003* (the Act), the Agency is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk of harm to human health, the environment and environmental values. Where sites are classified as *possibly contaminated - investigation required* or *contaminated - remediation required*, the Agency will have an obligation in respect of investigation and/or remediation costs.

During the year, the Agency reported three suspected contaminated sites to DWER. These have yet to be classified. The Agency is unable to assess the likely outcome of the classification process, and accordingly it is not practicable to estimate the potential financial effect or identify the uncertainties relating to the amount or timing of any outflow. While there is no possibility of reimbursement of any future expenses that may be incurred in respect of these sites, the Agency may apply for funding from the Contaminated Sites Management Account to undertake investigation and/or remediation works that may be required.

## Measurement

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period (AASB 137.36).

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**Unless agencies can reliably estimate the timing of future cash outflows, the amount of a provision is based on the current cost which is to be reviewed periodically.**

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed (AASB 137.59).

Changes in provisions are recognised as income and expenses in the Statement of Comprehensive Income, unless the amount of a provision has been recognised as a cost of an asset on the Statement of Financial Position. Where the provision has been capitalised, changes in the provision are accounted for in accordance with AASB Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

## Disclosure

Disclosures for each class of provision include:

- (a) opening and closing balances;
- (b) additional provisions made in the period;
- (c) amount used during the period;
- (d) unused amounts reversed during the period; and
- (e) the increase during the period arising from the passage of time and the effect of any change in the discount rate.

Refer to paragraphs 84 and 85 of AASB 137 for full details of disclosures. Tier 2 disclosure exemptions are characterised by shading of the relevant text within the paragraphs.

## AASB 116 Property, Plant and Equipment

### Recognition

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

### Measurement at recognition

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost (AASB 116.15).

The cost of an item of property, plant and equipment comprises:

- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

**A provision for future remediation costs can be recognised as ‘the costs of dismantling and removing the item and restoring the site on which it is located’ of an item of property, plant and equipment that qualifies for recognition as an asset.** The provision can be capitalised on initial recognition of the asset or as a subsequent expenditure that increases future economic benefits associated with the asset. However, it is noted that only the initial estimate of the costs can be capitalised under AASB 116. Subsequent changes to the estimate are accounted for in accordance with AASB Interpretation 1.

### Measurement after recognition

An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

Under the cost model, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Under the revaluation model, an item of property, plant and equipment is carried at a revalued amount, being its fair value (in accordance with AASB 13 *Fair Value Measurement*) at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Treasurer’s instruction (TI) 954 *Revaluation of Non-Current Physical Assets* requires the revaluation model to be applied to land and buildings. The Guidelines in TI 954 state that, where expenditure is capitalised in a reporting period after a valuation is undertaken, the amount should be added to the revalued amount of the asset. This also applies to the initial estimate of future remediation costs that can be capitalised.

**AASB Interpretation 1** applies to subsequent changes to the initial estimate of future remediation costs as follows:

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the provision shall be added to, or deducted from, the cost of the related asset in the current period;
- (b) the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss;
- (c) if the adjustment results in an addition to the cost of an asset, the entity shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount, and shall account for any impairment loss, in accordance with AASB 136 *Impairment of Assets*.

If the related asset is measured using the revaluation model:

- (a) changes in the provision alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - (i) a decrease in the provision shall (subject to (b)) be recognised in other comprehensive income and increase the revaluation surplus within equity, except that it shall be recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;
  - (ii) an increase in the provision shall be recognised in profit or loss, except that it shall be recognised in other comprehensive income and reduce the revaluation surplus within equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- (b) in the event that a decrease in the provision exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess shall be recognised immediately in profit or loss;
- (c) a change in the provision is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Subsequent changes to the provision that has been capitalised as part of an asset under the cost model will be added to, or deducted from, the carrying amount of the asset, and depreciated over the remaining useful life of the asset.

Subsequent changes to the provision that has been capitalised as part of an asset under the revaluation model will be recognised as revaluation increments or decrements. Where a change is material, the asset would need to be revalued at the end of the next reporting period. Although the change does not directly impact the fair value of the asset, events that affect the estimate of the provision may also affect the valuation of the asset.

Land is valued annually by the Western Australian Land Information Authority (Landgate). Under the Act, it is the responsibility of DWER to report land classified as *contaminated - remediation required*, *contaminated - restricted use*, *remediated for restricted use* or *possibly contaminated - investigation required* to the Registrar of Titles (also at Landgate). However, agencies should advise Landgate where land controlled and/or administered by the agency receives any of these classifications. This is to ensure that the classification would be considered when land

is valued. Note that Crown land is not 'discounted' for contamination as the remediation costs are generally unknown to Landgate.

## Depreciation

If the cost of land includes the costs of site dismantlement, removal and restoration, **that portion of the land asset is depreciated over the period of benefits obtained** by incurring those costs. In some cases, the land itself may have a limited useful life, in which case it is depreciated in a manner that reflects the benefits to be derived from it (AASB 116.59).

The objective of capitalising and depreciating future remediation costs is to allocate the costs over the period of deriving economic benefits rather than recognising the full amount as an expense when the obligation arises.

Consequently, future remediation costs should be capitalised on depreciable assets such as buildings, infrastructure and plant. However, the costs could also be capitalised on land where the land embodies an asset with a limited useful life (e.g. a waste dump).

## AASB 1058 *Income of Not-for-Profit Entities*

### Scope

An entity shall apply this Standard to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives, and the receipt of volunteer services.

Payments from the CSMA are not within the scope of AASB 15 *Revenue from Contracts with Customers* as there is no customer to which goods or services will be transferred to. Agencies use payments from the CSMA to undertake investigation and/or remediation works.

Payments from the CSMA are considered to be under **AASB 1058** as agencies will receive an asset (i.e. cash) without providing the consideration, and this is to enable agencies to further the objective of reducing the risk of harm to human health, the environment and environmental values.

### Recognition and measurement

On initial recognition of an asset (i.e. cash), an entity shall recognise any related contributions by owners, increases in liabilities, decreases in assets, and revenue (related amounts) in accordance with other Australian Accounting Standards.

An entity shall recognise income immediately in profit or loss for the excess of the initial carrying amount of an asset (e.g. cash) over the related amounts.

As agencies are not required to use payments from the CSMA to undertake any specific activities, other than paying for investigation and/or remediation works, no related amount will be recognised. As a result, the payments will be recognised as income on receipt.



## Appendix 1: Fact sheets and technical advice

Fact sheets and technical advice are available on:

<https://www.der.wa.gov.au/your-environment/contaminated-sites/60-fact-sheets-and-technical-advice>

1. Identifying and reporting contaminated sites  
[https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact sheets tech advice/Fact sheet 1.pdf](https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact%20sheets%20tech%20advice/Fact%20sheet%201.pdf)
2. How to access information on contaminated sites  
[https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact sheets tech advice/Fact sheet 2.pdf](https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact%20sheets%20tech%20advice/Fact%20sheet%202.pdf)
3. Seeking help from contaminated sites experts  
[https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact sheets tech advice/Fact sheet 3.pdf](https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact%20sheets%20tech%20advice/Fact%20sheet%203.pdf)
4. Site classifications and appeals  
[https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact sheets tech advice/Fact sheet 4.pdf](https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact%20sheets%20tech%20advice/Fact%20sheet%204.pdf)
5. Buyer aware – buying and selling contaminated land  
[https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact sheets tech advice/Fact sheet 5.pdf](https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact%20sheets%20tech%20advice/Fact%20sheet%205.pdf)
6. Contaminated groundwater – could my garden bore be affected?  
<https://www.der.wa.gov.au/images/your-environment/contaminated-sites/cs-fs-6.pdf>
7. How to interpret information on contaminated sites  
[https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact sheets tech advice/How to interpret information on contaminated sites.pdf](https://www.der.wa.gov.au/images/documents/your-environment/contaminated-sites/Fact%20sheets%20tech%20advice/How%20to%20interpret%20information%20on%20contaminated%20sites.pdf)

**Accounting Policy Guideline (APG) 2**

**AASB 138 Intangible Assets**

**Department of Treasury**

**26 July 2011**

## TABLE OF CONTENTS

INTRODUCTION.....	2
KEY REQUIREMENTS.....	3
CLASSIFICATION.....	3
Criteria .....	3
Recognition and Measurement.....	4
Directly Attributable Costs .....	5
Intangible Assets Acquired at No Consideration or for Nominal Cost.....	6
Capitalisation Threshold .....	6
Measurement after Recognition.....	7
Useful Life .....	7
Amortisation.....	8
Retirements and Disposals.....	8
Disclosures .....	8
TYPES OF INTANGIBLE ASSETS.....	9
Internally Generated Assets .....	9
Computer Software.....	10
APPENDIX 1 .....	14
Summary of Recommended Accounting Treatment for Internally Developed Computer Software .....	14
APPENDIX 2 .....	17
Summary of Accounting Treatment for Externally Acquired Software .....	17
APPENDIX 3 .....	18
Illustrative Examples.....	18
FREQUENTLY ASKED QUESTIONS .....	20

## Introduction

The objective of this Accounting Policy Guideline No.2 is to assist agencies to be consistent with the application of AASB 138 *Intangible Assets* which prescribes the identification, recognition, measurement and disclosure requirements for intangible assets.

Guidance materials are provided on the appropriate accounting treatment for package application computer software, package application computer software licences and other intangible assets. Specific guidance materials are also provided on accounting for subsequent costs including the enhancing of software and also in the interpretation of paragraphs in the Standard concerning internally generated intangible assets.

Intangible assets include:

- computer software;
- licences;
- patents;
- copyrights;
- customer lists; and
- marketing rights.

Intangible assets for agencies will mainly comprise of computer software. Software may be developed in-house by an agency or purchased off the shelf. Software acquired in both circumstances may be enhanced.

It is recommended that this policy guideline be read in conjunction with the following authoritative pronouncements:

- AASB 138 *Intangible Assets*;
- AASB 116 *Property, Plant and Equipment*;
- AASB 136 *Impairment of Assets*;
- AASB 1004 *Contributions*; and
- UIG Interpretation 132 *Intangible Assets – Web Site Costs*

Agencies should have a good grasp of AASB 138 *Intangible Assets* prior to applying this accounting policy guideline.

## Key Requirements

The key requirements of AASB 138 are:

- to be recognised, an intangible asset must be separable (capable of being separated or divided from the entity and able to be sold, transferred, licensed, rented or exchanged) or arise from contractual or other legal rights;
- all research expenditure must be expensed as incurred;
- specific criteria must be met before development expenditure can be capitalised;
- internally generated brands, mastheads, publishing titles, customer lists and items similar in substance must not be recognised as intangible assets;
- expenditure on an intangible asset that was initially recognised as an expense in the past, cannot be recognised as part of the cost of an intangible asset at a later date;
- revaluation is only permitted where there is an active market to determine fair value;
- the useful life of an intangible asset is either finite or indefinite;
- an intangible asset with an indefinite useful life must not be amortised, but must be subject to annual impairment testing;
- computer software that is not integral to the operation of related hardware is an intangible asset; and
- Internally generated goodwill cannot be recognised as an asset.

## Classification

The Standard defines an intangible asset as an identifiable non-monetary asset without physical substance. It is a claim to future economic benefits that does not have a physical or financial (a stock or a bond) embodiment. This definition includes software.

### Criteria

For an asset to be intangible, it must satisfy the following criteria:

#### (a) **Identifiability**

The asset is separable or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The separability criterion tests whether an entity can divide an asset from other assets and deal with it as an individual asset. The asset must be seen as a separate item and it must be capable of being transferred to another party.

**(b) Control**

An agency has the power to obtain the future economic benefits and restrict the access of others to those benefits.

**(c) Future economic benefits or service potential**

Within the public sector, assets used to deliver goods and services in accordance with an agency's objectives, but which do not directly generate net cash inflows are often described as embodying service potential.

## Recognition and Measurement

Under AASB 138, an intangible asset shall be recognised if, and only if it is probable that expected future economic benefits will flow to the agency and the cost of the asset can be measured reliably (subject to materiality).

An intangible asset is measured initially at cost, which includes its purchase price and any directly attributable costs. Directly attributable costs may include the costs of employee benefits, professional fees and costs of testing to ascertain whether the asset is functioning properly.

Certain incidental costs that may occur in connection with the planning, construction or development of an intangible asset that are 'not directly attributable' to the asset are to be recognised as expenses when incurred. Examples of costs that generally cannot be capitalised include the costs of introducing the new product/service, relocation costs, administration costs and other general overhead costs. Generally, costs incurred as part of everyday operations, which would be incurred regardless of whether the acquisition/development of the intangible asset would proceed, are to be expensed.

Intangible assets can be acquired in the following ways:

- by separate purchase;
- part of a business combination;
- government grant;
- exchange of assets; or
- self-creation (internal generation).

For example, where software has been acquired free of charge or for nominal consideration or by way of a government grant, both the asset and the grant are to be recognised at fair value. This is consistent with AASB 1004 *Contributions* (not-for-profit agencies) and AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* (for-profit agencies).

## Directly Attributable Costs

Costs allocated to an intangible asset would include:

- direct costs (labour, materials, services); and
- other directly attributable costs (allocation of appropriate operating overhead).

Direct costs would be distinct and would be directly attributable to the development of an intangible asset. An example of a direct cost would be project team staff costs. The development of intangible assets often requires the establishment of a special project team to manage the acquisition or development of an intangible asset.

Project team staff costs are distinct from the on-going maintenance/facility management staff costs as the positions are in addition to established staffing levels. Such costs would include:

- salaries and wages;
- superannuation costs;
- annual and long service leave accrued;
- overtime costs; and
- allowances e.g. travel/meal allowances.

Appropriate operating overheads that are directly attributable and are necessary for the development of the asset, that can be allocated on a reliable and consistent basis may be capitalised. However, the basis to capitalise these costs must be justifiable and the allocation should be reliably measurable. The accounting treatment should be dependent on which phase the cost would be incurred in, i.e. research or development. Such costs may include:

- travel costs;
- insurance costs;
- tender costs; and
- accommodation costs specifically incurred for the testing of the intangible asset by consultants.

Agencies should exercise judgement and assess their own circumstances when determining the appropriate accounting treatment for directly attributable costs. If there is uncertainty with the accounting treatment, costs should be expensed. (Refer to Appendix 3 for illustrative examples).

## Intangible Assets Acquired at No Consideration or for Nominal Cost

For not-for-profit entities, where an intangible asset is acquired at no cost or for a nominal cost, the cost is recognised at fair value as at the date of acquisition. When determining the fair value on initial recognition, an active market is not required for a not-for-profit entity, as assets exchanged between not-for-profit entities are unlikely to have an active market (it is considered that paragraph Aus24.1 relates to exchanges of intangible assets between not-for-profit entities). However, this does not apply to internally generated intangible assets. Internally generated intangible assets are recognised at cost.

## Capitalisation Threshold

Treasurer's instruction (TI) 1101 *Application of Australian Accounting Standards and Other Pronouncements* provides that intangible assets less than \$5,000 are to be expensed. Agencies have the discretion in determining the capitalisation threshold for intangible assets above \$5,000, subject to materiality.

Asset recognition (capitalisation) imposes ongoing costs to satisfy recording, valuation, amortisation, disclosure and other reporting requirements. Where an agency controls a large amount of relatively low cost items, the cost of managing these items may exceed the benefits. Due to the varying size and nature of operations of agencies, materiality between agencies can differ significantly. Agencies should assess their own circumstances in determining their capitalisation threshold for intangible assets.

Given the nature of internally generated intangible assets, it is considered that the capitalisation of costs for relatively small projects would result in added administrative burden in ensuring that all the criteria are met under AASB 138 (particularly paragraphs 52 to 67). As there may be additional complexities with identifying and measuring internally developed intangible assets, it may be appropriate for agencies to establish a higher threshold level for internally generated intangible assets than for separately acquired intangible assets.

When determining the capitalisation threshold, agencies should consider factors such as:

- the material impact of the capitalisation threshold on the statement of comprehensive income and statement of financial position;
- the pattern of investment;
- the useful life of the asset;
- the administrative burden of conducting annual impairment tests of intangible assets, i.e. the complexity and frequency of gathering information for impairment testing; and
- the application of the threshold to a group of assets where individually assets may be below the threshold but collectively they exceed the threshold. This tends to be an issue for consideration only where the assets have a long useful life and collectively have a high value.



Where the total cost of an intangible asset is below the standard capitalisation threshold of \$5,000, all costs should be expensed in the period in which the expenditure occurs.

## Measurement after Recognition

Subsequent to initial recognition at cost, the agency may elect to measure a class of intangible assets using the cost or revaluation model. The cost model requires an intangible asset's carrying amount to be its cost less any accumulated amortisation and impairment charges. The revaluation model can only be selected if fair value can be determined by reference to an active and liquid market. As it is unlikely that there would be an active market for intangible assets held by public sector agencies, the cost model would generally be adopted.

Any reinstatement or capitalisation of costs previously recognised as an expense is *prohibited under AASB 138*.

## Useful Life

AASB 138 acknowledges that there may be both economic and legal factors influencing the useful life of an intangible asset. Intangible assets may have short useful lives due to rapid changes in technology, for example, software. However, some intangible assets may have long or even indefinite lives.

When determining an estimate for the useful life of an intangible asset, a prudent analysis is to be based on relevant factors, in particular:

- the expected use of the asset by the agency;
- the expected useful life of another asset or a group of assets to which the useful life of the intangible asset may relate;
- any legal, regulatory, or contractual provisions that may limit the useful life;
- any legal, regulatory, or contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost;
- the effect of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, known technological advances); and
- the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

If the useful life of an intangible asset arises from contractual or other legal rights, the life should not exceed the period of the contractual or other legal rights. The useful life may be shorter, depending on the period over which the agency expects to use the asset.

If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life of the intangible asset is to include the renewal period(s), only if there is evidence to support renewal by the agency without significant cost. The useful life of an intangible asset (particularly software) should be consistent with the life/renewal period(s) of the contract agreement.

As a guide, the following examples are approximates for the useful lives of intangible assets:

- software - 3 to 5 years;
- licences - up to 10 years;
- development costs - 3 to 5 years and
- web site costs – 3 to 5 years.

The above are not mandatory. Agencies should exercise judgement when determining the useful lives for intangible assets and conduct a review on an annual basis.

## Amortisation

An entity must assess whether the useful life of an intangible asset is finite or indefinite.

Intangible assets with finite lives are to be amortised. The method used to amortise (straight line method, diminishing balance method or the unit of production method) is selected on the basis on the expected pattern of consumption of the expected future economic benefits embodied in the asset. The straight line method is to be adopted if the pattern of economic benefits cannot be determined reliably.

Where the useful life of an intangible asset is assessed to be indefinite, the asset must not be amortised. However, the entity must test for impairment on an annual basis (at a minimum) whenever there is an indication that the asset may be impaired.

Amortisation commences when the intangible asset is available for use and ceases when the asset (e.g. software) is classified as held for sale or where the asset has been fully amortised.

In calculating the amortisation rate, the residual value of intangible assets is to be measured at zero.

## Retirements and Disposals

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition shall be recognised in the statement of comprehensive income.

If an agency recognises, in the carrying amount of an intangible asset, the cost of a replacement part of the asset, then it derecognises the carrying amount of the replaced part. If this is not practicable, the agency may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or internally generated.

## Disclosures

Detailed disclosures are required under AASB 138 for each class of intangible asset, distinguishing between internally generated intangible assets and externally purchased intangible assets and other intangible assets.

## Types of Intangible Assets

### Internally Generated Assets

AASB 138 specifically considers the recognition of internally generated intangible assets by classifying the generation of the asset into a research phase and a development phase.

#### Research Phase

The research phase is defined as activities relating to the original and planned investigation with the prospect of gaining new scientific or technical knowledge and understanding.

All costs related to the research phase must be expensed as incurred.

#### Development Phase

The development phase relates to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

In addition to the general recognition requirements, all of the following must be satisfied in order for costs associated with the development phase to be capitalised:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the agency's intention to complete and use the asset;
- the agency's ability to use or sell the asset;
- how the asset will generate probable future economic benefits. Future economic benefits can be demonstrated through the existence of a market for the intangible asset itself or the usefulness of the asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure directly attributable to the intangible asset during its development.

Intangible assets can arise from different development stages, or work streams of a project. If a project has a number of distinct stages with distinct deliverables more than one intangible asset can result. As long as the cost for each stage of the project can be reliably measured, each new asset can be created and amortised from the first day that it is put into use.

If an agency cannot distinguish the research phase from the development phase of an internal project, the agency should treat the expenditure on that project as if it was incurred in the research phase only.

The Standard does not permit the recognition of internally generated brands, mastheads, publishing titles and customer lists.

## Enhancement of Intangible Assets

Internally generated intangible assets and externally acquired intangible assets often entail enhancements in which substantial costs are involved. AASB 138 does not provide explicit accounting guidelines for the enhancement of intangible assets. Costs of enhancements are to be accounted for as follows:

- Costs should be capitalised only if the costs of modification result in an increase in service capacity, functionality or efficiency of the existing intangible asset in future periods, or extends the useful life of the intangible asset. The treatment for enhancement costs should be based on control of the asset, materiality and future economic benefits;
- Annual licence fees are to be expensed. However, where significant costs are incurred in enhancing the asset, these may be capitalised, notwithstanding that the underlying licence has been expensed (it is assumed that an agency would only commit such an expenditure where there is a right to renew the licence). Note, if the licence is a one-off upfront licence fee that meets the capitalisation threshold, this should be capitalised along with the enhancements conducted on the intangible asset; and
- Where an enhancement is considered to be so extensive that it constitutes a replacement of the existing intangible asset (e.g. module replacement for a software), any unamortised amounts for the original intangible asset should be expensed in the year that the original intangible asset is replaced.

There may be instances where research and development activities occur for the enhancement of an intangible asset. Costs should then be treated according to the requirements in paragraphs 54 and 57 of AASB 138, where the recognition criteria have been met.

Where subsequent expenditure maintains the expected future economic benefits and its functionality embodied in the existing intangible asset, the amount should be expensed.

In the event where agencies have not recognised the initial cost of their intangible assets, and will conduct enhancements to the intangible asset in the future, it is recommended that these future costs relating to the enhancements be capitalised. Retrospective costs must not be recognised. The recognition criteria must be met when capitalising these costs relating to the enhancements and the useful life adopted will be driven by factors such as an agency's adopted accounting policy, control of the asset, and the contract agreement.

## Computer Software

Intangible assets held by government agencies will mainly comprise of computer software. Computer software may be developed in-house by agencies or purchased 'off-the-shelf' (acquired externally). The following provides guidance on the appropriate accounting treatment for internally developed computer software, package application computer software, package application computer software licences and other intangible assets.

When an agency purchases software externally, the recognition criteria is generally met. However, if software is internally generated, there are additional requirements that must be fulfilled in order for internally generated software to be recognised.

### **Internally Developed Computer Software**

Where internally developed software is a component of a physical asset such that the asset could not operate without the software, this should be treated as part of property, plant and equipment. For example, where the operating system (software) is integral to the operation of the computer; the computer and operating system should be classified as property, plant and equipment.

When assessing whether internally generated software meets the criteria for recognition, an agency is required to classify work performed internally into the two phases, the research phase and the development phase where costs are to be expensed and capitalised respectively.

Internally developed software usually involves six stages (refer to Appendix 1 for further details):

- initiation stage;
- analysis, design and development;
- testing production and implementation;
- enhancement of existing application;
- recurring maintenance and infrastructure support; and
- whole of project, multi-stage or other items.

### **Package Application Computer Software**

Most agencies frequently purchase package application software. Package application software is considered to be intangible assets as they are generally not integral to the operation of the computer. Examples of package application software are Oracle Financials and PeopleSoft. Package application software is measured at initial cost, which includes the purchase price and any directly attributable costs. Often these systems are modified and tailored to meet the needs of the agency.

It is recommended that the following treatment for package application software be applied. On initial purchase of the application software, agencies should capitalise the purchase price and any directly attributable costs, and also any subsequent modifications applied (subsequent modifications being in the form of enhancements), where the total cost exceeds the agency's capitalisation threshold for the software. Agencies may need to review the contract agreement when determining the appropriate accounting treatment of the costs.

### ***Package Application Computer Software Licences***

Package application software often incorporates software licences, some of which have to be renewed on an annual basis and others included in the upfront cost upon the purchase of the software. The purchase of software typically requires annual payments of licence fees to the relevant Shared Services Centres.

Where the licence is renewed on an annual basis (for maintenance and support purposes) and also in instances where agencies are charged an annual fee based on the number of users, the fee should be expensed. Similarly, payments made for licences for a period of less than 2 years should also be expensed.

A software licence is to be capitalised if it meets the following criteria:

- where the licence is a one-off upfront cost included in the purchase price of the software. Often software is acquired as a one-off upfront cost to cover multiple cost users. For example, a licence would cost \$500,000 for 500 users. Capitalisation would be based on the cost of the licence itself (\$500,000) rather than on the individual unit cost based on the number of users covered by the licence;
- the period of the licence is greater than 2 years; and
- the fee meets the capitalisation threshold established by the agency.

Licences relating to software for generating multiple systems are to be capitalised separately from any internally generated systems, provided it meets the criteria above. For example, the licence fee for the Oracle Database to internally generate multiple systems is to be capitalised if the fee meets the criteria mentioned above.

However, if a licence relates to specifically internally generated software, it is capitalised as part of the internally generated asset cost if the licence is a one-off upfront fee.

Refer to Appendix 2 for further information.

### ***Package Application Computer Software Control Issues***

In terms of control issues for application software, it is important for agencies to distinguish between 'control of intellectual property' and 'accounting control'. Generally, the agreement upon the purchase of application software is that the vendor has the right to sell the intellectual property to another party. For example, agencies may modify or enhance systems such as Oracle Financials where Oracle, being the vendor, has the legal right to sell the software with the enhancements/modifications to another party. Agencies should view control from an accounting perspective where the agency is able to restrict other parties from using the software and through those restrictions, future economic benefits can be derived.

## Other Intangible Assets

### ***Licences***

Leased taxi number plates and fishing quotas are examples of internally generated intangible assets created or issued by government. These intangible assets are similar in substance to brands, mastheads, publishing titles and customer lists as per paragraph 63 of AASB 138 in the sense that they arise out of the normal operations of a government agency. Consequently, they are not to be recognised (capitalised), as these assets cannot be distinguished from the cost of creating or issuing these assets as a whole.

Moneys received or receivable in relation to such intangible assets should be accounted for by recognising revenue. However, the agency would need to determine the most appropriate accounting treatment for these transactions, as this will depend on the particular circumstances.

### ***Intellectual Property***

Intellectual property (IP) includes educational and training packages or tools, inventions, copyrights, trademarks and patents. In the public sector, intellectual property can be generated from government grant funding, created under government contracts, joint ventures or be commercially acquired.

IP may be recognised in accordance with the requirements of AASB 138. However, the Standard prohibits the recognition of internally generated brands, mastheads, publishing titles, customer lists and items similar in substance.

### ***Web Sites***

Web sites are intangible assets. The costs incurred on web sites are charged as expenses unless they relate to the acquisition or development of an asset (web site) where they may be capitalised and amortised. Generally, costs relating to feasibility studies during the planning phase of a website and the ongoing costs of maintenance during the operating phase are to be expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are to be capitalised.

The future economic benefits do not necessarily need to be related to specific cash flows and therefore the web site is capable of being capitalised where it is linked to the agency's delivery of services. See also UIG Interpretation 132 for further guidance.

## Appendix 1

### Summary of Recommended Accounting Treatment for Internally Developed Computer Software

The following table provides a practical example of cost items specifically relating to internally generated computer software that should be capitalised and those that should be expensed. Before capitalising any of the expenditures associated with various examples of activities listed below, the agency needs to be able to identify specifically what the asset is. The asset needs to be identifiable in meeting the definition of an intangible asset and the recognition criteria under AASB 138. Activity/Item 1 represents the research phase, Activity/Items 2, 3 and 4 represent the development phase and Activity/Items 5 and 6 represent the post-implementation stage.

Project Activity/Item	Activity/Cost Item Description	Accounting Treatment
1. Initiation Stage (scoping, evaluation & business case)	Strategic Asset Planning - <ul style="list-style-type: none"> <li>• Conceptual formulation of alternatives, evaluation of alternatives, determining the existence of technology</li> <li>• Technology evaluation</li> <li>• Selection of alternatives</li> <li>• Business case analysis – management and planning functions for the project</li> <li>• Developing benchmarks &amp; architectural design</li> </ul>	Expense*  Expense Expense Expense Expense
2. Analysis, design & development	<ul style="list-style-type: none"> <li>• Detailed analysis of user requirements</li> <li>• Detailed design &amp; specification</li> <li>• Software development configuration &amp; interfaces (including total staff costs &amp; contractor/consultant fees)</li> <li>• Installation of software</li> </ul>	Capitalise** Capitalise Capitalise  Capitalise
3. Testing production & implementation	<ul style="list-style-type: none"> <li>• Testing</li> <li>• Implementation of the software</li> <li>• Data conversion from old software into the new software</li> <li>• Installation of software on hardware necessary to get the software ready for production use at the first site only if the implementation at subsequent sites does not enhance software functionality</li> </ul>	Capitalise Capitalise Expense***  Capitalise



Project Activity/Item	Activity/Cost Item Description	Accounting Treatment
3. Testing production & implementation	<ul style="list-style-type: none"> <li>• Management/planning functions associated with ensuring project is completed, including provision of accommodation and office supplies and services for the project team</li> <li>• Post-implementation review</li> </ul>	<p>Capitalise</p> <p>Expense</p>
	<ul style="list-style-type: none"> <li>• Training of staff in the use or administration of the software (training room set up, organising, delivering and attending training, fees paid to the vendor to attend a training course)</li> <li>• Travel costs directly attributable to the development and the implementation of the software</li> <li>• Training staff in the use of the project specific tools required to build or configure the software</li> </ul>	<p>Expense</p> <p>Capitalise</p> <p>Expense</p>
4. Enhancement of existing application	<ul style="list-style-type: none"> <li>• Detailed design &amp; specification</li> <li>• Software configuration</li> <li>• Development of interfaces</li> <li>• Coding</li> <li>• Testing</li> <li>• Parallel processing</li> </ul>	<p>Capitalise</p> <p>Capitalise</p> <p>Capitalise</p> <p>Capitalise</p> <p>Capitalise</p> <p>Capitalise</p>
5. Recurring maintenance & support	<ul style="list-style-type: none"> <li>• Management of infrastructure resources and cost of infrastructure support</li> <li>• Ongoing support &amp; system administration</li> <li>• Applications maintenance, including annual renewals of software licences, which includes provision for delivery of software upgrades</li> </ul>	<p>Expense</p> <p>Expense</p> <p>Expense</p>
6. Whole of project, multi-stage or other items	<ul style="list-style-type: none"> <li>• Upfront (one-off) software licences acquired to be configured for the new software</li> <li>• Borrowing costs</li> <li>• Upfront (one-off) software licences acquired specifically to develop system if this software is not expected to be used for any other software development</li> <li>• Development of system specific training material that would be considered part of the asset to be developed and delivered for ongoing business use</li> </ul>	<p>Capitalise</p> <p>Expense</p> <p>Capitalise</p> <p>Capitalise</p>

Project Activity/Item	Activity/Cost Item Description	Accounting Treatment
6. Whole of project, multi-stage or other items	<ul style="list-style-type: none"> <li>• Installation costs at secondary or subsequent sites, unless the subsequent implementations require additional analysis, design and configuration to suit or meet slightly different business requirements</li> </ul> <p>Vendor support costs</p> <p>Lease costs of IT hardware</p> <p>Ongoing programming support to correct defects</p> <p>Internal business costs that are difficult to separately identify (i.e. cost of users' time assisting in the analysis of the business requirements that are not costed directly to the project)</p>	<p>Expense</p> <p>Expense</p> <p>Expense</p> <p>Expense</p> <p>Expense</p>
	Appropriate operating overheads that are directly attributable and are necessary for the development of the asset. Agencies must be able to justify the basis of cost allocation and costs should be reliably measurable.	Capitalise

\* costs associated with these activities do not relate to an identifiable asset that is capable of being separated or divided from the entity and should therefore be expensed as incurred.

\*\* costs that can be capitalised provided there is an identifiable asset. This is because they are directly attributable to bringing the asset to the condition necessary for it to be capable of operating in a manner intended by management.

\*\*\* while costs associated with this activity may lead to the provision of future economic benefits, there is no asset being created that can be recognised. Accordingly, such costs should be expensed as incurred. (If an agency considers "data conversion" to be part of the development phase, this would need to be justified and documented for audit purposes).

If there is uncertainty with the accounting treatment, costs should be expensed.

## Appendix 2

### Summary of Accounting Treatment for Externally Acquired Software

The following table provides a practical example of cost items specifically relating to externally acquired software that should be capitalised and those that should be expensed.

Item	Cost Item Description	Expenditure Type
Externally purchased off the shelf software	<ul style="list-style-type: none"> <li>• Purchased software</li> </ul>	Capitalise
	<ul style="list-style-type: none"> <li>• Initial lump sum payment for a licence, provided it meets the capitalisation threshold set by the agency and the period of the licence is greater than 2 years</li> </ul>	Capitalise
	<ul style="list-style-type: none"> <li>• Software installation costs</li> </ul>	Capitalise
	<ul style="list-style-type: none"> <li>• Staff training costs</li> </ul>	Expense
	<ul style="list-style-type: none"> <li>• Maintenance fees</li> </ul>	Expense
	<ul style="list-style-type: none"> <li>• Evaluation and assessment costs</li> </ul>	Expense
	<ul style="list-style-type: none"> <li>• Annual payments for licence</li> </ul>	Expense
	<ul style="list-style-type: none"> <li>• Payments for licences less than 2 years</li> </ul>	Expense
	<ul style="list-style-type: none"> <li>• Payments for licences greater than 2 years</li> </ul>	Capitalise
	<ul style="list-style-type: none"> <li>• Costs relating to enhancements conducted on annually licenced software, should be capitalised, even if the licence is expensed</li> </ul>	Capitalise
<ul style="list-style-type: none"> <li>• Licences relating to software for generating multiple systems (e.g. licence for Oracle Database) separate from internally generated systems using the software</li> </ul>	Capitalise (if licence fee is a one-off upfront cost)	

## Appendix 3

### Illustrative Examples

#### Expense or capitalise?

The Department of Information Technology (DIT) has engaged an external consultant to assist the IT project manager with the development of a new accounting software programme. The agency incurred the following costs to develop the new software:

- \$5,000 consultant fees to search for and evaluate off the shelf software;
- \$2,000 in employee expenses to select the final off the shelf software;
- \$3,000 in employee expenses to design the changes required to the off the shelf software;
- \$10,000 in employee expenses to construct and test the new software;
- \$5,000 for new terminals to replace old terminals that did not have the capacity to handle the new software;
- \$500 to promote the new software to staff; and
- \$2,000 in training staff to operate the new software.

#### Answer:

The costs in developing the new software would be treated as outlined below:

- expense \$5,000 consultant fee as it was incurred in the research stage;
- expense \$2,000 employee expenses to select the final off the shelf software;
- capitalise \$3,000 employee expenses to design changes required to the off the shelf software;
- capitalise \$10,000 employee expenses to construct and test the new software;
- capitalise and recognise as property, plant and equipment \$5,000 new terminals;
- expense \$500 to promote new software to staff; and
- expense \$2,000 training of staff to operate the new software.

Note that where an item is to be capitalised will depend on whether the requirements for recognition under AASB 138 have been met.

### **Scenario 1**

Since the implementation of the new accounting software program within the corporate section of DIT, the system has been a proven success as KPIs have shown increased efficiency levels with performance. After 2 years of using the system, DIT decides to conduct operational/maintenance work on the system such as password audits and performing programming support to correct minor defects. The work will cost \$5,000.

Expense the \$5,000 as the subsequent expenditure is intended to maintain the current functionality of the software.

### **Scenario 2**

It has been 4 years since the implementation of the accounting software program and staff have complained to management that on occasion, tasks such as entering and processing payments causes the system to inadvertently crash. Staff have been frustrated with this. Management has decided to replace the accounts payable software component and also implement additional features. The carrying amount of the original accounts payable system component is \$2,000

The upgrade is considered to be a significant enhancement to the software, as it will improve the capacity to store data. The cost for the upgrade is estimated to be \$10,000.

Capitalise the \$10,000. The upgrade increases the service functionality of the entire program.

The derecognition of the carrying amount of the original accounts payable software component is recognised as a loss of \$2,000 in the statement of comprehensive income.

### **Scenario 3**

DIT has 2 licences for the use of Oracle Financials and PeopleSoft. The licence fee of \$20,000 for Oracle Financials is paid to the Department of Shared Services, while the licence fee, also \$20,000 for the use of PeopleSoft is paid directly to the provider. These licences are renewed on an annual basis. In the following year, it was decided that PeopleSoft required a major upgrade to reflect improved practices. The cost of the upgrade is estimated to be \$300,000.

Expense each licence fee (\$20,000) as the annual renewal of licences represents a maintenance cost to DIT.

Capitalise the \$300,000 (treat the upgrade as a separate asset item), even though the licence fee is expensed on an annual basis.

## Frequently Asked Questions

**Question 1:** *What computer software costs should be expensed?*

**Answer 1:** Software costs that are less than \$5,000 and/or not material in value (i.e. below the agency's asset capitalisation threshold) should be recognised as an expense when incurred. Examples of software costs that would normally be treated as an expense include:

- Application software such as package software (e.g. accounting and human resource systems) that have not been extensively modified or tailored to the agency's needs and has an expected life of only a few years (e.g. 3 years).
- Non-major acquisitions such as PC and local area network application software, for example, Microsoft products.
- All annual licence fees including licences for periods less than 2 years relating to package application software and database management software. This includes instances where agencies are charged a fee based on the number of users.
- Ongoing maintenance costs and customer support. This includes training of staff in the use or administration of the software (e.g. training room set up, ongoing training and delivery costs) and general overhead costs.
- For internally developed computer software, costs must be expensed during the research phase of the project. Examples of research activities include, activities aimed at obtaining new knowledge and the formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.

**Question 2:** *What computer software costs should be capitalised?*

**Answer 2:** Software costs that are material and above \$5,000 should be capitalised where it is probable that the expected future economic benefits attributable to the asset will flow to the agency and the costs can be measured reliably. Examples of such costs to be capitalised include:

- The purchase price of major packages acquired by the agency (e.g. Oracle) and any directly attributable costs. Extensive modification if it results in an increase in capacity or efficiency or extends the useful life of the software.
- For internally developed computer software, the costs associated with its development. Examples of costs include; software configuration and software interfaces, coding costs, installation costs and testing costs.
- Licence fees for a period greater than 2 years relating to externally acquired computer software. This also includes one-off upfront licence fees (included in the purchase price of the software) on the condition that the period of the licence is greater than 2 years.

**Question 3:** *What is the useful life for intangible assets?*

**Answer 3:** The useful life for intangible assets is usually considered to be between 3-5 years. However, agencies need to determine the useful life based on an analysis of factors such as the effect of obsolescence, economic, legal (e.g. contractual terms and conditions) and regulatory environments as these may limit the useful life of the asset and the expected use of the asset by the agency. Note that the useful life recommended above is not mandatory. Agencies should exercise judgement when determining the useful life for an intangible asset.

**Question 4:** *What is the accounting treatment for the replacement of computer software before the end of its useful life?*

**Answer 4:** The software to be replaced is to be written off (expensed) at the time of replacement. This is likely to occur in circumstances where an enhancement is conducted on software that results in the replacement of the existing software. The unamortised amounts for the original software must be expensed in the year that the original software is replaced.

**Question 5:** *Would databases of information held by an agency, such as a spatial cadastral database of land information or a database of individuals holding a driver's licence or motor vehicle registrations, be considered as intangible assets?*

**Answer 5:** AASB 138 prohibits the recognition of certain internally generated intangible assets such as brands, mastheads, customer lists and other items of similar substance. The stated rationale is that such expenditure cannot be distinguished from the cost of developing the business as a whole.

The database cited would be analogous to a 'customer list' or more generally 'items of similar nature', and therefore prohibited for recognition regardless of whether they meet the general definition and recognition requirements of AASB 138. It is unlikely that the cost of constructing the database is able to be reliably measured in hindsight. Even if the cost could be identified, the prohibition in recognising a 'customer list' or 'items of similar substance' effectively overrides these general definition and recognition requirements.

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The database cited would be analogous to a 'customer list' or more generally 'items of similar nature', and therefore prohibited for recognition regardless of whether they meet the general definition and recognition requirements of AASB 138. It is unlikely that the cost of constructing the database is able to be reliably measured in hindsight. Even if the cost could be identified, the prohibition in recognising a 'customer list' or 'items of similar substance' effectively overrides these general definition and recognition requirements.



## **Accounting Policy Guideline 3**

# **Provisions – Discount Rates and Other Factors**

**Department of Treasury**

**18 June 2021**

## TABLE OF CONTENTS

INTRODUCTION .....	3
ACCOUNTING STANDARDS .....	3
<i>AASB 119 Employee Benefits</i> .....	3
Measurement of employee benefit obligations.....	3
Financial assumptions .....	3
Discount rates.....	3
<i>AASB 137 Provisions, Contingent Liabilities and Contingent Assets</i> .....	3
Measurement of provisions .....	3
Discount rates.....	3
GUIDELINES .....	4

## Introduction

The objective of these guidelines is to assist public sector entities in measuring provisions (liabilities of uncertain timing or amount) at present value in accordance with AASB 119 *Employee Benefits* and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* resulting in a consistent approach across the public sector and for whole of government reporting purposes.

AASB 119 and AASB 137 apply to certain provisions including annual leave, sick leave, long service leave and employment on-costs. Provisions that are not expected to be settled wholly before 12 months after the end of the annual reporting period are to be measured at the present value of amounts expected to be paid when the liabilities are settled.

## Accounting Standards

### AASB 119 *Employee Benefits*

#### **Measurement of employee benefit obligations**

The amount recognised as a long-term employee benefit liability is the present value of the defined benefit obligation at the end of the reporting period.

#### **Financial assumptions**

Financial assumptions such as the discount rate, and future salary and benefit levels, and inflation (CPI) are to be based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled (refer to paragraphs 75 to 95 of the Standard).

#### **Discount rates**

The discount rate to be used to measure long-term employee obligations, in respect of not-for-profit entities, shall be determined by market yields on **government bonds** at the end of the reporting period with terms to maturity that match, as closely as possible, the estimated future cash outflows (refer to paragraphs Aus83.1 to 86 of the Standard).

In respect of for-profit entities (i.e. Gold Corporation), the discount rate shall be determined by reference to market yields at the end of the reporting period on high quality **corporate bonds** (refer to paragraph 83 of the Standard).

### AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*

#### **Measurement of provisions**

The amount recognised as a provision is the best estimate of the expenditure (future cash outflows) required to settle the liability at the end of the reporting period. Where the effect of the time value of money is material, the estimated future cash outflows should be discounted to their present value (refer to paragraphs 36 to 52 of the Standard).

#### **Discount rates**

The discount rate to be applied shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability (refer to paragraphs 45 to 47 of the Standard).

## Guidelines

When agencies are measuring provisions in accordance with AASB 119 and AASB 137 at the end of the reporting period, the following rates and indices are provided to assist in calculating the present value of the liabilities:

	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
	<b>Mid-year</b>	<b>Forward</b>	<b>Forward</b>	<b>Forward</b>	<b>Forward</b>
	<b>Revision</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Wage Price Index<sup>1</sup></b>	1.5	1.75	2.0	2.25	
<b>Consumer Price Index<sup>1</sup></b>	1.5	1.75	1.75	2.0	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>	<b>%</b>
<b>Public Sector Wages</b>	1,000	1,000	1,000	2.0	2.0
<b>Policy Growth Cap</b>					

Entities and Actuarial measurement of the relevant provisions should utilise the Public Sector Wages Policy Growth Cap as a guide, unless this conflicts with paragraph 90 of AASB 119.

The percentage increase in Public Sector Wages is entity specific and will need to be calculated in accordance with entity circumstances.

	<b>Maturity</b>	<b>Treasury</b>	<b>A-rated Corporate</b>
	<b>(years)</b>	<b>Bonds Yield</b>	<b>Bonds Yield</b>
		<b>(% pa)</b>	<b>(% pa)</b>
<b>Discount rates:</b>	1	0.004	
<b>31 May 2021<sup>2</sup></b>	2	0.051	
	3	0.129	0.83
	4	0.489	
	5	0.739	1.38
	6	0.958	
	7	1.167	1.95
	8	1.338	
	9	1.516	
	10	1.654	2.39
	11	1.760	
	12	1.787	

<sup>1</sup> Sourced from WA 2020-21 Government Mid-year Financial Projections Statement. These indices are forecasts for the State as a whole.

<sup>2</sup> Sourced from RBA Indicative Mid Rates of Selected Commonwealth Government Securities at <https://www.rba.gov.au/statistics/tables/xls/f16.xls?v=2021-06-18-16-36-57>; and Aggregate Measures of Australian Corporate Bond Spreads and Yields: Non-Financial Corporate (NFC) Bonds at <https://www.rba.gov.au/statistics/tables/xls/f03hist.xls?v=2021-06-18-16-36-57>.

Agencies should reassess these discount rates at the end of the reporting period, which are available on the Reserve Bank of Australia's website, to determine whether the change in market yields have a material impact on the measurement of the provisions.

Agencies using the shorthand method to measure the long service leave provisions must ensure that the valuation is not materially different from the liability using the present value of the expected future payments (i.e. the longhand method).

## **Accounting Policy Guideline 4**

# **Related Party Disclosures**

**Department of Treasury**

**29 June 2018**

# TABLE OF CONTENTS

INTRODUCTION .....	3
KEY REQUIREMENTS .....	4
Key Management Personnel .....	4
KMP compensation .....	4
Compensation.....	5
Senior officers taking part in the management of more than one agency.....	5
Related parties .....	6
Related party transactions.....	7
Exercising judgement .....	8
Collecting information on related party transactions .....	8
Disclosing related party transactions .....	9
Significance .....	9
CONCLUSION.....	10
APPENDIX 1.....	11
Summary of Key Requirements of AASB 124 'Related Party Disclosures' .....	11
APPENDIX 2.....	12
Examples of Entities Controlled or Jointly Controlled .....	12
APPENDIX 3.....	13
Examples of Related Party Transactions .....	13
FREQUENTLY ASKED QUESTIONS.....	15

## Introduction

The Accounting Policy Guideline (APG) 4 is intended to assist the Chief Finance Officer (CFO) of a public sector entity to better understand the requirements of the Australian Accounting Standard AASB 124 'Related Party Disclosures'.

**The objective of AASB 124 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and financial performance may have been affected by related party transactions.** The objective of the disclosures is not for the purposes of assessing governance or probity.

This Guideline should be read in conjunction with the following documents:

- AASB 124 'Related Party Disclosures';
- AASB 119 'Employee Benefits';
- AASB 10 'Consolidated Financial Statements';
- AASB 11 'Joint Arrangements';
- Treasurer's instruction TI 924 'Related Party Disclosures';
- TI 903 'Agency Annual Reports';
- TI 947 'Certification of Financial Statements';
- TI 952 'General Information in Financial Statements'; and
- Budget Paper No. 3 'Economic and Fiscal Outlook'.

Key requirements of AASB 124 'Related Party Disclosures' are summarised in **Appendix 1** and discussed in detail in the following sections.



## Key Requirements

### Key Management Personnel

**Key Management Personnel**<sup>1</sup> (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executives or otherwise) of that entity.

In Western Australia, a public sector entity is governed by:

- Cabinet which consists of the Premier and all the **Ministers**; and
- **Senior officers** who in relation to an agency mean persons who are concerned with or take part in the management of the agency or any subsidiary body or related body of the agency. This includes the accountable authority of a department or members of the accountable authority of a statutory authority, but excludes any person acting in such a position for a limited period<sup>2</sup>.

### KMP compensation

Paragraph 17 of AASB 124 requires an entity to disclose KMP compensation in total and for each of the following categories:

(a) short-term employee benefits	e.g. fees, salaries and non-monetary benefits
(b) post-employment benefits	e.g. superannuation
(c) other long-term benefits	e.g. annual and long service leaves
(d) termination benefits	e.g. redundancy payments
(e) share-based payment	N/A

However, under paragraph 17A of AASB 124, a public sector entity is not required to disclose KMP compensation in relation to Ministers as they are compensated through a central government agency (i.e. Parliamentary Services). The public sector entity is only required to make disclosures for its senior officers' compensation. The Ministers' compensation will be disclosed in the Annual Report on State Finances (ARSF).

In addition to AASB 124, TI 952 'General Information in Financial Statements' also requires agencies to disclose:

- the number of senior officers of departments whose total compensation for the financial year, falls within each band of income of \$10,000; and
- the number of members of the accountable authority (if applicable) and senior officers (other than senior officers reported as members of the accountable authority) of statutory authorities, whose total compensation for the financial year, falls within each band of income of \$10,000<sup>3</sup>.

Refer to Note 9.4 'Key Management Personnel' in the Model Annual Report.

<sup>1</sup> Refer to paragraph 9 of AASB 124.

<sup>2</sup> Refer to the Guidelines in TI 903 'Agency Annual Reports'.

<sup>3</sup> Where a member (of an accountable authority of a statutory authority) compensation is zero, the member shall be included in a band labelled '\$0 - \$10,000'.

## **Compensation**

Compensation<sup>4</sup> includes all employee benefits as defined in AASB 119 'Employee Benefits'. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes fees, salaries, superannuation, non-monetary benefits (including motor vehicle benefits, housing and parking) and other benefits (including leave entitlements and redundancy payments). Total KMP compensation is disclosed on an accrual accounting basis, which may not necessarily represent the cash paid to a senior officer in a reporting period.

The value of non-monetary benefits (fringe benefits) is determined by reference to the cost of providing those benefits to an employee, including the related fringe benefits tax component. The concept of materiality should always be considered in making such determinations.

Fringe benefits tax is assessed in relation to the value of non-monetary benefits from April to March each year, which differs from the annual reporting period. Unless there is a material change in the level of benefits provided between the end of March and the end of the financial year (generally June), the value of benefits for the year to 31 March can be used for the purposes of AASB 124. If there is a material difference in the level of benefits provided, an estimate of this change would need to be made and a revised figure reported.

Compensation also includes a superannuation component. This component of compensation is based on the cost to the entity of employer contributions to superannuation funds. As no employer contributions are made for the Pension Scheme or pre-transfer benefits under the Gold State Superannuation Scheme, the cost to the employer is the increase in the liability where a liability is recognised in the Statement of Financial Position of the entity in respect of the employee. Where applicable, this cost is to be included in reporting compensation.

In relation to the salary sacrificing for non-monetary benefits, such as superannuation contributions and novated leases for motor vehicles, the amount of compensation to be included represents the gross salary before deductions are made.

### ***Senior officers taking part in the management of more than one agency***

Where a senior officer takes part in the management of more than one agency within the same financial year, information in respect of that officer should be included in the note disclosures for the compensation of senior officers in each agency that the officer took part in managing. Agencies should disclose only those costs attributable to the particular senior officer's management activities conducted during the financial year in the relevant agencies.

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<sup>4</sup> Refer to paragraph 9 of AASB 124.

## Related parties

**Related parties**<sup>5</sup> are persons or entities that are related to the reporting entity.

(a) **KMP** and **close family members**<sup>6</sup> of the KMP:

- Ministers and senior officers; and
- Family members who may be expected to influence, or be influenced by, KMP in their dealings with the entity and include:
  - spouse or domestic partner (including married, de-facto, civil union partnership, but excluding separated or divorced spouse or partner);
  - children over the age of 16, including children of the spouse/partner (including step, adopted, dependant/non-dependant, adult children living/not living at home); and
  - dependants over the age of 16, including dependants of the spouse/partner (i.e. family members financially supported by KMP or the spouse/partner and may include siblings, elderly parents/grandparents or disabled family members).

(b) **Related entities:**

- Other public sector entities:
  - include all entities consolidated into the ARSF<sup>7</sup>; and
  - exclude local governments and universities.
- Associates or joint ventures of a public sector entity:
  - While an associate or joint venture of a public sector entity is a related party to all public sector entities, Ministers and senior officers (of that public sector entity) are not considered KMP and therefore not related parties of the associate or joint venture.
  - For example, InterGrain is joint venture between the Western Australian Agriculture Authority (within the Department of Primary Industries and Regional Development (DPIRD)) and the Grains Research and Development Corporation (Cth). While InterGrain is a related party of DPIRD and other public sector entities, Ministers and senior officers of DPIRD are not related parties of InterGrain. Therefore, any transactions between a Minister or senior officer of DPIRD and InterGrain are not related party transactions. However, if InterGrain was to be controlled by DPIRD (i.e. a subsidiary), the transactions between a Minister or senior officer of DPIRD and InterGrain would be related party transactions.
- Superannuation providers such as the Government Employees Superannuation Board (GESB); and

<sup>5</sup> Refer to paragraph 9 of AASB 124.

<sup>6</sup> Refer to paragraph 9 of AASB 124.

<sup>7</sup> Refer to Note 8 'Composition of Sectors' in Appendix 1 'Detailed Financial Projections' of the Budget Paper No. 3 'Economic and Fiscal Outlook' for a list of entities included in the consolidated financial statements.

- Entities controlled or jointly controlled by KMP and/or their close family members:
  - An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee<sup>8</sup>.
  - Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control<sup>9</sup>.
  - Generally speaking, an entity is considered to be controlled or joint controlled by KMP and/or their close family members when they hold 50% or more of the shares or 50% or more of the voting rights of the entity (whether individually or combined). Types of entities include companies, partnerships, sole traders and not-for-profit entities (Refer to **Appendix 2** for examples of entities controlled or jointly controlled).

## Related party transactions

A **related party transaction**<sup>10</sup> is a transfer of resources, services or obligations between an entity and its related party, regardless of whether a price is charged. In the public sector, many entities engage frequently with their related parties in the course of delivering the entity's public service objectives, including the raising of revenue (e.g. taxes and rates) to meet those objectives. These transactions often occur on terms and conditions no different to those applying to the general public (e.g. electricity and water bills, public transport fares and vehicle licence charge). Judgement may be required as to when the transactions are material for collection and disclosure, especially when qualitative assessments are made about the nature of the transactions.

It is considered that:

- Citizen transactions are unlikely to be material for disclosure, and therefore excluded from collection. These transactions are where KMP or their close family members interact with a public sector entity under the same terms and conditions as a public citizen, such as paying taxes, levies or other statutory fees/charges and using public services such as hospitals, schools or public transport.
- Business transactions, by which there is the exchange of goods or services through a market (i.e. arm's length), between related parties and a public sector entity could be quantitatively material, and therefore required to be declared when they are above **\$50,000**. For example, if a contract to provide accountancy services to a Department was awarded to an entity owned by a child of that Department's senior officer for an amount above \$50,000, then this will need to be declared.
- Other sensitive transactions between related parties and a public sector entity are to be declared, with KMP exercising judgement on the sensitivity and materiality of the transaction. Examples of this may include the receipt of a scholarship from a public school for a child of the Department's senior officer, the receipt of a grant from a Statutory Authority by a not-for-profit charity controlled by the spouse of the Authority's senior officer, and gifts from a public sector entity to a dependant of that entity's senior officer.

Refer to **Attachment 3** for examples of related party transactions.

<sup>8</sup> Refer to paragraph 6 of AASB 10 'Consolidated Financial Statements'.

<sup>9</sup> Refer to paragraph 7 of AASB 11 'Joint Arrangements'.

<sup>10</sup> Refer to paragraph 9 of AASB 124.

## Exercising judgement

Notwithstanding the definition of related parties and related party transactions detailed above, KMP should exercise judgement when assessing if there are persons in their lives, or transactions not covered by the guidance, that should be declared. KMP are encouraged to assess the inclusion of people or transactions in their declaration to the intent of the standard. That is to ensure that any transactions with an individual with the ability to influence the decisions of a public sector entity are identified.

## Collecting information on related party transactions

The State Solicitor's Office has advised that the accountable authority of a public sector entity has power to lawfully order an employee with the entity to provide information on related party transactions. The accountable authority would not be able to meet his/her statutory obligation of preparing an annual report in accordance with the Australian Accounting Standards (including AASB 124) without getting access to the related party transactions relevant to the entity. However, such an order would not be made that requires senior officers to provide information that was not within their knowledge or possession.

Therefore, senior officers are required to complete the **Data Collection Form** (the Form) (included in the Guidelines of TI 924 'Related Party Disclosures'), at year-end, to provide:

- details of their close family members and any controlled (or jointly controlled) entities; and
- details of any transactions, to the best of their knowledge, between themselves or related parties and a public sector entity.

A senior officer is also required to complete the Form on resignation, retirement or dismissal.

The CFO of a public sector entity should understand the requirements of AASB 124 and assist his/her senior officers to complete the Form. It is noted that the CFO may be considered KMP in a number of public sector entities.

In addition, Cabinet has agreed that Ministers will provide the information necessary for public sector entities to comply with the requirements of AASB 124 through a data collection process that leverages off the existing Ministerial Code of Conduct process.

The Department of the Premier and Cabinet on behalf of the Department of Treasury (Treasury) will coordinate the Ministerial data collection process. Treasury will assess if any related party transaction is material for disclosure and will communicate that transaction to the relevant CFO.

The information collected will inform judgements concerning an entity's disclosures for related party transactions in its financial statements, and will be subject to review by the Auditor General. Not all information collected will be disclosed in the financial statements. Information that is considered not material for disclosure in an entity's financial statements is not required to be disclosed. Judgements on materiality of information will vary on a case by case basis. It is the responsibility of the CFO to ensure that there is no circumstance that would render the particulars included in the financial statements as misleading or inaccurate.

It is noted that information collected from Ministers and senior officers will be subject to the *Freedom of Information Act 1992* (FOI). This does not mean that the information would be disclosed in all instances, but rather that the application of the exemptions to the particular information must be considered in the individual circumstance of the case.

Due to FOI and privacy implications, the CFO of a public sector entity shall ensure that access to Ministers and senior officers' information is secured.

## Disclosing related party transactions

If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements<sup>11</sup>. At a minimum, disclosures shall include:

- the amount of the transactions;
- the amount of outstanding balances, including commitments, and:
  - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
  - details of any guarantees given or received;
- provisions for doubtful debts related to the amount of outstanding balances; and
- the expense recognised during the period in respect of bad or doubtful debts due from related parties.

Nevertheless, paragraph 25 of AASB 124 exempts a reporting entity from such disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with other entities (including associates and joint ventures) that are related parties because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entities.

If a public sector entity applies the exemption in paragraph 25, it shall disclose the following information in sufficient detail<sup>12</sup>:

- the nature and amount of each individually significant transaction; and
- for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

Refer to Note 9.5 'Related Party Transactions' in the Model Annual Report.

### **Significance**

A public sector entity should consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transactions<sup>13</sup> such as whether it is:

- significant in terms of size;
- carried out on non-market terms;
- outside normal day-to-day business operations, such as entering into a business arrangement;
- disclosed to regulatory or supervisory authorities;
- reported to senior management, and/or central agencies;
- subject to Minister and/or Cabinet approval.

<sup>11</sup> Refer to paragraph 18 of AASB 124.

<sup>12</sup> Refer to paragraph 26 of AASB 124.

<sup>13</sup> Refer to paragraph 27 of AASB 124.

## Conclusion

In short, a public sector entity is only required to make full disclosures in accordance with paragraph 18 of AASB 124 in relation to related party transactions with:

- Ministers/senior officers and their close family members (it can be said that most transactions in this category are citizen transactions which are not material); and
- entities controlled or jointly controlled by Minister/senior officer and/or his/her close family members (it can be said that related party disclosures are largely in this category).

Given the information collected on the Data Collection Forms, the CFO of the public sector entity should exercise judgement on whether a related party transaction is material for disclosure and liaise with his/her senior officers to finalise the entity's disclosure note.

## Appendix 1

### Summary of Key Requirements of AASB 124 ‘Related Party Disclosures’

Who it impacts	What must be disclosed	Data collection	Form of disclosures
<p>Key Management Personnel (KMP):</p> <ul style="list-style-type: none"> <li>• All Ministers (KMP of whole of Government)</li> <li>• Senior officers (KMP of specific agency)</li> </ul>	<ul style="list-style-type: none"> <li>• compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministers’ compensation is available from the Legislative Council, Legislative Assembly and DPC.</li> <li>• Senior officers’ compensation has been collected as required by Treasurer’s instructions.</li> </ul>	<ul style="list-style-type: none"> <li>• Ministers’ compensation to be disclosed in the ARSF.</li> <li>• Senior officers’ compensation to be disclosed in the agency annual report.</li> </ul>
<p>Related Parties of a public sector entity:</p> <ul style="list-style-type: none"> <li>• KMP</li> <li>• KMP’s close family members:                             <ul style="list-style-type: none"> <li>– Spouse/partner</li> <li>– Children/dependants over the age of 16</li> <li>– Others who may be expected to influence (or be influenced by)</li> </ul> </li> <li>• Businesses controlled or jointly controlled by KMP and/or their close family members</li> </ul>	<p>Related Party Transactions with a public sector entity:</p> <ul style="list-style-type: none"> <li>• Exclude general citizen transactions</li> <li>• Business transactions above \$50,000</li> <li>• Other sensitive transactions (with KMP exercising judgement)</li> </ul>	<ul style="list-style-type: none"> <li>• Ministers to complete the Data Collection Form.</li> <li>• Senior officers to complete a similar Form.</li> </ul>	<ul style="list-style-type: none"> <li>• Ministers’ related party transactions to be disclosed in the ARSF and the relevant agency annual report.</li> <li>• Senior officers’ related party transactions to be disclosed in the agency annual report.</li> </ul>
<p>Government-related entities:</p> <ul style="list-style-type: none"> <li>• Agencies (including associates and joint ventures) within the public sector</li> </ul>	<ul style="list-style-type: none"> <li>• Inter-agency transactions that are individually, or collectively, significant</li> </ul>	<ul style="list-style-type: none"> <li>• Transactions are expected to be available in the agency financial system.</li> </ul>	<ul style="list-style-type: none"> <li>• The ARSF to disclose significant transactions with associates or joint ventures of a public sector entity (other transactions are eliminated on consolidation).</li> <li>• The agency annual report to disclose only significant transactions.</li> </ul>



## Appendix 2

### Examples of Entities Controlled or Jointly Controlled

Examples of entities controlled or jointly controlled by KMP and/or their close family members include:

- A business operated by KMP's child as a sole proprietor;
- A partnership of two people where KMP's spouse is one of the partners;
- A company where KMP have 30% voting shares and the spouse has 30% voting shares resulting in the combined shareholding greater than 50%; and
- A trust where KMP and the spouse are two of three trustees.

Examples of entities not controlled or jointly controlled by KMP and/or their close family members include:

- A large accounting firm with multiple partners where KMP's child is one of the partners;
- A partnership of three people where KMP's spouse is one of the partners;
- A company where KMP have 25% voting shares and the spouse has 20% voting shares resulting in the combined shareholding less than 50%;
- A trust where KMP and the spouse are two of five trustees; and
- A not-for-profit charity where KMP's child is the chief executive and has insignificant voting rights on the board of directors.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form:

- Two entities are not related parties simply because they have a member of KMP in common or because a member of KMP of one entity has significant influence over the other entity;
- Two joint venturers are not related parties simply because they share joint control of a joint venture; and
- A customer, supplier, distributor or general agent with whom a public sector entity transacts a significant volume of business is not a related party simply by virtue of the resulting economic dependence.

## Appendix 3

### Examples of Related Party Transactions

Citizen transactions are generally not material, and therefore excluded from collection. Examples of citizen transactions are:

- paying taxes, levies, fines or other statutory fees or charges (such as payroll tax, transfer duty and vehicle licence charge);
- using public services (such as hospitals, schools and public transport); and
- receiving electricity and water services.

Business transactions are to be declared when they are above \$50,000. They may include:

- purchases or sales of goods (finished or unfinished) from/to a public sector entity;  
Example – the child of a Minister/senior officer runs an IT business and sells computers to the Department.
- purchases or sales of property and other assets from/to a public sector entity;  
Example – a block of commercial land is sold by the Statutory Authority to a company controlled by the spouse of a Minister/senior officer.
- rendering or receiving of services to/from a public sector entity;  
Example – the child of a Minister/senior officer owns an accounting firm and provides accountancy services to the Department.
- leases to/from a public sector entity;  
Example – an office building owned by a Minister/senior officer's family trust is leased by the Department.
- transfers of research and development to/from a public sector entity;
- transfers under licence agreements to/from a public sector entity;
- transfers under finance arrangements (including loans and equity contributions in cash or in kind) from a public sector entity;  
Example – the Statutory Authority lends to a start-up company owned by the child of a Minister/senior officer at the market rate. However, an interest-free (or below the market rate) loan would be considered a sensitive transaction.
- provision of guarantees or collateral from a public sector entity;  
Example – the Statutory Authority guarantees a loan for a not-for-profit organisation controlled by the spouse of a Minister/senior officer for a fee. However, if a fee is not charged, the transaction would be considered sensitive.
- commitments to do something if a particular event occurs or does not occur in the future with a public sector entity;  
Example – the Statutory Authority promises to step-in to complete the construction of a public school if the builder controlled by the child of a Minister/senior officer defaults. This would be considered a sensitive transaction unless the commitment is of a type common in the building industry.

- settlement of liabilities on behalf of a public sector entity or by a public sector entity on behalf of the related party.

It is considered that a debt forgiveness or waiver by a public sector entity in relation to the related party would be a sensitive transaction.

Other sensitive transactions are to be declared, with KMP exercising judgement on the sensitivity and materiality of the transaction. Examples include:

- free accommodation provided by the Statutory Authority to a Minister/senior officer in regional areas;
- a grant made by the Department to a not-for-profit charity controlled by the spouse of a Minister/senior officer;
- financial assistance (e.g. interest free loan) provided by the Statutory Authority to a company owned by the child of a Minister/senior officer;
- a scholarship granted by the TAFE institution to the child of a Minister/senior officer; and
- an ex-gratia payment made by the Department to a Minister/senior officer's dependant.

## Frequently Asked Questions

**Question 1:** *Who is Key Management Personnel (KMP)?*

**Answer 1:** Cabinet Ministers and senior officers. While Ministers are considered KMP of whole of government and all controlled public sector entities, senior officers are KMP of their responsible agency.

**Question 2:** *Whether members of the Board of a statutory authority are KMP?*

**Answer 2:** Yes, they are KMP of a statutory authority. The definition of 'senior officer' includes members of the accountable authority of a statutory authority.

**Question 3:** *Whether members of an advisory board are KMP?*

**Answer 3:** It depends. If a public sector entity is controlled by an advisory board (Refer to AASB 10), members of the advisory board are KMP of that public sector entity.

**Question 4:** *Whether two entities are related if a senior officer of one entity is a member of the Board of the other entity?*

**Answer 4:** No. Refer to paragraph 11 of the standard.

**Question 5:** *Is a public sector entity required to disclose transactions with other public sector entities?*

**Answer 5:** Yes, but only required for significant (individually or collectively) transactions. Refer to paragraph 26 of the standard.

**Question 6:** *Is a public sector entity required to disclose transactions with local governments and/or universities?*

**Answer 6:** No, local governments and universities are not related parties of a public sector entity as they are not controlled by the State government.

**Question 7:** *Is a senior officer required to complete the Data Collection Form if there is no related party transaction with the public sector entity?*

**Answer 7:** Yes, especially sections 1 and 2. The Data Collection Forms will be subject to review by the Auditor General.

**Question 8:** *Whether the \$50,000 threshold applies to transactions on an individually or collectively basis?*

**Answer 8:** Strictly speaking, individual transactions below \$50,000 are not required to be declared. However, KMP are required to exercise judgement on whether these transactions should be declared based on their nature and/or sensitivity.

**Question 9:** *Is a public sector entity required to disclose employment contracts with KMP's close family members?*

**Answer 9:** No, unless it is considered to be a sensitive transaction. Refer to the objective of the standard.

**Question 10:** *Whether information in the Data Collection Forms is subject to FOI?*

**Answer 10:** Yes.

## **Accounting Policy Guideline 5**

# **Revenue and Income**

**Department of Treasury**

**30 June 2020**

# TABLE OF CONTENTS

INTRODUCTION.....	4
KEY REQUIREMENTS.....	5
<i>AASB 15 Revenue from Contracts with Customers</i> .....	5
Scope.....	5
Identifying a contract.....	7
Identifying performance obligations.....	8
Determining the transaction price.....	10
Allocating the transaction price to performance obligations.....	11
Recognising revenue.....	12
<i>AASB 1058 Income of Not-for-Profit Entities</i> .....	13
Scope.....	13
Recognition and measurement.....	14
Tax versus licence.....	16
Transition.....	20
APPLICATION.....	21
Service appropriations.....	21
Capital appropriations.....	21
Liabilities assumed by other parties.....	21
Assets transferred from other parties.....	21
Services received free of charge.....	21
Royalties for Regions Fund.....	22
Fees and charges.....	22
Sales of goods.....	23
Commonwealth grants.....	24
APPENDIX 1.....	26
Collaboration arrangements.....	26
APPENDIX 2.....	27
Accounting for contract modifications.....	27
APPENDIX 3.....	30
Principal versus agent guidance.....	30

APPENDIX 4 ..... 32

    Accounting for a series of performance obligations ..... 32

APPENDIX 5 ..... 34

    Issues in determining the transaction price..... 34



## Introduction

The Accounting Policy Guideline APG 5 is intended to assist the Chief Finance Officer (CFO) of a public sector entity to better understand the requirements of the Australian Accounting Standards AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.

AASB 15 and AASB 1058 apply to annual reporting periods beginning on or after 1 January 2019. For most public sector entities, the Standards will commence on 1 July 2019 and be reported on 30 June 2020. Under these Standards, entities need to ensure that revenue and income are recognised at appropriate amounts and in the appropriate reporting periods.

Adoption of these Standards requires an assessment of each funding agreement to determine whether it is 'enforceable' and includes promises that are 'sufficiently specific' to qualify as performance obligations. This assessment must be applied to each transaction based on its substance rather than its legal form, or any description given to it. A key issue is to determine whether each transaction, or part of that transaction, falls within the scope of AASB 15. Only if AASB 15 does not apply, AASB 1058 is considered.

Fees and charges that are common sources of revenue for public sector entities outside the Consolidated Account generally relate to the provision of goods or services, and therefore are expected to be accounted for in accordance with AASB 15.

Other transactions would be accounted for in accordance with other relevant standards, including AASB 1058 and AASB 1004 *Contributions*.

AASB 1058 is to establish principles for recognising income:

- for the receipt of taxes and appropriations;
- on transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives; and
- for the receipt of volunteer services.

AASB 1004 remains in force, but its scope is reduced. AASB 1004 continues to apply and remains unchanged with respect to accounting for:

- restructure of administrative arrangements;
- liabilities of government departments assumed by other entities; and
- contributions by owners in the public sector.

This Guideline should be read in conjunction with the following documents:

- AASB 15 *Revenue from Contracts with Customers*;
- AASB 1058 *Income of Not-for-Profit Entities*;
- AASB 1004 *Contributions*;
- AASB 16 *Leases*;
- AASB 9 *Financial Instruments*;
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*;
- TI 955 *Contributions by Owners Made to Wholly Owned Public Sector Entities*; and
- TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*.

## Key Requirements

### AASB 15 *Revenue from Contracts with Customers*

#### Scope

**AASB 15** shall be applied to all contracts with customers, except the following:

- (a) lease contracts within the scope of AASB 16 *Leases*;
- (b) insurance contracts within the scope of AASB 4 *Insurance Contracts*;
- (c) financial instruments and other contractual rights or obligations within the scope of AASB 9 *Financial Instruments*, AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*; and
- (d) non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers. For example, this Standard would not apply to a contract between two energy companies that agree to an exchange of electricity to fulfil demand from their customers in different specified locations on a timely basis.

Entities shall apply this Standard to a contract (other than those explicitly scoped out above) if the contract is with a customer. A **customer** is a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. A contract would not be with a customer if, for example, the counterparty has contracted with the entity to participate in an activity or process (such as developing an asset in a collaboration arrangement) rather than to obtain the output of the entity's ordinary activities. Refer to **Appendix 1** for an example of collaboration arrangements.

Contracts that are not with customers are not within the scope of AASB 15. However, it is common in the public sector that the customer might direct goods or services to be provided to third-party beneficiaries (including individuals or the community at large) on the customer's behalf. In these contracts:

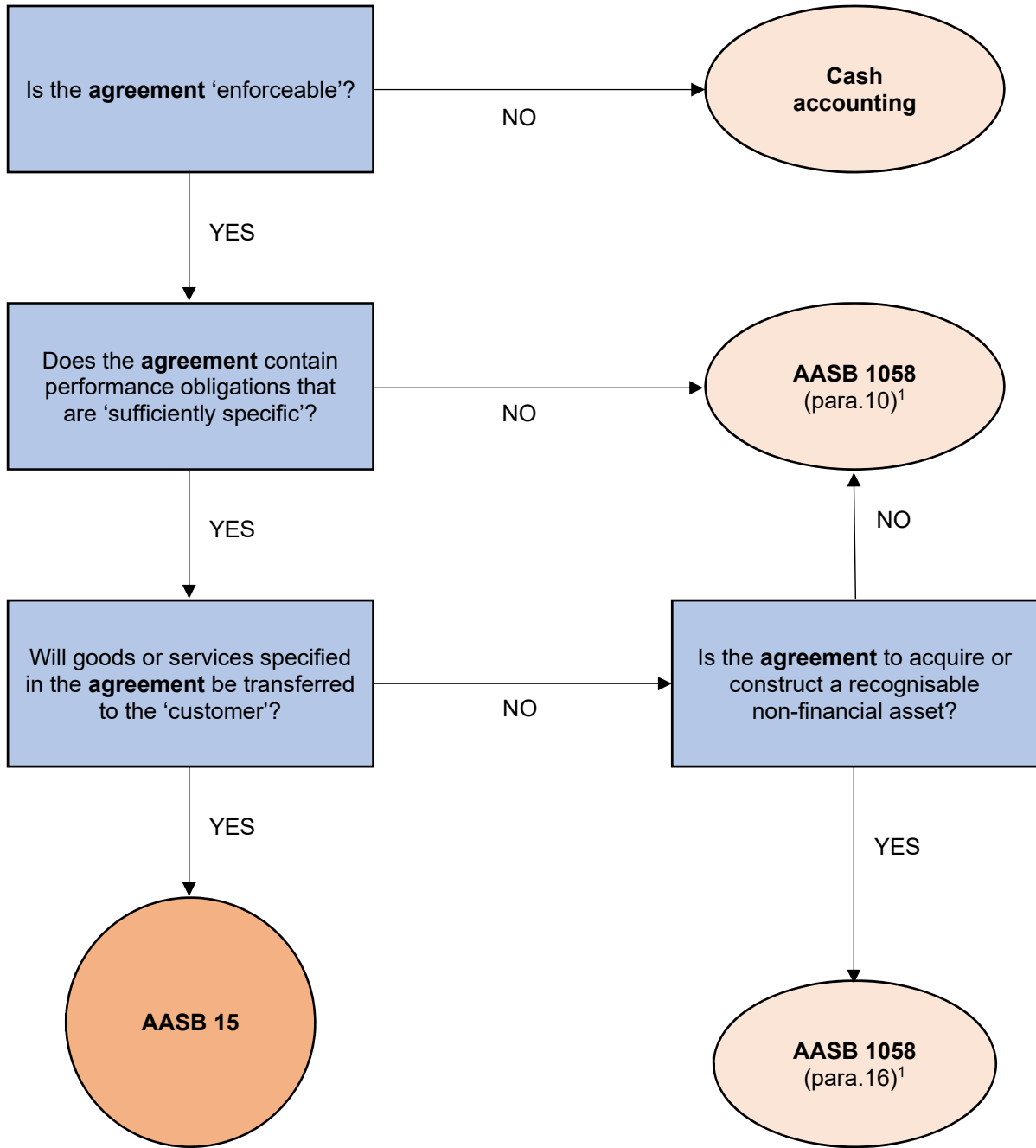
- (a) the customer remains the party that has contracted with the entity for those goods or services; and
- (b) the provision of those goods or services to third-party beneficiaries is a characteristic of the promised transfer of goods or services to the customer.

For example, an entity may receive consideration from an organisation for the specified purpose of providing training free of charge to members of the community. The organisation is the customer because it has contracted with the entity to provide the training services. This conclusion is not affected by the fact that the organisation specifies that those services are to be provided to members of the community.

To be in the scope of AASB 15, an **agreement** must:

- be 'enforceable';
- contain performance obligations to transfer goods or services to another party that are 'sufficiently specific'; and
- not result in the goods or services specified being retained by the entity, i.e. the goods or services will be transferred to the customer or to other parties on behalf of the customer.

**Chart 1 – Scope of AASB 15**



<sup>1</sup> Where the agreement is considered 'enforceable' and 'sufficiently specific' (but there is no transfer of goods or services), a contractual receivable would be recognised in respect of income recognition.

## Identifying a contract

The first step in applying AASB 15 is to determine if a contract exists and whether that contract is with a customer. This assessment is made on a contract-by-contract basis.

Entities also need to consider whether the contract is explicitly scoped out of AASB 15 (see AASB 15.5). Contracts that are entirely in the scope of another standard shall be accounted for in accordance with that standard. If the standard only applies to a portion of the contract, entities will need to separate the contract.

An entity can only recognise revenue in accordance with AASB 15 when it is 'probable' that it will collect the consideration it is entitled to in exchange for goods or services provided to a customer. The assessment of this probability must reflect both the customer's ability and intent to pay as amounts become due.

In the private sector, most entities will not enter into a contract with a customer if there is significant credit risk and the entity has no protection to ensure it can collect the consideration to which it is entitled. However, this is not the case for public sector entities who may be required to provide services to customers even if there is an expectation that payments will not be received. This is particularly relevant for entities providing services, such as water and electricity, to low socio-economic customers. In these situations, revenue will not be recognised under AASB 15.

AASB 15 defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. **Enforceability** of the rights and obligations in a contract is a matter of law. Contracts can be written, oral or implied by an entity's customary business practices. The practices and processes for establishing contracts with customers vary across legal jurisdictions, industries and entities. In addition, they may vary within an entity (for example, they may depend on the class of customer or the nature of the promised goods or services). Entities shall consider those practices and processes in determining whether and when an agreement with a customer creates enforceable rights and obligations.

Furthermore, an agreement might be enforced through 'equivalent means' such as administrative arrangements. Examples of terms that result in enforceable agreements include the following:

- (a) a refund in cash or kind is required when the agreed specific performance has not occurred;
- (b) the customer, or another party acting on its behalf, has a right to enforce specific performance or claim damages;
- (c) the customer has the right to take a financial interest in assets purchased or constructed by the entity with resources provided under the agreement;
- (d) the parties to the agreement are required to agree on alternative uses of the resources provided under the agreement; and
- (e) an administrative process exists to enforce agreements between sovereign States or between a State and another party.

Agreements that explicitly state they are not intended to be legally binding may nonetheless become enforceable agreements if the parties act in a manner that is consistent with the stated intention. Agreements that lack elements of a contract may nonetheless become legally enforceable if there is conduct by one party that causes the other party to act in reliance on such conduct. The enforceability of agreements does not depend on their form. For example, documents such as Memoranda of Understanding, Heads of Agreement and Letters of Intent can constitute legally enforceable agreements.

In the public sector, administrative arrangements may include a directive given by a Minister to his/her responsible entity. The ministerial authority to require a transfer of goods or services would be sufficient for an agreement to be enforceable.

Identification of an agreement as being enforceable through legal or equivalent means does not require a history of enforcement of similar agreements by the customer or even an intention of the customer to enforce its rights. A customer might choose not to enforce its rights. However, that decision is at the customer's discretion, and does not affect the enforceability of the customer's rights. Enforceability depends solely on the customer's capacity to enforce its rights.

However, the following circumstances would not, of themselves, cause an agreement to be enforceable:

- (a) a transferor has the capacity to withhold future funding to which the entity is not presently entitled; and
- (b) an entity publishes annual estimates to spend money or consume assets in particular ways. The annual estimates are generally in the nature of a budget document, and does not identify parties who could enforce the document. Such annual estimates would not, of themselves, be sufficient to create an enforceable agreement, even if the estimates are subject to budget-to-actual reporting and other oversight mechanisms. This is in contrast to a letter of intent which is typically an agreement between specifically identified parties.

Refer to **Appendix 2** for the accounting for contract modifications.

### Identifying performance obligations

Having identified the contract in Step 1, entities are now required to identify performance obligations contained in that contract. A performance obligation is a promise to transfer:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

**The importance of appropriately identifying performance obligations in a contract cannot be underestimated** as they each form a separate 'unit of account' for the purposes of determining how much revenue shall be recognised and when revenue shall be recognised. The conclusion reached in this Step could bring substantial changes to the amount and timing of revenue recognition in comparison with the previous treatment.

Promises in a contract can be explicit or implicit if the promises create a valid expectation that the entity will provide a good or service based on customary business practices, published policies or specific statements. It is important to consider representations made during contract negotiations, marketing materials and business strategies when identifying the promises in a contract. If an entity has historically provided maintenance services for no additional consideration, this would lead to an implicit promise of service that should be separately identified.

Promised goods or services include, but are not limited to:

- selling produced goods or reselling purchased goods;
- performing contractually agreed-upon tasks;
- standing ready to provide goods or services in the future;

- arranging for another party to provide goods or services<sup>2</sup>;
- designing, building or creating an asset on behalf of a customer;
- granting rights to use or access to tangible assets, such as the right of access to a private property or attraction;
- granting rights to use or access to intangible assets, such as intellectual property; and
- granting options to purchase additional goods or services that provide a material right to a customer.

A good or service is distinct if:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Each distinct good or service that an entity promises to transfer is a performance obligation. Goods or services that are not distinct are bundled with other goods or services in the contract until a bundle of goods or services that is distinct is created. In some cases, that would result in the entity accounting for all goods or services as a single performance obligation.

Refer to **Appendix 4** for the accounting for a series of performance obligations.

In addition, in the public sector, a necessary condition for identifying a performance obligation is that the promise is sufficiently specific to be able to determine when the obligation is satisfied. Judgement is necessary to assess whether a promise is **sufficiently specific**. Such judgement takes into account any conditions specified in the agreement, whether explicit or implicit, regarding the promised goods or services, including conditions regarding the following aspects:

- (a) the nature or type of the goods or services;
- (b) the cost or value of the goods or services;
- (c) the quantity of the goods or services; and
- (d) the period over which the goods or services must be transferred.

Some entities have a charter, such as to provide training services. However, it is unlikely that an entity's charter or stated objectives would be specific enough to require the recognition of contract liabilities under an agreement that provided the entity with a grant for a specified period, but did not identify the goods or services to be provided to other parties. Where entities receive a grant to be used over a particular period for specified services, such a grant could meet the sufficiently specific criterion.

An agreement can also include specific activities that an entity undertakes on behalf of a customer. They may include service delivery, research or asset management, among others. However, performance obligations do not include activities that an entity must undertake to fulfil an agreement unless those activities transfer a good or service to the customer. For example, research activities undertaken to develop intellectual property (i.e. a non-financial asset controlled by the entity) that the entity will license to the customer are not themselves a

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<sup>2</sup> Refer to **Appendix 3** for principal versus agent guidance.

transfer of goods or services to the customer. Such an agreement is not within the scope of AASB 15.

### Determining the transaction price

The transaction price is the amount of **consideration** to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, GST). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

In most instances, determining the transaction price is relatively straightforward. It is the price paid by a customer for the relevant good or service provided.

Complexities arise when a contract includes any of the following:

- (a) variable consideration;
- (b) the reversal constraint;
- (c) a significant financing element;
- (d) non-cash consideration; and
- (e) consideration payable to a customer.

Variable consideration is common and includes discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. For example, Synergy's revenue would be reduced by the rebates (e.g. \$305.25 pa per person under the WA Government Energy Assistance Program) it provides to concession card holders.

Consideration can also vary if an entity's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. For example, an amount of consideration would be variable if a fixed amount is promised as a performance bonus on achievement of a specified milestone.

Entities shall estimate an amount of variable consideration by using either of the following methods:

- (a) The expected value – the sum of probability-weighted amounts in a range of possible consideration amounts. The expected value may be appropriate if an entity has a large number of contracts with similar characteristics.
- (b) The most likely outcome – the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract). The most likely amount may be appropriate if the contract only has two possible outcomes (for example, an entity either achieves a performance benchmark or does not).

The method used is not a policy choice, but rather the method that best predicts the amount of consideration to which the entity will be entitled to receive based on the terms of the contract. Entity shall apply the method consistently throughout the contract.

Entities shall recognise a 'refund liability' if the entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) for which the entity does not expect to be entitled. The refund liability (and corresponding change in the transaction price, and therefore the 'contract liability') shall be reviewed at the end of each reporting period for changes in circumstances. The refund liability is considered a financial liability.

Entities shall only include in the transaction price some or all of an amount of variable consideration that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For example, Legal Aid WA charges a small fee for providing legal advice on appointment. However, the fee is means tested and may be waived in cases of financial hardship. In determining the amount of revenue earned from providing such legal services, the entity needs to consider whether the fee to be charged is eligible for being recognised as revenue. This is only the case if it is highly probable that a significant reversal will not arise, which is when it is established that the fee charged will not be waived.

Refer to **Appendix 5** for other issues in determining the transaction price, including prompt payment discounts and breakage.

Entities shall revise estimates of variable consideration at each reporting date throughout the contract period. Any changes in transaction prices are allocated to all performance obligations in the contract, unless the variable consideration relates only to one or more, but not all, of the performance obligations.

### Allocating the transaction price to performance obligations

The transaction price shall be **allocated** to each performance obligation identified in Step 2 on a relative stand-alone selling price basis.

Entities shall determine the stand-alone selling price, at contract inception, of the distinct good or service underlying each performance obligation and allocate the transaction price in proportion to those stand-alone selling prices.

The stand-alone selling price is the price at which an entity would sell a promised good or service separately to a customer. The best evidence of a stand-alone selling price is the observable price of a good or service that the entity sells separately to similar customers in similar circumstances. A contractually stated price or a list price for a good or service may be (but shall not be presumed to be) the stand-alone selling price of that good or service.

If a stand-alone selling price is not directly observable, entities shall estimate the stand-alone selling price.

Suitable methods for estimating the stand-alone selling price of a good or service include, but are not limited to, the following:

- (a) Adjusted market assessment approach – entities could evaluate the market in which they sell goods or services and estimate the price that a customer in that market would be willing to pay for those goods or services.
- (b) Expected cost plus a margin approach – entities could forecast its expected costs of satisfying a performance obligation and then add an appropriate margin for that good or service.
- (c) Residual approach – entities may estimate the stand-alone selling price by reference to the total transaction price less the sum of the observable stand-alone selling prices of other goods or services promised in the contract.

A combination of methods may need to be used to estimate the stand-alone selling prices of the goods or services promised in the contract if two or more of those goods or services have highly variable or uncertain stand-alone selling prices.



## Recognising revenue

Revenue shall be recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains **control** of that asset.

Previous requirements for revenue recognition were based around an assessment of whether the risks and rewards of ownership of a good or service had been transferred to a customer. The new application of the control criterion to all types of transactions for providing goods or services is one of the main changes in AASB 15. Under this control model, an analysis of risks and rewards is only one of a number of factors to be considered and this may lead to a change in the timing of revenue recognition in certain situations.

Control in the context of AASB 15 is the ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset. It includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. Indicators that control has passed include that the customer has:

- (a) a present obligation to pay;
- (b) legal title;
- (c) physical possession;
- (d) the significant risks and rewards of ownership; and
- (e) accepted the asset.

The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly, such as by:

- (a) using the asset to produce goods or provide services (including public services);
- (b) using the asset to enhance the value of other assets;
- (c) using the asset to settle liabilities or reduce expenses;
- (d) selling or exchanging the asset;
- (e) pledging the asset to secure a debt liability; and
- (f) holding the asset.

For each performance obligation identified in Step 2, entities shall determine at contract inception whether it will satisfy the performance obligation over time or at a point in time.

Entities will satisfy a performance obligation and recognise revenue over time if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
- (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the entity does not satisfy the performance obligation over time, the performance obligation will be satisfied at a point in time. To determine the point in time at which a customer obtains control and the entity satisfies the performance obligation, the entity will consider the indicators of when control has passed.

## AASB 1058 *Income of Not-for-Profit Entities*

### Scope

**AASB 1058** shall be applied to transactions where the consideration to acquire an asset is significantly less than its fair value principally to enable the entity to further its objectives (i.e. concessional transactions), and the receipt of volunteer services. Examples include:

- (a) cash and other assets received from grants, bequests or donations;
- (b) receipts of appropriations by government departments and other public sector entities;
- (c) receipts of taxes, rates or fines; and
- (d) assets acquired for nominal or low amounts (e.g. concessionary leases).

This means that AASB 1058 does not deal with situations where either the consideration is not significantly less than fair value, or it is significantly less than fair value but the difference is not principally to enable the entity to further its objectives.

When assessing whether the consideration for an asset is significantly less than its fair value principally to enable the entity to further its objectives, the entity may consider whether another entity could obtain the asset under the same terms and conditions. If those terms and conditions are generally not available to other entities of the same class/nature, it is more likely that the difference between the consideration for acquiring the asset and the fair value of the asset is principally for the entity to further its objectives. For example, trade discounts available to all not-for-profit entities, but not to for-profit entities, are not considered principally to further the specific entity's objectives.

Volunteer services are services transferred by individuals or other entities without charge or for consideration significantly less than fair value of those services. Such services should be recognised as an asset (or an expense) where their fair value can be measured reliably.

Entities may be recipients of volunteer services under voluntary or compulsory schemes operated in the public interest, for example:

- (a) technical assistance from other governments or international organisations;
- (b) persons convicted of offences who are required to perform community services for the entity;
- (c) hospitals receiving the services of volunteers;
- (d) schools receiving voluntary services from parents as teachers' aides or as board members; and
- (e) local governments receiving the services of volunteer firefighters.

Entities may also be recipients of volunteer professional services that support their broader activities. For example, government departments may receive free professional accounting and/or legal services from other agencies.

Parliamentary **appropriations**, which establish the authority to spend money for particular purposes, are a form of a transfer made voluntarily as the Government is not compelled to make payments of amounts appropriated.

Taxes, rates and fines are forms of transfers made compulsorily.

## Recognition and measurement

### Current grants and subsidies

An asset acquired under AASB 1058 shall be recognised in accordance with other standards (as relevant). Examples includes:

- (a) AASB 9 *Financial Instruments* (e.g. cash);
- (b) AASB 16 *Leases* (i.e. right-of-use assets);
- (c) AASB 116 *Property, Plant and Equipment*, and
- (d) AASB 138 *Intangible Assets*.

Financial assets under AASB 9 include contractual rights to receive cash or other financial assets from other entities. Therefore, under AASB 1058, a contractual receivable (and income) would be recognised when the entity meets conditions specified in a contract that is enforceable (refer to the discussion of enforceability under 'Identifying a contract').

On initial recognition of an asset, the entity shall recognise any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other standards. For example, related amounts may take the form of:

- (a) contributions by owners, in accordance with AASB 1004;
- (b) revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
- (c) a lease liability, in accordance with AASB 16;
- (d) a financial instrument, in accordance with AASB 9 (e.g. cash paid for the asset); or
- (e) a provision, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

The entity shall recognise **income** immediately in profit or loss for the excess of the initial carrying amount of the asset over the related amounts (including the consideration for acquiring the asset). Where the asset is acquired for nil consideration, income will be recognised for the fair value of the asset after deducting any other related amounts.

Capital appropriations are designated as 'contributions by owners' by Treasurer's instruction (TI) 955 *Contributions by Owners Made to Wholly Owned Public Sector Entities*, and therefore are accounted for in accordance with AASB 1004.

Contract liabilities are recognised in accordance with AASB 15 where transactions include the transfer of goods or services to other parties. For example, a fundraising event may include a donation (under AASB 1058) and a purchase of goods or services (under AASB 15). Income in relation to the donation would be recognised at the time of purchase whereas revenue from selling goods or services would be recognised when the entity transfers control of the goods or services to customers. The transfer of control would be at the time of purchase when the good (e.g. flower, book or pen) is handed over to customers or at a later date when the service (e.g. lunch or dinner) will be provided.

Right-of-use assets acquired under concessionary leases are measured at cost in accordance with Accounting Policy Guideline APG 6 *Leases*. Therefore, no income would be recognised in relation to the recognition of concessionary leases.

Financial liabilities are recognised in accordance with AASB 9 for taxes received in advance for which the taxable event has yet to occur (refer to the 'Taxes' section below).

## Capital grants

Where a transaction is to enable an entity to acquire or construct a recognisable non-financial asset (e.g. property, plant or equipment) that is controlled by the entity (i.e. that will not be transferred to other parties), the entity shall recognise a liability for the excess of the initial carrying amount of the financial asset over the related amounts. The entity shall recognise **income** in profit or loss when (or as) the entity satisfies its obligations under the transaction.

With capital grants, AASB 1058 requires the entity to initially recognise a liability representing the entity's obligation to acquire or construct the non-financial asset and, if applicable, other performance obligations under AASB 15 which involve the transfer of goods or services to other parties. The liability in relation to acquiring or constructing the non-financial asset is initially measured at the carrying amount of the financial asset received from the transferor that is not attributable to the related amounts for performance obligations under AASB 15, contributions by owners, etc. The liability is recognised until such time when (or as) the entity satisfies its obligations under the transaction.

If the non-financial asset being acquired or constructed is not permitted to be recognised by a standard (e.g. knowledge or intellectual property developed through research, which cannot be recognised as an asset under AASB 138), the recognition of a liability is no longer required. Income will be recognised immediately in profit or loss.

The obligation to acquire or construct the non-financial asset is accounted for similarly to a performance obligation under AASB 15. For each obligation, the entity shall determine whether the obligation will be satisfied over time or at a point in time. If the entity does not satisfy the obligation over time, the obligation will be satisfied at a point in time.

**For example**, Main Roads WA receives Commonwealth grant of \$1 million on 30 June 2020 to construct a new road. By 30 June 2021, it had spent \$800,000 on constructing this new road and a survey indicated that the road was 80% complete. Construction was completed three months later on 30 September 2021.

On 30 June 2020, applying AASB 1058, the journal entry would be:

Dr Cash	\$1 million	
Cr Grant liability		\$1 million

The liability represents the entity's obligation to acquire or construct the non-financial asset.

On 30 June 2021, the journal entry would be:

Dr Grant liability	\$800,000	
Cr Income		\$800,000
Dr PPE in progress	\$800,000	
Cr Cash <sup>3</sup>		\$800,000

On 30 September 2021, the journal entry would be:

Dr Grant liability	\$200,000	
Cr Income		\$200,000
Dr PPE in progress	\$200,000	
Cr Cash		\$200,000

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<sup>3</sup> Four quarterly payments (\$200,000 each) had been made in 2020-21.

If the grant was spent on an item that does not result in a recognisable non-financial asset (e.g. feasibility study), the 'credit entry' of \$1 million would be recognised as income, instead of a liability, on 30 June 2020.

### Volunteer services

Volunteer services shall be recognised as an asset (or an expense) if:

- (a) the fair value of those services can be measured reliably; and
- (b) the services would have been purchased if they had not been donated.

This requirement has been moved from AASB 1004 to AASB 1058 virtually unchanged.

Entities may, as an accounting policy choice, elect to recognise volunteer services, or a class of volunteer services, if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated.

Some volunteer services, such as professional services, might readily have observable market prices. In such circumstances, obtaining a reliable measure of fair value would be relatively straightforward. Entities are not required to perform an exhaustive search for volunteer services that might meet the recognition criteria in this Standard. Volunteer services that would have been purchased if they were not donated should be readily identifiable from the entity's operational requirements.

Volunteer services shall be measured at fair value.

Entities shall recognise the excess of the fair value of volunteer services over any related amounts as **income** immediately in profit or loss.

### Tax versus licence

AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors* provides guidance on distinguishing a licence from a tax. A licence is subject to AASB 15 while a tax will be accounted for in accordance with AASB 1058 (and AASB 9).

The following features are relevant in determining whether a transaction is a licence or a tax:

Feature	Licence	Tax
(a) Is the transaction compulsory rather than discretionary for the payer?	Discretionary (e.g. payer – the licensee – has discretion over whether to perform an activity that requires permission ( <i>ex ante</i> ), and it is not compulsory if payment is not made to retrospectively obtain the right, but subject to fines and/or other penalties)	Compulsory (e.g. non-discretionary payments for activities that the entity has performed, for example, earning revenue ( <i>ex post</i> ), and it is compulsory to pay the base amount in addition to any penalty fees and interest)
(b) What is the primary purpose?	Non-financial purpose (e.g. equitable allocation of a public resource)	Generating income for the public sector entity (e.g. very high proceeds in relation to the costs incurred might be indicative of tax component)

(c) Does the transaction create direct rights to use or access an asset for a payer, or perform an activity, and, depending on the type of transaction, direct obligations of the payee?	Creates direct rights for the payer (licensee), and could create direct obligations for the payee (licensor)	No specific rights for the payer nor obligations for the payee
(d) Does the transaction give the payer specific permission that must be obtained prior to performing an activity or using or accessing a resource of the payee that would otherwise be unlawful?	Yes	No
(e) Does the transaction transfer control of the payee's underlying asset?	No	Not relevant

In the majority of cases, a licence or a tax is readily determinable. For example, liquor licences are licences not taxes because a shop does not have to sell alcohol and the primary purpose of the licence is to manage liquor consumption.

However, a number of licences seem to be a tax but have the characteristics of a licence. For example, the Perth Parking Levy has been assessed as being a licence in the scope of AASB 15 for the following reasons:

- the payment of the levy is discretionary. The owners of properties can decide whether they want to use their car bays or not. Parking bays are only required to be licensed if they are used for providing non-residential parking bays.
- the primary purpose is to allow the owners of a property to have non-residential parking on their property. This provides them with a direct right to perform the activity.

Entities may enter into a transaction with a dual purpose of issuing a licence and imposing a tax. In such circumstances, the entity should disaggregate the transaction price and account for the component that relates to the licence in accordance with AASB 15. The remainder of the transaction price determined to be a tax should be accounted for in accordance with AASB 1058.

## Licences

Entities shall apply the Application Guidance in paragraphs B52-B63B of AASB 15 to account for revenue from licences of intellectual property (IP).

IP may include any of the following:

- software and technology;
- motion pictures, music and other forms of media and entertainment;
- franchises; and
- patents, trademarks and copyrights.

If the promise to grant an IP licence is distinct from other goods or services in the contract, the granting of the licence is a separate performance obligation. Revenue will be recognised at a point in time if the granting of the licence is a right to use the IP as it exists when the licence is granted. However, if the granting of the licence is a right to access the IP as it exists throughout the licence period, revenue will be earned over the licence period.

In the public sector, licences may be issued to include licensing transactions in which the licences do not relate to IP (i.e. **non-IP licences**). Driver licences, vehicle licences and casino licences are examples of these licences.

Entities shall consider whether a non-IP licence is for:

- (a) right over the licensor's identified asset, in which case the transaction might be a lease (or contain a lease), and fall within the scope of AASB 16; for example, burial grounds offered by the Metropolitan Cemeteries Board may contain a lease;
- (b) right over the licensor's non-identified asset, in which case the licence might:
  - (i) not be distinct from other promised goods or services in the transaction, and shall therefore be combined with the other goods or services and accounted for as a bundle of goods or services; or
  - (ii) be distinct from other promised goods or services in the transaction, and shall therefore be accounted for as a separate performance obligation in accordance with the principles of AASB 15.
- (c) right to perform an activity, which would not involve an asset of the licensor, and if distinct from other goods or services, shall be accounted for as a separate performance obligation in accordance with the principles of AASB 15.

The performance obligation in a non-IP licence would most commonly be issuing rights to the licensee to perform an activity (i.e. issuing the licence itself is the sole performance obligation). Therefore, revenue from non-IP licences would generally be recognised at the granting of the licence. However, entities should assess the transaction to identify any other performance obligations.

It should be noted that performance obligations do not include activities that a licensor must undertake to fulfil a transaction unless those activities transfer a good or service additional to the licence issued to the licensee. For example:

- (a) a promise to the licensee that the right is restricted to the licensee is not a performance obligation. A promise in the licence terms that the licensor will not issue a similar right to another party (i.e. exclusivity to the licensee) is considered an attribute of the transaction and does not transfer a good or service additional to the licence. Although the exclusivity maintains the value of the licence and has a greater value than a non-exclusive licence, it does not transfer an additional good or service to the licensee. The licensor refraining from issuing another licence to a new licensee only confirms the licence meets the attributes promised at inception of the licence. Similarly, if the licensor carries out activities to ensure that no other party engages in the activities that the licensee has an exclusive right to, this does not provide an additional service to the licensee, but instead is an activity that confirms the licence meets the attributes promised at inception of the licence;
- (b) activities that the licensor is required to undertake in relation to a non-IP licence to benefit the general public or to confirm the terms of the licence are being met (for example, 'policing' activities to ensure the licensee is not carrying out illegal activities or customers of the licensee are of a legally allowable age) are not performance obligations. Such activities do not transfer additional goods or services to the licensee (even though the licensee could benefit from those activities); and
- (c) activities that the licensor performs to check that the licensee continues to meet the eligibility requirements of the transaction are not performance obligations. The licensee controls whether they meet the eligibility requirements of the transaction. Activities performed by the licensor to uphold the integrity of the licensee merely confirm that the transaction is not breached, and do not transfer additional goods or services to the licensee.

Entities may elect not to apply the principles of AASB 15 to low value and short-term licences. If the recognition exemption is adopted, the entity may recognise those licences either at the point in time the licence is issued or on a straight-line basis over the licence term.

AASB 15 does not specifically state what the dollar value of a low value licence is. The Standard does give the following guidance:

- Entities shall assess the transaction price of a licence on an absolute basis when the licence is issued.
- The recognition exemption is not available to licences that include variable consideration.
- Low value licences qualify for the exemption regardless of whether those licences are material in aggregate to the entity.
- The assessment of what is 'low value' is not affected by the size, nature or circumstance of the entity. Different entities are expected to reach the same conclusions about whether a particular licence has a low value transaction price.
- A licence does not qualify as a low value licence if the nature of the licence is such that the licence is not typically of low value. For example, casino licences would not qualify as low value licences because casino licences would typically not be of low value.
- Examples of low value licences include driver licences, vehicle licences and working with children permits.

Public sector entities are expected to use the dollar threshold of \$1,000 for assessing low value licences.

A short-term licence is one with a period of 12 months or less. In determining the licence term, entities are required to disregard any option to extend the licence, regardless of whether the licensee is reasonably certain to exercise that option (e.g. Perth Parking Levy is renewed every 12 months).

## Taxes

Statutory receivables (and income) arising from taxes are accounted for initially as if they were financial instruments under AASB 9.

Accordingly, entities shall recognise and measure a statutory receivable (and income) when it is established that the entity has a right to receive cash or other financial assets. Such a right arises on the occurrence of a past event.

A past event relating to taxes occurs as specified for each tax in the relevant law. Examples of **taxable events** include:

- (a) income tax – the end of the taxation period in respect of which taxable income of a taxpayer is determined;
- (b) goods and services tax – the purchase or sale of taxable goods and services during the taxation period;
- (c) customs duty – the movement of dutiable goods or services across the customs boundary; and
- (d) property tax – the passing of the date on which the tax is levied, or, if the tax is levied on a periodic basis, the period for which the tax is levied.



In some instances, assets arising from taxable events cannot be measured reliably until after the taxing entity lodges a return (e.g. payroll tax). This may occur, for example, if a tax base is volatile and reliable estimation is not possible. Consequently, in these cases, the assets (and income) would be recognised in a period subsequent to the occurrence of the taxable event (for example, payroll tax will be recognised in the month after the taxable event).

Taxes are generally required to be paid into the Consolidated Account. Therefore, entities should report taxes as administered income (also refer to the Guidelines in TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*).

## Transition

### **Public sector entities shall adopt the modified retrospective approach on transition to AASB 15 and AASB 1058.**

Under this approach, entities are not required to restate comparative information. Instead, entities shall recognise the cumulative effect of initially applying these Standards as an adjustment to the opening balance of accumulated surplus/(deficit) (or retained earnings) at the date of initial application.

Entities shall apply these Standards retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

A completed contract is defined in AASB 15 as a contract for which the entity has transferred all of the goods or services identified in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations. However, in respect of not-for-profit entities, a completed contract also includes contracts for which the entity has recognised all of the revenue in accordance with AASB 1004, or revenue in combination with a provision in accordance with AASB 137. This is consistent with the definition of a completed contract in AASB 1058.

Taxes and grants (including Commonwealth capital grants) were 'contributions' (i.e. non-reciprocal transfers) within the scope of AASB 1004. Therefore, most of them would be completed contracts. No adjustment would be required for these transactions on transition to AASB 15 and AASB 1058.

## Application

### Service appropriations

Service appropriations are for the delivery of outputs. They are paid partly in the form of cash and partly as an asset (holding account) that agencies may draw, subject to government approval, at some future date.

Service appropriations are a form of transfer that is made voluntarily by the government. As such, payments of amounts appropriated are not enforceable. Therefore, service appropriations will be recognised as income when the funds are deposited into an agency's bank account or credited to a holding account held at Treasury.

### Capital appropriations

Capital appropriations are to expand the asset base of agencies. Capital appropriations are designated as 'contributions by owners' by TI 955 *Contributions by Owners Made to Wholly Owned Public Sector Entities*. Therefore, under AASB 1004, capital appropriations will be accounted for as a direct adjustment to equity when the funds are deposited into an agency's bank account.

### Liabilities assumed by other parties

Liabilities assumed by the Treasurer or other public sector entities are still within the scope of AASB 1004. Accordingly, income will be recognised for an amount equivalent to the liability assumed when the liability is assumed.

### Assets transferred from other parties

Where an asset is received free of charge or for nominal cost, income will be recognised for the fair value of the asset net of the consideration for acquiring that asset (if any). In accordance with AASB 1058, the amount of income recognised will also be reduced by any amount of the transferred asset that has been designated as a contribution by owners. Furthermore, agencies need to assess whether they will have any performance obligations (that are sufficiently specific) on receiving the asset. The amount of income would be reduced further by a liability recognised for the cost of meeting the performance obligations. Agencies would recognise revenue as they satisfy these performance obligations in accordance with AASB 15.

Assets transferred from other parties will be generally recognised as income when the assets are transferred.

Note that transfers of assets and liabilities in relation to a restructure of administrative arrangements will be recognised as distributions to owners by the transferor and contributions by owners by the transferee in accordance with AASB 1004.

### Services received free of charge

In accordance with paragraphs 18-22 of AASB 1058, services received free of charge (i.e. volunteer services) will be recognised as income for the fair value of those services where it can be measured reliably and the services would have been purchased if not donated. Agencies will recognise services received free of charge when they receive the services.

Agencies may recognise services received free of charge where the fair value of those services can be measured reliably, regardless whether the services would have been purchased if not donated. Agencies are encouraged to recognise all services received free of charge from other public sector entities.

## Royalties for Regions Fund

The Royalties for Regions Fund (the Fund), a Treasurer's special purpose account administered by Treasury, has been set up to promote and facilitate economic, business and social development in regional Western Australia.

Money credited to the Fund is appropriated from the Consolidated Account (displayed as Administered Transactions in Treasury's budget statements) up to 25% of the forecast royalty income for a financial year.

The Minister, with the Treasurer's concurrence, may authorise the expenditure of money standing to the credit of the Fund for the following purposes –

- (a) to provide infrastructure and services in regional Western Australia;
- (b) to develop and broaden the economic base of regional Western Australia;
- (c) to maximise job creation and improve career opportunities in regional Western Australia.

The Department of Primary Industries and Regional Development (DPIRD) administers the Royalties for Regions (RfR) program on behalf of the Minister.

Treasury makes payment directly to a recipient. However, it is DPIRD who would enter into a Memorandum of Understanding (MOU) with the recipient. Therefore, agencies should assess whether the MOU contains any performance obligations that are sufficiently specific. The performance obligations will be recognised as contract liabilities under AASB 15 when the money is received. Revenue will then be recognised when (or as) the performance obligations are satisfied. If the performance obligations are not sufficiently specific, agencies will recognise RfR funding as income under AASB 1058 when they receive the money.

Note that amounts appropriated as capital must flow to agencies as capital. Therefore, RfR funding for capital purposes is designated as a contribution by owners by TI 955 and therefore represents an equity contribution from Government to the recipient.

## Fees and charges

Where fees and charges are set at a level that is equal or less than the full cost of providing the services, agencies should recognise the fees and charges as revenue in accordance with AASB 15.

Under AASB 15, revenue will be recognised when (or as) an agency satisfies performance obligations by transferring promised goods or services to customers. A performance obligation is a promise to transfer (to a customer) a good or service that is distinct. A good or service is distinct if the customer can readily benefit from the good or service and the agency's promise to transfer the good or service is separately identifiable. For example, the registration of a birth is a distinct service as the customer will benefit from having a birth certificate and the birth certificate is a separate promise.

For each performance obligation, an agency shall determine whether it will satisfy the performance obligation over time or at a point in time.

Most public sector fees and charges will be recognised at a point in time (or over a relatively short period of time, e.g. a trip of public transport) when the services have been provided and payments are received. For example, the motor vehicle record fee will be recognised on the grant, renewal or variation of a vehicle licence and that is generally when a motorist makes the payment. If payments are not received, agencies will recognise a receivable. Note that trade receivables are subject to 'expected credit losses' under AASB 9.

Also note that performance obligations do not include activities that an agency must undertake to fulfil a contract unless those activities transfer goods or services to customers. For example, costs incurred by the Department of Transport to maintain the database of vehicle licences, though recovered through the motor vehicle record fee, do not transfer additional services to motorists. Therefore, the maintenance of the database is not a performance obligation.

Where fees and charges are recognised over time (e.g. water and electricity charges), agencies may recognise revenue at the end of a period when they have provided the services to customers. This may coincide with their billing cycle. Revenue and receivables would be recognised on the issuance of the bills. If the periods of providing the services fall within a reporting period (e.g. school fees), and subject to materiality, agencies may recognise all revenue at the end of the reporting period. That is, contract liabilities will be recognised on payments received during a reporting period and revenue would be recognised at the end of the reporting period for the amount of the contract liabilities that is outstanding.

Where a fee or charge is greater than 100% cost recovery, agencies should determine whether it is a licence or a tax. Licences will be recognised as revenue under AASB 15 while taxes will be subject to AASB 1058 (and AASB 9). For example, vehicle licence charge (i.e. registration fee) is a tax under the *Road Traffic (Vehicles) (Taxing) Act 2008* but is considered a licence under AASB 15.

A key feature that makes a licence distinct from a tax is that a licence must be obtained prior to the activity being performed. The activity could be unlawful without the licence. For example, a casino licence is required for conducting gaming activities. This is in contrast to the casino tax which is calculated on the gross gaming revenue (total bets placed less winnings paid out) at the end of a month. Taxes are generally assessed at the end of a period over which taxable activities were conducted.

Agencies shall apply the Application Guidance in paragraphs B52-B63B of AASB 15 to account for revenue from IP licences.

However, the Application Guidance does not apply to non-IP licences. That is, agencies could not recognise revenue for a sales-based or usage-based royalty promised in exchange for a non-IP licence at the end of a period when the amount of consideration is known. Agencies would have to estimate the amount of consideration if it includes a variable amount. Nevertheless, agencies should be able to apply the recognition exemptions for low value and/or short-term licences.

Where a fee or charge is considered a tax, it shall be recognised in accordance with AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*. Agencies will recognise income (and a statutory receivable) on the occurrence of a taxable event.

Note that AASB 2016-8 allows agencies to recognise income in a period subsequent to the occurrence of the taxable event where the receivable cannot be measured reliably. For example, the taxable event in relation to land tax occurs at midnight on 30 June in the previous financial year. However, land tax could not be recognised until assessment notices are finalised.

## Sale of goods

A sale of goods will result in the goods being transferred to customers or to other parties on behalf of the customers (i.e. reciprocal). Therefore, revenue from sale of goods will be recognised in accordance with AASB 15.

Sale of goods in the public sector (e.g. TAFE textbooks) will generally be recognised at a point in time when the goods have been transferred to customers and payments are received.

## Commonwealth grants

### National Specific Purpose Payments

National Specific Purpose Payments (SPPs) are the funding mechanism through which the Commonwealth supports the State's efforts in delivering services in key sectors.

There are currently two National SPPs through which the Commonwealth makes payments: the National Skills and Workforce Development SPP and the National Disability Services SPP.

The State of Western Australia (WA) is required to spend each National SPP in the service sector that is relevant to the payment – for example, the National Skills and Workforce Development SPP must be expended in the training sector, but WA has full budget flexibility to allocate funds within that sector as it sees fit to achieve any mutually agreed objectives for that sector.

As a result, the National SPPs are not within the scope of AASB 15 as they do not meet the 'sufficiently specific' criterion, even though the Intergovernmental Agreement on Federal Financial Relations between the Commonwealth and WA is considered enforceable. The National SPPs will be recognised as income under AASB 1058 when payments are received.

Nevertheless, in relation to the National Disability Services SPP, income would not be recognised for an amount that is redirected to the National Disability Insurance Agency (NDIA). WA will pay the amount to the NDIA on behalf of the Commonwealth in accordance with the Bilateral Agreement between the Commonwealth and WA on Transition to a National Disability Insurance Scheme in Western Australia, and therefore have no control of that amount.

### National Housing and Homelessness Agreement

A new National Housing and Homelessness Agreement (NHHA) was signed in 2018, replacing the National Affordable Housing SPP and the Homelessness NPP from 2018-19. The new NHHA maintains previous funding and provides ongoing homelessness funding.

It is noted that the outcomes of this Agreement are a shared responsibility of the Commonwealth and the State. They are included for the purpose of monitoring sector-wide performance supported by Commonwealth funding under this Agreement and other funding including Commonwealth Rent Assistance and the State's own source funding contributions. For the avoidance of doubt, the Commonwealth's estimated financial contribution to the State will not be reduced because the outcomes are not achieved.

As a result, the NHHA is not within the scope of AASB 15 as it does not meet the 'sufficiently specific' criterion. The NHHA will be recognised as income under AASB 1058 when payments are received.

### National School Reform Agreement

A new six-year National School Reform Agreement was signed in 2018. Under the Agreement, Commonwealth funding to the State will transition from around 14% of the School Resource Standard (SRS) in 2017 to 20% of the SRS over the six years to 2023.

It is noted that the Commonwealth and the State are responsible for working together to achieve the objectives and outcomes of this Agreement. While the parties are collectively committed to the achievement of the objectives, outcomes and targets, the Commonwealth school funding to the State is not conditional on the achievement of these objectives, outcomes and targets.

As a result, this Agreement is not within the scope of AASB 15 as it does not meet the 'sufficiently specific' criterion. This Agreement will be recognised as income under AASB 1058 when payments are received.

### National Health Reform Agreement

Public hospitals in the State receive Commonwealth funding on an activity basis through the National Health Reform Agreement (NHRA), under which growth in Commonwealth funding reflects a proportion of the growth in the cost of hospital services at the national efficient price. An addendum to the NHRA, which applies from 2017-18 to 2019-20, specifies that the Commonwealth's proportion of the growth in the cost of hospital services is 45% and caps the national growth in its funding at 6.5% per annum.

It is noted that the State has implemented public hospital governance and financing arrangements as required by this Agreement. As such, the State is entitled to the Commonwealth funding. That is, the Commonwealth funding under the NHRA is unconditional.

As a result, the NHRA is not within the scope of AASB 15 as the State has no further obligation to the Commonwealth. The NHRA will be recognised as income under AASB 1058 when payments are received.

### National Partnership Payments

Under the Intergovernmental Agreement on Federal Financial Relations, National Partnership Payments (NPPs) to the State are facilitated by the following types of agreements:

- National Partnerships, which support the delivery of specified projects, facilitate reforms or reward the State for delivering on nationally significant reforms;
- Implementation Plans, may be required where there are jurisdictional differences in context or approach to implementation under National Partnerships, or where information additional to the National Partnerships is required to increase accountability and transparency; and
- Project Agreements, which are a simpler form of National Partnerships, for low value and/or low risk projects.

National Partnerships and Project Agreements are typically time limited.

Although the Intergovernmental Agreement on Federal Financial Relations is considered enforceable, most NPPs do not meet the 'sufficiently specific' criterion as they do not specify the goods or services to be provided to the public. Therefore, NPPs are typically not within the scope of AASB 15.

NPPs will generally be accounted for in accordance with AASB 1058. However, this would not necessarily result in cash accounting. For example, in relation to the Disaster Recovery Funding Arrangements where the Commonwealth will provide financial assistance to the State in certain circumstances (usually in the form of partial reimbursement of the State's expenditure and estimated reconstruction costs), the State would recognise income under AASB 1058 when it incurs eligible expenses (prior to receiving the Commonwealth payments).

Note that NPPs for capital purposes shall be accounted for in accordance with paragraphs 15-16 of AASB 1058. For example, in relation to the NPP on Land Transport Infrastructure Projects where the Commonwealth provides funding for land transport infrastructure projects administered under the *National Land Transport Act 2014*, a liability will be recognised for any Commonwealth payments received in advance. The State (through its agencies) will then recognise income when it achieves agreed project milestones.

## Appendix 1

### Collaboration arrangements

The relationship between a supplier and customers varies from industry to industry, and therefore entities need to consider their own facts and circumstances to determine who is a customer in a contract. Distinguishing between a supplier – customer relationship and collaboration arrangements will depend on the specific contractual terms and conditions. Care may be needed in assessing contracts with related parties<sup>4</sup>, as their relationship with the entity may be more complex than those with third parties.

#### Example

Agency A and Entity B enter into a contract whereby:

- A newly formed special purpose vehicle, Company X, is owned 50:50 by Agency A and Entity B which operates in the real estate sector;
- Agency A and Entity B have joint control over Company X;
- Agency A contributes land to Company X;
- Entity B constructs an office block on the land; and
- The office block will be leased to tenants by Company X.

In this fact pattern, Agency A and Entity B might not treat Company X as their customer, and consequently would not recognise revenue from Company X for their respective land contribution and construction work undertaken. Instead, depending on the precise facts and circumstances, appropriate accounting treatments might include the following:

- If the contract gives Agency A and Entity B rights over Company X's net assets, the contract would be classified as a joint venture. Revenue would not be recognised, with Agency A and Entity B accounting for their interests in Company X using the equity method; and
- If the contract gives Agency A and Entity B rights to the assets and obligations for the liabilities of Company X, the contract would be classified as a joint operation. Agency A and Entity B would recognise revenue as Company X earns rental income based on their respective contractual share.

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<sup>4</sup> Refer to Accounting Policy Guideline 4 *Related Party Disclosures*.

## Appendix 2

### Accounting for contract modifications

#### Changes to contracts

A change to an existing contract is a modification. Typical contract modifications arise when there is a change to:

- the scope of the contract;
- the price of the contract; or
- a change in both scope and price of the contract.

Note that changes to the transaction price that result from changes in the estimate of variable consideration is not a contract modification.

#### Accounting for contract modifications

Contract modifications are accounted for as either a separate contract or as part of the existing contract, depending on the nature of the modification. A contract modification exists when it is approved to create or change the enforceable rights and obligations of the parties to the contract.

When assessing the accounting for a contract modification, entities are required to consider whether any additional goods or services are distinct within the context of the modified contract. Although a contract modification may add a new good or service that would be distinct in a standalone transaction, that new good or service may not be distinct when considered in the context of the modified contract. This assessment should be made by reference to the promises made to the customer and not from the perspective of the entity.

A contract modification is accounted for as a separate (and additional) contract only if:

- the scope of the contract increases due to the addition of promised goods or services that are distinct; and
- the price of the contract increases by an amount of consideration that reflects the entity's standalone selling price of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

When a contract modification is not accounted for as a separate (and additional) contract, entities shall identify the goods or services that have not yet been transferred. This will be comprised of the remaining goods or services from the original contract and any new goods or services arising from the contract modification. One of the following approaches should be then followed:

- if the remaining goods or services are distinct from the goods or services that have been transferred under the original contract, the original contract is considered to be replaced by a new contract;
- if the remaining goods or services are not distinct, and therefore form part of a single performance obligation that has been partially satisfied under the original contract, the contract modification is considered to be part of the original contract; or
- it is a mixture of the two above.



### Example – Modification gives rise to a catch-up adjustment

A Department enters into a contract with a customer to build a bridge for \$10 million with a cost of \$9 million to be ready in two years' time. The construction of the bridge is a single performance obligation. The Department and Customer agree to modify the original plan at the end of the first year which will increase the transaction price by \$2 million and cost by \$2 million.

Does the modification add distinct goods or services? No – there is still only one performance obligation which is the construction of the bridge. The modification does not create a new performance obligation because the remaining goods or services are not distinct.

The Department should account for the modification as if it was part of the original contract which will give rise to a cumulative catch-up adjustment to revenue and cost of sales.

Assume, at the end of Year 1, the contract is 50% complete and revenue of \$5 million and cost of \$4.5 million have been recognised. The profit recognised on the construction of the bridge at the end of the first year is \$500,000.

With the contract modification, the project is now just 40% complete:

Old treatment Accounting under AASB 111	New treatment Accounting under AASB 15
<p>No adjustment is made on the modification of the contract. The revised contract margin is applied on a go forward basis.</p> <p>Future revenue after modification: \$5m + \$2m (modification) = \$7m</p> <p>Future cost after modification: \$4.5m + \$2m (modification) = \$6.5m</p>	<p>Revision is made to account for the modification as if it was part of the original contract.</p> <p>Total revenue of the project after modification: \$12m</p> <p>Total cost of the project after modification: \$11m</p> <p>Project is 40% complete.</p> <p>Revenue to be recognised under the contract: \$12m × 40% = \$4.8m (whereas \$5m being recognised) – reduced by \$0.2m</p> <p>Cost to be recognised under the contract: \$11m × 40% = \$4.4m (whereas \$4.5m being recognised) – reduced by \$0.1m</p> <p>Adjustments to be made on the contract modification to reduce revenue and cost of sales so that the transaction is accounted for as if the modification was known at the inception of the contract.</p>

### Example – Modification replaces the original contract

An Agency enters into a contract with a customer to sell 200 units of a product for \$16,000 (\$80 per unit). These are to be supplied evenly to the customer over a 10 month period commencing on 1 July 2019 (20 units per month) and control over each unit passes to the customer on delivery. On 1 March 2020, after 160 units have been delivered, the contract is modified to require the delivery of an additional 80 units (20 units per month). This is in addition to the remaining 40 units that have not been delivered under the terms of the original contract. At the point in which the contract is modified, the standalone selling price of the product has declined to \$75. In accordance with AASB 15, the additional units to be delivered are distinct. The agreed selling price of the additional 80 units is \$65.

Does the modification add distinct goods or services? Yes – the goods provided to the customer are distinct.

The contract modification is accounted for prospectively with no adjustment made to prior monthly sales. The remaining units to be sold under the original contract and additional units to be sold are treated as a new contract. Accordingly,

- first 160 units sold prior to the contract modification are recognised at a sale price of \$80 per unit (as per the original contract); and
- post modification 120 units sold are recognised at a sale price of \$70 (weighted average of 40 units at \$80 and 80 units at \$65).

<b>Old treatment</b> <b>Accounting under AASB 118</b>	<b>New treatment</b> <b>Accounting under AASB 15</b>
<p>The Agency recognises revenue of \$80 per unit for the first 200 units evenly over the 10 month period. The additional units are accounted for as being sold under a new and separate contract from the units to be delivered under the original contract. Revenue is recognised at an amount of \$65 per unit for the 80 units that are added as a result of the contract modification.</p>	<p>In this case, the selling price of the additional units is not the standalone price at the contract modification. Consequently, for accounting purposes, the original contract is considered to be terminated at the contract modification. The remaining units to be sold under the original contract together with the additional units from the contract modification are combined and accounted for as being sold under a new contract. The amount of revenue recognised for each of the units is the weighted average price of \$70.</p>

## Appendix 3

### Principal versus agent guidance

Many public sector entities provide services in conjunction with other agencies or unrelated parties that contribute to providing a specified good or service to a customer.

Entities need to determine whether in these arrangements the entity has promised to provide the good or service itself (as a Principal) or to arrange for the specified good or service to be provided by another party (as an Agent).

In the private sector, an Agent often receives a commission or fee for these activities. In the public sector, often there is no commission paid if the entity is acting as an Agent and the relationship may be more difficult to identify.

A Principal will recognise revenue at the gross amount it is entitled from customers, whereas an Agent presents revenue at the net amount retained. Therefore, the distinction between acting as a Principal or an Agent will significantly affect the amount of revenue recognised.

#### Example

The State Government receives funding from the Commonwealth Government for forwarding to non-government schools. The amounts provided are determined based upon enrolments in non-government schools and the rate per student as determined by the Commonwealth Government.

As the service, providing education to students, is performed by non-government schools, the funding received from the Commonwealth is not income to the State, but rather the State is acting as an Agent.

### Identifying the goods or services

The first step in the evaluation of whether an entity is acting as a Principal or an Agent when other parties are involved in providing goods or services to customers is to identify the goods or services that will be transferred to the customers.

The Principal-versus-Agent analysis is performed for each specified distinct good or service that is transferred to the customer. This is relevant if more than one good or service is provided to the customer. An entity could be a Principal for certain aspects of a contract with a customer and an Agent for others. For example, a university might be a Principal for providing tuition to overseas students but an Agent for providing them accommodation (to be provided by a university college that is not owned or controlled by the university).

AASB 15's core principle focuses on the transfer of control of goods or services to customers. An entity would be a Principal if it controlled those goods or services before they were transferred to the customers.

Control of a good or service arises where an entity has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. Directing the use of an asset refers to an entity's right to deploy the asset, allow another entity to deploy it or restrict another entity from using it. An asset's benefits are the potential cash inflows (or reduced cash outflows) that can be obtained in various ways.

### Control under AASB 15

Although the indicators of a Principal or Agent relationship in AASB 15 and AASB 118 are reasonably similar, the purpose of the indicators under AASB 15 is to determine if an entity has control of a good or service before transferring it to a customer.

The focus has shifted from risks and rewards to control and accordingly there could be a difference between existing practices and the application of AASB 15.

AASB 15 Guidance	AASB 118 Guidance
<p>An entity is a Principal in an arrangement if it obtains or has control of a good or service before transferring it to a customer.</p> <p>Obtaining title momentarily before transferring a good or service does not necessarily constitute control.</p> <p>An entity is an Agent if its obligation is to arrange for another party to provide the good or service.</p> <p>Factors that may indicate that an entity is an Agent, and therefore does not control a good or service before transferring it to a customer, include:</p> <ul style="list-style-type: none"> <li>• another entity is responsible for fulfilling the contract;</li> <li>• the entity does not have inventory risk; and</li> <li>• the entity does not have pricing latitude.</li> </ul>	<p>An entity is a principal when it is exposed to risks and rewards in selling goods or providing services.</p> <p>Indicators that an entity is acting as a Principal in an arrangement are:</p> <ul style="list-style-type: none"> <li>• the entity is the primary obligor;</li> <li>• the entity has inventory risk;</li> <li>• the entity has pricing latitude; and</li> <li>• the entity has credit risk.</li> </ul> <p>An indicator that an entity is an Agent is the entity earns a predetermined fee.</p>

Determining whether an entity is a Principal or an Agent is not a policy choice. It is based on an assessment of whether the entity has control of the specified goods or services before transferring them to customers in each arrangement.

## Appendix 4

### Accounting for a series of performance obligations

#### Determining if the series provision is applicable

The series provision is a concept that has been introduced by AASB 15 to simplify the application of the new revenue model and to promote consistency in identifying performance obligations. The series provision requires goods or services to be accounted for as a single performance obligation, in certain instances, even though the underlying goods or services are distinct.

A series of distinct goods or services has the same pattern of transfer to the customer if both of the following criteria are met:

- (a) each distinct good or service in the series that the entity promises to transfer to the customer would meet the criteria for being a performance obligation satisfied over time; and
- (b) the same method would be used to measure the entity's progress towards complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer.

Entities will apply the principles in the revenue standard to the single performance obligation when the series criteria are met, rather than the individual goods or services that make up the single performance obligation. The series guidance is intended to simplify the application of the new revenue model. However, application is not optional. The assessment of whether a contract includes a series could impact both the allocation of revenue and timing of recognition.

#### Determining if goods or services are substantially the same

In order to be a series, there must be two or more goods or services that are distinct and each distinct good or service must be considered substantially the same.

The first step is to determine the nature of the entity's promise in providing the services to the customer. In some cases, entities would need to determine if the nature of the promise is the actual delivery of a specified quantity of good or service or the act of standing ready to perform (because there is an unspecified quantity to be delivered).

A series could consist of distinct time increments (per hour of providing security services by Police in relation to a football match at a stadium) or distinct goods or services delivered (per unit of electricity provided), depending on the nature of the promise.

There is little guidance on how to consider whether more than one good or service is considered substantially the same. Questions have been raised as to whether all the tasks in each increment of service need to be substantially the same.

#### Example

Consider an IT outsourcing arrangement where a Department is performing an IT outsourcing service for a customer.

The Department considers the nature of its promise to the customer. That is, whether the promise is to provide an integrated outsourcing service or to provide defined items or activities that are distinct from each other. Each day of service could also be distinct because the customer can benefit from each day of service on its own and each day of service is separately identifiable.

The Department can conclude that the nature of its promise is one overall service. Even if the individual activities that comprise the performance obligation vary from day to day, the nature of the overall promise is the same from day to day.

### Must the goods or services be delivered consecutively?

Supply contracts where the goods or services are delivered consecutively (e.g. daily cleaning services, weekly rubbish collection) are readily identifiable as within the scope of the series provision. While the term 'consecutively' is not used in AASB 15, the term is included in the Basis for Conclusions in various paragraphs. This has led to questions as to whether the goods or services must be delivered or performed consecutively in order to be within the scope of the series provision.

The view of the FASB/IASB Joint Transition Resource Group for revenue recognition was: "if the consecutively notion were determinative then stakeholders might reach different judgements about what constitutes a consecutively delivered series of goods or services... the staff do not think a series of distinct goods or services that meets the requirement in IFRS 15.23 must be transferred consecutively for the series provision to apply".

The following examples illustrate how the series provision will apply when a contract with a customer requires goods to be delivered and how the determination is not based upon whether the goods are delivered consecutively.

#### Scenario 1

Water Corporation has contracted with a customer to provide 24,000 units of water over a 2 year period. The service will be performed evenly over the 2 year period with 1,000 units of water supplied each month with no breaks in production.

The contract is within the scope of the series provision:

- Each distinct service can be recognised over time as delivery of the good is provided?  
Yes – each unit of water supplied to the customer meets the recognition criteria.
- Same method is used to determine the satisfaction of the performance obligation?  
Yes – it is determined by the quantity of water supplied.

#### Scenario 2

Water Corporation has contracted with a customer to provide 24,000 units of water over a 2 year period. In some months, 3,000 units of water will be provided, and in other months, no unit will be provided.

The contract is still within the scope of the series provision (even though the supply is not the same in each month):

- Each distinct service can be recognised over time as delivery of the good is provided?  
Yes – each unit of water supplied to the customer meets the recognition criteria.
- Same method is used to determine the satisfaction of the performance obligation?  
Yes – it is determined by the quantity of water supplied.

## Appendix 5

### Issues in determining the transaction price

#### Prompt payment discounts

Prompt payment discounts are a form of variable consideration and need to be considered when determining the transaction price in relation to revenue earned from customers.

#### Example

University A offers a 5% discount if an invoice is paid within 14 days of receipt.

5% of the university fee charged to a student is variable as there is uncertainty as to whether the student will pay the invoice within the discounted period.

Management will need to make an estimate of the consideration that is highly probable of being received as a result of offering this incentive. Experience with similar student groups (such as overseas students from a particular country or a relevant course) should be considered in determining the number of students that are expected to receive the discount.

In estimating the transaction price, University A will adopt a conservative approach on offers not taken because revenue recognised must be highly probable of not giving rise to a significant reversal.

#### Breakage

Breakage is any type of services that is unused by a customer that has already been paid for in full. Breakage revenue arises when entities recognise into revenue a portion of a contract liability that will not be redeemed by customers.

On application of AASB 15, the accounting for breakage revenue will change compared with the previous practice.

Breakage revenue has historically been recognised under one of the three methods:

- Released Obligation Method: Breakage revenue will not be recognised until the entity is legally released from its obligations (for example, a prepaid card expires).
- Remote Method: Breakage revenue will be recognised once the probability of the redemption becomes remote.
- Redemption Pattern Method: Breakage revenue will be recognised on a pro-rata basis determined by the redemption pattern of the prepaid services.

Entities will apply the redemption pattern method on adoption of AASB 15. It is to eliminate diversity in practice related to the recognition of breakage revenue.

AASB 15 does still allow the remote method, but the Standard states that this method should only be utilised when an entity expects there will be no breakage at all. An entity that is unable to conclude whether there will be any breakage (or the pattern of such breakage) should consider the constraint on variable consideration.

The breakage rate is an estimated rate at which an entity expects its prepaid services will not be redeemed. For example, if an entity estimates a breakage rate of 5%, then it is saying that of all the prepaid services sold it expects 5% of those will never be redeemed. Breakage rates can vary based on the industry and the nature of the operation.

Once an entity has determined its breakage rate, it can start to recognise the appropriate amount of breakage revenue. AASB 15 requires entities to recognise estimated breakage as revenue in proportion to the pattern of exercised rights (the redemption pattern). In other words, the entity will pick up a portion of breakage revenue as prepaid services are delivered.

### Example

Perth Zoo sells 100 Adult Admission tickets with a value of \$30 per ticket to a social club for providing to its members. At the time of the sale, Perth Zoo debits cash for \$3,000 and establishes a contract liability of \$3,000 for future admissions to the zoo. Perth Zoo has assessed breakage and determined that it is highly probable of a breakage rate of 5% or \$1.50 per ticket.

Customer A comes to the zoo with a party of 10, redeeming \$300 of the prepaid tickets. What should Perth Zoo recognise in revenue?

Perth Zoo will recognise \$300 of revenue for the actual services provided and reduce its contract liability by \$300. In addition, Perth Zoo will need to recognise \$15 of breakage revenue and reduce the liability by \$15. This is calculated as  $\$1.50 \times 10 = \$15$  (being the expected breakage rate of 5% by the value of the tickets redeemed).

### A significant financing element

The amount of revenue recognised when there is a significant financing element differs from the amount of cash received from a customer. Revenue will be less than cash received for payments that are received well in arrears of performance as a portion of the consideration will be recognised as interest income. Revenue will exceed cash received for payments that are received in advance of performance as interest expense will be recognised and accordingly increase the amount of revenue earned from contracts with customers.

Identifying a significant financing component in contracts entered into by entities often requires judgement. Not all contracts entered into with customers where a customer has prepaid for the services will necessarily contain a financing element.

### Example

Customers of a cemetery may prepay fees for a particular burial site, the fee being received years in advance of the use of the burial site. However, the contract would not provide a significant financing element if any of the following factors exist:

- the customer paid for the goods or services in advance and the timing of the transfer of those goods or services is at the discretion of the customer;
- a substantial amount of the consideration promised by the customer is variable and the amount or timing of that consideration varies on the basis of the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the entity (for example, if the consideration is a sales-based royalty); and
- the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. For example, the payment terms might provide the entity or the customer with protection from the other party failing to adequately complete some or all of its obligations under the contract.

In relation to the prepayment of sites in cemeteries, it is unlikely that there will be a significant financing element. This is because the timing of delivery of the service is at the discretion of the customer (not the cemetery) and the reason that customers prepay for burial sites is to reserve a particular position in the cemetery and not the provision of finance.



## Non-cash consideration

Consideration received from customers may be in the form of goods, services or other non-cash consideration (e.g. property, plant and equipment, or financial instrument). When entities receive or expect to receive non-cash consideration, the fair value of the non-cash consideration is included in the transaction price.

Where entities receive non-cash consideration, they will need to consider the following:

- the date that should be used when measuring the fair value of non-cash consideration; and
- variability in value of non-cash consideration from its form (such as shares) or other reasons which may affect the amount of consideration to which the entity is entitled to receive.

As AASB 15 does not specify the measurement date entities shall determine the fair value of non-cash consideration, the entity that receive non-cash consideration will need to use judgement to determine the most appropriate measurement date – whether it is the contract inception date, when the non-cash consideration is received or when the related performance obligation is satisfied.

Note that AASB 15 requires the constraint on variable consideration to be applied to non-cash consideration only if the variability relates to whether or not the non-cash consideration will be received (and not variability related to the form of the consideration to be received – such as valuation issues relating to unlisted shares received from a customer).

## Consideration payable to a customer

To determine the appropriate accounting treatment for consideration payable to a customer, entities will determine whether the consideration paid or payable to the customer is:

- a payment for a distinct good or service provided by the customer;
- a reduction of the transaction price; or
- a combination of both.

If consideration payable to a customer is a payment for a distinct good or service from the customer, the entity is required to account for the purchase of the good or service in the same way that it accounts for other purchases from suppliers.

If consideration payable to a customer exceeds the fair value of the distinct good or service that the entity receives from the customer, the entity is required to account for the excess as a reduction of the transaction price and accordingly reduce the revenue recognised.

# **Accounting Policy Guideline 6**

## **Leases**

**Department of Treasury**

**22 March 2022**



# Contents

- ACCOUNTING POLICY GUIDELINE 6..... 1
- LEASES..... 1
- DEPARTMENT OF TREASURY ..... 1
- 22 MARCH 2022 ..... 1
- INTRODUCTION ..... 4
- KEY REQUIREMENTS ..... 6
  - Scope ..... 6
  - Identification of a lease ..... 6
    - Diagram 1: Steps for identifying a Lease*..... 8
  - Lease term ..... 10
  - Recognition of a lease..... 10
  - Lease payments ..... 10
  - Measurement of the ROU asset..... 11
    - Initial measurement ..... 11
    - Subsequent measurement..... 11
  - Measurement of the lease liability ..... 12
    - Initial measurement ..... 12
    - Subsequent measurement..... 12
    - Lease liability reassessments and modifications..... 13
- AASB 16 GUIDANCE ..... 13
  - Capitalisation and lease term thresholds ..... 13
    - Lessees..... 13
  - Presentation requirements ..... 13
    - Lessees..... 13
  - Employee contributions ..... 14
  - Discounting Lease Liabilities ..... 14
    - Actual IBR ..... 15
    - Budget/Forecast IBR ..... 15
    - Application of Discount Rates..... 15
    - Diagram 2: Changes to discount rates*..... 16
  - Lease/non-lease components ..... 16
    - Lessees..... 16
    - Lessors ..... 17
  - Variable lease payments ..... 17
    - Lessees..... 17
  - Initial direct costs ..... 18
    - Lessees..... 18

APG 6 Leases

- Lessors ..... 18
- Directly attributable costs ‘*other than*’ initial direct costs..... 18
- Central agency models ..... 19
- Periodic lease terms..... 19
- Make Good Provisions (Restoration Costs)..... 19
  - <https://www.finance.gov.au/publications/resource-management-guides-rmgs/accounting-decommissioning-restoration-similar-provisions-make-good-rmg-114>..... 20
- Onerous contracts ..... 20
- Impairment of right of use assets ..... 20
  - Subsequent Measurement..... 20
- Concessionary leases (below market-value leases)..... 20
- Cloud-based software and GovNext ..... 20
- Disclosures..... 21
- Central Agency Lease Models ..... 21
  - Government Regional Officer Housing (GROH) Models..... 21
  - State Fleet Models..... 22
  - Government Office Accommodation (GOA) ..... 22
- RESOURCES AND FURTHER INFORMATION..... 23
- APPENDIX A: IDENTIFICATION OF EMBEDDED LEASES..... 24
  - Decision tree for determining the lease component of a contract..... 24
- APPENDIX B: EMPLOYEE CONTRIBUTIONS (ILLUSTRATIVE EXAMPLE) ..... 25

## Introduction

The Accounting Policy Guideline (APG) 6 is intended to assist the Chief Finance Officer (CFO) and finance staff of a public sector entity to better understand the commonly applied requirements of the Australian Accounting Standard [AASB 16 Leases](#). Sale and leaseback transactions, borrowing costs, foreign currency implications and leasing for joint operations are excluded from this APG due to their infrequent occurrence in the WA public sector.

AASB 16 represents a fundamental overhaul of lessee accounting by introducing a single lessee accounting model. This results in a significant change to the measurement and recognition of most operating leases for public sector agencies.

For all leases other than short-term and low-value leases, lessees shall recognise:

- a right-of-use (ROU) asset i.e. the right to use the underlying leased asset;
- a lease liability i.e. the present obligation to make lease payments;
- the depreciation expense for the ROU asset; and
- the finance costs incurred (i.e. interest expense) in settling the lease liability.

AASB 16 substantially carries forward the lessor accounting requirements in the superseded AASB 117 *Leases*. As the requirements are not conceptually integrated with lessee accounting, a lessor will continue to apply a dual lease model approach.

Under the dual lease model:

- leases will continue to be reported based on their classification as either operating or finance leases; and
- the classification of leases by sub-lessors is determined by reference to the lease terms and conditions of the head lease, rather than the useful life of the underlying asset.

This Guideline should be read in conjunction with the following documents:

- *AASB 7 Financial Instruments: Disclosures*;
- *AASB 9 Financial Instruments*;
- *AASB 16 Leases*;
- *AASB 101 Presentation of Financial Statements*;
- *AASB 116 Property, Plant and Equipment*;
- *AASB 119 Employee Benefits*;
- *AASB 136 Impairment of Assets*;
- *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*;
- *AASB 1058 Revenue from Contracts with Customers*;
- *TI 916 Leases*;

## APG 6 Leases

- TI 1102 *Statements of Comprehensive Income*;
- TI 1103 *Statements of Financial Position*;
- APG 1 *Accounting for contaminated sites (provisions)*.

## Key Requirements

AASB 16 mandates the accounting treatment for lease transactions, particularly from the lessee perspective. As a result of AASB 16, most lease arrangements will now be recorded on the Statement of financial position as Right of Use (ROU) assets and associated lease liabilities (financial liabilities).

### Scope

AASB 16 applies to all leases, including leases of ROU assets in a sublease<sup>1</sup>. The following are excluded from the scope of AASB 16<sup>2</sup>:

- exploration leases for minerals, oil, natural gas and similar non-generative resources;
- leases of biological assets within scope of AASB 141 *Agriculture* held by a lessee;
- service concession arrangements within the scope of Interpretation 12 *Service Concession Arrangements* and AASB 1059 *Service Concession Arrangements: Grantors*;
- licences of intellectual property within scope of AASB 15 *Revenue from Contracts with Customers*, and
- rights held by a lessee under licensing arrangements within the scope of AASB 138 *Intangible Assets* for items such as motion picture films, manuscripts, patents and copyrights.

AASB 16<sup>3</sup> provides optional relief, as modified by Treasurer's instruction (TI) 916 *Leases* for leases external to the public sector when the lease is either:

- a short-term lease (a lease term of 12 months or less); or
- a low value asset (the value of the new underlying asset is up to \$5,000).

### Identification of a lease

In considering whether a lease exists, agencies are required to consider the terms and conditions of a contract and all the relevant facts and circumstances. Memorandums of Understanding, Heads of Agreement and Letters of Intent (even though they may not be contracts) can constitute leases. Agencies should assess these and other arrangements in accordance with AASB 16.

A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The determination of whether a contract is a lease or contains a lease occurs at the inception of the lease contract<sup>4</sup>. Lease components within a contract shall be accounted for separately from non-lease components, unless the

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<sup>1</sup> Refer to AASB 16 paragraph 3

<sup>2</sup> Refer to AASB 16 paragraph 3

<sup>3</sup> Refer to AASB 16 paragraph 5

<sup>4</sup> Refer to AASB 16 paragraph 9

practical expedient is applied<sup>5</sup>. The lease is only reassessed if the contract terms and conditions are altered.

A contract may still contain a lease even where the terms 'lease' or 'rental' are not included as part of the agreement. The substance of the transaction, rather than the legal form, takes precedence when accounting for transactions. Lessees and lessors<sup>6</sup> are required to distinguish the values for the lease and non-lease components of a contract, based on the substance of the transaction where practicable.

Lease transactions can vary in their application. For example, a contract may principally be a lease contract with an immaterial service component. However, a different contract may principally be a service contract with an embedded lease included.

Embedded leases are components within a contract that grants the right to control and use a particular asset as part of a contract.

Determining control over assets explicitly or implicitly identifiable within a contract is key to distinguishing the lease and non-lease components of a contract.

A contract can be (or contain) a lease only if the underlying asset is 'identified'. Having the right to control the use of the asset for a period of time requires having the right to:

- obtain substantially all of the economic benefits from use of the identified asset; and
- direct the use of the identified asset;

throughout the period of use.

The steps for identifying a lease is summarised in the below diagram and the decision chart in Appendix A – *Identification of embedded leases*.

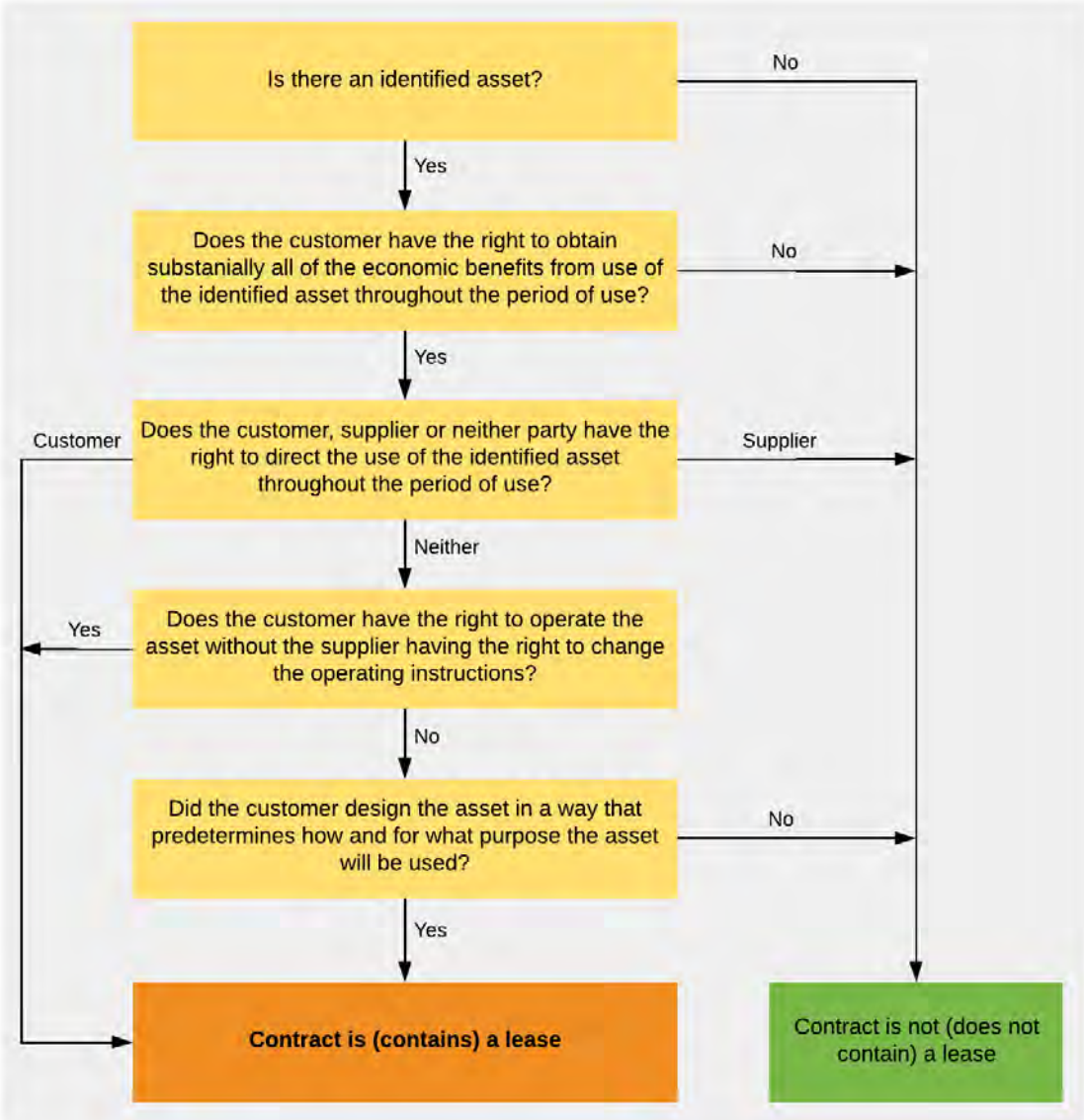
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<sup>5</sup> Refer to AASB 16 paragraph 12, 15

<sup>6</sup> Refer to AASB 16 paragraph 17. Lessors are to allocate lease or non-lease component consideration by applying paragraphs 73-90 of AASB 15.



Diagram 1: Steps for identifying a Lease



### **Step 1: Is there an identified asset?**

An asset is often identified by being explicitly specified in a contract. However, it can also be identified by being specified at the time that the asset is made available for use by the customer or may be implicitly implied<sup>7</sup>.

### **Step 2: Is there a right to obtain economic benefits?**

Control is dependent on the customer obtaining substantially all of the economic benefits, throughout the period the asset is used. This includes benefits obtained indirectly such as through sub-leases<sup>8</sup>.

### **Step 3: Is there a right to direct the use of the identified asset?**

The right to direct the use of the identified asset arises when either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- relevant decisions about how and for what purpose the asset is used are predetermined in the contract; and either:
  - the customer has the right to operate the asset (or to direct others to operate the asset in a manner it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use<sup>9</sup>.

The scope of relevant decisions that can determine a customer's right to direct the use of an identified asset are quite broad. Within the standard's guidance there are several examples of relevant decision-making rights<sup>10</sup>.

### **Substantive substitution rights<sup>11</sup>**

A supplier's right to substitute an asset is substantive only if both of the following conditions are met:

- the supplier has ability to substitute the asset throughout the period of use; and
- the supplier would benefit economically from exercising its right to substitute the asset.

This is because the supplier and not the customer controls the asset, and therefore the contract does not contain a lease.

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<sup>7</sup> Refer to AASB 16 paragraph B13

<sup>8</sup> Refer to AASB 16 paragraph B21

<sup>9</sup> Refer to AASB 16 paragraph B24

<sup>10</sup> Refer to AASB 16 paragraph B26

<sup>11</sup> Refer to AASB 16 paragraphs B14-B19

The diagram above illustrates the key evaluations in determining whether a contract is, or contains a lease.

## Lease term

AASB 16<sup>12</sup> defines the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The ability of the lessee to exercise discretion over the term of the right-to-use is key to determining the lease term. Where the lessor has the ability to exercise or enforce this discretion, the term is no longer non-cancellable and this period is excluded from the lease term. Consequently, the determination of the lease term is an estimate subject to professional judgement derived from various relevant factors believed to be reasonable under the circumstances.

The lease term begins on the 'commencement date' of the lease (the date that the lessor makes the underlying asset available for use by the lessee) and includes any rent-free periods provided to the lessee by the lessor<sup>13</sup>.

The entity should revise the lease term if there is a change to the non-cancellable lease.

## Recognition of a lease

At the commencement date of a lease, a lessee is required to recognise both:

- a right-of-use asset; and
- a lease liability.

Except for fixed term leases with a central government lessor agency (e.g. State Fleet), lessees may elect not to apply the requirements in AASB 16 paragraphs 22-49 to:

- a short-term lease (leases of 12 months or less); or
- a low value lease (the value of the new underlying asset value is up to \$5,000).

## Lease payments

The lease payments are the payments made by the lessee to a lessor relating for the right to use the underlying asset during the lease term and is comprised of the following<sup>14</sup>:

- fixed payments, less any lease incentives;

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<sup>12</sup> Refer to AASB 16 paragraph 18

<sup>13</sup> Refer to AASB 16 paragraph B36

<sup>14</sup> Refer to AASB 16 paragraph 27

- variable lease payments that depend on an index or rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments for penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Entities should separate lease and non-lease components of a lease unless the lessee applies the practical expedient detailed in AASB 16 paragraph 15. Distinguishing material non-lease components is desirable as it minimises the impact of leases on Net Debt metrics. Agencies are to elect the lease/non-lease component practical expedient per TI 916<sup>15</sup>, based on materiality.

## Measurement of the ROU asset

### Initial measurement

At commencement date, a lessee shall measure the ROU asset at cost.

The cost of the ROU asset comprises the following:

- the amount of the initial measurement of the lease liability (as per below);
- any lease payments made at or before commencement date (i.e. prepayments), less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- restoration costs (make-good provisions).

This includes all assets other than investment property ROU assets.

Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives are referred to as 'concessionary leases'.

ROU assets resulting from concessionary leases are also to be measured at cost, at inception. The option to measure these assets at fair value is not permitted. They shall continue to be measured at cost subsequent to initial recognition.

### Subsequent measurement

After the lease commencement date, a lessee is to measure all ROU assets applying the cost model.

To apply the cost model, the ROU asset is measured at cost:

- less any accumulated depreciation (under AASB 116) and any accumulated impairment losses (under AASB 136); and
- adjusted for any re-measurement of the lease liability outlined below.

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<sup>15</sup> Refer to TI 916 paragraph 7

Please note that the above position may change dependent on the AASB's Fair Value Measurement project.

## Measurement of the lease liability

### Initial measurement

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date<sup>16</sup>. The lease payments shall be discounted. Please refer to the section 'discounting lease liabilities' for further guidance.

The lease payments included in the measurement of the lease liability comprise of the following<sup>17</sup>:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

### Subsequent measurement

After the commencement date, a lessee shall measure the lease liability by<sup>18</sup>:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

A lessee shall recognise in the Statement of comprehensive income:

- interest on the lease liability; and
- variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that trigger occurs.

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<sup>16</sup> Refer to AASB 16 paragraph 26

<sup>17</sup> Refer to AASB 16 paragraph 27

<sup>18</sup> Refer to AASB 16 paragraph 36

## Lease liability reassessments and modifications

A lessee is required to remeasure a lease liability where there has been a change in lease payments, change in the lease term or a change in the assessment of an option to purchase the underlying asset. These re-measurements are referred to as lease reassessments and the revised lease payments are discounted using either the same or a revised discount rate<sup>19</sup>.

A lessee may also encounter lease modifications. Lease modifications will either be accounted for as a separate lease or as part of the existing lease. A separate lease is distinguished where the scope of the lease is increased by adding the right to use one or more underlying assets, and the consideration for a lease increases by an amount commensurate with the stand-alone price of the increase in scope<sup>20</sup>.

Further information on discount rates can be found in the 'Application of Discount Rates' section below.

# AASB 16 Guidance

## Capitalisation and lease term thresholds

### Lessees

Agencies will recognise leases excluded from the scope of AASB 16 by practical expedients or capitalisation thresholds on a straight-line expense basis, continuing the existing accounting treatment. TI 916 defines both the lease asset capitalisation threshold and the low value threshold, whilst AASB 16 defines the short-term thresholds for agencies.

Agencies are not required to recognise lease assets and liabilities where the low value and/or short-term lease practical expedients are exercised.

- The low-value lease exemption applies where the ROU value (cost) is up to \$5,000 at the commencement date of the lease (asset recognition threshold); and
- the short-term lease exemption applies where the lease term is 12 months or less.

TI 916<sup>21</sup> 'Leases narrows these exemptions when public sector agencies transact with the State Fleet business units of the Department of Finance and the Government Regional Officer Housing (GROH) program of the Housing Authority (except for 'cancellable' agreements).

The above practical expedients allow agencies to treat the applicable leases as expenses.

## Presentation requirements

### Lessees

Right-of-use (ROU) assets and the corresponding lease liabilities are to be presented separately from other asset and liability classes on the face of the financial statements.

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<sup>19</sup> Refer to AASB 16 paragraphs 40, 43

<sup>20</sup> Refer to AASB 16 paragraph 44

<sup>21</sup> Refer to TI 916 paragraph 3

Lessees will have discretion in presenting ROU asset classes in the notes that best reflects the agency's own circumstances.

## Employee contributions

TI 1103 'Statements of Financial Position' discusses the requirements for measuring and disclosing employee benefits. At the time of writing, there is minimal guidance in relation to the interplay between AASB 16 and AASB 119 *Employee Benefits*. Until standard setters provide further guidance, Treasury has determined that where there are employee expenses that fall under both AASB 16 and AASB 119, the 'cost' is the interest and depreciation amount for the impacted leases.

Employee contributions represent income to the agency.

Agencies are required to report these amounts consistent with the requirements per AASB 16 on the face of the financial statements (i.e. separately in the Statement of comprehensive income). A notional reclassification disclosure adjustment will then be required in order to present the correct employee benefits disclosures in the notes to the financial statements. This notional reclassification amount will not have any impact on the general ledger amounts, it is merely for disclosure purposes within the financial statements.

Agencies that provide employees with non-monetary benefits (e.g. housing), are required to disclose the cost of providing these benefits on a gross basis. Employee benefits will need to be disclosed under the requirements of AASB 119 *Employee Benefits*. Agencies will still need to record the impact of AASB 16 on the underlying lease (on a gross basis), reflecting the ROU assets and associated lease liabilities on the balance sheet, and interest/depreciation on the Statement of comprehensive income.

Agencies will now also need to recognise the tenant rental contributions they receive from employees as a separate income item on the Statement of comprehensive income.

The employee benefit disclosure requirements are in TI 1103 and a simple illustrative example for disclosure of employee contributions is provided at Appendix B.

## Discounting Lease Liabilities

Lease liabilities are measured by reference to the present value of lease payments not paid at the commencement of the lease. The rate used to discount the lease payments is determined by cascading options, for example:

1. Apply the interest rate implicit in the lease contract; or
2. If (1) is not readily available, apply the agency's incremental borrowing rate (IBR).

Western Australian Treasury Corporation (WATC) may be able to aid in modelling the interest rate implicit in the lease, where necessary.

Generally, government sector agencies do not have legal authority to borrow and will not have an agency specific IBR. Therefore, government borrowing rates are to be utilised as a proxy (unless an agency has capacity to borrow under legislation), where the interest rate implicit in the lease cannot be determined by other means.

WATC will provide actual and estimated incremental borrowing rate (IBR) information, via their website, for leases other than arrangements with State Fleet. For lease terms greater than 20 years, the WATC IBR 20-year rate is suitable.

## Actual IBR

The WATC IBR actual table is updated monthly, within the first week of each month. The movements in IBR within the month are marginal and the single monthly rate is to be applied to all leases commencing in the relevant month.

## Budget/Forecast IBR

The WATC IBR 'Forecast incremental borrowing rates for expected future lease commitments' should be used to measure the estimated future lease liability for budgeting and forecasting purposes unless an agency has capacity to borrow under legislation. These rates will be available on the link provided below but are only available from August to February. These rates are updated annually for budget and forward estimate purposes only.

When a lease actually commences that was previously budgeted for, the actual IBR rate (not the forecast rate) is to be used to measure the actual lease liability recognised on the balance sheet.

If there are any issues with the WATC database, please email [csoperations@wadc.gov.au](mailto:csoperations@wadc.gov.au). Agencies will need to select the discount rate appropriate to their lease term for the purpose of measuring lease liabilities.

## Application of Discount Rates

When performing a lease reassessment or determining whether a lease modification has occurred, there are several situations where revised discount rates are used to re-measure the lease liability. For lessees, revised discount rates are used in the following circumstances:

- when there is a change in the lease term;
- when there is a change in the agency assessment of a lease option to purchase the underlying asset;
- there has been a lease modification that is not accounted for as a separate lease; or
- the change in the lease payments results from a change in floating interest rates.

Agencies need to be aware that some government contracts have specific clauses that may make it difficult to determine whether a lease reassessment or modification has occurred. For example, State Fleet contracts specify an initial minimum lease term that can be changed based on kilometres and/or time periods. When a State Fleet contract is restructured, the impact on discount rates is as follows:

- an increase/decrease in the lease term (in months) or an increase/decrease to both months and kilometres will result in a lease reassessment and therefore require a revised discount rate;
- an increase/decrease in the agreed kilometres will result in a lease modification and therefore require the same discount rate.

The WATC IBRs can be accessed via:

[Western Australian Treasury Corporation \(wadc.wa.gov.au\)](http://wadc.wa.gov.au)

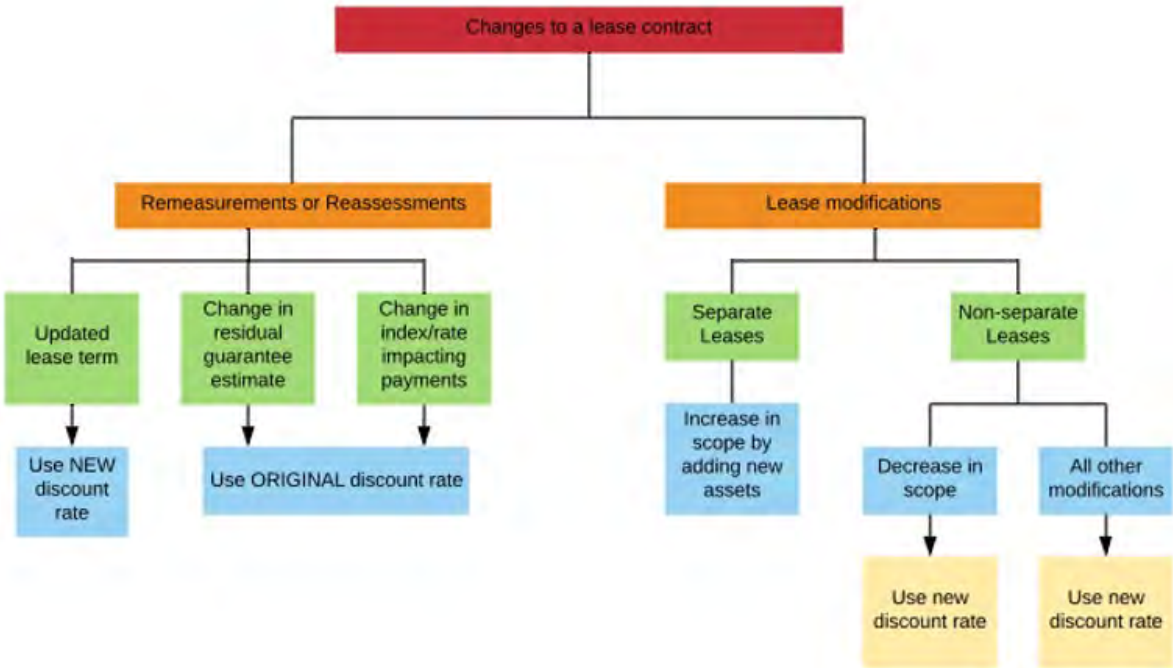
Agencies may elect to apply or not apply the practical expedient of applying a single discount rate to a portfolio of leases with reasonably similar characteristics. The justification for the election resides with the agency and shall address the similarity of broad characteristics exhibited with the portfolio.



The table and diagram below summarises the circumstances where the use of a revised rate or original rates are required by AASB 16.

Discount Rate	Scenarios
Use a revised discount rate	<ul style="list-style-type: none"> <li>○ Change in lease term (extension option/termination option)</li> <li>○ Change in assessment of a purchase option</li> <li>○ Change in lease payments due to a change in floating interest rates</li> <li>○ Increase/decrease in scope of lease (i.e. a lease modification that is not accounted for as a separate lease).</li> </ul>
Use the original discount rate	<ul style="list-style-type: none"> <li>○ Change in amounts of residual value guarantee</li> <li>○ Change in lease payments due to change in an index/rate</li> </ul>

**Diagram 2: Changes to discount rates**



**Lease/non-lease components**

**Lessees**

A lease arrangement may contain lease and non-lease components. Consideration ought to be allocated to each element accordingly, though AASB 16 permits practical expedients which have been modified by TI 916 to promote consistent application throughout the public sector.

Agencies are required to separate a material non-lease component from a lease contract that contains both lease and non-lease components (e.g. maintenance costs of the leased asset are included in the lease contract) where practicable.

For immaterial non-lease components, agencies may apply the practical expedient and recognise the lease and non-lease (maintenance cost) components as a single lease except in the following circumstances:

- to account for several lease components of a contract as a single lease component; and
- for embedded derivatives that meet the criteria of AASB 9 *Financial Instruments* paragraph 4.3.3.

The non-lease component shall be accounted for by applying other applicable accounting standards. If a lease contract contains one or more additional lease components, the lessee shall allocate the lease consideration to each lease component based on the relative stand-alone price of each lease component.

### Lessors

Where a lessor has a contract with a lease component and one or more additional lease or non-lease components, the lessor does not have the option to account for these components as a single lease.

AASB 16 requires the lessor to allocate the stand-alone components of the lease contract pursuant to AASB 15 *Revenue from Contracts with Customers*.

## Variable lease payments

### Lessees

At the commencement date, variable lease payments, e.g. linked to an index Consumer Price Index (CPI) or a rate (a benchmark interest rate - LIBOR), are included in the 'lease payments' to calculate the value of the lease liability and ROU asset using the index or rate on the **commencement date**.

Where a lease contract varies lease payments by CPI over the lease term, agencies are to rely upon the officially published index for the region that the ROU's underlying asset is located. For most ROU assets relating to the WA public sector, that index will be the CPI index maintained by the Australian Bureau of Statistics for Perth.

In subsequent periods if there is a change to the index or rate, the lease payments will change, and the lessee re-measures the lease liability and ROU asset using the revised lease payments. The discount rate is unchanged unless the change in the lease payments results from a change in floating interest rates, in which case the lessee uses a revised discount rate to reflect changes to the interest rate.

Also, if lease payments are linked to market rental rates, at the commencement date, the lease payments included in the measurement of the lease liability and ROU asset will be the payments agreed at inception, without considering future rent reviews.

In future periods if there is a change in market rental rates, the lease payments will change, and the lessee re-measures the lease liability and ROU asset to reflect the change in the market rental rates. The re-measurement is recognised when the lease payment takes effect, i.e. when it impacts cash flows. Note that the discount rate in this situation remains the same as it is a change to an index/rate.

Variable lease payments that are not linked to an index or rate are not to be included as part of the measurement of the initial lease liability. These payments are to be expensed in the period in which they occur, or are triggered<sup>22</sup>.

## Initial direct costs

Initial direct costs are tightly defined as the incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained (e.g. costs incurred in negotiating and securing the lease), except for such costs incurred by a manufacturer or dealer lessor in connection with a finance lease.

### Lessees

Lessees are required to include initial direct costs in the measurement of the ROU asset.

### Lessors

The recognition of initial direct costs for lessors, depends on the classification of the lease as follows:

- for operating leases<sup>23</sup>, initial direct costs are applied to the carrying amount of the underlying asset leased. These costs will be expensed over the life of the lease term.
- In contrast, accounting for finance leases (other than manufacturer or dealer lessors) requires inclusion of initial direct costs in the measurement of the net investment in the lease<sup>24</sup> and reduce the amount of income recognised over the lease term. The definition of the interest rate implicit in the lease includes initial direct costs in calculating the net investment in the lease, therefore there is no need to add this cost separately.

## Directly attributable costs '*other than*' initial direct costs

Where a lessee incurs costs relating to the construction or design of an underlying asset<sup>25</sup>, these payments are not made for the ROU underlying asset. Instead, these costs are recognised in accordance with other applicable standards and are excluded from the measurement of the ROU asset.

For example, if an agency has made structural changes to a leased property, the standard provides an example of leasehold improvements recognised and measured in accordance with AASB 116 *Property, Plant and Equipment*. AASB 116<sup>26</sup> defines directly attributable costs for the purposes of recognising leasehold improvements.

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<sup>22</sup> Refer to AASB 16 paragraph 27(b)

<sup>23</sup> Refer to AASB 16 paragraph 83

<sup>24</sup> Refer to AASB 16 paragraph 69

<sup>25</sup> Refer to AASB 16 paragraphs B43-B44

<sup>26</sup> Refer to AASB 16 paragraph 17

## Central agency models

State Fleet and GROH provide centralised models for the leases that fall under their scope for budgeting and financial reporting purposes.

For agencies that utilise dedicated leasing software, these models can be used as a checking mechanism. Where an agency does not have their own internal leasing software, the models provide the information required to recognise the leasing amounts and also for forward estimates. It is a requirement that agencies check and review the numbers are correct in these models (i.e. agree lease terms, interest rates, lease payments).

## Periodic lease terms

Leases that an agency has with GROH that are open ended (i.e. the lease agreement states the expiry date as 'periodic', 'overholding' or similar) will be recognised as an expense.

The nature of the periodic leases is such that either party may exit the agreement with limited penalty. As the agreements work on a month-to-month 'extension' basis, the lessee and/or lessor can elect not to continue extending the arrangement. This effectively means that under AASB 16 there is no non-cancellable period that gives rise to specific rights and obligations.

Where agencies have periodic lease agreements as part of their GROH take up, the associated monthly rental costs are to be included as expenses as part of the Statement of comprehensive income. The GROH budget models provide information to allow agencies to determine which leases are to be expensed.

## Make Good Provisions (Restoration Costs)

Some lease contracts require the asset to be returned to the lessor in the same condition as when originally leased. These conditions can range from demolishing leasehold improvements (e.g. office fit-outs) to leaving the premises in a clean and tidy condition.

Restoration provisions are intended to capture major make good efforts, which are expensed over the life of the lease after professional judgement determines that a provision is appropriate. A provision for specific damage done to the leased asset merits recognition after the event giving rise to a contractual obligation under the lease has certainly occurred.

Typically, a make good provision will be required where a lessee has performed major fit-out work on a leased property. Generally, clean-up costs required at the end of a lease do not fall into the make good category and as such are expensed as and when incurred. However, if a lease agreement contains a specific clause that specifically requires an action that needs to be undertaken, there may be a reasonable argument to include this as a make good provision at the inception of the lease. For example, if a lease agreement states that painting must be re-performed before vacating the property, a lessee would have sufficient certainty that this will need to be performed upon completion of the lease.

Further information in relation to accounting for make good provisions can be found in Accounting Policy Guideline 1 within Treasury's [Financial Administration Bookcase](#).

Further assistance for accounting for restoration costs is available in:

- APG 1 Accounting for Contaminated Sites; and
- RMG 114 Accounting for decommissioning, restoration and similar provisions ('make good')

<https://www.finance.gov.au/publications/resource-management-guides-rmgs/accounting-decommissioning-restoration-similar-provisions-make-good-rmq-114>

## Onerous contracts

An onerous contract<sup>27</sup> is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits to be received under it.

In determining whether a contract is onerous, a lessee shall rely on its assessment of whether the lease is onerous under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application.

## Impairment of right of use assets

### Subsequent Measurement

After the commencement date, according to AASB 16, agencies are required to apply AASB 136 *Impairment of Assets* to determine whether ROU assets are impaired and to account for any impairment loss identified.

It should be noted that subsequent to the implementation of AASB 16 (i.e. from the end of financial year 1 and beyond), agencies will be required to assess their ROU assets for impairment using the predetermined indicators from AASB 136. If there are no indicators of impairment (i.e. no triggering events), no further action should be taken in relation to impairment testing.

## Concessionary leases (below market-value leases)

Leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives are referred to as 'concessionary leases' (also referred to as peppercorn leases).

ROU assets resulting from concessionary leases are to be measured at cost in accordance with AASB 16. The option to measure these assets at fair value is not permitted.

After initial recognition, ROU assets resulting from concessionary leases shall continue to be measured at cost. Note that this position is pending guidance from the AASB on their final decision in relation to the impact of their Fair Value Measurement for Public Sector project.

## Cloud-based software and GovNext

Cloud-based software solutions and GovNext contracts are principally contracts for service and are mostly recognised as expenditures. This was confirmed by the IFRS® Interpretations Committee (IFRIC®) decisions of March 2019 and April 2021 which considered the impact of control attributes pertinent to recognising an asset within a cloud computing arrangement.

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<sup>27</sup> Refer to AASB 137 paragraph 10

The accounting treatment mostly results in the recognition of a service contract expense. In the unusual case that control is established over a component of an arrangement, the agency assesses whether a lease asset or intangible asset exists.

The steps detailed at [Identification of a lease](#) should be applied to justify recognition of a lease asset.

..... agency should assess whether an intangible asset exists. This assessment is based on the recognition criteria in AASB 138 *Intangible Assets* and agencies should refer to APG 2 for assistance in applying the accounting standard.

## Disclosures

Agencies should refer to TI 916, TI 1103, AASB 16 and the Model Annual Reports for illustrative disclosures and guidance on presenting lessee aggregates flowing from application of the new accounting standard.

## Central Agency Lease Models

### Government Regional Officer Housing (GROH) Models

GROH provides modelling for Budget and Mid-Year Review. For actual financial reporting, GROH provides quarterly lease model data.

Residential accommodation is acquired by GROH on behalf of the public sector on both periodic and fixed term arrangements. The models are designed to cater to the difference in accounting treatments under AASB 16 for these periodic and fixed term agreements.

#### ***Make good provisions***

Make good clauses giving rise to material expenditures are considered unlikely for residential rental accommodation. Rental agreements typically require hand-over of a property in a clean and tidy condition, with allowances for ordinary wear and tear.

#### ***Market rent reviews/CPI adjustments***

#### **Actuals**

Market rent reviews or CPI adjustments are incorporated to the quarterly actuals models as and when the triggering events occur (i.e. if a market rent review occurs in August, the September quarter model will reflect the appropriate adjustment). These rent reviews are based on the contract clauses and GROH policy, and will often be the higher of CPI vs. market rent review.

#### **Budget**

GROH external leased properties are on relatively short lease terms and as a result at the end of the life of these leases, the rents will be renegotiated – but this is an unknown. The majority of GROH external properties are fixed term leases. There is no escalation applied to these leases given that they are on short terms, and it is an expectation that rents will be renegotiated.

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<sup>29</sup> Refer to AASB 15 paragraph 27 for guidance on “distinct”

Sub-lease agreements between GROH and an agency, for GROH-owned properties, are generally for periodic terms. CPI escalation rates will be applied for the purposes of budget modelling to these leases year-on-year.

### ***Extension options/terminating leases***

#### **Actuals**

For actual purposes, determining whether an extension option stipulated in a lease agreement is to be entered into, is a management estimate established in collaboration with GROH.

#### **Budget**

For budget purposes, where a lease is due to expire in the budget outyear periods, it is assumed that a similar lease for the same terms will be required to replace the existing lease agreement. However, where an expiring lease had a term of 5 years or less, an agency is to repeat the lease for a new term of 5 years.

#### **Variable outgoings**

Variable outgoings will not be included as part of lease payments in the lease models. These are non-lease components of rental agreements and should be treated as expenses separate from the lease. Agencies are to appropriately code these expense items to an appropriate expense code when settling GROH invoices.

### **State Fleet Models**

State Fleet provides budget models for Budget and Mid-Year Review. For actuals, monthly lease data is provided.

#### ***Make good provisions***

Agencies are required to hand-over vehicles in a specified clean and tidy condition, with allowances for ordinary wear and tear. Where the vehicle fails the stipulated standards, the agency is expected to undertake appropriate repairs and seek insurance recoupment where relevant. A make good provision is not raised for these costs.

#### ***Lease Payment escalation***

There is no escalation applied to the State Fleet modelling given that the payments stay static across the life of the lease per the agreement.

Service component expenses or Variable Outgoings may be escalated, as appropriate, by applying the CPI forecasts from annually published Budget Statements.

#### ***Variable outgoings***

Variable outgoings will not be included as part of lease payments in the lease models. These are non-lease components of rental agreements and should be treated as costs separate from the lease.

### **Government Office Accommodation (GOA)**

GOA inter-agency memorandum of understanding (MOU) agreements are out of scope for the purposes of AASB 16 and as such are expensed as incurred. This includes the Minister for Works (MfW) owned properties.

## Resources and further information

Resources for accounting for leases are available from:

- Australian Accounting Standard [AASB 16 Leases](#);
- Treasurer's instruction ([TI](#)) [916 Leases](#);
- Western Australia Treasury Corporation's [Incremental Borrowing Rates](#) (IBRs); and/or
- Please contact [Lease.StandardEnquiries@treasury.wa.gov.au](mailto:Lease.StandardEnquiries@treasury.wa.gov.au) for:
  - Excel model for agencies with a limited number of straight forward leases; or
  - Specific lease application queries.

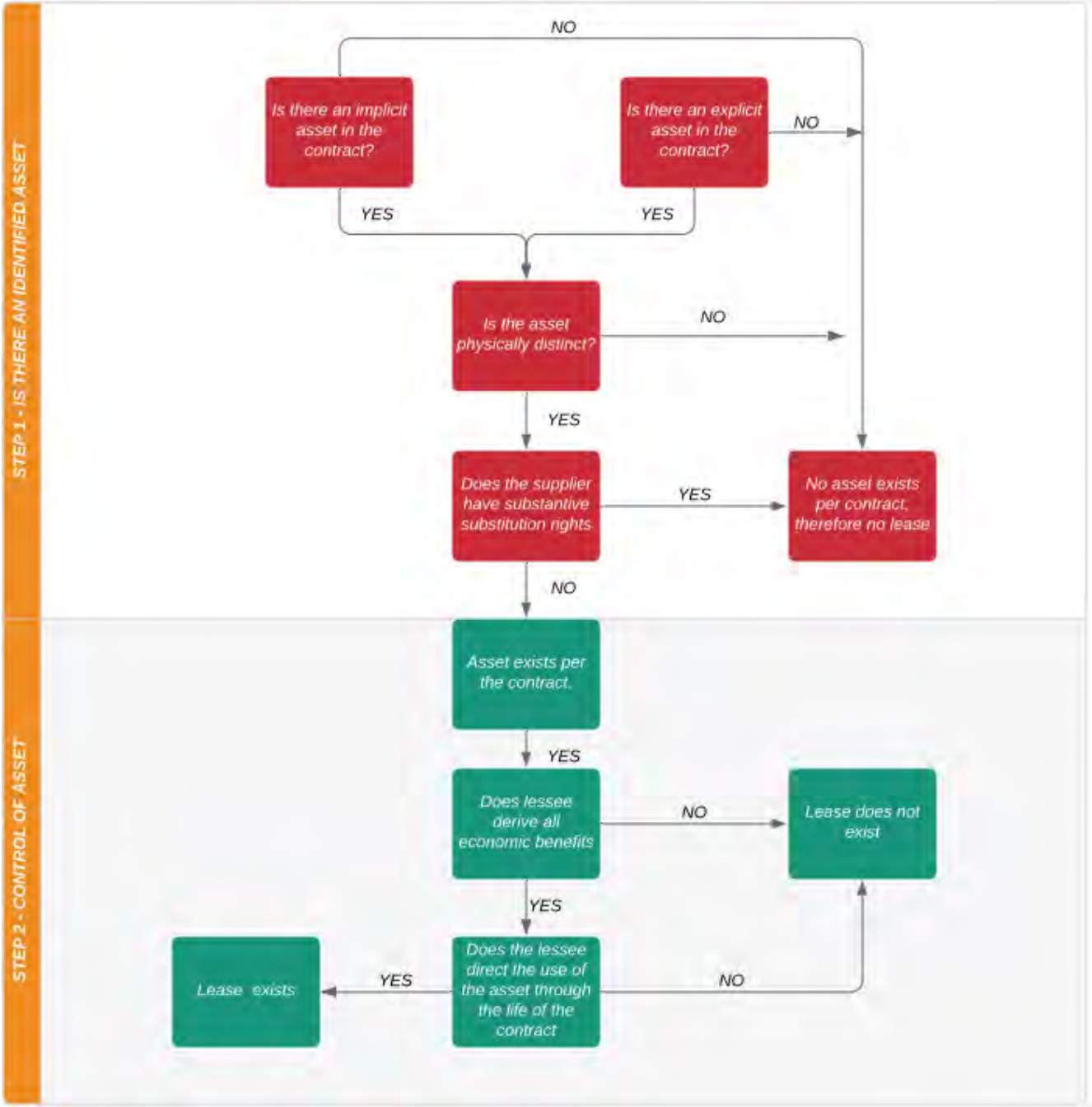


# APPENDIX A: Identification of embedded leases

## Decision tree for determining the lease component of a contract.

The following decision tree illustrates the process for determining whether an embedded lease exists within a contract. The various attribute testing draws from the requirements and illustrations found within AASB 16 and other accounting standards.

The ability to identify and control an asset are critical for the recognition of embedded leases.



## APPENDIX B: Employee contributions (Illustrative Example)

The following simple example illustrates the disclosure of employee benefits expense and employee contribution revenues (noting that 'cost' is the interest and depreciation expense associated with the lease):

Lease payment	\$200
Depreciation expense	\$150
Interest expense	\$ 80
Employee contribution payments	\$160

*Initial postings*

Dr Depreciation expense		\$150
Cr ROU asset – accumulated depreciation		\$150

(Account for ROU asset depreciation)

Dr Interest expense		\$80
Cr Lease liability		\$80

(Account for increase in interest expense and associated lease liability)

Dr Lease liability		\$200
Cr Cash		\$200

(Account for decrease lease liability on payment of lease)

Dr Cash		\$160
Cr Employee Contribution (income)*		\$160

(Account for employee contribution received from employee)

APG 6 Leases

*Notional reclassification journal (for disclosure purposes only)*

Whilst there is no impact on the face of the financial statements, a notional journal will be required to be prepared to enable the disclosure in the notes to the financial statements for employee benefits.

Dr Employee benefits (expenses)	\$230	
Cr Depreciation expense		\$150
Cr Interest expense		\$80

(Notionally redistributes the P&L impact of employee benefits for note disclosure purposes only)

*Disclosure requirements*

Agencies will be required to disclose GROH and State Fleet leasing aggregates in accordance with AASB 16. For transparency purposes, agencies will then provide additional notional disclosures detailing the impact of lease agreements on employee benefits expenses. These disclosures will show both the gross transaction value and the net benefit provided to employees.

Employee benefits reported elsewhere (under AASB 16)	\$230
Less: Employee contributions	\$160
Net benefit provided to employee	\$70

Note that the above disclosures are in relation to non-monetary benefits which arise due to the implications of AASB 16.

Disclosures in relation to normal short-term employee benefits expenses (that fall outside of the scope of AASB 16) are provided as part of the Tier 1 and Tier 2 model annual reports that are produced by the Department of Treasury.



Western Australia

# **Government Financial Responsibility Act 2000**

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As at 21 Sep 2021

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# Government Financial Responsibility Act 2000

## Contents

### Part 1 — Preliminary

1.	Short title	2
2.	Commencement	2
3.	Purposes of this Act	2
4.	Interpretation	2
5.	Obtaining information from public sector bodies	4
6.	The financial management principles	4
7.	The financial elements	4
8.	Matters to be addressed in statements and reports	5
9.	Releasing financial statements and reports	5

### Part 2 — Government financial planning and reporting

10.	Government financial planning	7
11.	Government Financial Strategy Statements	7
12.	Government Financial Projections Statements	8
13.	Government Mid-year Financial Projections Statements	10
14A.	Annual Report on State Finances	13
14B.	Auditor General's opinion	14
15.	Pre-election Financial Projections Statements	14
16.	Quarterly financial statements	17
17.	Budget papers to include outcomes etc.	17

### Part 3 — Miscellaneous

18.	Regulations	18
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**Notes**

Compilation table

19

**Defined terms**

Western Australia

## **Government Financial Responsibility Act 2000**

**An Act to establish a framework for government financial planning and reporting, to facilitate public scrutiny of government financial policy and performance, and for related purposes.**



## **Part 1 — Preliminary**

### **1. Short title**

This Act may be cited as the *Government Financial Responsibility Act 2000*<sup>1</sup>.

### **2. Commencement**

This Act commences on the day on which it receives the Royal Assent<sup>1</sup>.

### **3. Purposes of this Act**

- (1) The main purposes of this Act are —
  - (a) to establish a framework for government financial planning with a view to improving government financial outcomes; and
  - (b) to facilitate public scrutiny of government financial policy and performance.
- (2) Nothing in this Act creates rights or duties that are enforceable in judicial or other proceedings.

### **4. Interpretation**

In this Act, unless the contrary intention appears —

*Annual Report on State Finances* means a report under section 14A;

*Australian Accounting Standards* means the accounting standards and other requirements issued by the Australian Accounting Standards Board;

*budget planning cut-off date*, in relation to a budget year, means the date on which the Treasurer notifies the Under Treasurer under section 12(4) that the budget process for that year has been completed;

*budget year* means the financial year to which a budget relates;

**external reporting standards** means —

- (a) the concepts and classifications set out in GFS Australia; and
- (b) the Australian Accounting Standards;

**financial element** has the meaning given in section 7;

**financial management principles** means the financial management principles set out in section 6;

**GFS Australia** means the publication of the Australian Bureau of Statistics known as Government Finance Statistics Australia: Concepts, Sources and Methods, as updated from time to time;

**Government Financial Projections Statement** means a statement under section 12;

**Government Financial Strategy Statement** means a statement under section 11;

**Government Mid-year Financial Projections Statement** means a statement under section 13;

**Pre-election Financial Projections Statement** means a statement under section 15;

**pre-election period** means the period between the issue of the writs for a general election for the Legislative Assembly or the Legislative Council and the date of the general election;

**public sector body** means —

- (a) a department established under section 35 of the *Public Sector Management Act 1994*; or
- (b) a body, whether corporate or unincorporate, or the holder of an office, post or position, being a body, office, post or position that is established or continued for a public purpose under a written law;

**Quarterly Financial Results Report** means a report under section 16;

**release**, in relation to a statement or report made or to be made under this Act, has the meaning given in section 9;

*Under Treasurer* means the chief executive officer within the meaning of the *Interpretation Act 1984*.

[Section 4 amended: No. 5 of 2005 s. 28.]

**5. Obtaining information from public sector bodies**

- (1) The Under Treasurer may, in writing, request a public sector body to provide any information needed to prepare a statement, report or policy costing for the purposes of this Act.
- (2) The Under Treasurer may issue written guidelines to help public sector bodies to provide the information needed to prepare statements, reports and policy costings for the purposes of this Act.
- (3) A public sector body is to comply with a request under subsection (1) within the time, and in the form, specified in the request.

[Section 5 amended: No. 5 of 2005 s. 29.]

**6. The financial management principles**

The financial management principles are as follows —

- (a) funding for current services is to be provided by the current generation;
- (b) spending and taxing policies are to be formulated and applied so as to give rise to a reasonable degree of stability and predictability;
- (c) financial risks are to be managed prudently;
- (d) spending and taxing policies are to be formulated and applied with consideration to the effect of these policies on employment and the economic prosperity of the State.

**7. The financial elements**

- (1) For the purposes of this Act, a financial element is —
  - (a) the assets of the State;

- (b) the liabilities of the State;
  - (c) the net assets of the State;
  - (d) the operating expenses of the State;
  - (e) the operating revenue of the State;
  - (f) the operating balance of the State; or
  - (g) any other significant element of the Government's financial management or performance.
- (2) For the purposes of this Act, the amount or value of a financial element is to be calculated in accordance with the principles of the external reporting standards.

#### **8. Matters to be addressed in statements and reports**

- (1) Financial projections or financial reports released under this Act are to include projections or reports of the matters usually addressed in a general purpose financial report within the meaning of Australian Accounting Standards Board AASB 1049 Whole of Government and General Government Sector Financial Reporting.
- (2) A projection or report of an operating surplus or total equity is either to be consolidated in accordance with Australian Accounting Standards Board AASB 1049, or to be calculated in such a way that the projected or reported result is the same as if it had been consolidated in accordance with the Standard.

*[Section 8 amended: No. 47 of 2011 s. 27.]*

#### **9. Releasing financial statements and reports**

- (1) Where this Act provides for the release of a statement or report, the statement or report is to be —
- (a) tabled in each House of Parliament; and
  - (b) made publicly available.
- (2) If a House of the Parliament is not sitting when a statement or report is to be released, the statement or report is to be made

**s. 9**

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publicly available at that time, and is to be tabled in the House as soon as practicable.

- (3) If the Treasurer is not able to release —
- (a) an Annual Report on State Finances, and the opinion of the Auditor General referred to in section 14B(1), within the period referred to in section 14A(1); or
  - (b) a Quarterly Financial Results Report within the period referred to in section 16(2),

the Treasurer is to, before the expiration of that period, inform both Houses of Parliament of the inability to release the report, and the reasons for that inability and the anticipated date the report will be tabled.

*[Section 9 amended: No. 5 of 2005 s. 30.]*

## **Part 2 — Government financial planning and reporting**

### **10. Government financial planning**

- (1) The Government's financial planning is to be consistent with the financial management principles.
- (2) The Government's financial planning may deviate temporarily from the financial management principles in special circumstances.
- (3) If there is any deviation from the financial management principles, the Under Treasurer is to prepare, for inclusion in the next Government Financial Strategy Statement to be released —
  - (a) a statement of the reasons for the deviation; and
  - (b) a summary of the Government's proposed programme for reverting to compliance with the principles.

### **11. Government Financial Strategy Statements**

- (1) The Treasurer is to release a Government Financial Strategy Statement at least once in each calendar year.
- (2) A Government Financial Strategy Statement is to —
  - (a) set out the Government's medium-term targets in relation to the financial element or elements relevant to each target;
  - (b) explain how the targets are to be achieved;
  - (c) indicate how the targets are related to the financial management principles;
  - (d) contain a statement and summary under section 10(3), if required; and
  - (e) indicate the time frames proposed for achieving the targets.
- (3) If the Government makes a significant change in its financial strategy, the Treasurer is to release a new Government Financial

Strategy Statement, dealing with the matters listed in subsection (2), and giving the reasons for the change.

- (4) The new Government Financial Strategy Statement is to be released as soon as possible after the change in financial strategy, but in any case no later than when the next Government Financial Projections Statement is released.
- (5) If the financial strategy to be dealt with in a Government Financial Strategy Statement has not changed significantly from the financial strategy dealt with in the previous Government Financial Strategy Statement, then, instead of releasing a full Government Financial Strategy Statement in accordance with subsection (2), the Treasurer may release a Government Financial Strategy Statement to the effect that the information in the previous Government Financial Strategy Statement is still current.

## **12. Government Financial Projections Statements**

- (1) The Treasurer is to release a Government Financial Projections Statement when the appropriation Bills and budget papers for a budget or supplementary budget are tabled in the Legislative Assembly.
- (2) A Government Financial Projections Statement is to include the following —
  - (a) financial projections for the Government for the budget year and the 3 following financial years;
  - (b) an account of the economic and other assumptions on which the financial projections are based;
  - (c) an explanation of the implications of the financial projections for meeting the financial targets set out in the most recently released Government Financial Strategy Statement;
  - (d) an analysis of the degree to which the financial projections are likely to be affected by changes in the

- circumstances on which the economic and other assumptions are based;
- (e) a statement of any risks, quantified as far as practicable, that could materially affect the financial projections, including particulars of any contingent liabilities and any government negotiations that have not been finalized;
  - (f) a certificate by the Under Treasurer under subsection (8).
- (3) When preparing a Government Financial Projections Statement, the Under Treasurer is to take account of the following —
- (a) the implications of all relevant decisions that were taken by the Government before the budget planning cut-off date and that were known to the Under Treasurer on or before that date;
  - (b) any other information that could have a material effect on the financial projections and that was available to the Under Treasurer on or before the budget planning cut-off date.
- (4) When the Treasurer is satisfied that the budget planning process has been completed for a budget year, the Treasurer is to notify the Under Treasurer to that effect.
- (5) On or before the budget planning cut-off date, the Treasurer must give the Under Treasurer all available information about government decisions taken before that date —
- (a) that has or could have material financial or economic implications relevant to preparing the Government Financial Projections Statement; and
  - (b) that the Under Treasurer could not reasonably be expected to have already.
- (6) The Government Financial Projections Statement does not have to include commercially confidential information.



- (7) If information that is otherwise required to be included in a Government Financial Projections Statement is excluded because of subsection (6), the statement must contain a general description of the excluded information.
- (8) The Under Treasurer is to certify to the effect that —
  - (a) the financial projections, and the economic forecasts and assumptions, in the Government Financial Projections Statement were prepared by the Under Treasurer;
  - (b) the statement takes account of all relevant information available to the Under Treasurer on the budget planning cut-off date;
  - (c) the statement sets out the implications of all relevant decisions that were known to the Under Treasurer on that date; and
  - (d) the economic assumptions on which the financial projections in the statement are based were finalized on the date set out in the certificate.

**13. Government Mid-year Financial Projections Statements**

- (1) The Treasurer is to release a Government Mid-year Financial Projections Statement not later than 31 December in each budget year.
- (2) A Government Mid-year Financial Projections Statement is to include the following —
  - (a) financial projections for the Government for the budget year and the 3 following financial years;
  - (b) an account of the economic and other assumptions on which the financial projections are based;
  - (c) an explanation of the implications of the financial projections for meeting the financial targets set out in the last Government Financial Strategy Statement;
  - (d) an analysis of the degree to which the financial projections are likely to be affected by changes in the

- circumstances on which the economic and other assumptions are based;
- (e) a statement of any risks, quantified as far as practicable, that could materially affect the financial projections, including particulars of any contingent liabilities and any government negotiations that have not been finalized;
  - (f) a certificate by the Under Treasurer under subsection (6).
- (3) When preparing a Government Mid-year Financial Projections Statement, the Under Treasurer is to take account of the following —
- (a) the implications of all relevant decisions that were taken by the Government before the cut-off date referred to in the certificate under subsection (6) and that are known to the Under Treasurer (excluding any interim decisions taken in the course of planning the budget to be brought down in the next budget year);
  - (b) any other relevant information available to the Under Treasurer before the cut-off date noted in the certificate under subsection (6).
- (4) The Government Mid-year Financial Projections Statement does not have to include commercially confidential information.
- (5) If information that is otherwise required to be included in a Government Mid-year Financial Projections Statement is excluded because of subsection (4), the statement must contain a general description of the excluded information.
- (6) The Under Treasurer is to certify to the effect that —
- (a) the financial projections, and the economic forecasts and assumptions, in the Government Mid-year Financial Projections Statement were prepared by the Under Treasurer;

**s. 13**

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- (b) the statement takes account of all relevant information available to the Under Treasurer on the cut-off date noted in the certificate;
  - (c) the statement sets out the implications of all relevant decisions that were known to the Under Treasurer on the cut-off date; and
  - (d) the economic assumptions on which the financial projections in the statement are based were finalized on the date set out in the certificate.
- (7) If any information to be included in a Government Mid-year Financial Projections Statement under subsection (2) is the same as information included in the last Government Financial Projections Statement to be released then, instead of setting out the information in full, the Government Mid-year Financial Projections Statement may include a summary of the information, with a note to the effect that the information is unchanged from the previous statement.
- (8) If —
- (a) the last financial projections statement released before a Government Mid-year Financial Projections Statement is released was a Pre-election Financial Projections Statement; and
  - (b) the information to be included in the Government Mid-year Financial Projections Statement is the same as information included in the Pre-election Financial Projections Statement,

then, instead of setting out the information in full, the Government Mid-year Financial Projections Statement may consist of a statement to the effect that the information given in the Pre-election Financial Projections Statement is still current.

[14. Deleted: No. 5 of 2005 s. 31.]

**14A. Annual Report on State Finances**

- (1) The Treasurer is to release within the prescribed period —
  - (a) an Annual Report on State Finances for each budget year; and
  - (b) an opinion of the Auditor General prepared and signed under section 14B(1) in relation to the Annual Report on State Finances.
  
- (2) In subsection (1) —

*prescribed period* means —

  - (a) 90 days after the end of the financial year; or
  - (b) the period after the end of the financial year prescribed by the regulations,

whichever is the shorter period.
  
- (3) An Annual Report on State Finances must —
  - (a) be prepared in accordance with external reporting standards;
  - (b) include the financial result for the budget year;
  - (ba) include an explanation of the factors and considerations that contributed to any material differences between the financial result and the financial projections;
  - (bb) include an explanation of the factors and considerations that contributed to any material differences between the financial result and the Government's medium-term targets applying at the beginning of the budget year; and
  - (bc) include payments made under the *Financial Management Act 2006* section 27(1) or (2) in the budget year; and
  - (c) include any other matter described in the regulations.

**s. 14B**

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- (4) An Annual Report on State Finances is to be certified in the manner prescribed by the regulations.

*[Section 14A inserted: No. 5 of 2005 s. 32(1); amended: No. 5 of 2005 s. 32(2); No. 12 of 2021 s. 21.]*

**14B. Auditor General's opinion**

- (1) The Treasurer is to submit the Annual Report on State Finances to the Auditor General.

- (2) The Auditor General is to —

- (a) prepare and sign an opinion on the audit of the Annual Report on State Finances and is to state whether in the opinion of the Auditor General the report —

- (i) has been prepared in accordance with external reporting standards; and
- (ii) has been properly drawn up so as to present fairly the operating results and cashflows of the Government for the budget year and the financial position at the end of the budget year;

and

- (b) transmit the opinion to the Treasurer.

*[(3) deleted]*

*[Section 14B inserted: No. 5 of 2005 s. 33; amended: No. 77 of 2006 s. 17.]*

**15. Pre-election Financial Projections Statements**

- (1) The Under Treasurer is to release a Pre-election Financial Projections Statement within 10 days after the Legislative Assembly is dissolved or expires.

- (2) A Pre-election Financial Projections Statement is to include the following —

- (a) financial projections for the Government for the budget year and the 3 following financial years;

- (b) an account of the economic and other assumptions on which the financial projections are based;
  - (c) an explanation of the implications of the financial projections for meeting the financial targets set out in the last Government Financial Strategy Statement;
  - (d) an analysis of the degree to which the financial projections are likely to be affected by changes in the circumstances on which the economic and other assumptions are based;
  - (e) a statement of any risks, quantified as far as practicable, that could materially affect the financial projections, including particulars of any contingent liabilities and any government negotiations that have not been finalized;
  - (f) a certificate by the Under Treasurer under subsection (7).
- (3) When preparing a Pre-election Financial Projections Statement, the Under Treasurer is to take account of the following —
- (a) the implications of all relevant decisions that were taken by the Government before the Legislative Assembly was dissolved or expired and that are known to the Under Treasurer (excluding any interim decisions taken in the course of planning the next budget to be brought down);
  - (b) any other information available to the Under Treasurer at the end of 3 days after the Legislative Assembly was dissolved or expired.
- (4) Within 3 days after the dissolution or expiry of the Legislative Assembly, the Treasurer is to give the Under Treasurer all available information about government decisions taken before the date of dissolution or expiry —
- (a) that has or could have material financial or economic implications relevant to preparing the Pre-election Financial Projections Statement; and

- (b) that the Under Treasurer could not reasonably be expected to have already.
- (5) The Pre-election Financial Projections Statement does not have to include commercially confidential information.
- (6) If information that is otherwise required to be included in a Pre-election Financial Projections Statement is excluded because of subsection (5), the statement must contain a general description of the excluded information.
- (7) The Under Treasurer is to certify to the effect that —
  - (a) the financial projections, and the economic forecasts and assumptions, in the Pre-election Financial Projections Statement were prepared by the Under Treasurer;
  - (b) the statement takes account of all relevant information available to the Under Treasurer at the end of 3 days after the Legislative Assembly was dissolved or expired;
  - (c) the statement sets out the implications of all relevant decisions that were known to the Under Treasurer at that time; and
  - (d) the economic assumptions on which the financial projections in the statement are based were finalized on the date set out in the certificate.
- (8) If any information to be included in a Pre-election Financial Projections Statement under subsection (2) is the same as information included in the last Government Financial Projections Statement or the last Government Mid-year Financial Projections Statement (whichever was released later) then, instead of setting out the information in full, the Pre-election Financial Projections Statement may consist of a statement to the effect that the information in the previous statement is still current.

*[Section 17 amended: No. 77 of 2006 s. 17.]*

**16. Quarterly financial statements**

- (1) The Treasurer is to release a Quarterly Financial Results Report for each quarter ending on the last day of March, September or December setting out the budget result from the beginning of the current financial year to the end of the quarter.
- (2) A Quarterly Financial Results Report is to be released within the prescribed period.
- (3) In subsection (2) —  
*prescribed period* means —
  - (a) 60 days after the end of the quarter to which the Quarterly Financial Results Report relates; or
  - (b) the period prescribed by the regulations after the end of the quarter to which the Quarterly Financial Results Report relates,

whichever is the shorter period.

*[Section 16 amended: No. 5 of 2005 s. 34.]*

**17. Budget papers to include outcomes etc.**

Budget papers are to include —

- (a) outcomes;
- (b) resource cost; and
- (c) the number of full time equivalent staff,

for each outcome for the budget year and each of the 2 preceding years.



**Part 3 — Miscellaneous**

*[Heading inserted: No. 5 of 2005 s. 35.]*

**18. Regulations**

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

*[Section 18 inserted: No. 5 of 2005 s. 35.]*

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## Notes

This is a compilation of the *Government Financial Responsibility Act 2000* and includes amendments made by other written laws. For provisions that have come into operation, and for information about any reprints, see the compilation table.

### Compilation table

Short title	Number and year	Assent	Commencement
<i>Government Financial Responsibility Act 2000</i>	26 of 2000	5 Jul 2000	5 Jul 2000 (see s. 2)
<i>Financial Administration Legislation Amendment Act 2005 Pt. 3</i>	5 of 2005	27 Jun 2005	1 Jan 2006 (see s. 2 and <i>Gazette</i> 23 Dec 2005 p. 6243)
<b>Reprint 1: The Government Financial Responsibility Act 2000 as at 25 Jan 2006</b> (includes amendments listed above)			
<i>Financial Legislation Amendment and Repeal Act 2006 s. 17</i>	77 of 2006	21 Dec 2006	1 Feb 2007 (see s. 2 and <i>Gazette</i> 19 Jan 2007 p. 137)
<i>Statutes (Repeals and Minor Amendments) Act 2011 s. 27</i>	47 of 2011	25 Oct 2011	26 Oct 2011 (see s. 2(b))
<i>Financial Legislation Amendment Act 2021 Pt. 3</i>	12 of 2021	24 Aug 2021	21 Sep 2021 (see s. 2(b))

## Defined terms

*[This is a list of terms defined and the provisions where they are defined.*

*The list is not part of the law.]*

<b>Defined term</b>	<b>Provision(s)</b>
Annual Report on State Finances .....	4
Australian Accounting Standards.....	4
budget planning cut-off date .....	4
budget year.....	4
external reporting standards .....	4
financial element.....	4
financial management principles .....	4
GFS Australia .....	4
Government Financial Projections Statement .....	4
Government Financial Strategy Statement.....	4
Government Mid-year Financial Projections Statement .....	4
Pre-election Financial Projections Statement.....	4
pre-election period .....	4
prescribed period.....	14A(2), 16(3)
public sector body.....	4
Quarterly Financial Results Report.....	4
release .....	4
Under Treasurer .....	4



Western Australia

Government Financial Responsibility Act 2000

**Government Financial Responsibility  
Regulations 2006**

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As at 25 Jun 2008

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Western Australia

# **Government Financial Responsibility Regulations 2006**

## **Contents**

1.	Citation	1
2.	Annual Report on State Finances (s. 14A)	1
	<b>Notes</b>	
	Compilation table	3



## **Government Financial Responsibility Regulations 2006**

### **1. Citation**

These regulations are the *Government Financial Responsibility Regulations 2006*.

### **2. Annual Report on State Finances (s. 14A)**

- (1) For the purposes of section 14A(3)(c) of the Act, an Annual Report on State Finances is to include —
  - (a) a statement of the balances as at the end of the budget year, and as at the end of the preceding budget year, of —
    - (i) the Consolidated Account; and
    - (ii) the Treasurer's Advance Account referred to in the *Financial Management Act 2006* section 7(b); and
    - (iii) the Treasurer's special purpose accounts referred to in the *Financial Management Act 2006* section 7(c);and
  - (b) a statement of the revenue credited to, and the expenditure charged to, the Consolidated Account during the budget year and the net amount credited or charged to the Consolidated Account during that year; and
  - (c) a statement of —



- (i) the payments in respect of extraordinary or unforeseen matters made under the authority of the *Financial Management Act 2006* section 27 in the budget year or any Treasurer's Advance Authorisation Act for the budget year; and
  - (ii) the net unrecovered balances as at the end of the budget year in respect of the advances made under the authority of the *Financial Management Act 2006* section 28 in the budget year or any Treasurer's Advance Authorisation Act for the budget year.
- (2) For the purposes of section 14A(4) of the Act, an Annual Report on State Finances is to be certified —
  - (a) by the Under Treasurer; and
  - (b) to the effect that the Annual Report on State Finances —
    - (i) has been prepared by the Under Treasurer from information provided by public sector bodies; and
    - (ii) has been prepared in accordance with external reporting standards; and
    - (iii) in the opinion of the Under Treasurer, presents fairly the operating results and cashflows of the Government for the budget year and the financial position at the end of the budget year.

*[Regulation 2 amended: Gazette 24 Jun 2008 p. 2915.]*

### Notes

- <sup>1</sup> This is a compilation of the *Government Financial Responsibility Regulations 2006* and includes the amendments made by the other written laws referred to in the following table.

#### Compilation table

Citation	Gazettal	Commencement
<i>Government Financial Responsibility Regulations 2006</i>	23 Jun 2006 p. 2230-1	23 Jun 2006
<i>Government Financial Responsibility Amendment Regulations 2008</i>	24 Jun 2008 p. 2914-5	r. 1 and 2: 24 Jun 2008 (see r. 2(a)); Regulations other than r. 1 and 2: 25 Jun 2008 (see r. 2(b))



Western Australia

## **State Trading Concerns Act 1916**

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## State Trading Concerns Act 1916

### Contents

1.	Short title and commencement	1
3.	Continuance of specified concerns authorised	1
4.	Application of Act	1
4A.	Certain activities may be authorised by regulation	2
4B.	Extension of statutory functions by regulation	3
5A.	Credit card and debit card administration fee	6
5.	Funds	7
6.	Administration — trading concerns to be under the control of Minister	7
7.	Agency special purpose account for each concern to be kept in Treasury	8
8.	Contribution of interest and sinking fund	8
9.	Interest on capital expenditure from Consolidated Account	9
10.	Charges for use of property and services	9
12.	Temporary investment of moneys	10
13.	Balance to be carried forward	10
14.	Application of <i>Financial Management Act 2006</i> and <i>Auditor General Act 2006</i>	10
15.	Depreciation	11
17.	Provision to meet deficiency pending appropriation	11
18.	Treatment of profit and loss	11
23.	Transfer of assets to a trading concern	11
24.	Transfer of assets between trading concerns	12
25.	Power to sell or lease trading concerns	12
26A.	Discontinuance of State Quarry, Boya	12

Contents

---

26B.	Amalgamation of State Saw Mills and State Brick Works into one trading concern as State Building Supplies	13
26C.	The West Australian Meat Export Works	15
27.	Settlement of disputes	16
28.	Regulations	16

**Schedule — Continuing trading concerns**

**Notes**

Compilation table	19
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**Defined terms**

## State Trading Concerns Act 1916

**An Act to regulate the establishment, carrying on, and management of trading concerns by the Government of the State, and to authorise the continuance or disposal of certain trading concerns, and to extend the functions of certain agencies, and for other relative purposes.**

*[Long title amended: No. 45 of 1999 s. 4.]*

### **1. Short title and commencement**

This Act may be cited as the *State Trading Concerns Act 1916*, and shall come into operation on a date to be fixed by proclamation<sup>1</sup>.

*[2. Omitted under the Reprints Act 1984 s. 7(4)(f).]*

### **3. Continuance of specified concerns authorised**

The trading concerns mentioned in the Schedule may be continued and carried on under and subject to the provisions of this Act.

### **4. Application of Act**

- (1) This Act shall apply to —
  - (a) the trading concerns mentioned in the Schedule;
  - (b) such other trading concerns as Parliament may hereafter authorise the establishment of and declare to be subject to this Act.
- (2) No trading concerns, other than those to which this Act applies or shall apply, shall unless expressly authorised by Parliament

**s. 4A**

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or under section 4A be hereafter established or carried on by the Government of the State or by any person acting on behalf of such Government or under its authority.

- (3) The expression **trading concern** means any concern carried on with the view to making profits or producing revenue, or of competing with any trade or industry now or to be hereafter established, or of entering into any business beyond the usual functions of State Government.

*[Section 4 amended: No. 18 of 1997 s. 4.]*

**4A. Certain activities may be authorised by regulation**

- (1) In this section —

**accountable authority** has the meaning given by section 3 of the *Financial Management Act 2006*;

**financial entity** means —

- (a) a department of the Public Service; or
- (b) an entity which forms part of a department of the Public Service and which has an accountable authority other than the chief executive officer of the department;

**Minister responsible**, in relation to a financial entity, means the Minister within the meaning of the *Financial Management Act 2006*.

- (2) A trading concern is authorised for the purposes of section 4(2) if —
- (a) the trading concern is carried on by a prescribed financial entity;
  - (b) the trading concern consists of a prescribed activity involving the provision (in the State or elsewhere) of —
    - (i) goods, information or intellectual property;



- (ii) scientific, technical, educational, training, management or advisory services; or
  - (iii) advertising opportunities or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising;
- and
- (c) the amount of any fee or charge imposed by the financial entity in the course of carrying on the trading concern has been approved by the Minister responsible for the financial entity.
- (3) For the purposes of this section, the amount of a fee or charge that is determined in a manner that has been approved by the Minister responsible for a financial entity is to be regarded as having been approved by that Minister.
- (4) The Minister responsible for a financial entity may delegate the power to give approval under subsection (2)(c) or (3) in relation to fees or charges imposed by the financial entity to the accountable authority of the financial entity.
- (5) A reference in this section to the carrying on of a trading concern by a financial entity includes a reference to the carrying on of a trading concern by the State for that financial entity.

*[Section 4A inserted: No. 18 of 1997 s. 5; amended: No. 45 of 1999 s. 5; No. 77 of 2006 s. 6, 9 and Sch. 1 cl. 162(1).]*

#### **4B. Extension of statutory functions by regulation**

- (1) In this section —
- accountable authority*** has the meaning given by section 3 of the *Financial Management Act 2006*;
- chief executive officer*** has the meaning given by section 3 of the *Public Sector Management Act 1994*;
- Minister*** means a Minister of the Crown;

**Minister responsible**, in relation to a statutory corporation, means the Minister to whom the administration of the Act under which the statutory corporation is constituted is for the time being committed by the Governor;

**statutory corporation** means —

- (a) a Minister or chief executive officer who is constituted as a body corporate under an Act; or
  - (b) any other body corporate that is constituted for a public purpose under an Act and is an agency of the Crown in right of the State.
- (2) Subject to subsections (3) and (5), a prescribed statutory corporation can carry on a prescribed activity involving the provision (in the State or elsewhere) of —
- (a) goods, information or intellectual property;
  - (b) scientific, technical, educational, training, management or advisory services; or
  - (c) advertising opportunities or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising.
- (3) A statutory corporation (other than a Minister) cannot impose a fee or charge in the course of carrying on an activity authorised by subsection (2) unless the amount of the fee or charge has been approved by the Minister responsible for the statutory corporation.
- (4) Subsection (2) does not limit any other functions of a statutory corporation, and an activity authorised by subsection (2) may be carried on in addition to those other functions.
- (5) Subsection (2) has effect even if the Act under which a statutory corporation is constituted imposes a general prohibition or restriction on entry by the statutory corporation into business undertakings or arrangements, but subsection (2) does not authorise a statutory corporation to carry on an activity if another enactment expressly prevents the statutory corporation from carrying on that activity.

- (6) For the purposes of subsection (3), the amount of a fee or charge that is determined in a manner that has been approved by the Minister responsible for a statutory corporation is to be regarded as having been approved by the Minister.
- (7) The Minister responsible for a statutory corporation may delegate the power to give approval under subsection (3) or (6) in relation to fees or charges imposed by the statutory corporation —
- (a) if the statutory corporation has an accountable authority, to the accountable authority; or
  - (b) if the statutory corporation is a chief executive officer, to the chief executive officer.
- (8) If a Minister is a statutory corporation, the Minister may delegate to the chief executive officer of the agency principally assisting the Minister in the administration of the Act under which the statutory corporation is constituted the power —
- (a) to fix the amount of a fee or charge to be imposed by the statutory corporation in the course of carrying on an activity authorised by subsection (2); or
  - (b) to specify the manner in which the amount of such a fee or charge is to be determined.
- (9) If, during a financial year, a statutory corporation enters into a contract in the course of carrying out an activity authorised by subsection (2)(c) —
- (a) the identity of the parties to the contract;
  - (b) the term of the contract;
  - (c) the amount of any fee or charge referred to in subsection (3) imposed by the statutory corporation in relation to the contract; and
  - (d) any other information relating to the contract that the Minister responsible for the statutory corporation considers relevant,

s. 5A

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are to be included in the annual report of the statutory corporation submitted for that financial year under the *Financial Management Act 2006*.

- (10) If a contract referred to in subsection (9) —
- (a) contains a provision of a kind prescribed for the purposes of this subsection; or
  - (b) is of a type prescribed for the purposes of this subsection,

the Minister responsible for the statutory corporation must cause a copy of the contract to be laid before each House of Parliament within 6 sitting days of the House after the contract is made.

- (11) If the contract is not in writing, the reference in subsection (10) to a copy of the contract is a reference to a document setting out the terms and conditions of the contract.

*[Section 4B inserted: No. 45 of 1999 s. 6; amended: No. 77 of 2006 Sch. 1 cl. 162(2) and (3).]*

**5A. Credit card and debit card administration fee**

- (1) In this section —

***credit card*** means —

- (a) an article of a kind commonly known as a credit card; or
- (b) any similar article intended for use in obtaining cash, goods or services on credit;

***credit or debit card administration fee*** means a fee, not exceeding the amount approved under this section, for the making of a payment by use of a credit card or debit card;

***debit card*** means an article intended for use by a person in obtaining access to an account that is held by the person for the purpose of withdrawing or depositing cash or obtaining goods or services;

***statutory corporation*** has the meaning given in section 4B(1).

- (2) The imposition of a credit or debit card administration fee is authorised for the purposes of section 4(2).
- (3) A credit or debit card administration fee can be imposed by a statutory corporation on a person making a payment to the statutory corporation by means of a credit card or debit card.
- (4) A credit or debit card administration fee must not exceed the amount approved by the Treasurer.
- (5) Different amounts can be approved in relation to different types of credit cards or debit cards.
- (6) The amount of a credit or debit card administration fee that is determined in a manner that has been approved by the Treasurer is to be regarded as having been approved by the Treasurer.

*[Section 5A inserted: No. 17 of 2010 s. 21.]*

## **5. Funds**

The funds necessary for the establishment or carrying on of any trading concern shall be such moneys as may from time to time be appropriated by Parliament for the purpose.

## **6. Administration — trading concerns to be under the control of Minister**

- (1) Every trading concern shall be under the control of a Minister of the Crown charged by the Governor from time to time with its administration and hereinafter referred to as the Minister.
- (2) The Minister shall be a body corporate with perpetual succession and an official seal and may by such name as the Governor may determine hold real and personal property and sue and be sued in contract or in tort in respect of any matter relating to or connected with the trading concern or arising from the management, maintenance, or carrying on thereof.
- (3) On the appointment of a Minister for any trading concern, all property, assets, and rights vested in the Crown or any person for the purposes of the concern shall become vested in the

**s. 7**

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Minister, and all liabilities of the Crown in respect of the concern shall become liabilities of the Minister.

- (4) A Minister appointed to control any of the trading concerns specified in the Schedule shall be deemed the successor of any Minister appointed for the control thereof under the Act hereby repealed, as if such lastmentioned Minister had been incorporated.
- (5) No petition of right or other proceeding shall be presented to or maintained against the Crown for any matter in respect of which an action may be brought against a Minister under this section.

**7. Agency special purpose account for each concern to be kept in Treasury**

- (1) An agency special purpose account is established for each trading concern under section 16 of the *Financial Management Act 2006*, in the name of the concern.
- (2) The Treasurer shall place to the credit of such account moneys appropriated by Parliament for the purposes of the trading concern, in such sums as may appear to him to be necessary to meet the financial requirements of the concern.
- (3) All moneys received or expended in connection with the operations of the concern shall be credited or debited in the account, together with such other moneys as are hereinafter directed to be entered in such account.

*[Section 7 amended: No. 49 of 1996 s. 64; No. 77 of 2006 Sch. 1 cl. 162(4).]*

*[7A. Deleted: No. 66 of 1984 s. 41.]*

**8. Contribution of interest and sinking fund**

- (1) There shall be entered and debited in each year in the banking account of each concern —
  - (a) such amounts as shall be fixed by the Treasurer as the interest and sinking fund contributions payable for the

year in respect of such portion of the Consolidated Account as shall have been applied to the purposes of the undertaking;

- (b) such further contributions to a sinking fund as may be approved by the Treasurer to be necessary to produce the principal of the aforesaid portion of the Consolidated Account or any other capital expenditure at such earlier date (if any) as may be prescribed by the Governor.

*[(2) deleted]*

- (3) The accrued interest on the sinking fund contributions as certified by the Under Treasurer shall be incorporated in the accounts of each trading concern.

*[Section 8 amended: No. 98 of 1985 s. 3; No. 6 of 1993 s. 15; No. 77 of 2006 s. 4; No. 17 of 2014 s. 41(2).]*

**9. Interest on capital expenditure from Consolidated Account**

- (1) Interest on the daily balance of money provided out of moneys standing to the credit of the Consolidated Account shall be charged in the books of each trading concern. The amount of such interest shall be credited to the Consolidated Account half-yearly or at such other time as the Treasurer shall direct.
- (2) The rate of interest shall be from time to time, fixed by the Treasurer.

*[Section 9 amended: No. 6 of 1993 s. 11; No. 49 of 1996 s. 64; No. 77 of 2006 s. 4.]*

**10. Charges for use of property and services**

- (1) There shall be entered and debited in the banking account of each trading concern such sum as in the opinion of the Treasurer represents the value of the use for the purposes of the concern of Government buildings or other property, or of part services of any Government officers not wholly employed upon the concern, or of services rendered by any Government Department.

s. 12

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- (2) Any amount debited under this section shall be treated as revenue to be credited to the Consolidated Account as and when directed by the Treasurer; provided that, where a departmental vote has already been debited in the current financial year, then the amount shall be credited to such vote or treated as a rebate of the departmental expenditure where the annual estimates of such department provide for a rebate of expenditure.

*[Section 10 amended: No. 6 of 1993 s. 11; No. 49 of 1996 s. 64; No. 77 of 2006 s. 4.]*

*[11. Deleted: No. 98 of 1985 s. 3.]*

**12. Temporary investment of moneys**

All moneys standing to the credit of an account for the capital expenditure of a trading concern may, until required for the purposes of the concern, be temporarily invested, as the Treasurer may direct, in any securities wherein moneys standing to the credit of the Public Bank Account constituted under the *Financial Management Act 2006* may lawfully be invested, and all interest thereon shall be credited to the account in respect of which the moneys have been invested.

*[Section 12 amended: No. 98 of 1985 s. 3; No. 49 of 1996 s. 64; No. 77 of 2006 Sch. 1 cl. 162(5).]*

**13. Balance to be carried forward**

The balance standing to the credit of the banking account of a trading concern at the end of every financial year shall be applied as the Governor may direct, and, in the absence of any direction, shall be carried forward to the next year's account.

**14. Application of *Financial Management Act 2006* and *Auditor General Act 2006***

The provisions of the *Financial Management Act 2006* and the *Auditor General Act 2006* regulating the financial administration, audit and reporting of statutory authorities apply to and in respect of every trading concern and its operations.



*[Section 14 inserted: No. 98 of 1985 s. 3; amended: No. 77 of 2006 Sch. 1 cl. 162(6).]*

**15. Depreciation**

The Treasurer shall determine the amount of the depreciation of the assets of any trading concern.

*[16. Deleted: No. 98 of 1985 s. 3.]*

**17. Provision to meet deficiency pending appropriation**

- (1) If the revenue receipts of any trading concern are insufficient to meet the working expenses during the financial year, the deficiency shall be provided out of the working capital shown in the Schedule, or provided by Parliamentary appropriation, as the case may be.
- (2) If the funds (including working capital) of any trading concerns are insufficient to meet requirements during the financial year, the trading concern may borrow from the Treasurer.

*[Section 17 amended: No. 98 of 1985 s. 3.]*

**18. Treatment of profit and loss**

The profit or loss for each trading concern for each financial year, when ascertained, shall be treated in such manner as the Treasurer shall direct, but any profit available in cash and not required for the purposes of the concern shall be credited to the Consolidated Account.

*[Section 18 amended: No. 6 of 1993 s. 11; No. 49 of 1996 s. 64; No. 77 of 2006 s. 4.]*

*[19-22. Deleted: No. 98 of 1985 s. 3.]*

**23. Transfer of assets to a trading concern**

- (1) Where any of the fixed or floating assets purchased out of Loan or Revenue Funds not provided under this Act or the *Government Trading Concerns Act 1912*<sup>2</sup>, have been or may

hereafter be transferred to a trading concern such assets shall be deemed the assets of such concern, and shall be incorporated by transfer entries in the books of the trading concern.

- (2) The Treasurer shall require the trading concern to be charged annually with interest, and a contribution to the sinking fund on the capital value (as may be determined) of such assets.
- (3) The rate of interest and contribution to the sinking fund shall be fixed by the Treasurer.

**24. Transfer of assets between trading concerns**

- (1) Where any of the assets of a trading concern purchased out of the funds provided under this Act or the *Government Trading Concerns Act 1912*<sup>2</sup>, have been transferred to another trading concern in existence or hereinafter to be created, transfer entries shall be passed in the books of each concern, reducing and increasing the capital of the concerns.
- (2) The proportion of interest and sinking fund contribution charges in respect of such assets, shall be adjusted accordingly, or in such manner as the Treasurer shall direct.

**25. Power to sell or lease trading concerns**

The Minister may sell or lease any trading concern for such amount, and upon such terms and conditions as may be approved by the Governor in Council.

*[Section 25 amended: No. 46 of 1930 s. 2.]*

*[26. Deleted: No. 17 of 2014 s. 41(3).]*

**26A. Discontinuance of State Quarry, Boya**

- (1) In this section —  
*appointed day* means 31 August 1950;  
*concern* means the State trading concern known as the State Quarry, Boya;

**corporate body** means the corporate body authorised to carry on the concern;

**Reserve** means ↑8006 Greenmount (Quarries) vested in the Honourable the Minister for Works by Order in Council.

- (2) On the appointed day, by virtue of this section —
- (i) the concern shall cease to be carried on and shall be abolished;
  - (ii) the corporate body shall be dissolved;
  - (iii) the Reserve until then vested in the corporate body by virtue of the provisions of section 6(3) shall cease to be so vested and shall revert in the Honourable the Minister for Works and be held by him as formerly by authority of the Order in Council referred to in the last preceding subsection;
  - (iv) other property, if any remains undisposed of, shall cease to be vested in the corporate body and shall vest in the Honourable the Minister for Works to be held by him on behalf of Her Majesty to be dealt with as the Governor may direct.

[Section 26A inserted: No. 10 of 1950 s. 3.]

**26B. Amalgamation of State Saw Mills and State Brick Works into one trading concern as State Building Supplies**

- (1) In this section —

**appointed day** means the day on which the *State Trading Concerns Act Amendment Act 1956*<sup>1</sup>, comes into operation;

**Minister** means Minister of the Crown for the time being charged with the administration of the trading concern formed, pursuant to this section, by the amalgamation of the State trading concerns known as State Saw Mills and State Brick Works.

- (2)(a) On the appointed day the State trading concerns mentioned in the Schedule, which immediately prior to that day were known

and being carried out as State Saw Mills and State Brick Works shall, by force of this section, become amalgamated and form one trading concern.

- (b) The Governor may from time to time charge one of the Ministers of the Crown with the administration of the trading concern so formed.
- (c) The trading concern so formed shall on and after the appointed day be subject to this Act and be carried on under the control of the Minister who shall be a body corporate by the name of “State Building Supplies”, with perpetual succession and an official seal, and may by that name and for the purposes of the trading concern hold real and personal property and sue and be sued in contract or in tort in respect of any matter relating to or connected with it or arising from the management, maintenance, or carrying on of the concern.
- (d) Upon the amalgamation of the trading concerns referred to in paragraph (a) —
  - (i) all the property, assets and rights vested in the corporate bodies by and in whose names those concerns were, prior to the amalgamation, carried on or in any other person or body for the purposes of both or either of those concerns shall cease to be so vested and shall be vested in the Minister;
  - (ii) all the liabilities and obligations of both or either of those concerns shall become the liabilities and obligations of the Minister;
  - (iii) the corporate bodies by and in whose names those concerns were, prior to the amalgamation, carried on shall be dissolved.
- (e) On and after the amalgamation so referred to —

- (i) actions and other proceedings already commenced by or against either of those concerns may be continued by or against the Minister;
  - (ii) actions and other proceedings which at the date of the amalgamation could have been brought by or against either of those concerns may be brought by or against the Minister.
- (3) No action or other proceeding shall be maintained against the Crown for any matter in respect of which an action or proceeding may be brought against the Minister under this section.
- (4) Upon application by the Minister persons authorised or required by Act to record transactions affecting estates and interests in land shall make such records as are necessary to give effect to the vesting in the Minister of any estate or interest in land in accordance with the provisions of this section.
- (5) For the purposes of section 17, the working capital of the trading concern formed by the amalgamation of the trading concerns as provided in subsection (2) shall be the aggregate of the working capital of both those concerns as at the appointed day.

*[Section 26B inserted: No. 26 of 1956 s. 3.]*

## **26C. The West Australian Meat Export Works**

- (1) In this section —

***appointed day*** means the day on which the *Acts Amendment (Western Australian Meat Commission) Act 1975*<sup>1</sup>, comes into operation;

***concern*** means The West Australian Meat Export Works established as a State Trading Concern under that name pursuant to the *West Australian Meat Export Works Act 1942*<sup>3</sup>;

***corporate body*** means the corporate body hitherto authorised to carry on the concern under this Act;

**s. 27**

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*the Commission* means the Western Australian Meat Commission<sup>4</sup> constituted pursuant to the *Abattoirs Act 1909*<sup>5</sup>.

- (2) On and after the appointed day, pursuant to the provisions of the *Abattoirs Act 1909*<sup>5</sup> and by virtue of this section —
- (a) the concern shall cease to be carried on pursuant to this Act and shall be carried on by the Commission pursuant to the *Abattoirs Act 1909*<sup>5</sup>; and
  - (b) the corporate body shall be deemed to have been preserved and continued in existence under and subject to the provisions of the *Abattoirs Act 1909*<sup>5</sup> under the name Western Australian Meat Commission<sup>4</sup>.

*[Section 26C inserted: No. 70 of 1975 s. 35.]*

**27. Settlement of disputes**

All matters in dispute between a trading concern and any Government department arising out of the operations of such trading concern shall be referred to the Treasurer, and the decision of the Treasurer upon all such matters in dispute shall be final.

**28. Regulations**

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

*[Section 28 inserted: No. 18 of 1997 s. 6.]*

## Schedule — Continuing trading concerns

[s. 3, 4 and 17]

*[Heading amended: No. 19 of 2010 s. 4.]*

Name of Concern	Nature of Operations	Amount of Fixed Capital at 30 June 1916	Amount of Working Capital at 30 June 1916	Amount of Additional Capital necessary to meet requirements after 30 June 1916			Capital — Grand Total
				Fixed	Working	Total	
State Building Supplies	Felling, conversion, and marketing of timber, including all expenses incurred in dealing, purchasing, selling, and transportation (local and overseas), and any other business appertaining or incidental to the Timber Trade Trading and General Stores, and performing services incidental to settlements at various Timber Stations Chartering of vessels for transport of timber and return freights, payment of wages, purchase of ships' stores, maintenance, etc., necessary to the navigation of vessels so chartered Production and sale of all classes of pressed and other bricks, and any other business appertaining or incidental to brick-making or brick yards, with shale and clay deposits	\$ ....	\$ ....	\$ ....	\$ ....	\$ ....	\$ ....
State Implement and Engineering Works <sup>6</sup>	General engineering and jobbing work, manufacture, and sale of agricultural and farming machinery, accessories and spare parts; purchase and sale of imported agricultural and farming machinery, spare parts, oil, twine, and general farming and agricultural sundries, and the carrying on of any business appertaining or incidental to above, including the purchase of stores and raw material required; establishing of Agencies on Commission,	188,940	461,060	....	100,000	100,000	750,000

**State Trading Concerns Act 1916**  
**Schedule** Continuing trading concerns

Name of Concern	Nature of Operations etc.	Amount of Fixed Capital at 30 June 1916	Amount of Working Capital at 30 June 1916	Amount of Additional Capital necessary to meet requirements after 30 June 1916			Capital — Grand Total
				Fixed	Working	Total	
State Shipping Service	To manage, maintain, control, and operate vessels purchased, taken on lease or hire or acquired by the Government of Western Australia. To establish agencies and depots and to perform all such acts as may be necessary in the conduct of a shipping business. To act as Agents for the Government of Western Australia or any other persons in connection with the operating of vessels or cargo. To carry on any other business on behalf of the Government of Western Australia that can be conveniently conducted in conjunction with above.	\$ 484,000	\$ 120,000	\$ 46,000	\$ 70,000	\$ 116,000	\$ 720,000
State Hotels	Licensed Victualler. To carry out the provisions of Part VI of the Licensing Act in accordance with Local Option Poll taken in 1911	78,800	<i>Nil</i>	1,700	500	2,200	81,000
Meat Distribution	Retailing meat, and all acts necessary and incidental thereto for the purpose of controlling the retail price thereof	1,970	2,000	1,200	4,000	5,200	9,170
Shipment of North-West Cattle	Purchasing and shipping cattle from North-West to Metropolis for purpose of ensuring supplies during War and regulating wholesale prices of meat	<i>Nil</i>	<i>Nil</i>	....	20,000	20,000	20,000
State Fish Supply	To procure fish and retail to the public, and all acts incidental of and necessary thereto	12,200	2,000	1,200	2,000	3,200	17,400

[Schedule amended: No. 5 of 1932 s. 3; No. 10 of 1950 s. 4; No. 26 of 1956 s. 4; No. 113 of 1965 s. 8(1).]



## Notes

- <sup>1</sup> This is a compilation of the *State Trading Concerns Act 1916* and includes the amendments made by the other written laws referred to in the following table. The table also contains information about any reprint <sup>7</sup>.

### Compilation table

Short title	Number and year	Assent	Commencement
<i>State Trading Concerns Act 1916</i>	12 of 1917 (7 Geo. V No. 32)	28 Mar 1917	1 Apr 1917 (see s. 1 and <i>Gazette</i> 25 May 1917 p. 849)
<i>State Trading Concerns Act Amendment Act 1930</i>	46 of 1930 (21 Geo. V No. 46)	30 Dec 1930	30 Dec 1930
<i>State Trading Concerns Act Amendment Act (No. 2) 1932</i> <sup>8</sup>	5 of 1932 (23 Geo. V No. 5)	31 Oct 1932	1 Apr 1933 (see s. 2 and <i>Gazette</i> 13 Apr 1933 p. 564)
<i>State Trading Concerns Act Amendment Act 1950</i>	10 of 1950 (14 Geo. VI No. 10)	17 Nov 1950	17 Nov 1950
<i>State Trading Concerns Act Amendment Act 1956</i>	26 of 1956 (5 Eliz. II No. 26)	29 Nov 1956	1 Jul 1957 (see s. 2 and <i>Gazette</i> 24 May 1957 p. 1491)
<i>Decimal Currency Act 1965</i>	113 of 1965	21 Dec 1965	Act other than s. 4-9: 21 Dec 1965 (see s. 2(1)); s. 4-9: 14 Feb 1966 (see s. 2(2))
<i>State Trading Concerns Act Amendment Act 1968</i>	9 of 1968	26 Sep 1968	26 Sep 1968
<i>State Trading Concerns Act Amendment Act 1972</i>	25 of 1972	9 Jun 1972	9 Jun 1972
<b>Reprint of the <i>State Trading Concerns Act 1916</i> approved 9 Feb 1973 (includes amendments listed above)</b>			
<i>Acts Amendment (Western Australian Meat Commission) Act 1975 Pt. II</i>	70 of 1975	7 Nov 1975	1 Jul 1976 (see s. 2 and <i>Gazette</i> 18 Jun 1976 p. 2047)
<i>State Engineering Works Act 1984 s. 41</i>	66 of 1984	5 Nov 1984	1 Jan 1985 (see s. 2 and <i>Gazette</i> 7 Dec 1984 p. 4017)
<i>Acts Amendment (Financial Administration and Audit) Act 1985 s. 3</i>	98 of 1985	4 Dec 1985	1 Jul 1986 (see s. 2 and <i>Gazette</i> 30 Jun 1986 p. 2255)

## State Trading Concerns Act 1916

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Short title	Number and year	Assent	Commencement
<i>Financial Administration Legislation Amendment Act 1993</i> s. 11 and 15	6 of 1993	27 Aug 1993	1 Jul 1993 (see s. 2(1))
<i>Financial Legislation Amendment Act 1996</i> s. 64	49 of 1996	25 Oct 1996	25 Oct 1996 (see s. 2(1))
<i>State Trading Concerns Amendment Act 1997</i>	18 of 1997	8 Jul 1997	8 Jul 1997 (see s. 2)
<b>Reprint of the State Trading Concerns Act 1916 as at 18 Aug 1997</b> (includes amendments listed above)			
<i>State Trading Concerns Amendment Act 1999</i>	45 of 1999	7 Dec 1999	7 Dec 1999 (see s. 2)
<b>Reprint 3: The State Trading Concerns Act 1916 as at 6 Feb 2004</b> (includes amendments listed above)			
<i>Financial Legislation Amendment and Repeal Act 2006</i> s. 4, 6, 9 and Sch. 1 cl. 162	77 of 2006	21 Dec 2006	1 Feb 2007 (see s. 2(1) and <i>Gazette</i> 19 Jan 2007 p. 137)
<b>Reprint 4: The State Trading Concerns Act 1916 as at 5 Mar 2010</b> (includes amendments listed above)			
<i>Revenue Laws Amendment and Repeal Act 2010</i> Pt. 4	17 of 2010	25 Jun 2010	26 Jun 2010 (see s. 2(b))
<i>Standardisation of Formatting Act 2010</i> s. 4	19 of 2010	28 Jun 2010	11 Sep 2010 (see s. 2(b) and <i>Gazette</i> 10 Sep 2010 p. 4341)
<i>Statutes (Repeals and Minor Amendments) Act 2014</i> s. 41	17 of 2014	2 Jul 2014	6 Sep 2014 (see s. 2(b) and <i>Gazette</i> 5 Sep 2014 p. 3213)

<sup>2</sup> Repealed by section 2 of this Act.

<sup>3</sup> Repealed by the *Acts Amendment (Western Australian Meat Commission) Act 1975*.

<sup>4</sup> Under the *Acts Amendment (Meat Industry) Act 1985* s. 37, a reference to the Western Australian Meat Commission in a written law, in relation to its meat marketing operations, was, unless the context was such that it would be inappropriate, to be read as a reference to the Western Australian Meat Marketing Corporation. The Western Australian Meat Marketing Corporation has not existed since the *Marketing of Meat Act 1971* expired as a result of the amendment made to it by the *Marketing of Meat Amendment Act 1999* s. 14.

<sup>5</sup> Repealed by the *Meat Industry Legislation (Amendment and Repeal) Act 1993*.

- <sup>6</sup> Under the *State Engineering Works Act 1984* s. 39 a reference to the State Implement and Engineering Works in a written law is to be read, deemed and taken to refer to the State Engineering Works of Western Australia established by the *State Engineering Works Act 1984*. The *State Engineering Works Act 1984* was repealed by the *State Engineering Works Repeal Act 1988*.
- <sup>7</sup> Marginal notes referring to other legislation have been omitted from this reprint.
- <sup>8</sup> The *State Trading Concerns Act Amendment Act (No. 2) 1932* was repealed before it commenced by the *Statute Law Revision Act 2006* s. 3(1).

## Defined terms

*[This is a list of terms defined and the provisions where they are defined.*

*The list is not part of the law.]*

<b>Defined term</b>	<b>Provision(s)</b>
accountable authority .....	4A(1), 4B(1)
appointed day .....	26A(1), 26B(1), 26C(1)
card administration fee .....	5A(1)
chief executive officer .....	4B(1)
concern .....	26A(1), 26C(1)
corporate body .....	26A(1), 26C(1)
credit .....	5A(1)
credit card .....	5A(1)
debit card .....	5A(1)
financial entity .....	4A(1)
Minister .....	4B(1), 26B(1)
Minister responsible .....	4A(1), 4B(1)
Reserve .....	26A(1)
statutory corporation .....	4B(1), 5A(1)
the Commission .....	26C(1)
trading concern .....	4(3)



Western Australia

State Trading Concerns Act 1916

**State Trading Concerns (Authorisation)  
Regulations 1998**



# State Trading Concerns (Authorisation) Regulations 1998

## Contents

1.	Citation	1
2.	Prescribed financial entities (Act s. 4A(2)(a))	1
3.	Prescribed activities by financial entities (Act s. 4A(2)(b))	1
4.	Prescribed statutory corporations (Act s. 4B(2))	1
5.	Prescribed activities by statutory corporations (Act s. 4B(2))	1

### **Schedule 1**

#### **Part 1 — Prescribed financial entities (regulation 2)**

#### **Part 2 — Prescribed activities (regulation 3)**

### **Schedule 2**

#### **Part 1 — Prescribed statutory corporations (regulation 4)**

#### **Part 2 — Prescribed activities (regulation 5)**

### **Notes**

Compilation table	14
Other notes	19

### **Defined terms**





## **State Trading Concerns (Authorisation) Regulations 1998**

**1. Citation**

These regulations may be cited as the *State Trading Concerns (Authorisation) Regulations 1998*.

**2. Prescribed financial entities (Act s. 4A(2)(a))**

The financial entities set out in Schedule 1 Part 1 are prescribed financial entities for the purposes of section 4A(2)(a) of the Act.

**3. Prescribed activities by financial entities (Act s. 4A(2)(b))**

The activities set out in Schedule 1 Part 2 are prescribed activities for the financial entities to which they relate, for the purposes of section 4A(2)(b) of the Act.

**4. Prescribed statutory corporations (Act s. 4B(2))**

The statutory corporations set out in Schedule 2 Part 1 are prescribed statutory corporations for the purposes of section 4B(2) of the Act.

*[Regulation 4 inserted: Gazette 18 Feb 2000 p. 916.]*

**5. Prescribed activities by statutory corporations (Act s. 4B(2))**

The activities set out in Schedule 2 Part 2 are prescribed activities for the prescribed statutory corporations to which they relate, for the purposes of section 4B(2) of the Act.

*[Regulation 5 inserted: Gazette 18 Feb 2000 p. 916.]*

**Schedule 1**

*[Heading inserted: Gazette 31 Aug 1999 p. 4261.]*

**Part 1 — Prescribed financial entities (regulation 2)**

*[Heading inserted: Gazette 31 Aug 1999 p. 4261.]*

Commissioner for Equal Opportunity

Department of Communities

Department for Planning and Infrastructure <sup>2</sup>

Department of Consumer and Employment Protection <sup>3</sup>

Department of Environment and Conservation <sup>4</sup>

Department of Finance

Department of Fire and Emergency Services

Department of Fisheries <sup>5</sup>

Department of Health

Department of Industry and Resources <sup>6</sup>

Department of Culture and the Arts <sup>7</sup>

Department of Premier and Cabinet

Department of the Attorney General <sup>8</sup>

Department of the State Heritage Office <sup>9</sup>

Department of Transport

Department of Water <sup>10</sup>

Mental Health Commission

Office of the Auditor General

Public Sector Commission

Western Australia Police Service

*[Part 1 inserted: Gazette 31 Aug 1999 p. 4261; amended: Gazette 21 Jan 2000 p. 346; 18 Feb 2000 p. 916 (correction: Gazette 29 Feb 2000 p. 996); 5 May 2000 p. 2140; 3 Nov 2000 p. 6109; 7 Jun 2002 p. 2733; 9 Aug 2002 p. 3856; 12 Nov 2002 p. 5468; 3 Jan 2003 p. 12; 13 Jun 2003 p. 2118; 30 Sep 2003 p. 4259; 24 Oct 2003 p. 4500; 19 Mar 2004 p. 916 and 917; 23 Mar 2004 p. 979; 1 Oct 2004 p. 4285; 15 Jul 2005 p. 3303-4; 12 Aug 2005 p. 3657; 22 Dec 2006 p. 5810; 13 Jul 2007 p. 3455; 23 May 2008 p. 1994; 26 Feb 2010 p. 819; 11 Feb 2011 p. 506; 23 Sep 2011 p. 3821; 29 Jun 2012 p. 2965; 18 Dec 2012 p. 6599; 19 Feb 2013 p. 998; 10 May 2013 p. 1938; 15 Sep 2015 p. 3785; 31 Aug 2018 p. 3048.]*

## **Part 2 — Prescribed activities (regulation 3)**

*[Heading inserted: Gazette 31 Aug 1999 p. 4261.]*

### Commissioner for Equal Opportunity

The provision by the Commissioner for Equal Opportunity of training services related to promoting the objects of the *Equal Opportunity Act 1984*.

### Department for Planning and Infrastructure<sup>2</sup>

The provision by the Department for Planning and Infrastructure (in the State or elsewhere) of goods, information, or intellectual property relating to transport matters.

### Department of Communities

The sale by the Department of Communities of goods, information or intellectual property, relating to community development.

The provision or sale by the Department of Communities of advertising opportunities or opportunities having a purpose similar to advertising.

The provision by the Department of Communities of training, management or advisory services, relating to community development.

Department of Consumer and Employment Protection<sup>3</sup>

The provision by the Department of Consumer and Employment Protection —

- (a) of services to overseas clients, including training, and services of a technical, educational, managerial and advisory nature;
- (b) generally, of goods, information and intellectual property, and of services, relating to consumer protection matters;
- (c) of goods (including technical and safety publications), information and intellectual property relating to technical and safety issues in the energy industry;
- (d) specifically, of —
  - (i) intellectual property; and
  - (ii) the sale or provision of advertising opportunities, or opportunities having a purpose similar to advertising, relating to Worksafe Western Australia.

Department of Environment and Conservation<sup>4</sup>

The provision by the Department of Environment and Conservation of goods, information or intellectual property, scientific, technical, educational, training, management or advisory services relating to activities it carries out.

The provision or sale by the Department of Environment and Conservation of advertising opportunities, or opportunities having a purpose similar to advertising in relation to its activities.

Department of Finance

The provision by the Department of Finance of —

- (a) goods, information or intellectual property; and
- (b) scientific, technical, educational, training, management or advisory services,

relating to services provided by, or activities carried out by, the Department of Finance.

Department of Fire and Emergency Services

The provision by the Department of Fire and Emergency Services of advertising opportunities, by means of arrangements under which property of that department specified in the arrangements may be used for the display of advertising, in return for money or goods.

Department of Fisheries<sup>5</sup>

The sale by the Department of Fisheries of publications relating to fisheries matters.

The provision or sale by the Department of Fisheries of advertising opportunities, or opportunities having a purpose similar to advertising.

The provision or sale by the Department of Fisheries of physical resources, information, intellectual property, scientific, technical, educational, training, management or advisory services to the Commonwealth Government or the private sector (whether in Australia or overseas).

Department of Health

The provision by the Department of Health of goods, information or intellectual property relating to health matters.

Department of Industry and Resources<sup>6</sup>

The sale, leasing or licensing of intellectual property or software that is or has been developed by the Department of Industry and Resources.

The provision of management, advisory and training services relating to activities developed or currently carried out, by the Department of Industry and Resources.

The provision by the Department of Industry and Resources of advertising opportunities, or opportunities having a purpose similar to advertising, in relation to its activities.

Department of Culture and the Arts<sup>7</sup>

Participation in the marketing, licensing and sale of intellectual property associated with a grants administration system developed primarily to administer the arts funding division of the Department.

Participation in the licensing and sale of intellectual property associated with any multimedia productions, developed by the Department either singly or jointly, that relate to the subjects of culture or the arts.

Department of Premier and Cabinet

The provision by the Department of Premier and Cabinet of —

- (a) goods, information, or intellectual property; or
- (b) training, management, or advisory services; or
- (c) advertising opportunities, or opportunities to participate in arrangements having a purpose similar to advertising.

Department of the Attorney General<sup>8</sup>

The provision by the Department of the Attorney General of —

- (a) goods, information or intellectual property; and
- (b) scientific, technical, educational, training, management or advisory services,

relating to services provided by, or activities carried out by, the Department of the Attorney General.

Department of the State Heritage Office<sup>9</sup>

The provision by the Department of the State Heritage Office of —

- (a) goods, information or intellectual property; and
- (b) scientific, technical, educational, training, management or advisory services,

relating to Fremantle Prison.

Department of Transport

The provision or sale by the Department of Transport of advertising opportunities, or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising, in relation to its activities.

Department of Water<sup>10</sup>

The provision by the Department of Water of —

- (a) goods, information or intellectual property; and
- (b) scientific, technical, educational, training, management or advisory services; and
- (c) advertising opportunities, or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising,

relating to activities carried out by the Department of Water.

Mental Health Commission

The provision by the Mental Health Commission of —

- (a) goods, information, or intellectual property, relating to mental health; and
- (b) advertising opportunities, or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising, relating to mental health.

Office of the Auditor General

The provision by the Office of the Auditor General of information or intellectual property, and training, management or advisory services, relating to auditing, and other activities developed, or currently carried out, by the Office of the Auditor General.

Public Sector Commission

The provision by the Public Sector Commission of —

- (a) training services; or
- (b) advertising opportunities, or opportunities to participate in arrangements having a purpose similar to advertising.

Western Australia Police Service

The provision by the Western Australia Police Service of goods, information or intellectual property, technical, educational, training,

**State Trading Concerns (Authorisation) Regulations 1998**

**Schedule 1**

**Part 2** Prescribed activities (regulation 3)

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management or advisory services relating to services provided by or activities carried out by Western Australia Police Service.

*[Part 2 inserted: Gazette 31 Aug 1999 p. 4261-3; amended: Gazette 21 Jan 2000 p. 346; 18 Feb 2000 p. 916 (correction: Gazette 29 Feb 2000 p. 996); 5 May 2000 p. 2140; 3 Nov 2000 p. 6109; 5 Jan 2001 p. 126; 7 Jun 2002 p. 2733; 9 Aug 2002 p. 3856; 12 Nov 2002 p. 5468; 3 Jan 2003 p. 12; 13 Jun 2003 p. 2118-19; 30 Sep 2003 p. 4259; 24 Oct 2003 p. 4500; 19 Mar 2004 p. 916 and 917; 23 Mar 2004 p. 979; 1 Oct 2004 p. 4285; 15 Jul 2005 p. 3303 and 3304; 12 Aug 2005 p. 3657; 15 Nov 2005 p. 5620; 17 Mar 2006 p. 1028; 22 Dec 2006 p. 5810; 13 Jul 2007 p. 3455; 23 May 2008 p. 1994-5; 26 Feb 2010 p. 819; 11 Feb 2011 p. 506; 23 Sep 2011 p. 3821; 29 Jun 2012 p. 2965-6; 18 Dec 2012 p. 6599; 19 Feb 2013 p. 998; 10 May 2013 p. 1938-9; 15 Sep 2015 p. 3785; 31 Aug 2018 p. 3048.]*



## Schedule 2

[r. 4, 5]

*[Heading inserted: Gazette 18 Feb 2000 p. 917.]*

### **Part 1 — Prescribed statutory corporations (regulation 4)**

*[Heading inserted: Gazette 18 Feb 2000 p. 917.]*

Botanic Gardens and Parks Authority  
Chemistry Centre (WA)  
Commissioner of Main Roads  
Disability Services Commission  
FES Ministerial Body  
Metropolitan Cemeteries Board  
Small Business Development Corporation  
Swan River Trust  
The Western Australian Government Railways Commission <sup>11</sup>  
Western Australian Sports Centre Trust  
Wheatbelt Development Commission  
WorkCover Western Australia Authority

*[Part 1 inserted: Gazette 18 Feb 2000 p. 917; amended: Gazette 20 Feb 2001 p. 1085; 22 Feb 2002 p. 766; 26 Feb 2002 p. 787; 3 Jan 2003 p. 12-13; 28 Mar 2003 p. 985; 1 Jul 2003 p. 2664; 28 Oct 2003 p. 4530; 15 Jul 2005 p. 3305; 13 Jul 2007 p. 3455; 23 May 2008 p. 1995; 26 Feb 2010 p. 817; 3 Aug 2010 p. 3568; 1 Oct 2010 p. 5077; 8 Nov 2011 p. 4677; 19 Feb 2013 p. 999; 5 May 2015 p. 1597; 24 Jun 2016 p. 2345; SL 2022/3 r. 4(1).]*

**Part 2 — Prescribed activities (regulation 5)**

*[Heading inserted: Gazette 18 Feb 2000 p. 917.]*

Botanic Gardens and Parks Authority

The provision by the Botanic Gardens and Parks Authority of scientific, technical, educational, training, management or advisory services relating to the functions of the Botanic Gardens and Parks Authority.

Chemistry Centre (WA)

The provision by the Chemistry Centre (WA) of scientific support (primarily chemistry based) to industry and to the public.

In this item —

*scientific support* includes —

- (a) providing analytical information; and
- (b) providing expert advice and expert evidence; and
- (c) solving problems; and
- (d) carrying out investigative and applied research projects.

Commissioner of Main Roads

The provision by the Commissioner of Main Roads of —

- (a) goods (including technical publications), information or intellectual property, relating to the functions of the Commissioner; or
- (b) advertising opportunities, or opportunities having a purpose similar to advertising, by means of entering into arrangements under which advertising may be displayed on or above highways and main roads.

Disability Services Commission

The sale, leasing or licensing by the Disability Services Commission of goods, information, publications or intellectual property relating to disability services.

The provision or sale by the Disability Services Commission of advertising opportunities or opportunities having a purpose similar to advertising, relating to disability services.

The provision by the Disability Services Commission of educational, training, management or advisory services relating to disability services.

FES Ministerial Body

The provision by the FES Ministerial Body (as established by the *Fire and Emergency Services Act 1998* section 5) of advertising opportunities, by means of arrangements under which property of the FES Ministerial Body specified in the arrangements may be used for the display of advertising, in return for money or goods.

Metropolitan Cemeteries Board

The provision by the Metropolitan Cemeteries Board of —

- (a) the cemetery renewal manual and records system and enhancements of the manual or system; and
- (b) scientific, technical, educational, training, management or advisory services relating to cemetery management services; and
- (c) advertising opportunities on the Board's property.

Small Business Development Corporation

The provision by Small Business Development Corporation of —

- (a) goods, information, or intellectual property developed by the Corporation; or
- (b) scientific, technical, educational, training, management, or advisory services; or
- (c) advertising opportunities.

Swan River Trust

The provision by the Swan River Trust of —

- (a) goods, information or intellectual property relating to the functions of the Trust; or

**State Trading Concerns (Authorisation) Regulations 1998**

**Schedule 2**

**Part 2** Prescribed activities (regulation 5)

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- (b) scientific, technical, educational, training, management or advisory services relating to the functions of the Trust; or
- (c) advertising opportunities or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising in connection with the functions of the Trust.

The Western Australian Government Railways Commission <sup>11</sup>

The provision (in the State or elsewhere) by The Western Australian Government Railways Commission of training, management, or advisory services.

Western Australian Sports Centre Trust

The provision by the Western Australian Sports Centre Trust of —

- (a) goods, information or intellectual property relating to the functions of the Trust; or
- (b) scientific, technical, educational, training, management or advisory services relating to the functions of the Trust; or
- (c) advertising opportunities or opportunities to participate in arrangements in the nature of advertising or having a purpose similar to advertising in connection with the functions of the Trust.

Wheatbelt Development Commission

The provision by the Wheatbelt Development Commission of —

- (a) goods, information or intellectual property developed by the Commission; or
- (b) scientific, technical, educational, training, management or advisory services; or
- (c) advertising opportunities.

WorkCover Western Australia Authority

The sale, leasing or licensing by the WorkCover Western Australia Authority of intellectual property or software that is, or has been,

developed to meet the operational requirements of the WorkCover Western Australia Authority.

*[Part 2 inserted: Gazette 18 Feb 2000 p. 917; amended: Gazette 20 Feb 2001 p. 1085; 22 Feb 2002 p. 766; 26 Feb 2002 p. 788; 3 Jan 2003 p. 13; 28 Mar 2003 p. 986; 1 Jul 2003 p. 2664; 28 Oct 2003 p. 4530-1; 15 Jul 2005 p. 3305; 13 Jul 2007 p. 3455; 23 May 2008 p. 1995; 26 Feb 2010 p. 818; 3 Aug 2010 p. 3568; 1 Oct 2010 p. 5077; 8 Nov 2011 p. 4677; 19 Feb 2013 p. 999; 5 May 2015 p. 1597; 24 Jun 2016 p. 2345; SL 2022/3 r. 4(2).]*

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## Notes

This is a compilation of the *State Trading Concerns (Authorisation) Regulations 1998* and includes amendments made by other written laws. For provisions that have come into operation, and for information about any reprints, see the compilation table.

### Compilation table

<b>Citation</b>	<b>Published</b>	<b>Commencement</b>
<i>State Trading Concerns (Authorization) Regulations 1998</i>	17 Apr 1998 p. 2105	17 Apr 1998
<i>State Trading Concerns (Authorization) Amendment Regulations (No. 2) 1998</i>	26 Jun 1998 p. 3398	26 Jun 1998
<i>State Trading Concerns (Authorization) Amendment Regulations 1998</i>	30 Jun 1998 p. 3547	30 Jun 1998
<i>State Trading Concerns (Authorization) Amendment Regulations (No. 3) 1998</i>	3 Nov 1998 p. 6085-6	3 Nov 1998
<i>State Trading Concerns (Authorization) Amendment Regulations 1999</i>	19 Mar 1999 p. 1237	19 Mar 1999
<i>State Trading Concerns (Authorization) Amendment Regulations (No. 3) 1999</i>	6 Jul 1999 p. 3073-4	6 Jul 1999
<i>State Trading Concerns (Authorization) Amendment Regulations (No. 2) 1999</i>	13 Jul 1999 p. 3173-4	13 Jul 1999
<i>State Trading Concerns (Authorization) Amendment Regulations (No. 4) 1999</i>	31 Aug 1999 p. 4261-4	31 Aug 1999
<i>State Trading Concerns (Authorization) Amendment Regulations (No. 5) 1999</i>	21 Jan 2000 p. 345-6	21 Jan 2000
<i>State Trading Concerns (Authorization) Amendment Regulations 2000</i>	18 Feb 2000 p. 915-17 (correction 29 Feb 2000 p. 996)	18 Feb 2000

Citation	Published	Commencement
<i>State Trading Concerns (Authorization) Amendment Regulations (No. 2) 2000</i>	5 May 2000 p. 2139-40	5 May 2000
<b>Reprint of the State Trading Concerns (Authorization) Regulations 1998 as at 15 Sep 2000</b> (includes amendments listed above)		
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 5) 2000</i>	3 Nov 2000 p. 6108-9	3 Nov 2000
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 6) 2000</i>	5 Jan 2001 p. 126	5 Jan 2001
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 7) 2000</i>	20 Feb 2001 p. 1084-5	20 Feb 2001
<i>State Trading Concerns (Authorization) Amendment Regulations 2001</i>	22 Feb 2002 p. 766	22 Feb 2002
<i>State Trading Concerns (Authorization) Amendment Regulations (No. 2) 2001</i>	26 Feb 2002 p 787-8	26 Feb 2002
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2002</i>	7 Jun 2002 p. 2732-3	7 Jun 2002
<i>State Trading Concerns (Authorization) Amendment Regulations 2002</i>	9 Aug 2002 p. 3856	9 Aug 2002
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 3) 2002</i>	12 Nov 2002 p. 5467-8	12 Nov 2002
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 5) 2002</i>	3 Jan 2003 p. 12-13	3 Jan 2003
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2003</i>	28 Mar 2003 p. 985-6	28 Mar 2003
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 4) 2002</i>	13 Jun 2003 p. 2118-19	13 Jun 2003
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 4) 2003</i>	1 Jul 2003 p. 2663-4	1 Jul 2003

**State Trading Concerns (Authorisation) Regulations 1998**  
**Notes**                      Compilation table

<b>Citation</b>	<b>Published</b>	<b>Commencement</b>
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 3) 2003</i>	30 Sep 2003 p. 4259	30 Sep 2003
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 7) 2003</i>	24 Oct 2003 p. 4499-500	24 Oct 2003
<i>State Trading Concerns (Authorisation) Amendment Regulations 2003</i>	28 Oct 2003 p. 4530-1	28 Oct 2003
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 5) 2003</i>	19 Mar 2004 p. 915-16	19 Mar 2004
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 10) 2003</i>	19 Mar 2004 p. 916-17	19 Mar 2004
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 9) 2003</i>	23 Mar 2004 p. 978-9	23 Mar 2004
<b>Reprint 2: The State Trading Concerns (Authorisation) Regulations 1998 as at 6 Aug 2004</b> (includes amendments listed above)		
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2004</i>	1 Oct 2004 p. 4285	1 Oct 2004
<i>State Trading Concerns (Authorisation) Amendment Regulations 2005</i>	15 Jul 2005 p. 3303-5	15 Jul 2005
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2005</i>	12 Aug 2005 p. 3657	12 Aug 2005
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 3) 2005</i>	15 Nov 2005 p. 5620	15 Nov 2005
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 4) 2005</i>	17 Mar 2006 p. 1028	17 Mar 2006 (see r. 2)
<b>Reprint 3: The State Trading Concerns (Authorisation) Regulations 1998 as at 1 Dec 2006</b> (includes amendments listed above)		
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2006</i>	22 Dec 2006 p. 5809-10	1 Jan 2007 (see r. 2 and <i>Gazette</i> 8 Dec 2006 p. 5369)



Citation	Published	Commencement
<i>State Trading Concerns (Authorisation) Amendment Regulations 2007</i>	13 Jul 2007 p. 3454-5	r. 1 and 2: 13 Jul 2007 (see r. 2(a)); Regulations other than r. 1 and 2: 14 Jul 2007 (see r. 2(b))
<i>State Trading Concerns (Authorisation) Amendment Regulations 2008</i>	23 May 2008 p. 1994-5	r. 1 and 2: 23 May 2008 (see r. 2(a)); Regulations other than r. 1 and 2: 24 May 2008 (see r. 2(b))
<i>State Trading Concerns (Authorisation) Amendment Regulations 2009</i>	26 Feb 2010 p. 817-18	r. 1 and 2: 26 Feb 2010 (see r. 2(a)); Regulations other than r. 1 and 2: 27 Feb 2010 (see r. 2(b))
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2009</i>	26 Feb 2010 p. 818-19	r. 1 and 2: 26 Feb 2010 (see r. 2(a)); Regulations other than r. 1 and 2: 27 Feb 2010 (see r. 2(b))
<i>State Trading Concerns (Authorisation) Amendment Regulations 2010</i>	3 Aug 2010 p. 3567-8	r. 1 and 2: 3 Aug 2010 (see r. 2(a)); Regulations other than r. 1 and 2: 4 Aug 2010 (see r. 2(b))
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2010</i>	1 Oct 2010 p. 5077	r. 1 and 2: 1 Oct 2010 (see r. 2(a)); Regulations other than r. 1 and 2: 2 Oct 2010 (see r. 2(b))
<b>Reprint 4: The State Trading Concerns (Authorisation) Regulations 1998 as at 10 Dec 2010</b> (includes amendments listed above)		
<i>Public Sector Reform (Consequential Amendments) Regulations 2011 Pt. 9</i>	11 Feb 2011 p. 502-7	12 Feb 2011 (see r. 2(d))
<i>State Trading Concerns (Authorisation) Amendment Regulations 2011</i>	23 Sep 2011 p. 3820-1	r. 1 and 2: 23 Sep 2011 (see r. 2(a)); Regulations other than r. 1 and 2: 24 Sep 2011 (see r. 2(b))
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2011</i>	8 Nov 2011 p. 4676-7	r. 1 and 2: 8 Nov 2011 (see r. 2(a)); Regulations other than r. 1 and 2: 9 Nov 2011 (see r. 2(b))
<i>State Trading Concerns (Authorisation) Amendment Regulations 2012</i>	29 Jun 2012 p. 2965-6	r. 1 and 2: 29 Jun 2012 (see r. 2(a)); Regulations other than r. 1 and 2: 30 Jun 2012 (see r. 2(b))

**State Trading Concerns (Authorisation) Regulations 1998**  
**Notes**                      Compilation table

<b>Citation</b>	<b>Published</b>	<b>Commencement</b>
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2012</i>	18 Dec 2012 p. 6598-9	r. 1 and 2: 18 Dec 2012 (see r. 2(a)); Regulations other than r. 1 and 2: 19 Dec 2012 (see r. 2(b))
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 3) 2012</i>	19 Feb 2013 p. 998-9	r. 1 and 2: 19 Feb 2013 (see r. 2(a)); Regulations other than r. 1 and 2: 20 Feb 2013 (see r. 2(b))
<b>Reprint 5: The State Trading Concerns (Authorisation) Regulations 1998 as at 5 Apr 2013</b> (includes amendments listed above)		
<i>State Trading Concerns (Authorisation) Amendment Regulations 2013</i>	10 May 2013 p. 1938-9	r. 1 and 2: 10 May 2013 (see r. 2(a)); Regulations other than r. 1 and 2: 11 May 2013 (see r. 2(b))
<i>State Trading Concerns (Authorisation) Amendment Regulations 2015</i>	5 May 2015 p. 1597	r. 1 and 2: 5 May 2015 (see r. 2(a)); Regulations other than r. 1 and 2: 1 Jul 2015 (see r. 2(b)(ii) and <i>Gazette</i> 10 Apr 2015 p. 1249)
<i>State Trading Concerns (Authorisation) Amendment Regulations (No. 2) 2015</i>	15 Sep 2015 p. 3784-5	r. 1 and 2: 15 Sep 2015 (see r. 2(a)); Regulations other than r. 1 and 2: 16 Sep 2015 (see r. 2(b))
<i>State Trading Concerns (Authorisation) Amendment Regulations 2016</i>	24 Jun 2016 p. 2345	r. 1 and 2: 24 Jun 2016 (see r. 2(a)); Regulations other than r. 1 and 2: 1 Jul 2016 (see r. 2(b) and <i>Gazette</i> 24 Jun 2016 p. 2291)
<i>State Trading Concerns (Authorisation) Amendment Regulations 2018</i>	31 Aug 2018 p. 3048	r. 1 and 2: 31 Aug 2018 (see r. 2(a)); Regulations other than r. 1 and 2: 1 Sep 2018 (see r. 2(b))
<b>Reprint 6: The State Trading Concerns (Authorisation) Regulations 1998 as at 18 Oct 2019</b> (includes amendments listed above)		
<i>State Trading Concerns (Authorisation) Amendment Regulations 2022</i>	SL 2022/3 18 Jan 2022	r. 1 and 2: 18 Jan 2022 (see r. 2(a)); Regulations other than r. 1 and 2: 1 Jul 2022 (see r. 2(b) and SL 2022/77 cl. 2)

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## Other notes

<sup>1</sup> Footnote no longer required.

<sup>2</sup> Under the *Alteration of Statutory Designations Order 2017* cl. 6, a reference in any law to the Department for Planning and Infrastructure is to be read and construed as a reference to the relevant successor unless the context of the reference requires otherwise. In cl. 6 —

**relevant successor** means —

- (a) the Department of Planning, Lands and Heritage if the reference to be read and construed relates to a function, office or other matter that on 1 July 2017 becomes a function of, office in or other matter relating to that department; or
- (b) the Department of Primary Industries and Regional Development if the reference to be read and construed relates to a function, office or other matter that on 1 July 2017 becomes a function of, office in or other matter relating to that department; or
- (c) the Department of Transport if the reference to be read and construed relates to a function, office or other matter that on 1 July 2009 became a function of, office in or other matter relating to that department.

<sup>3</sup> Under the *Public Sector Management Act 1994* the designation of the Department of Consumer and Employment Protection was altered to the Department of Commerce (see *Gazette* 2 Jan 2009 p. 8).

Under the *Alteration of Statutory Designations Order 2017* cl. 3, a reference in any law to the Department of Commerce is to be read and construed as a reference to the relevant successor unless the context of the reference requires otherwise. In cl. 3 —

**relevant successor** means —

- (a) the Department of Jobs, Tourism, Science and Innovation if the reference to be read and construed relates to a function, office or other matter that on 1 July 2017 becomes a function of, office in or other matter relating to that department; or
- (b) the Department of Mines, Industry Regulation and Safety if the reference to be read and construed relates to a function, office or other matter that on 1 July 2017 becomes a function of, office in or other matter relating to that department.

- <sup>4</sup> Under the *Alteration of Statutory Designations Order 2017* cl. 4, a reference in any law to the Department of Environment and Conservation is to be read and construed as a reference to the Department of Biodiversity, Conservation and Attractions unless the context of the reference requires otherwise.
- <sup>5</sup> Under the *Alteration of Statutory Designations Order 2017* cl. 8, a reference in any law to the Department of Fisheries is to be read and construed as a reference to the Department of Primary Industries and Regional Development unless the context of the reference requires otherwise.
- <sup>6</sup> Under the *Alteration of Statutory Designations Order 2017* cl. 8, a reference in any law to the Department of Industry and Resources is to be read and construed as a reference to the Department of Mines, Industry Regulation and Safety unless the context of the reference requires otherwise.
- <sup>7</sup> Under the *Alteration of Statutory Designations Order 2017* cl. 8, a reference in any law to the Department of Culture and the Arts is to be read and construed as a reference to the Department of Local Government, Sport and Cultural Industries unless the context of the reference requires otherwise.
- <sup>8</sup> Under the *Alteration of Statutory Designations Order 2017* cl. 8, a reference in any law to the Department of the Attorney General is to be read and construed as a reference to the Department of Justice unless the context of the reference requires otherwise.
- <sup>9</sup> Under the *Alteration of Statutory Designations Order 2017* cl. 8, a reference in any law to the Department of the State Heritage Office is to be read and construed as a reference to the Department of Planning, Lands and Heritage unless the context of the reference requires otherwise.
- <sup>10</sup> Under the *Alteration of Statutory Designations Order 2017* cl. 8, a reference in any law to the Department of Water is to be read and construed as a reference to the Department of Water and Environmental Regulation unless the context of the reference requires otherwise.
- <sup>11</sup> The Western Australian Government Railways Commission no longer exists. Its successor is the Public Transport Authority of Western Australia. See the *Public Transport Authority Act 2003* s. 80.

## Defined terms

*[This is a list of terms defined and the provisions where they are defined.*

*The list is not part of the law.]*

<b>Defined term</b>	<b>Provision(s)</b>
scientific support.....	Sch. 2

Financial Management Act 2006

**Financial Management (Net Appropriations)  
Determination 2022**

Made by the Treasurer under section 23(2) of the *Financial Management Act 2006* (the Act).

**1. Citation**

This determination may be cited as the Financial Management (Net Appropriations) Determination 2022.

**2. Application**

This determination applies to the financial year commencing on 1 July 2021 and each succeeding financial year.

**3. Previous determinations revoked**

- (a) This determination revokes the Financial Management (Net Appropriations) Determination 2015.
- (b) The determination made under section 23A of the *Financial Administration and Audit Act 1985* on 13 August 1998 relating to proceeds from the sale of real and other property by the department principally assisting the Minister responsible for the *Conservation and Land Management Act 1984* (the 1998 determination) continues in accordance with its terms and, in the case of any inconsistency between the 1998 determination and this determination, the 1998 determination prevails.

**4. Prescribed receipts that are to be retained**

Subject to clause (5), all prescribed receipts (as defined in section 23(1) of the Act) received by a department are to be retained for all services under the control of the department relating to any purpose specified from time to time in –

- (a) an annual Appropriation Act; or
- (b) the Agency Information in Support of the Estimates for a financial year; or
- (c) a determination under section 27(1) of the Act.

## 5. Prescribed receipts that are not to be retained by departments

The following prescribed receipts are not to be retained by a department:

- (a) money received by a department where:
  - i. the department is required, by an Act of Parliament, to credit the money to the Consolidated Account; and
  - ii. the Act of Parliament appropriates the same amount of money to a specified special purpose account;<sup>1</sup> and
- (b) money paid to the Commissioner under sections 7 and 11 of the *Business Names Act 1962*; and
- (c) money received by a department from the sale of real property, unless:
  - i. the Treasurer specifically authorises the department to retain the money; or
  - ii. the money is received by the department principally assisting the Minister in the administration of the *Fire and Emergency Services Act 1998* in the course of exercising its functions and powers under that Act; and
- (d) money received by a department in a financial year from the sale of a single item of property other than real property,<sup>2</sup> unless:
  - i. the total amount received is less than \$15,000;<sup>3</sup> or
  - ii. the Treasurer specifically authorises the department to retain the money; or
  - iii. the money is received by the department principally assisting the Minister in the administration of the *Fire and Emergency Services Act 1998* in the course of exercising its functions and powers under that Act; or

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<sup>1</sup> For example, money received by a department under section 22(1) of the *Road Traffic Act 1974*.

<sup>2</sup> For example, plant and equipment.

<sup>3</sup> This is the amount net of any relevant costs in relation to the disposal of an item of property.

- iv. the money is received by the department principally assisting the Minister in the administration of the *Police Act 1982* in relation to the sale of a motor vehicle; or
  - v. the money is received by the department principally assisting the Minister in the administration of the *Procurement Act 2020* in relation to State fleet arrangements; and
- (e) money received by a department in a financial year from the annual income stream of an intellectual property asset, unless:
- i. the total amount received is less than \$15,000; or
  - ii. the Treasurer specifically authorises the department to retain the money; or
  - iii. the money is received by the department principally assisting the Minister in the administration of the *Fire and Emergency Services Act 1998* in the course of exercising its functions and powers under that Act; and
- (f) conservancy dues paid under section 8 of the *Shipping and Pilotage Act 1967*; and
- (g) money received by a department from the lease of a government-owned building under the control of the Minister responsible for the *Public Works Act 1902* in excess of outgoings paid by an agent in the course of managing the building.

## 6. Deduction of fees and costs

In accordance with section 23(2) of the Act, as read with paragraph 2 of Treasurer's instruction 202 *Collection Agents*, it is determined that a department may enter into an arrangement with a collection agent which permits the agent to deduct relevant fees and costs from prescribed receipts prior to banking or remitting moneys collected.



Mark McGowan MLA  
**TREASURER**

**DATE:** 24 JUN 2022



# OPPORTUNITY COST OF CAPITAL

## COSTING AND PRICING

The opportunity cost of capital is a component of the total cost of services, which recognises that funds invested in assets to deliver government services have alternative uses and hence the term 'opportunity cost'.

For costing purposes, the opportunity cost of capital should be estimated using a rate of **4.4 per cent**. This figure should be applied to the total value of an agency's relevant assets less liabilities. The rate will be reviewed by Treasury annually and a new figure posted.

Further discussion of the opportunity cost of capital is available in section 3.5 of Treasury's publication *Costing and Pricing Government Services: Guidelines for use in the Western Australian Public Sector* (7th edition). These guidelines are available on Treasury's website at the following website address:

<https://www.wa.gov.au/government/publications/financial-policy-publications-and-agency-advice>

## CONTACTS

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