



Government of **Western Australia**  
Department of **Finance**

# Department of Finance

## Annual Report 2017-18



## Statement of Compliance

**For the year ended 30 June 2018**

**HON BEN WYATT MLA**

**TREASURER; MINISTER FOR FINANCE;  
ENERGY; ABORIGINAL AFFAIRS**

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Department of Finance for the financial year ended 30 June 2018.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



Stephanie Black  
Acting Director General  
20 August 2018

## About This Report

Every effort has been made to improve readability and accessibility of this report in print and online.

The Department of Finance supports sustainability and encourages readers to view the report on the Department's website. Only limited professional printed copies have been produced.

As part of the Department's focus on continuous improvement, we encourage your feedback about this document.

Email feedback to:

[Corporate.Communications@finance.wa.gov.au](mailto:Corporate.Communications@finance.wa.gov.au)

Contact details for the Department are listed on the last page of this report.

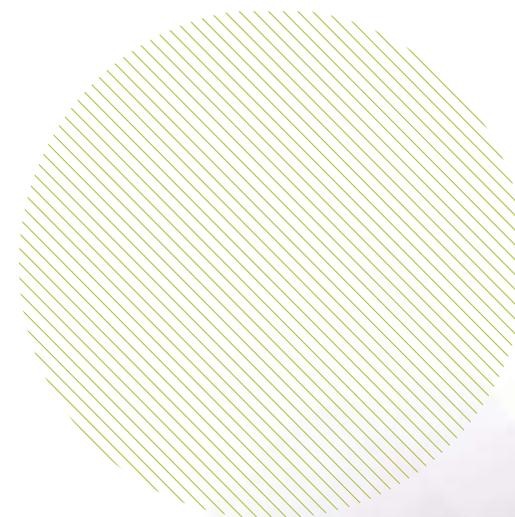
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## Key Legislation

The Department of Finance complies with all relevant legislation that governs its functions.

The Department also has responsibility for the administration of 20 Acts and collected taxes, duties and fees, and paid subsidies, grants and rebates during 2017-18 in accordance with legislation.

These are listed in the Appendix on page [120](#).



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# What We Do

The Department of Finance is a central government agency, influencing whole-of-government policy and strategy while delivering a range of important services to government agencies and the community.

Advise government on strategic sector-wide policy and operational issues

Manage government office accommodation from a portfolio perspective to drive sector-wide efficiencies and deliver on locational imperatives

Deliver fair and efficient administration of revenue laws and payment of grants and subsidies to the community

Lead procurement policy and capability building, whole-of-government contracting and high-value procurement

Provide asset and project management advice and services across government, including leading the planning and delivery of major non-residential building projects

# Director General's Overview

Our technical expertise, ability to leverage whole-of-government insights and focus on innovation, delivers practical, cost-effective and quality outcomes across government to benefit Western Australians.

Over the 2017-18 financial year the Department has successfully:

- ❖ Saved the Western Australian taxpayer around \$50 million over the forward estimates in an overhaul of the State's vehicle fleet. Further details on page [8](#).
- ❖ Ensured an increase in economic participation of Aboriginal businesses in Western Australia through the release of the Aboriginal Procurement Policy. See page [9](#).
- ❖ Implemented the Government Office Accommodation Reform Program, which has realised savings in excess of the 2017-18 financial year target. See page [10](#).
- ❖ Delivered several complex and high profile projects including two major projects in Optus Stadium and the Perth Children's Hospital, each with contract values exceeding \$1 billion, in addition to almost \$500 million in new developments and upgrades to primary and secondary schools, police stations and health facilities across the State. Details available on pages [19-25](#).
- ❖ Actioned more than 140,000 maintenance requests from government agencies across more than 2,500 non-residential government sites and issued relevant works orders to contractors across the State.
- ❖ Led the CEO Working Group on Public Sector Efficiency and developed 30 individual recommendations to reduce red tape and inefficiencies across the public sector. Further details on page [14](#).
- ❖ Driven the migration of the Department's Information and Communications Technology to on-demand consumption based services, realising cost savings and delivering efficiencies to our customers. See page [18](#).

The Department of Finance is an influential agency, sought out for its expertise in project management, procurement, contract management, business improvement, revenue collection and policy reform. The 2017-18 financial year has been no different. Finance continues to be at the forefront of the development and implementation of whole-of-government policy reform. The Department played the role of 'Public Sector Lead' in the State Government's Special Inquiry into Government Programs and Projects with the secondment of six staff members to the project team. In addition, it led the CEO Working Group on Public Sector Efficiency to reduce red tape, provide more jobs and investment opportunities in Western Australia, and ultimately deliver better value to the taxpayer.

The transition of **Strategic Projects** to Finance from the Department of Treasury this year consolidates the Department's project management expertise and, coupled with Building Management and Works, offers more efficient and comprehensive service delivery across government.

Strategic Projects' expertise was evident through the delivery of several major infrastructure projects this year. This includes the circa \$1 billion Optus Stadium project, which opened two months ahead of its target date, received the Institute of Public Administration WA Award for Cross-Government Collaboration, and was recently voted best stadium in Australia by Australian Football League fans.

**Building Management and Works** continued to collaborate with agencies across government, particularly the Departments of Health and Education, in the delivery of a community infrastructure works program valued at almost

\$500 million. The business unit has also commenced implementation of the five-year Government Office Accommodation Reform Program, and exceeded the targeted savings for the 2017-18 financial year.

Responding to the State Government's commitment to increase economic participation of Aboriginal businesses in Western Australia, **Government Procurement** released the Aboriginal Procurement Policy, which sets mandatory government targets in contracting with registered Aboriginal-owned and operated businesses. See page [10](#) for details.

**State Revenue** continued the Revenue Systems Consolidation and Enhancement Program, significantly improving digital service functionality for duties clients and contributing to the ongoing consolidation and enhancement of State Revenue systems that collect taxation revenue of around \$7 billion annually.

The Department of Finance has been a leading government agency in the delivery of the State Government's Digital WA Strategy. Across the year, **Corporate Services** has focused on migrating Finance's Information and Communications Technology (ICT) to a consumption-based model offering operational efficiencies and savings.



Optus Stadium

# Organisational Structure

**Minister for Finance**

**Internal Audit**

**Director General**  
Anne Nolan

**Building  
Management  
and Works**

**Philip Helberg**  
Acting Deputy  
Director General

**Strategic  
Projects**

**Richard Mann**  
Executive Director

**Government  
Procurement**

**Stephanie Black**  
Executive Director

**State  
Revenue**

**Nicki Suchenia**  
Commissioner

**Strategy and  
Coordination**

**Shaun Whitmarsh**  
Executive Director

**Corporate  
Services**

**Andy Wood**  
Executive Director

at June 2018

## The Department of Finance vision is driving practical, cost-effective and quality outcomes across government to benefit Western Australians.

The Department of Finance was established as a department on 1 July 2011, under section 35 of the *Public Sector Management Act 1994*.

The Department of Finance reports to the Minister for Finance, held by the Hon Ben Wyatt MLA.

**Strategic Directions 2018-2022** outlines Finance's vision for the future, how it will bring this vision to life and ultimately make a real difference for the benefit of all Western Australians. Finance will continually take steps to be a contemporary department that is dynamic, provides practical solutions and works purposefully to deliver outcomes.

Strategic Directions builds on a strong foundation of excellent relationships, effective and efficient systems and processes, and a highly capable workforce.

It challenges staff to be customer centric, think about the way services are delivered, and to remain focused on government goals and objectives.

By continuing to promote a culture of inspired, inquisitive and capable people, the Department encourages its staff to ask the difficult questions and challenge the status quo.

Finance's people and their commitment to a values-based culture is central to achieving the vision, and there is a strong commitment to uphold the Department's values to be inspiring and influential, passionate and committed, honest and respectful, and bold and innovative. Finance's people continually strive to work smarter, identify and seize opportunities, and put ideas into action to deliver better services.

### OUR PEOPLE : OUR VALUES

Inspiring and Influential • Passionate and Committed • Honest and Respectful • Bold and Innovative

# Our Value Proposition

Enabling agencies to effectively deliver services and meet the priorities of the Government

Adopting one-sector thinking and central leadership on building and infrastructure projects, procurement, office accommodation, revenue collection and concessions

Analysing data to drive tax efficacy, better asset management and reduce government expenditure

Capability building across government around commercial and negotiation skills, contract management, procurement planning and project management

Transitioning to online by design to provide customers with greater convenience and lower cost services

Driving practical, cost-effective and quality outcomes across government to benefit Western Australians

# Our Agency Performance

Delivering Value >

Leading and Supporting Cross-Government Initiatives >

Quality Services >

Building for the Community >

Our People and Organisation >

Significant Issues and Future Outlook >

# Delivering Value

The Department of Finance constantly evaluates program and service delivery to maximise benefits for government and the community.

This year, **Government Procurement** examined the State's vehicle fleet to identify cost reduction drivers and policy levers to reduce overall fleet costs.

Initiatives such as longer vehicle lease terms, mandating lower cost vehicle selection, and putting in place a new contract for the management of the fleet commencing from 1 July 2018, have resulted in forecast savings of around \$50 million to government over the forward estimates without compromising agency service delivery. These savings have been reflected in individual agency budget reductions from 2018-19.

In addition, the vehicle acquisitions contract has been re-tendered and finalised. State Fleet will use this new contract to pursue 'group buys' opportunities on regularly ordered vehicles to achieve better value for government and ultimately the taxpayer.

The not-for-profit community services sector is vitally important to Western Australians. Finance continues to provide value to this sector through the administration of the Delivering Community Services in Partnership Policy (DCSP Policy) and the provision of policy and practice support.

This year, the Department led a review of the DCSP Policy, undertaking consultation with not-for-profit peak organisations and government agencies through meetings, collaborative workshops and a survey.

The review, which has been submitted to Government for consideration, identified areas where the DCSP Policy could be enhanced to improve outcomes and formalise practice improvements made over the last seven years.

**State Revenue** has continued the implementation of its Early Dispute Resolution Strategy, which seeks to prevent unnecessary tax disputes and aid in future voluntary compliance.

The strategy focuses on early engagement with taxpayers through effective conversations and communication, gaining a clear understanding of taxpayer's circumstances and assisting taxpayers to better understand decisions.

Recent initiatives include a dispute triaging approach, which identifies matters with a high risk of dispute as early as possible during an investigation, and improvement in the content and language of investigation outcome advice to make it clear and concise for customers.

A strong focus on delivering value to customers is reflected in the Revenue Systems Consolidation and Enhancement Program, which provided significantly improved digital service functionality for duties clients this year.

Benefits of the Program include:

- ✦ increased payment channels for customers;
- ✦ new document management and automated client correspondence systems; and
- ✦ business intelligence capabilities to enable better cross matching of information from internal and external data sets.

The program has also resulted in more efficient compliance activities through improved detection and data matching techniques for investigations.

The introduction of a point of consumption wagering tax and foreign buyer surcharge in late-2018 will require additional program enhancements to ensure efficient administration and collection.

The migration to a better technology platform contributes to the on-going consolidation and reliability of State Revenue systems that collect around \$7 billion annually.

# Increasing the Economic Participation of Aboriginal-Owned Businesses

**Government Procurement** has led the Government's commitment to increase economic participation of Aboriginal businesses through the introduction of the Aboriginal Procurement Policy.

The Policy requires agencies to award one per cent of contracts to registered Aboriginal businesses from 1 July 2018, increasing to two per cent on 1 July 2019, and three per cent on 1 July 2020. The targets apply to all agencies, including government trading enterprises, when purchasing goods, services, community services and works.

## Improving Economic Participation

The Western Australia (WA) Government, as a major employer, investor, and purchaser of goods and services in WA, will lead by example in creating opportunities for contracting with Aboriginal-owned businesses.

The WA Government procured over \$300 million of goods and services from Aboriginal businesses between 2012 and 2017 and the Aboriginal Procurement Policy will increase this further.

As Aboriginal businesses are more likely (than non-Aboriginal businesses) to employ Aboriginal people, the Policy is also expected to contribute to improved Aboriginal employment outcomes across WA.

## Stakeholder Consultation

To ensure a practical and achievable policy, the Department undertook consultation with government agencies and the Aboriginal business sector, as well as briefing the Western Australian Aboriginal Advisory Council. Agencies and Aboriginal businesses were invited to provide feedback on the Policy guidelines, and implementation and education strategies.

Education and training sessions were held in Perth and nine regional locations, focusing on practical strategies to assist Aboriginal businesses in taking advantage of government tendering opportunities. Briefing sessions were also provided to government agencies to ensure the requirements of the Policy were understood and could be effectively implemented. Participants in these sessions provided positive feedback, outlining how the training will help them achieve the intended Policy outcomes.

## Engagement Events

The Department hosted the Aboriginal Business Expo on 29 March 2018 to launch the Policy, showcase the range of quality goods and services available to government, and strengthen business relationships between agencies and the Aboriginal business sector. The Expo was a huge success and stands featured more than 60 Aboriginal businesses with approximately 200 government representatives in attendance.

Following the commencement of the Policy, the Department will administer \$500,000 a year in grants to build skills and capability in Aboriginal businesses across WA. A consultation process will ensure this funding achieves practical and positive outcomes for Aboriginal businesses.



Aboriginal Business Expo

# Leading and Supporting Cross-Government Initiatives

The Department of Finance leads and supports important cross-government initiatives to deliver enhanced benefits to government, industry and the community.

In July 2017, Finance commenced the five-year Government Office Accommodation Reform Program in support of Government's Debt Reduction Strategy.

The Program, led by **Building Management and Works**, is expected to reduce government office accommodation by around 50,000 square metres and realise gross savings of over \$140 million over a five-year period. Savings for the 2017-18 period exceeded the financial year's target.

Initiatives being pursued as part of the Reform Program include:

- ✦ maximising existing space and limiting the procurement of new space;
- ✦ cost reduction through negotiation of reduced lease costs, reduced fit-out costs, and improved efficiency and use of existing space;

- ✦ development of an information management framework to collect and analyse accommodation information and assist in the identification of underutilised space; and

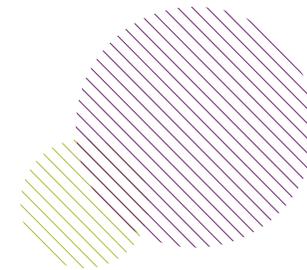
- ✦ development of an asset management platform to enhance decision-making and evidence-based savings opportunities.

Innovative relocation and decentralisation strategies are a core focus for **Building Management and Works**, demonstrated through the development of metropolitan activity centres in Joondalup and Fremantle.

Throughout this year, Finance worked closely with the Department of Water and Environmental Regulation to determine their future workplace design and oversaw the construction of the office building which was completed by the developer in May 2018. Fit-out works commence in July 2018 with an anticipated completion date of December 2018.

The relocation of approximately 800 staff from the Department of Water and Environmental Regulation to new office space in Joondalup in early 2019 will see a reduction in government's office accommodation footprint of approximately 3,800 square metres.

The Fremantle relocation project will also deliver significant savings for government, accommodating around 1,350 staff from the Department of Communities, currently located in the Perth central business district and surrounding area, and approximately 180 Department of Transport staff moving from an older building in Fremantle.



The Department focused on the base-building construction phase this year, appointing the lead consultant for the workplace design and undertaking extensive consultation with the Department of Communities on their future needs to inform the design process.

The new office building in Fremantle will be designed to meet a five-star Green Star rating, providing substantial improvements in workplace quality for staff and reducing agency operating costs.

Construction of the building is expected to be completed in October 2019, with agency staff commencing relocations in early 2020 once fit-out works are complete.

The Department has collaborated with the Department of Education (Education) this year to examine new software applications across a shared technology platform to improve the planning, management and maintenance of Education's vast portfolio of buildings.

Current asset management software applications used by Finance and Education vary in functionality, hosting arrangements and digital services capability, with limited ability to easily share building related information.

In early 2018, Finance and Education established combined high-level system requirements and went to market through a formal Request for Information (RFI) process to understand the breadth and suitability of commercially available asset management software solutions. The RFI generated significant interest and response from industry which was reviewed and incorporated into a preliminary business case.

The preliminary business case was then subject to a Gateway review in June 2018, providing an independent assessment of the proposal. The review made recommendations to assist Finance and Education to refine the scope of the proposal and progress to a full business case.

The potential benefits for improved asset management offered by modern asset management applications is not limited to Finance and Education and there may be scope for other government agencies to benefit from access to a shared technology platform offering advanced systems functionality.

Security of payment is a priority for Government. The Department of Finance is well placed to assist given its experience in implementing numerous

security of payment initiatives and providing advice to agencies on the implementation and operation of project bank accounts.

The Department is currently the only works agency using project bank accounts and these have been applied to the majority of departmental works contracts since September 2016.

Finance has shared its experience with agencies considering security of payment measures and recently assisted the Department of Biodiversity, Conservation and Attractions in the application of project bank accounts for a contract related to the Kalbarri National Park.

The Department sits on the recently convened Industry Advisory Group, the formation of which was announced by the Minister for Commerce and Industrial Relations in February 2018. This group will inform the review into security of payment in the building and construction sector being led by Mr John Fiocco.

Finance is also working with other government agencies to identify further opportunities to improve security of payment on government projects.

**Government Procurement** continued its efforts to achieve value-for-money outcomes for government and has established a Better Value Procurement Working Group comprising representatives of seven major agencies with the highest goods and services expenditure.

While Common Use Arrangements (CUAs) provide a level of aggregation, there is potential for increased savings by taking a consolidated whole-of-government approach. This achieves better value-for-money by:

- ✦ leveraging volumes and government's significant market power to renegotiate better pricing with suppliers;
- ✦ identifying opportunities to aggregate agency purchasing; and
- ✦ sharing pricing information across government to ensure agencies always pay below market rates.

Interagency collaboration through the Working Group, combined with the adoption of more sophisticated expenditure analytics by Government Procurement, will provide agencies with improved insight into buyer behaviour as well as highlighting best practice and opportunities for better procurement outcomes. Other benefits include the potential to aggregate services across agencies, analysis of market trends, and opportunities for agencies to leverage each others' expertise.

The Department of Finance has worked collaboratively with the Department of Jobs, Tourism, Science and Innovation (JTSI) this year to progress the implementation of the *Western Australian Jobs Act 2017* and the Western Australian Industry Participation Strategy.

Representatives from Government Procurement and Building Management and Works are members of a working group (led by JTSI) charged with establishing an implementation strategy including the development of supporting tools and guides.

The Department of Primary Industries and Regional Development appointed regionally-based Local Content Advisors to support the Western Australian Industry Participation Strategy. Each quarter, Government Procurement provides State-wide reports on the proportion of contracts awarded to suppliers inside or outside each region. These reports enable a better understanding of the factors that lead to the appointment of contractors internal or external to a region, and are expected to help Local Content Advisors increase the level of local industry participation over time.

The 2017 Machinery of Government changes to the public sector provided an important opportunity for the Department to use its expertise in procurement and asset management to assist affected agencies.

### **Building Management and Works**

provided each newly formed agency with office accommodation and operational facility information to assist them in planning for future accommodation needs.

Building Management and Works also consulted with the newly formed agencies to understand their operational needs and service delivery methods. This helped to inform options for improving the utilisation of existing government office accommodation. Various options were considered including co-location of similar functions and the consolidation of accommodation where a number of agencies were combined to form a new agency.

**Government Procurement** ensured that agencies received comprehensive data about existing contracts to gain oversight of expiring contracts for similar services and identify aggregation opportunities. Expenditure data for individual CUAs was also provided to affected agencies.

Government Procurement also worked with agencies to identify opportunities for optimising vehicle fleets and this work will continue in the coming year as more sophisticated telematics tools become available under a new fleet management contract.

## Special Inquiry into Government Programs and Projects

In May 2017, the State Government launched the Special Inquiry into Government Programs and Projects (the Special Inquiry) examining governance arrangements, decision-making processes and financial consequences for 31 infrastructure and other projects initiated by the previous State Government.

The Department of Finance seconded six staff to the Special Inquiry and performed several functions including the executive role of 'Public Sector Lead' which established and led a project team under the direction of the Special Inquirer. Finance staff contributed valuable skills, knowledge and experience in the areas of leadership and governance, procurement and contract management, project management, investigations, reviews and executive support.

In addition to providing support for the Special Inquiry process, Finance also had oversight of numerous programs and projects that were the subject of the Special Inquiry. This required input from many areas of the Department and all requests for information were provided within timeframes specified by the Special Inquirer.

Special mention was made of **Strategic Projects**, which had oversight of six of the major projects reviewed by the Special Inquirer, requiring its involvement over many months. The Special

Inquiry sourced a large volume of information from Strategic Projects in relation to Fiona Stanley Hospital, the Queen Elizabeth II Medical Centre Car Parking project, Midland Health Campus, Karratha Health Campus, Perth Children's Hospital and Optus Stadium.

This significant undertaking required coordination between Strategic Projects and multiple agencies, with staff working in collaboration to provide hundreds of documents that addressed numerous requests for information about each project.

To protect commercial interests and confidentiality, Strategic Projects engaged with the State Solicitor's Office for clarification on the release of information, having particular regard to public interest immunity and legal professional privilege.

Mr John Langoulant AO (Special Inquirer) acknowledged Strategic Projects for the application of strong principles of project management and the robust standard and completeness of its documentation:

*"The Special Inquirer has found that the disciplines used by Strategic Projects are consistent with the Strategic Asset Management Framework, have useful tools, are used*

*consistently across projects, can be applied in a flexible way and apply strong principles of project management."*

*(Special Inquiry into Government Programs and Projects – Final Report Volume 1 page 102, February 2018).*

The Special Inquirer presented his 900-page final report to the Public Sector Commission in December 2017. The report included 154 recommendations which were designed to better prepare the State Government for the challenges of a contemporary business environment, limit wasteful expenditure and offer an increased level of accountability to taxpayers.

The delivery of this report could not have been achieved without the significant support and detailed analysis provided by the Department of Finance Special Inquiry team members.

## CEO Working Group Report on Public Sector Efficiency

The CEO Working Group on Public Sector Efficiency was formed as part of a suite of initiatives under the Government's Public Sector Renewal Program. The Working Group, chaired by the Director General of Finance, included CEOs from the Departments of Transport; Local Government, Sport and Cultural Industries; and Planning, Lands and Heritage.

The Working Group was tasked with identifying opportunities to reduce internal red tape, waste and inefficiencies across the public sector.

The Department's **Strategy and Coordination Unit** provided secretariat support for the Working Group through a project team that also conducted research, collated findings and drafted the final report. The research process was highly consultative and provided numerous opportunities for individuals and agencies to provide their insights through workshops, public online surveys, a forum for 'quick win' ideas, and interviews.

The Working Group found that red tape is widespread and entrenched across the public sector in Western Australia and whilst this is not a unique problem, it is a substantial one. It was acknowledged that rules and processes to support good governance and probity have a place but excessive legislation and regulation,

along with agency policies and practices can impose costs and limit innovation. Instead of taking a risk-based approach to governance, many rules were found to be overly-prescriptive with processes and approvals often over-engineered and out-of-date.

The Working Group suggested the perennial problems caused by red tape are best tackled by adopting innovative thinking and key reforms that include:

- ✦ one-sector thinking including agency collaboration, and better sharing of best practices and data;
- ✦ stronger leadership from central agencies and centres of expertise to support sector-wide capability building;
- ✦ improved rule-making and reviewing practices to help drive innovation and efficiency, and rethinking the role of audit to go beyond compliance to efficiency; and
- ✦ embracing digital solutions to speed up processes, improve reliability and enable better performance data.

Along with these key reforms were 30 recommendations, mostly in the four priority areas of recruitment, procurement, financial reporting and cumulative reform.

While the implementation of many recommendations is ongoing, numerous initiatives have been progressed, including:

- ✦ the updating of Treasurer's Instructions;
- ✦ the Department of Finance has begun to adopt whole-of-sector policies along with rationalising, consolidating and simplifying human resource policies;
- ✦ recruitment policies in the Departments of Finance; Planning, Lands and Heritage are under review;
- ✦ the Department of Finance's Government Procurement is progressing a strategic reassessment of Common Use Arrangements;
- ✦ a 'myth-busting fact sheet' is being created by the State Records Office to improve record keeping;
- ✦ the Department of Mines, Industry Regulation and Safety is progressing their own red tape reduction initiatives; and
- ✦ the Department of Treasury is undertaking a review of the Outcome Based Management framework and key performance indicators, an outcome which was also recommended in Government's Service Priority Review and reflects the collaborative approach to cross-sector reform.

# Quality Services

The Department of Finance is committed to providing exceptional services and strategic advice to deliver enhanced stakeholder value.

**Government Procurement** provides advice and expertise across government to achieve service delivery through the procurement of goods and services. The following insights showcase the length and breadth of Government Procurement's activities this year.

The State Government tasked the Department of Primary Industries and Regional Development with securing the future of Albany as a renewable energy city, which led to the Albany Wave Energy Technology Development project.

The Project's primary objective was to advance the development of wave energy technology through the installation of a wave energy convertor off the coast of Albany to produce energy for the South West Integrated System grid.

Government Procurement's Strategic Project Support Services shaped the project's procurement strategy to ensure that industry proposals would deliver innovative solutions, and strong capital and financial investment.

The approach to market was based on a public-private-partnership model with the State Government contributing \$19.5 million towards the project. Given the requirements for a hybrid procurement process covering public works and goods and services, the structure and content of contract documents had to effectively manage risk to the State.

The procurement outcome ensures significant contribution from the successful proponent to support local jobs and development in the South West. The project is also expected to deliver in-situ infrastructure for other domestic and international companies to progress wave energy technology development, which has the potential to create jobs and economic benefits in the region.

**Government Procurement** also assisted the Small Business Development Corporation (SBDC) to award an Advisory Services Contract for its flagship program, the Business Local Service. The contract provides an outreach service that gives free advice and guidance to current and aspiring small-business owners in Western Australia. Incorporating nine regions State-wide, the contract is valued at \$15.6 million.

Recognising the contract would be awarded in early 2018-19, staff from the Department notified the SBDC of the impending Aboriginal Procurement Policy effective from 1 July 2018. A registered Aboriginal business, Indigenous Professional Services, was subsequently successful in its bid for the Peel and South West regions, winning a contract valued at \$4.25 million for delivering business advice to both non-indigenous and indigenous organisations.

The State's health services sector continued to seek advice and support from **Government Procurement** this year to help it implement significant technological improvements including a medical imaging replacement program and a robotic surgery system.

Health Support Services engaged Government Procurement to assist in the purchase of a new medical imaging system for WA Health. The new system replaces a core clinical system for electronic management, and access to diagnostic reports and images. The system covers scheduling, billing, and storage of images for procedures such as X-rays, MRIs and CT scans.

Initially planned for metropolitan hospitals, with subsequent roll out to country hospitals and private facilities, the new system will allow clinicians to access multiple image types for their patients through one system, conduct analysis using various tools, and make appointments.

With an estimated value of \$83 million, the purchase of this new system is critical to the delivery of health services to Western Australians. Staff from the Department are facilitating and assisting with the procurement process, which is currently under evaluation and expected to be implemented by October 2019.

The Department of Health has been complimentary of the valuable advice and assistance provided by Government Procurement throughout this process.

**Government Procurement** is working with Fiona Stanley Hospital to procure the da Vinci Robotic Surgery System. This procurement aligns with key priorities identified in the South Metropolitan Health Service Strategic Plan 2017-2020 and will see the first surgical robot in a Western Australian public hospital.

The Robotic System uses small incisions to insert miniaturised wristed-instruments and a high-definition camera, with the surgeon operating from a seated console.

Staff from the Department provided expert advice and facilitated an innovative approach to the procurement process that will deliver anticipated savings of half a million dollars.

The da Vinci Robotic Surgery System is expected to arrive in July 2018 and is expected to perform the first robotic surgery in October 2018.

With competency and capability critical to an effective public sector, Finance collaborated with the Public Sector Commission on the development of a Procurement Competency Matrix and a Chief Procurement Officer's Success Profile and associated measurement guidelines.

The Procurement Competency Matrix defines the competencies required by procurement professionals in the Western Australian public sector. It supports sector-wide strategies for building consistent capability in the procurement workforce through common language and uniform expectations. Agencies will also be able to use the matrix to support recruitment and performance management.

The Success Profile is a guide that defines the expectations and accountabilities of a Chief Procurement Officer and provides consistent standards for procurement leadership positions. It was developed to address agency feedback that Chief Procurement Officer roles in the Western

Australian public sector are ambiguous. The Profile is one of a suite of success profiles for key agency roles such as Chief Executive Officers, Chief Human Resource Officers and Chief Financial Officers.

Through the Success Profile, the Department seeks to elevate the important role Chief Procurement Officers play in achieving value-for-money outcomes for government.

**Building Management and Works** continues to strive to achieve the highest standards and quality of work on government's non-residential buildings and ensure compliance with government policy objectives. To achieve this and better manage supplier performance, Building Management and Works recently upgraded and expanded the Contractor Sanctions Scheme which was originally introduced in October 2015 and rebadged as the Supplier Demerit Scheme.

The Scheme gives the Department a mechanism to deal with reported instances of especially poor performance by suppliers including contractors and consultants. It provides for infractions where suppliers fail to meet important contract requirements, demerit points that are incurred for infractions, and sanctions where a supplier incurs three demerit points.

When issued, sanctions can include downgrade or suspension of a contractor's prequalification status or contracting framework membership, downgrade or suspension of a consultant's panel membership or revocation of eligibility for the awarding of contracts.

Suppliers are afforded the opportunity to outline mitigating circumstances before demerit points are issued and also have the right of appeal where a demerit point or sanction is applied.

**State Revenue's PAYMEX** system aims to improve the administration of payment arrangements by enabling taxpayers to apply for an extension of time or instalment plan by completing an online application form.

The accessibility and efficiencies created by the introduction of PAYMEX has allowed taxpayers the ability to conveniently meet their on-going tax obligations.

From its release in January 2018, over 80 per cent of applications for extensions and instalments, equating to almost 1,100 applications, have been lodged through PAYMEX.

The system assesses each application against a set of qualification parameters, automatically approving the requested arrangement without manual intervention from State Revenue officers, for almost 50 per cent of applications.

It also allows the monitoring of all payment arrangements, automatically corresponding with clients who have not met the terms of their agreement and providing remediation options.

Continuing the focus on customer convenience, State Revenue expanded the availability of digital services to clients by releasing the Duties Public Lodgment Portal in August 2017.

The portal enables clients who deal with the business on an ad-hoc basis to upload documents, receive and respond to correspondence, pay liabilities and print duty endorsements from the convenience of their home or office, at a time that suits them.

A total of 506 transactions were lodged through the portal in 2017-18 which, when added to transactions lodged through the Revenue Online system, increases the proportion of documents lodged electronically for assessment to almost 50 per cent.

The popularity of digital services continues to grow, with over 95 per cent of approved transactions self-assessed by Revenue Online clients.



## Finance Takes the Lead in Transitioning to Digital WA

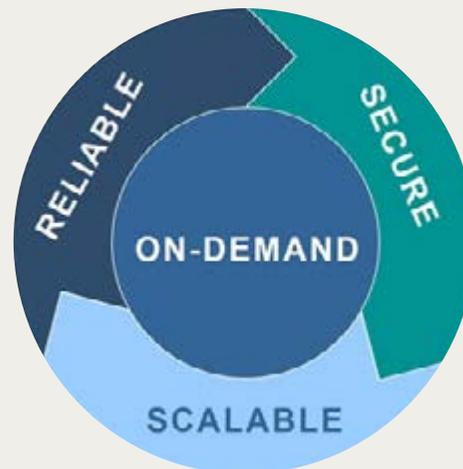
Following the launch of the State Information and Communications Technology (ICT) Strategy [Digital WA](#), the Department of Finance has been an early mover among government departments in aligning its ICT services to this new vision.

With the Department's Corporate Executive identifying the transition to the Digital WA strategy as a business priority, several initiatives commenced to ensure Finance is ready to take advantage of enhanced service delivery outcomes and cost benefits.

Engagement with the previous Office of the Government Chief Information Officer (OGCIO) on this initiative includes participation, as one of nine lead agencies, on the GovNext-ICT Program Board, and representation on the Digital WA Board and the Directors General ICT Council. In addition, the Department has migrated a significant portion of all office software to Microsoft Office 365 and initiated the Digital Finance Transition Program to migrate applications and infrastructure to the public cloud.

The Digital Finance Transition Program will empower the business through a secure, reliable and scalable on-demand consumption-based ICT service model, enabling Finance to achieve its strategic objectives while delivering ongoing efficiencies and savings.

The Digital Finance Transition Program has undertaken independent assurance through the Gateway Review process, which gave the Program a Green rating. The Review team determined there is good evidence the Program is well-placed to deliver on all of the original investment outcomes.



As a central agency servicing other agencies, the Department of Finance is well placed to demonstrate the savings that can be realised by adopting the Digital WA strategy, as well as showcasing what is possible by transforming the way public services are designed, supported and delivered for the community.

Transition benefits are already being realised and include:

- ✦ ICT capital expenditure reduced to zero;
- ✦ decommissioning of three data centres;
- ✦ a 50 per cent reduction in like-for-like infrastructure costs;
- ✦ projected financial benefits of \$16 million over five years; and
- ✦ Finance being the first public agency to adopt 100 per cent IRAP Certified Public Cloud.

# Building for the Community

Providing physical, social and economic infrastructure to Western Australians in a cost-effective manner remains a key focus for the Department of Finance.

This year saw the transition of **Strategic Projects** from the Department of Treasury to Finance, consolidating the Department's project and contract management expertise and offering more efficient and comprehensive service delivery across government.

Strategic Projects oversaw the delivery of several major infrastructure projects this year, notably Optus Stadium and the surrounding Stadium Park, and the Perth Children's Hospital.

**Building Management and Works** managed the delivery of a community infrastructure works program valued at almost half a billion dollars and collaborated closely with Strategic Projects and agencies across government, including the Departments of Health and Education.

## Perth Children's Hospital

The formal opening ceremony for the Perth Children's Hospital took place on 12 May 2018, with staged commencement of clinical services from 14 May 2018.

The 298-bed hospital is world-class with 12 multi-use theatres, parent beds in each standard inpatient room, parent lounges on every floor, green spaces and entertainment facilities.

On 10 June 2018, inpatients were transferred from Princess Margaret Hospital, which subsequently closed. Mental health patients from the Bentley Adolescent Unit were transferred on 17 June 2018.

The transition to clinical operations follows the granting of practical completion to the Managing Contractor, John Holland Pty Ltd on 13 April 2017.

Addressing elevated lead levels in the potable water system has been a major focus for the Department, involving a major program of remedial work. The success of the program was confirmed with the Chief Health Officer announcing on 27 March 2018 that he was satisfied the drinking water supply was safe.

In addition to overseeing the completion of minor defects and other outstanding works, **Strategic Projects** will continue to manage the resolution of commercial claims to complete commercial closure of the project.

This complex and significant project has experienced many challenges, but the Department is pleased this world-class facility is now available for the delivery of health services to children.



Photo supplied by  
Perth Children's Hospital

## Karratha Health Campus

The Karratha Health Campus will replace the aging Nickol Bay Hospital with a modern, purpose-built facility that is designed to facilitate patient-centred care underpinned by contemporary models of care.

The project is integral to the Western Australian Country Health Service's (WACHS) overarching strategy to provide the West Pilbara District with a more effective service delivery model for both Emergency and Ambulatory Health Care.

**Strategic Projects'** oversight of the project in the early phases of the project has resulted in a

relatively issue-free construction phase, which is progressing well and is on track for completion in July 2018, and within budget. Strategic Projects has provided project and contract management support and advice to WACHS throughout the year, including oversight of final testing and commissioning in June 2018.

**Strategic Projects** will continue to provide ongoing support to WACHS in the next financial year, including completion of project documentation and deliverables, and overseeing the two-year defects liability period up to final completion.



## Western Australian Museum

The \$395.9 million New Museum Project within the Perth Cultural Centre (PCC) is being delivered under a two-stage Managing Contractor procurement model, awarded to Multiplex Constructions Pty Ltd (Multiplex) in July 2016.

Throughout the financial year, **Strategic Projects** oversaw the completion of the early works program which included:

- ✦ the removal of museum content;
- ✦ protection of heritage fabric;
- ✦ demolition of non-heritage buildings;
- ✦ civil works and commissioning of a Central Energy Plant that will service the New Museum and key facilities within the PCC; and
- ✦ installation of the majority of the concrete superstructure and the start of the structural steel installation.

Construction of the New Museum is scheduled for completion in late 2019, enabling installation of content and exhibitions to proceed ahead of an official opening date targeted for October 2020.

## Eastern Goldfields Regional Prison

With the Eastern Goldfields Regional Prison 'Design, Build, Finance and Maintain' contract now into its 25-year operational phase (managed by the Department of Justice), **Strategic Projects** has continued to support the Department of Justice throughout the year including contract and commercial oversight, and identification and rectification of defects.

The new 350-bed prison facility has been widely acclaimed. In August 2017, a report by the Office of the Inspector of Custodial Services hailed the new prison as, "a world-class, state-of-the-art facility," which, "...balances modern security technology with excellent design for service delivery".



## Casuarina Prison Expansion

In early 2018, **Strategic Projects** commenced work on the \$96.3 million Casuarina Prison Expansion Project. The project will provide an additional 512 high-security beds at the existing Casuarina Prison facility, with a challenging completion target of late 2019.

The project will be designed and constructed under a Managing Contractor procurement model. The associated request for proposals to appoint a Managing Contractor were released in May 2018, targeting contract award by August 2018.



## Inner City College

In June 2017, the State Government announced that the new Inner City College (ICC) would be built on the Kitchener Park site in Subiaco. Stage One of the ICC will open for the start of the 2020 school year with a capacity of 1,000 pupils. Under Stage Two, the ICC will expand to ultimately have capacity for 2,000 students by the 2024 school year.

A joint **Strategic Projects** and **Building Management and Works** project team was assembled to manage delivery of the project with the project being procured on a 'fast tracked' basis to meet the challenging delivery timetable.

Early works, including sewer and stormwater diversion, earth works and piling works, commenced in February 2018 and are nearing completion.

The College will be a central hub for the Subiaco community, providing important social infrastructure for Subiaco East and surrounding areas. The school and its access points have been designed to enable and promote community use of the school facilities and grounds after hours. Project design includes site access strategies allowing the gymnasium, central courtyard, cafeteria and teaching spaces to operate independently outside school hours.

## WA Schools Public Private Partnership

Managed by **Strategic Projects**, the WA Schools Public Private Partnership (PPP) is delivering four primary schools and seven secondary school stages over a seven-year construction program.

Four primary schools and one secondary school were delivered prior to the start of the 2017 school year with Strategic Projects directing its focus to three secondary schools throughout the 2017-18 financial year.

Stage One construction at Aveley Secondary College was completed on 8 December 2017 and opened to students in February 2018. Stage Two will be delivered in 2020 for opening in 2021.

Stage One construction at Coastal Lakes College commenced in June 2017 and has progressed to schedule throughout the year. It will be completed in December 2018, in time for the start of the 2019 school year.

Surrounding works for the Hammond Park Secondary School Stage One project commenced in March 2018. The builder took possession of the site on 1 June 2018 and began relocating fauna in preparation for the start of construction in July 2018.

The PPP contractor is required to deliver each school in early December of the year preceding the school opening, facilitating a smooth transition to operations.



## Public Infrastructure

On behalf of the Department of Education, **Building Management and Works** managed the delivery of four new primary schools and one high school, plus major redevelopments and additions at a further four high schools. These include:

- ✦ Wellard Primary School (\$15.3 million);
- ✦ Rapids Landing Primary School (\$17.6 million);
- ✦ Doubleview Primary School Replacement (\$15.4 million);
- ✦ Honeywood Primary School (\$16.1 million);
- ✦ Carnarvon Community College additions (\$17.6 million);
- ✦ Fremantle College major additions (\$31.2 million);
- ✦ Yanchep Secondary School – Stage 1 (\$43.5 million);
- ✦ Churchlands Senior High School major additions (\$33.9 million); and
- ✦ Kalgoorlie-Boulder Community High School and Education Support Redevelopment Stage 1 (\$45.8 million).

**Building Management and Works** also continued the successful delivery of the \$330 million Southern Inland Health Initiative capital works program, in collaboration with the WA Country Health Service.

Several district hospitals were delivered during the 2017-18 financial year including:

- ✦ Dalwallinu District Hospital;
- ✦ Jurien Bay Health Centre;
- ✦ Wongan Hills District Hospital;
- ✦ Moora Hospital;
- ✦ York Hospital;
- ✦ Beverly Hospital; and
- ✦ Pingelly Health Centre.

Works to two police stations were also delivered on behalf of the Western Australia Police Force:

- ✦ Kalgoorlie Police Station refurbishment work (\$5 million); and
- ✦ Kimberley District Police Complex (\$8.4 million).

**Building Management and Works** also managed the delivery of Challenger Institute of Technology Murdoch (Stage Four) at a total value of \$46.7 million, plus the development of new basketball and football facilities and infrastructure upgrade at HBF Arena valued at \$23.1 million.



Kalgoorlie Police Station

## Perth (Optus) Stadium – A ‘Fans First’ Venue

On 1 January 2018, the Department officially delivered the new Optus Stadium and its surrounding Stadium Park allowing operations to commence two months ahead of schedule.

Early completion allowed the Stadium to start generating revenue sooner than expected through cricket matches held in January and February 2018 – one cricket season earlier than the original schedule, two Ed Sheeran concerts and a National Rugby League (NRL) Double Header in March 2018; all ahead of the original opening target, the start of the 2018 Australian Football League (AFL) season.

Given the Stadium Project delivered scope elements that were not included in the Project Definition Plan (including those that increased the revenue potential of the Stadium), these time and cost outcomes represent a significant achievement, particularly for a project of this magnitude.

### Stakeholder Engagement

The overarching Stakeholder and Community Engagement Strategy was delivered through open, transparent and inclusive engagement practices including a structured approach enabling significant stakeholder involvement in planning, design and delivery of the Stadium Project.

Key stakeholders and the wider community were actively engaged during the delivery phase of the Stadium Project. Consultation with nine user groups representing end users of the Stadium, including sporting codes, media, emergency services, as well as people with disabilities and WA sports fans, was integral to the project.

Engagement with the Whadjuk Working Party, representing the Traditional Owners of the Burswood Peninsula site, was formalised through the Stadium’s Aboriginal Engagement Strategy, which recognised the Whadjuk

people’s traditional ties to the land and identified opportunities to encourage business and employment participation by the Aboriginal community during the planning, design and construction phases of the Stadium Project.

The Strategy was formally executed by representatives of the Whadjuk Working Party, South West Aboriginal Land and Sea Council and the co-chairs of the Perth Stadium Steering Committee in June 2015. It has since been adopted as a model for Aboriginal engagement on other major infrastructure projects.



## Key Stadium Features

- ❖ Five levels;
  - ❖ 60,000 seats in AFL mode with an additional 5,000 drop-in seats for rectangular sports;
  - ❖ Provision for future expansion to 70,000 AFL mode seats or more (without removing the roof structure);
  - ❖ Striking bronze façade reflecting the State's geology;
  - ❖ A light weight 'halo' roof;
  - ❖ 85 per cent of seats behind the roof drip line;
  - ❖ State-of-the-art LED lights able to show home team colours by night;
  - ❖ The two biggest stadium screens in the southern hemisphere, measuring 340 square metres each;
  - ❖ Five team changing rooms (two dedicated to local AFL teams), plus additional changing rooms for officials and concert performers;
  - ❖ Facilities for cricket including five drop-in cricket wickets to accommodate International Test Cricket matches;
- ❖ Wide range of premium product facilities (that can be used for functions in non-event mode);
  - ❖ More than 50 food and beverage outlets in event mode;
  - ❖ A 300 metres long arbour that reflects Aboriginal stories in its design and provides a partially covered link from the new stadium train station (in the east) to the entrance of the new Matagarup Bridge over the Swan River (at the western end of the park) ;
- ❖ A distinctively landscaped, activity precinct around the Stadium in non-event mode, including two restaurants, a community oval, rehabilitated parkland and picnic areas, a nature playground, a sensory playground design for children with disabilities, and a grass-sloped amphitheatre; and
  - ❖ A comprehensive public art program, implemented through the Percent for Art Scheme.



Photo courtesy of Gatecrasher

# Our People and Organisation

Our people are our most important asset and we strive to create an environment where they can achieve their best.

On 28 April 2017, the Premier announced the first round of Machinery of Government changes to the Public Sector. As part of this Public Sector Renewal initiative, the Department of Treasury formally transferred the Strategic Projects business unit (excluding the Asset Sales function) to the Department of Finance on 1 July 2017. Functions from the Office of the Government Architect transferred from Finance to the Department of Planning, Lands and Heritage early in 2018.

Having **Building Management** and **Works** and **Strategic Projects** business units in one department has provided opportunities for improved resource and knowledge sharing on building projects and more efficient service delivery through pooling capability and eliminating duplication.

This is reflected in the consolidation of the resources dedicated to Statutory Planning, Land Services and Asset Planning within the Strategic Projects business unit, enabling Finance to better support its client agencies in the critical planning phase of their infrastructure projects.

As a result, Finance is well-placed to function as a centralised lead advisor in statutory planning and approvals, land assembly, asset planning and related project management and project delivery activities.

Building on the consolidation of asset planning and land assembly, and recognising an opportunity to deliver better client services, Building Management and Works has realigned functions into three core areas to provide a single point of accountability and contact for clients and stakeholders.

The Department continues to examine ways to leverage leadership, technical and policy skills across business units to deliver better services to clients.

Finance has a strong commitment to innovation and seeks to embrace technology that improves how people work, which ultimately delivers better outcomes for customers.

During the year, **Corporate Services** implemented a new business intelligence and

analytics platform using Microsoft PowerBI and supporting Azure tools, enabled mobility through deployment of Windows 10 built laptops, commenced migration to Office 365 and implemented follow-me-printing to reduce print costs and increase security.

The deployment of this contemporary technology supports the Department's adoption of activity-based working and efforts to create a bold and innovative culture.

Developing our people is core to our success. Key programs contributing to this are the Graduate and Traineeship Programs, and the Interagency Mentoring Program.

The Department of Finance participated in the Public Sector Commission's Traineeship Programs by accommodating three trainees: two with a disability (vision and hearing impaired), as well as an Aboriginal trainee. With support and guidance from supervisors, two of the trainees have successfully completed their Certificate III in Government.

One trainee secured a permanent position within **Building Management and Works** and the other trainee is on a 12-month contract in **Corporate Services**. One Aboriginal trainee commenced in **Government Procurement** in May 2018 and is also undertaking a Certificate III in Government.

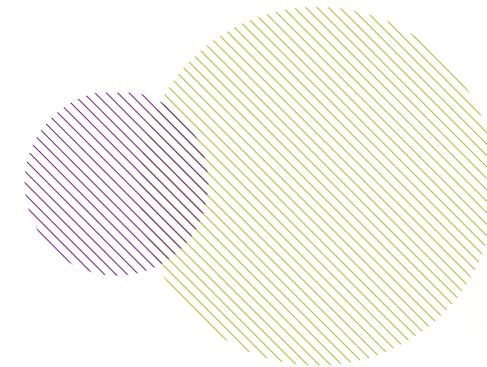
The Department of Finance strives to encourage diversity in the workplace. The Graduate and Traineeship Programs facilitate this involvement through careful consideration of how we can assist our people feel comfortable in their working environment, enabling them to reach their potential, achieve their own personal and professional goals and inevitably add value across the Department.

**State Revenue's** Succession Management Program demonstrates the Department's commitment to invest in our people and build capability. The program identifies employees who have the potential to develop specific skills and knowledge to fill critical roles in the business that may become vacant through retirement or natural attrition.

Twenty-eight employees have participated in the Program since it began in 2008, and have been exposed to other areas of the business to develop a holistic understanding of the organisation. After completing the Program, employees are included in an alumni program for continual professional development and higher duties opportunities where practical.

The **Interagency Mentoring Program** is led and supported by the Department of Finance. Seven agencies across the public sector participate, where mentors and mentees are paired from different agencies, providing opportunities to grow employee networks and facilitate future collaboration. In addition to facilitating the program, Department of Finance participated in the Program.

An additional communications stream is being piloted for 2018, with 13 agencies participating with 20 mentors and 20 mentees contributing to the Program.



## Graduate Program

In 2018, the Department of Finance's Graduate Program was recognised by the Australian Association of Graduate Employers as a leading national Graduate Program, being ranked 13th out of 75 organisations in Australia. This ranking was determined by graduates who provided feedback on their experience working with these private and public sector organisations.

Finance's Graduate Program stands out for the inclusive way in which it considers graduates from all disciplines. Over 2017 and 2018, the Department employed 15 graduates from a variety of tertiary backgrounds including Engineering, Pharmacology, Law, Actuarial Science, History, Architecture and German. Recruiting from a diverse set of disciplines has many benefits, including broadening Finance's capabilities through harnessing diverse perspectives that inspire innovative approaches to the way we do business.

Throughout the year, each graduate rotates through three business units where they gain knowledge and experience in areas such as policy, procurement, taxation, project management and data analysis.

Graduates also participate in the Public Sector Commission's Graduate Development Program. This Program exposes participants to a broad range of high-profile, sector-wide projects and agency-specific functions through presentations by agencies and site visits. This cross-sector collaboration and networking supports graduates to gain a better understanding of the breadth of public sector operations and the unique role played by central agencies such as Finance.

The Finance Graduate Program is an investment in the future leaders of the Department and graduates are encouraged to be proactive and open to the diverse career opportunities available to them. At the completion of the graduate program, Finance graduates experience a high rate of success in obtaining positions across the Department and the entire 2017 cohort secured permanent positions in Government Procurement, State Revenue or Building Management and Works. Over several years of the graduate program, many graduates have also gone on to secure higher duties opportunities and promotions.

The 2018 graduate cohort of seven are enjoying their rotations and are eagerly approaching the beginning of their last rotation. The Program equips participants with the training and skills required to build a career in and make a valuable contribution to the public sector. The graduates' experience across different business units builds diverse skills and knowledge, and supports Finance's ability to drive practical, cost-effective and quality outcomes across government to benefit Western Australians.



# Significant Issues and Future Outlook

Further opportunities exist for Finance to reshape its role, lead by example and become known as a functional leader that is sought out by agencies for its practical support and advice on sector-wide functions.

The future outlook will be heavily focused on enabling government reform through Finance leading and contributing to priority initiatives. Finance will also invest in workforce diversity and lead the way in implementing innovative ways of working which will reduce its accommodation footprint and deliver significant savings to government.

## Enabling Government Reform

The State Government's program of Public Sector Reform seeks to drive significant reform and cultural change across the public sector to create a high-performing and collaborative sector that delivers quality services to the Western Australian community.

The Public Sector Reform program is informed by the outcomes of various reviews, inquiries and working groups conducted during the year, which have culminated in a substantial suite of recommendations for reform.

Governance arrangements for the Public Sector Reform program include a Public Sector Reform Steering Committee and a Public Sector Reform Working Group, both of which Finance is a standing member. The Public Sector Reform Unit has also been established in the Department of the Premier and Cabinet and this will co-ordinate agency contributions to the overall reform effort.

Finance will establish an internal project management function to oversee delivery of recommendations assigned to the Department and to liaise with, and report to the Department of the Premier and Cabinet.

A total of 20 sector-wide priority initiatives have been identified by government. Internal resources and expert technical leads will be assigned to reform initiatives as required.

Enhancing procurement policy and practice for goods, services and works is a priority initiative and the Department is expected to lead this reform across the sector.

The Department is also expecting to contribute to other sector-wide priority initiatives, including the review of temporary personnel services and the development of the functional leadership framework.

The coming year represents a significant opportunity for the Department to provide sector-wide leadership, practical advice and continued collaboration with other central agencies on priority reform initiatives.

Work is already underway in **Government Procurement** to address recommendations made by the Service Priority Review and Special Inquiry into Government Programs and Projects to develop the commercial acumen and negotiation capability of the sector. The strategy includes a combination of centre-led approaches with decentralised responsibility.

The Department will also collaborate with agencies that undertake their own works procurement to identify challenges arising from the current fragmented legislative structure, and assist in developing a more effective procurement framework for the State.

As well as delivering better value-for-money procurement outcomes, a more consistent and simplified procurement approach will make it easier for industry, especially local small businesses, to participate.

## Enhancing Workforce Diversity

In 2017, the Department's Corporate Executive commissioned an evidence-based review by the **Strategy and Coordination** business unit on the nature and cause of the under-representation of women in management positions. This review led to the identification of barriers to women's progression and the development of a suite of recommendations to improve the situation and achieve the Department's target of 50 per cent women in management roles.

The Government's Service Priority Review noted the underrepresentation of women in the senior echelons of the public sector and recommended this be addressed in the interests of a capable and well performing sector.

The Corporate Executive is committed to a diverse organisation and the coming year will see the implementation of a Gender Equity Action Plan to break down the barriers that make it difficult for women to progress. This will require innovative approaches to address behaviours, practices and processes, and includes initiatives such as flexible working arrangements for management roles including part-time arrangements, improving recruitment practices, unconscious bias training for

decision-makers, and more rigorous and frequent reporting on gender metrics.

The review provides opportunities for leadership in the public sector with Finance presenting its findings to the Directors General Leadership Council and receiving subsequent requests for briefings to other departments to share learnings.

## Innovative Ways of Working

As part of the Government Office Accommodation Reform Program, the Department has commenced internal implementation of an activity-based workplace over three floors of the Optima Centre in Osborne Park, with the fit-out scheduled for completion in November 2018.

This follows a successful trial of a simulated activity-based working area in the Optima Centre in 2017 and will be the first time a fit-for-purpose fit-out of this type will be employed in a Western Australian government agency.

It is expected this initiative will encourage other agencies to follow the Department of Finance's lead in developing new and innovative ways to work while reducing government's accommodation footprint.

In addition to space and cost savings, anticipated benefits include a more productive and satisfying workplace for staff, improved collaboration between staff from different business units and the consolidation of approximately half of the Department's staff into one building. The new fit-out will progress incrementally with the sixth floor expected to be completed in July 2018, the fifth floor in September 2018 and the fourth floor in November 2018.

The Department's **Corporate Services** staff will relocate to the Optima Centre from its current location at 140 William Street in August 2018, further reducing the overall size and cost of the Department's government office accommodation.

# Performance Management Framework

## Relationship to Government Goals

Government goals are supported at agency level by specific outcomes. Agencies deliver services to achieve these outcomes. The following table illustrates the relationship between the agency's services and desired outcomes, and the Government goal it contributes to. The key effectiveness indicators measure the extent to which service delivery has achieved desired outcomes. The key efficiency indicators monitor the relationship between the services delivered and the resources used to produce the service.

## Shared Responsibilities with Other Agencies

Integral to the success of both the Department and the Government is the ability to partner with others.

As a central agency, the Department drives practical, cost-effective and quality outcomes across government to benefit Western Australians.

This is achieved through providing leadership and strategic advice to government on initiatives to improve the operations and management of services across the public sector.

Government Goals	Desired Outcomes	Services
<b>Sustainable Finances</b>		
Responsible financial management and better service delivery.	Due and payable revenue is collected and eligible grants, subsidies and rebates paid.	Revenue assessment and collection, and grants and subsidies administration.
	Value-for-money from public sector procurement.	Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal and providing facilitation service for agency specific contracts.
	Efficient and effective corporate services to client agencies.	Corporate services to client agencies.
	Value-for-money from the management of the Government's non-residential buildings and public works.	
Leads the planning and delivery of new government buildings.		

# Summary of Non-Financial Performance for 2017-18

## Outcome

Key Effectiveness Indicator	Unit	Target	Actual	Page
Extent to which due revenue is collected	%	88	89	<a href="#">100</a>
Extent to which correct grants, subsidies and rebates are paid	%	100	100	<a href="#">100</a>
Profitability of the State's light vehicle fleet (\$'000) <sup>(a)</sup>	\$	15,000	15,910	<a href="#">102</a>
Extent to which client agencies agree that their agency contracts and Common Use Contract Arrangements achieved value-for-money	%	92	93	<a href="#">102</a>
An effectiveness indicator is not reported for this outcome		N/A	N/A	-
Percentage of significant projects in the New Buildings Program delivered within 10% of approved budget	%	100	100	<a href="#">104</a>
Percentage of significant projects in the New Buildings Program delivered within approved:				
Budget	%	100	100	<a href="#">106</a>
Timeframe <sup>(b)</sup>	%	100	50	<a href="#">106</a>

(a) State Fleet's profitability has exceeded the 2017-18 target due to better than forecast sales proceeds from the disposal of State Fleet vehicles.

(b) Five of the ten major projects overseen by Strategic Projects that were active during 2017-18 have been, or are expected to be, completed within approved timeframes. Further information available on Page [106](#).

## Service

Key Efficiency Indicator	Unit	Target	Actual	Page
Cost per \$100 of revenue raised	\$	0.85	0.83	<a href="#">101</a>
Average cost per application/claim processed <sup>(c)</sup>	\$	10.53	10.84	<a href="#">101</a>
Cost of facilitating the development and management of agency specific contracts as a percentage of the contract award value	%	1.7	1.6	<a href="#">103</a>
Average administrative cost per vehicle for financing and managing the State Fleet service <sup>(d)</sup>	\$	118	112	<a href="#">103</a>
Cost of developing and managing whole-of-government Common Use Contract Arrangements as a percentage of the total annual value of purchases through the arrangements <sup>(e)</sup>	%	1.5	1.6	<a href="#">103</a>
An efficiency indicator is not reported for this service		N/A	N/A	-
Percentage of significant projects in New Buildings Program delivered within three months of approved timeframe	%	90	100	<a href="#">105</a>
Percentage of maintenance services delivered within 10% of approved timeframe	%	80	78	<a href="#">105</a>
Average office accommodation floor space per work point (wp) <sup>(f)</sup>	m <sup>2</sup>	15.00	14.65	<a href="#">105</a>
Cost as a percentage of the total annual value of the planning and delivery of capital works projects <sup>(g)</sup>	%	0.7	0.9	<a href="#">107</a>

(c) The three per cent increase in the average cost (\$) per application/claim processed in 2017-18 due to a slight increase in costs.

(d) Average administrative cost per vehicle is lower than budget as a result of both operational and fleet efficiencies.

(e) The higher than target result is due to a reduction in CUA turnover which was partially offset by lower than estimated costs.

(f) Improvement is due to the termination of leases (21,993m<sup>2</sup>) with poor average workspace density (15.33m<sup>2</sup>/wp) and the completion of fit-out works (17,504m<sup>2</sup>) where the average workspace density was below the benchmark density (11.90m<sup>2</sup>/wp).

(g) The increase in cost as a percentage of the value of capital works projects is a result of a reduction in the overall value of the major project portfolio.

# Summary of Financial Performance for 2017-18

The Department of Finance 2017-18 estimated total cost of services allocation was approximately \$1.44 billion, funded largely through the charging of other government departments for building works, maintenance and leasing. The other key funding sources are appropriations of \$0.17 billion and other revenue sources of \$0.14 billion.

The \$1.44 billion in expenses estimate primarily relates to building works across the whole-of-government (\$1.15 billion), employee expenses (\$0.12 billion) and depreciation (\$0.08 billion).

Actual results versus estimate	Estimate <sup>(a)</sup> \$000	Actual \$000	Variance \$000	Reason for significant variation between actual and estimate
Total cost of services (expense limit)	1,435,195	1,377,832	(57,363)	Actual expenditure was below estimate primarily due to a reduction in the whole-of-government capital works program delivered by Building Management and Works on behalf of government agencies.
Net cost of services	(151,322)	(184,722)	33,400	The 2018 actual was higher than estimate due to the write down of the Department's land and building assets as a result of the annual valuation process.
Total equity	1,184,373	1,094,947	(89,426)	Total equity has been reduced by a downward revaluation of government accommodation assets and lower capital investment.
Net increase/(decrease) in cash held	29,365	(27,197)	(56,562)	Cash balances are lower than estimate due to lower than forecast State Fleet receipts and a reduction in payables.
Approved salary expense level	120,336	103,244	(17,092)	Reduced expenditure on salaries was as a result of the severance program and higher than forecast vacancy levels.
Agreed borrowing limit	88,597	79,918	(8,679)	Reduction due to State Fleet reforms reducing the purchasing of new vehicles.
Working cash limit	66,838	63,391	(3,447)	The working cash limit is 5% of budgeted recurrent payments (operating and financing) and the variation reflects the reduction in cost of services.

(a) Approved as part of the 2017-18 State Budget process.

Further explanations are contained in Note 44 of the financial statements.

# Certification of Financial Statements Independent Audit Opinion

For the year ended 30 June 2018

The accompanying financial statements of the Department of Finance 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 2018 and the financial position as at 30 June 2018.

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.



Stephanie Black  
Acting Director General  
20 August 2018



Dominick Geraghty  
Chief Finance Officer  
20 August 2018



Auditor General

## INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### DEPARTMENT OF FINANCE

#### Report on the Financial Statements

#### Opinion

I have audited the financial statements of the Department of Finance which comprise the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Department of Finance for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

#### Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Department in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibility of the Director General for the Financial Statements

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Director General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director General is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Department.

#### Auditor's Responsibility for the Audit of the Financial Statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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# Independent Audit Opinion (continued)

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director General.
- Conclude on the appropriateness of the Director General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Director General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report on Controls

### Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Department of Finance. The controls exercised by the Department are those policies and procedures established by the Director General to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Department of Finance are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2018.

### The Director General's Responsibilities

The Director General is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the Financial Management Act 2006, the Treasurer's Instructions and other relevant written law.

### Auditor General's Responsibilities

As required by the Auditor General Act 2006, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

### Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

### Report on the Key Performance Indicators

#### Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Finance for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Department of Finance are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2018.

### The Director General's Responsibility for the Key Performance Indicators

The Director General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such internal control as the Director General determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Director General is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 Key Performance Indicators.

### Auditor General's Responsibility

As required by the Auditor General Act 2006, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

### My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the Auditor General Act 2006 and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

This auditor's report relates to the financial statements and key performance indicators of the Department of Finance for the year ended 30 June 2018 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
20 August 2018

# Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	<a href="#">7</a>	115,372	114,499
Supplies and services	<a href="#">8</a>	1,107,809	971,330
Depreciation and amortisation expense	<a href="#">9</a>	66,007	71,513
Finance costs	<a href="#">10</a>	7,780	8,615
Accommodation expenses	<a href="#">11</a>	40,562	42,236
Grants and subsidies	<a href="#">12</a>	578	754
Loss on disposal of non-current assets	<a href="#">15</a>	17	10
Other expenses	<a href="#">13</a>	39,707	34,021
<b>Total cost of services</b>		<b>1,377,832</b>	<b>1,242,978</b>

<b>Income</b>			
<i>Revenue</i>			
	<a href="#">14</a>		
User charges and fees		1,176,982	1,058,030
Commonwealth grants and contributions		7,085	3,492
Interest revenue		298	473
Other revenue		6,566	10,615
<b>Total revenue</b>		<b>1,190,931</b>	<b>1,072,610</b>
<i>Gains</i>			
Gain on disposal of non-current assets	<a href="#">15</a>	2,179	631
<b>Total gains</b>		<b>2,179</b>	<b>631</b>
<b>Total income other than income from State Government</b>		<b>1,193,110</b>	<b>1,073,241</b>
<b>NET COST OF SERVICES</b>		<b>(184,722)</b>	<b>(169,737)</b>

	Note	2018 \$000	2017 \$000
<b>Income from State Government</b>			
	<a href="#">17</a>		
Service appropriations		150,900	167,150
Services received free of charge		13,511	13,303
Royalties for Regions Fund		106	125
<b>Total income from State Government</b>		<b>164,517</b>	<b>180,578</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(20,205)</b>	<b>10,841</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(20,205)</b>	<b>10,841</b>

See also 'Schedule of Income and Expenses by Service' on Page [40](#).

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

As at 30 June 2018

	Note	2018 \$000	2017 \$000
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	<a href="#">18</a>	75,890	70,618
Restricted cash and cash equivalents	<a href="#">19</a>	1,001	3,171
Receivables	<a href="#">20</a>	132,386	176,431
Finance lease receivables	<a href="#">21</a>	409	494
Amounts receivable for services	<a href="#">22</a>	779	2,250
Other current assets	<a href="#">23</a>	29,347	29,254
<b>Total current assets</b>		<b>239,812</b>	<b>282,218</b>
<i>Non-current assets</i>			
Restricted cash and cash equivalents	<a href="#">19</a>	734	398
Receivables	<a href="#">20</a>	535	1,948
Finance lease receivables	<a href="#">21</a>	248	597
Amounts receivable for services	<a href="#">22</a>	523,084	461,896
Property, plant, equipment and vehicles	<a href="#">24</a>	687,094	720,374
Intangible assets	<a href="#">26</a>	34,463	31,805
Other non-current assets	<a href="#">23</a>	4,307	6,440
<b>Total non-current assets</b>		<b>1,250,465</b>	<b>1,223,458</b>
<b>TOTAL ASSETS</b>		<b>1,490,277</b>	<b>1,505,676</b>

	Note	2018 \$000	2017 \$000
<b>Liabilities</b>			
<i>Current liabilities</i>			
Payables	<a href="#">28</a>	112,770	115,613
Borrowings	<a href="#">29</a>	23,913	24,040
Provisions	<a href="#">30</a>	26,212	27,916
Lease incentives	<a href="#">31</a>	16,771	13,604
Other current liabilities	<a href="#">32</a>	23,058	24,055
<b>Total current liabilities</b>		<b>202,724</b>	<b>205,228</b>
<i>Non-current liabilities</i>			
Borrowings	<a href="#">29</a>	56,005	77,776
Provisions	<a href="#">30</a>	5,352	6,360
Lease incentives	<a href="#">31</a>	131,249	101,251
<b>Total non-current liabilities</b>		<b>192,606</b>	<b>185,387</b>
<b>TOTAL LIABILITIES</b>		<b>395,330</b>	<b>390,615</b>
<b>NET ASSETS</b>		<b>1,094,947</b>	<b>1,115,061</b>
<b>Equity</b> <a href="#">33</a>			
Contributed equity		1,056,019	1,055,928
Accumulated surplus/(deficit)		38,928	59,133
<b>TOTAL EQUITY</b>		<b>1,094,947</b>	<b>1,115,061</b>

See also 'Schedule of Assets and Liabilities by Service' on Page [42](#).

The Statement of Financial Position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Contributed Equity \$000	Accumulated surplus/(deficit) \$000	Total Equity \$000
	<a href="#">33</a>			
<b>Balance at 1 July 2016</b>		<b>1,026,944</b>	<b>48,292</b>	<b>1,075,236</b>
Surplus/(deficit)		-	10,841	10,841
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	10,841	10,841
Transactions with owners in their capacity as owners:				
Capital appropriations		28,763	-	28,763
Contributions by owners		245	-	245
Distributions to owners		(24)	-	(24)
Total		28,984	-	28,984
<b>Balance at 30 June 2017</b>		<b>1,055,928</b>	<b>59,133</b>	<b>1,115,061</b>
<b>Balance at 1 July 2017</b>		1,055,928	59,133	1,115,061
Surplus/(deficit)		-	(20,205)	(20,205)
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	(20,205)	(20,205)
Transactions with owners in their capacity as owners:				
Capital appropriations		14,902	-	14,902
Contributions by owners		232	-	232
Distributions to owners		(15,043)	-	(15,043)
Total		91	-	91
<b>Balance at 30 June 2018</b>		<b>1,056,019</b>	<b>38,928</b>	<b>1,094,947</b>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
<b>Cash Flows from State Government</b>			
Service appropriations		89,857	113,948
Capital appropriations		14,902	28,763
Funding from Treasury Administered		200	-
Holding account drawdowns		1,326	770
Royalties for Regions Fund		106	125
Regional Infrastructure and Headworks Fund		(421)	245
Non-retained revenue distributed to owner		-	(24)
<b>Net cash provided by State Government</b>		<b>105,970</b>	<b>143,827</b>
Utilised as follows:			
<b>Cash Flows from Operating Activities</b>			
<i>Payments</i>			
Employee benefits		(117,949)	(113,736)
<b>Supplies and services</b>		<b>(1,136,777)</b>	<b>(944,694)</b>
Finance costs		(6,604)	(7,359)
Accommodation		(40,438)	(40,804)
Grants and subsidies		(574)	(754)
GST payments on purchases		(134,697)	(112,146)
GST payments to taxation authority		(6,032)	(6,136)
Other payments		(2,632)	(4,945)
<i>Receipts</i>			
User charges and fees		1,216,232	1,011,354
Commonwealth grants and contributions		5,575	3,337
Interest received		361	382
GST receipts on sales		132,352	109,127
GST receipts from taxation authority		7,700	7,491
Other receipts		15,343	6,859
<b>Net cash provided by/(used in) operating activities</b>	<u>34</u>	<b>(68,140)</b>	<b>(92,024)</b>

	Note	2018 \$000	2017 \$000
<b>Cash Flows from Investing Activities</b>			
<i>Payments</i>			
<b>Purchase of non-current physical assets</b>		<b>(122,972)</b>	<b>(148,153)</b>
<i>Receipts</i>			
Proceeds from sale of non-current physical assets		39,016	71,559
Receipts from lease incentives		41,544	27,762
<b>Net cash provided by/(used in) investing activities</b>		<b>(42,412)</b>	<b>(48,832)</b>
<b>Cash Flows from Financing Activities</b>			
<i>Payments</i>			
Repayment of borrowings		(23,115)	(30,689)
<i>Receipts</i>			
Proceeds from borrowings		-	2,923
Finance leases receipts		500	753
<b>Net cash provided by/(used in) financing activities</b>		<b>(22,615)</b>	<b>(27,014)</b>
Net increase/(decrease) in cash and cash equivalents		(27,197)	(24,043)
Cash balance transferred to the Department of Treasury		(28)	-
Cash balance transferred from the Department of Treasury		32,705	-
Cash balance transferred to the Department of Local Government, Sport and Cultural Industries		(2,042)	-
Cash and cash equivalents at the beginning of the period		74,187	98,230
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>34</u>	<b>77,625</b>	<b>74,187</b>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Schedule of Income and Expenses by Service

For the year ended 30 June 2018

	Service 1		Service 2		Service 3		Service 4		Service 5		Service 6		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>COST OF SERVICES</b>														
<i>Expenses</i>														
Employee benefits expense	34,685	31,335	23,349	21,439	3,110	3,937	50,556	47,914	3,672	-	-	9,874	115,372	114,499
Supplies and services	19,741	17,621	9,913	8,970	2,647	2,309	898,055	937,751	177,453	-	-	4,679	1,107,809	971,330
Depreciation and amortisation expense	3,416	2,984	39,247	42,866	211	453	23,054	25,085	79	-	-	125	66,007	71,513
Finance costs	-	-	938	1,928	-	-	6,842	6,687	-	-	-	-	7,780	8,615
Accommodation expenses	4,091	4,641	1,984	2,060	380	405	33,525	34,276	582	-	-	854	40,562	42,236
Grants and subsidies	1	-	441	363	1	-	135	5	-	-	-	386	578	754
Loss on disposal of non-current assets	-	-	-	-	-	-	17	10	-	-	-	-	17	10
Other expenses	351	404	210	368	218	250	38,874	32,913	54	-	-	86	39,707	34,021
<b>Total cost of services</b>	<b>62,285</b>	<b>56,985</b>	<b>76,082</b>	<b>77,994</b>	<b>6,567</b>	<b>7,354</b>	<b>1,051,058</b>	<b>1,084,641</b>	<b>181,840</b>	<b>-</b>	<b>-</b>	<b>16,004</b>	<b>1,377,832</b>	<b>1,242,978</b>
<i>Income</i>														
User charges and fees	2,663	2,719	62,770	68,398	-	-	934,711	986,913	176,838	-	-	-	1,176,982	1,058,030
Commonwealth grants and contributions	92	62	-	-	-	-	6,993	3,430	-	-	-	-	7,085	3,492
Interest revenue	-	-	298	473	-	-	-	-	-	-	-	-	298	473
Other revenue	277	210	2,012	2,257	735	596	3,499	7,453	43	-	-	100	6,566	10,615
Gain on disposal of non-current assets	-	-	2,179	631	-	-	-	-	-	-	-	-	2,179	631
<b>Total income other than income from State Government</b>	<b>3,032</b>	<b>2,991</b>	<b>67,259</b>	<b>71,759</b>	<b>735</b>	<b>596</b>	<b>945,203</b>	<b>997,796</b>	<b>176,881</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>1,193,110</b>	<b>1,073,241</b>
<b>NET COST OF SERVICES</b>	<b>(59,253)</b>	<b>(53,994)</b>	<b>(8,823)</b>	<b>(6,235)</b>	<b>(5,832)</b>	<b>(6,758)</b>	<b>(105,855)</b>	<b>(86,845)</b>	<b>(4,959)</b>	<b>-</b>	<b>-</b>	<b>(15,904)</b>	<b>(184,722)</b>	<b>(169,737)</b>

# Schedule of Income and Expenses by Service

For the year ended 30 June 2018

	Service 1		Service 2		Service 3		Service 4		Service 5		Service 6		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>INCOME FROM STATE GOVERNMENT</b>														
Service appropriations	45,018	42,372	27,519	30,781	6,162	6,150	67,367	69,129	4,834	-	-	18,718	150,900	167,150
Resources received free of charge	12,742	12,321	50	21	6	20	542	616	171	-	-	326	13,511	13,303
Royalties for Regions Fund	-	-	-	-	-	-	106	125	-	-	-	-	106	125
<b>Total income from State Government</b>	<b>57,760</b>	<b>54,693</b>	<b>27,569</b>	<b>30,802</b>	<b>6,168</b>	<b>6,169</b>	<b>68,015</b>	<b>69,870</b>	<b>5,005</b>	<b>-</b>	<b>-</b>	<b>19,044</b>	<b>164,517</b>	<b>180,578</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>(1,493)</b>	<b>700</b>	<b>18,746</b>	<b>24,568</b>	<b>336</b>	<b>(589)</b>	<b>(37,840)</b>	<b>(16,976)</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>3,140</b>	<b>(20,205)</b>	<b>10,841</b>

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.

**Service 1: Revenue assessment and collection and grants and subsidies administration**

**Service 2: Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal, and providing facilitation service for agency specific contracts**

**Service 3: Corporate services to client agencies**

**Service 4: Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation**

**Service 5: Leads the planning and delivery of new government buildings<sup>(a)</sup>**

**Service 6: Development and implementation of energy policy and economic reform, assessment of proposed policy changes and the impact on regulatory functions<sup>(b)</sup>**

(a) Strategic Projects (excluding Asset Sales) was transferred from the Department of Treasury on 1 July 2017 and hence comparatives for 2017 are not available.

(b) Public Utilities Office and Economic Reform were transferred to the Department of Treasury on 1 July 2017.

# Schedule of Assets and Liabilities by Service

As at 30 June 2018

	Service 1		Service 2		Service 3		Service 4		Service 5		Service 6		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<i>Assets</i>														
Current assets	29,462	24,253	31,581	38,781	-	-	172,145	213,944	6,624	-	-	5,240	239,812	282,218
Non-current assets	171,313	140,658	341,173	321,133	-	-	720,847	738,180	17,132	-	-	23,487	1,250,465	1,223,458
<b>Total assets</b>	<b>200,775</b>	<b>164,911</b>	<b>372,754</b>	<b>359,914</b>	<b>-</b>	<b>-</b>	<b>892,992</b>	<b>952,124</b>	<b>23,756</b>	<b>-</b>	<b>-</b>	<b>28,727</b>	<b>1,490,277</b>	<b>1,505,676</b>
<i>Liabilities</i>														
Current liabilities	13,376	2,972	34,697	43,428	-	-	140,563	154,247	14,088	-	-	4,581	202,724	205,228
Non-current liabilities	1,783	2,126	7,603	30,427	-	-	182,952	152,197	268	-	-	637	192,606	185,387
<b>Total liabilities</b>	<b>15,159</b>	<b>5,098</b>	<b>42,300</b>	<b>73,855</b>	<b>-</b>	<b>-</b>	<b>323,515</b>	<b>306,444</b>	<b>14,356</b>	<b>-</b>	<b>-</b>	<b>5,218</b>	<b>395,330</b>	<b>390,615</b>
<b>NET ASSETS</b>	<b>185,616</b>	<b>159,813</b>	<b>330,454</b>	<b>286,059</b>	<b>-</b>	<b>-</b>	<b>569,477</b>	<b>645,680</b>	<b>9,400</b>	<b>-</b>	<b>-</b>	<b>23,509</b>	<b>1,094,947</b>	<b>1,115,061</b>

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.

**Service 1: Revenue assessment and collection and grants and subsidies administration**

**Service 2: Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal, and providing facilitation service for agency specific contracts**

**Service 3: Corporate services to client agencies**

**Service 4: Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation**

**Service 5: Leads the planning and delivery of new government buildings<sup>(a)</sup>**

**Service 6: Development and implementation of energy policy and economic reform, assessment of proposed policy changes and the impact on regulatory functions<sup>(b)</sup>**

(a) Strategic Projects (excluding Asset Sales) was transferred from the Department of Treasury on 1 July 2017 and hence comparatives for 2017 are not available.

(b) Public Utilities Office and Economic Reform were transferred to the Department of Treasury on 1 July 2017.

# Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2018

	2018 Estimate \$000	2018 Actual \$000	Variance \$000	2018 Actual \$000	2017 Actual \$000	Variance \$000
<i>Delivery of services</i>						
Item 73 net amount appropriated to deliver services	150,906	149,299	(1,607)	149,299	165,525	(16,226)
Amount authorised by other statutes:						
- <i>Salaries and Allowances Act 1975</i>	1,601	1,601	-	1,601	1,625	(24)
<b>Total appropriations provided to deliver services</b>	<b>152,507</b>	<b>150,900</b>	<b>(1,607)</b>	<b>150,900</b>	<b>167,150</b>	<b>(16,250)</b>
<i>Capital</i>						
Item 123 Capital appropriations	15,932	14,902	(1,030)	14,902	28,763	(13,861)
<b>Total capital appropriations provided to deliver services</b>	<b>15,932</b>	<b>14,902</b>	<b>(1,030)</b>	<b>14,902</b>	<b>28,763</b>	<b>(13,861)</b>
<i>Administered Transactions</i>						
Community service obligation payments						
Item 74 Amount provided for Administered Grants, Subsidies and Other Transfer Payments	185,070	160,994	(24,076)	160,994	164,281	(3,287)
Amount authorised by other statutes						
<i>First Home Owner Grant Act 2000</i>	74,612	91,171	16,559	91,171	72,765	18,406
<b>Total administered transactions</b>	<b>259,682</b>	<b>252,165</b>	<b>(7,517)</b>	<b>252,165</b>	<b>237,046</b>	<b>15,119</b>
<b>GRAND TOTAL</b>	<b>428,121</b>	<b>417,967</b>	<b>(10,154)</b>	<b>417,967</b>	<b>432,959</b>	<b>(14,992)</b>

# Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2018

	2018 Estimate \$000	2018 Actual \$000	Variance \$000	2018 Actual \$000	2017 Actual \$000	Variance \$000
<i>Details of expenses by service</i>						
Revenue assessment and collection, and grants and subsidies administration	62,257	62,285	28	62,285	56,985	5,300
Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal and providing facilitation service for agency specific contracts	83,966	76,082	(7,884)	76,082	77,994	(1,912)
Corporate services to client agencies	7,643	6,567	(1,076)	6,567	7,354	(787)
Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation	1,095,634	1,051,058	(44,576)	1,051,058	1,084,641	(33,583)
Leads the planning and delivery of new government buildings <sup>(a)</sup>	185,695	181,840	(3,855)	181,840	-	181,840
Development and implementation of energy policy and economic reform, assessment of proposed policy changes and the impact on regulatory functions <sup>(b)</sup>	-	-	-	-	16,004	(16,004)
<b>Total cost of services</b>	<b>1,435,195</b>	<b>1,377,832</b>	<b>(57,363)</b>	<b>1,377,832</b>	<b>1,242,978</b>	<b>134,854</b>
<i>Less total income</i>	<i>(1,283,873)</i>	<i>(1,193,110)</i>	<i>90,763</i>	<i>(1,193,110)</i>	<i>(1,073,241)</i>	<i>(119,869)</i>
<b>Net cost of services</b>	<b>151,322</b>	<b>184,722</b>	<b>33,400</b>	<b>184,722</b>	<b>169,737</b>	<b>14,985</b>
Adjustments	1,185	(33,822)	(35,007)	(33,822)	(2,587)	(31,235)
<b>Total appropriations provided to deliver services</b>	<b>152,507</b>	<b>150,900</b>	<b>(1,607)</b>	<b>150,900</b>	<b>167,150</b>	<b>(16,250)</b>

(a) Strategic Projects (excluding Asset Sales) was transferred from the Department of Treasury on 1 July 2017 and hence comparatives for 2017 are not available.

(b) Public Utilities Office and Economic Reform were transferred to the Department of Treasury on 1 July 2017.

<i>Capital expenditure</i>						
Purchase of non-current assets	164,892	122,972	(41,920)	122,972	148,153	(25,181)
Repayment of borrowings	17,983	23,115	5,132	23,115	30,689	(7,574)
Adjustments for other funding sources	(166,943)	(131,185)	35,758	(131,185)	(150,079)	18,894
<b>Capital appropriations</b>	<b>15,932</b>	<b>14,902</b>	<b>(1,030)</b>	<b>14,902</b>	<b>28,763</b>	<b>(13,861)</b>

# Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2018

	2018 Estimate \$000	2018 Actual \$000	Variance \$000	2018 Actual \$000	2017 Actual \$000	Variance \$000
<b>DETAILS OF ADMINISTERED INCOME ESTIMATES</b>						
<i>Taxation</i>						
Insurance Duty	644,951	625,564	(19,387)	625,564	641,372	(15,808)
Land Tax	843,916	842,502	(1,414)	842,502	873,746	(31,244)
Metropolitan Region Improvement Tax	94,572	93,317	(1,255)	93,317	95,959	(2,642)
Payroll Tax	3,223,117	3,284,154	61,037	3,284,154	3,255,594	28,560
Racing and Wagering Western Australia Tax	46,083	41,468	(4,615)	41,468	40,045	1,423
Transfer Duty	1,296,689	1,226,205	(70,484)	1,226,205	1,356,805	(130,600)
Landholder Duty	201,000	234,496	33,496	234,496	151,014	83,482
Vehicle Licence Duty	347,572	354,663	7,091	354,663	344,133	10,530
Other duties	1	8	7	8	17	(9)
Commonwealth Mirror Taxes	41,657	40,635	(1,022)	40,635	40,660	(25)
<b>Total taxation</b>	<b>6,739,558</b>	<b>6,743,012</b>	<b>3,454</b>	<b>6,743,012</b>	<b>6,799,345</b>	<b>(56,333)</b>
<i>Other revenue</i>						
Office lease rental revenue	41,240	41,448	208	41,448	40,086	1,362
Other income	64,136	64,035	(101)	64,035	63,549	486
<b>Total other revenue</b>	<b>105,376</b>	<b>105,483</b>	<b>107</b>	<b>105,483</b>	<b>103,635</b>	<b>1,848</b>
<i>Appropriations</i>						
First Home Owner Grant Act 2000	74,612	91,171	16,559	91,171	72,765	18,406
Administered grants and transfer payments	185,070	160,994	(24,076)	160,994	164,281	(3,287)
<b>Total appropriations</b>	<b>259,682</b>	<b>252,165</b>	<b>(7,517)</b>	<b>252,165</b>	<b>237,046</b>	<b>15,119</b>
<b>TOTAL ADMINISTERED INCOME ESTIMATES</b>	<b>7,104,616</b>	<b>7,100,660</b>	<b>(3,956)</b>	<b>7,100,660</b>	<b>7,140,026</b>	<b>(39,366)</b>

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 44 'Explanatory statement' and Note 46 'Explanatory statement for Administered Items' provide details of any significant variations between estimates and actual results for 2018 and between the actual results for 2018 and 2017.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 1. Australian Accounting Standards

### General

The Department's financial statements for the year ended 30 June 2018 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). These annual financial statements were authorised for issue by the Department's Director General on 20 August 2018.

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

### Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. There has been no early adoption of any other Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the annual reporting period ended 30 June 2018.

## Note 2. Summary of significant accounting policies

### (a) General statement

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

The *Financial Management Act 2006* and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### (b) Basis of preparation

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## (c) Reporting entity

The reporting entity is the Department of Finance.

### *Mission*

The Department's mission is to drive practical, cost-effective and quality outcomes across government to benefit Western Australians.

### *Services*

The Department provides the following services:

*Service 1: Revenue assessment and collection and grants and subsidies administration*

*Service 2: Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal and providing facilitation service for agency specific contracts*

*Service 3: Corporate services to client agencies*

*Service 4: Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation*

*Service 5: Leads the planning and delivery of new government buildings*

The Department administers assets, liabilities, income and expenses on behalf of the Government which are not controlled by, nor integral to the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at Note 51 'Disclosure of administered income and expenses by service' and Note 52 'Administered assets and liabilities'.

## (d) Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly-Owned Public Sector Entities* and have been credited directly to Contributed Equity.

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

## (e) Income

### *Revenue recognition*

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

### *Sale of goods*

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership transfer to the purchaser and can be measured reliably.

### *Provision of services*

Revenue is recognised by reference to the stage of completion of the transaction.

### *Vehicle fleet lease rentals*

Rental revenue is recognised in accordance with lease agreements entered into with State Government agencies, Statutory Authorities and other State Government entities.

# Notes to the Financial Statements

For the year ended 30 June 2018

## *Vehicle bailment revenues*

Revenue is recognised on receipt of sale proceeds of vehicles held under bailment rights.

## *Interest*

Revenue is recognised as the interest accrues.

## *Revenue recognition - administered*

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

## *Service appropriations*

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

## *Net appropriation determination*

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department.

In accordance with the most recent determination, as quantified in the 2017-18 Budget Statements, the Department retained \$1,193 million in 2018 (\$1,073 million in 2017) from the following:

- ✦ proceeds from fees and charges;
- ✦ sale of goods;
- ✦ Commonwealth specific purpose grants and contributions;
- ✦ rental revenue recognised in accordance with lease agreements entered into with State Government agencies, statutory authorities and other State Government entities and vehicle bailment revenue held under bailment rights;
- ✦ provision of contract services and rental income sufficient to cover outgoings paid for government owned buildings; and
- ✦ other departmental revenue.

## *Grants, donations, gifts and other non-reciprocal contributions*

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

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably

determined and the services would be purchased if not donated.

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

## *Gains*

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

## **(f) Borrowing costs**

Borrowing costs are expensed when incurred.

## **(g) Property, plant and equipment**

### *Capitalisation/expensing of assets*

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and 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).

# Notes to the Financial Statements

For the year ended 30 June 2018

## *Initial recognition and measurement*

Property, plant and equipment are initially recognised at cost.

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

## *Subsequent measurement*

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of land and buildings and historical cost for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation (buildings only) and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

In the absence of market-based evidence, fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, that is, the current replacement cost. Where the fair value of buildings is determined on the current replacement cost basis, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuations and Property Analytics) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

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.

See also Note 24 'Property, plant, equipment and vehicles' for further information on revaluations.

## *De-recognition*

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

## *Asset revaluation surplus*

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis.

## *Depreciation*

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

# Notes to the Financial Statements

For the year ended 30 June 2018

State Fleet motor vehicles are leased to other agencies mainly as operating leases. Taking into account the residual values, the vehicles are depreciated on a straight line basis over the term of the vehicle lease.

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

Buildings	30 to 40 years
Heritage assets	100 years
Plant and equipment	10 to 15 years
Office equipment	5 years
Software <sup>(a)</sup>	3 to 10 years
Office fitout	3 to 25 years or remaining lease term, whichever is lower
Motor vehicles <sup>(b)</sup>	6 months to 6 years

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

(b) Useful life of motor vehicles extended by a year to 6 years as a result of updates to State Fleet vehicle policy.

Land is not depreciated.

## (h) Intangible assets

### *Capitalisation/expensing of assets*

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

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

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

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

Licences	up to 10 years
Software <sup>(a)</sup>	3 to 13 years

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

### *Licences*

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

### *Computer software*

Software that is an integral part of the related hardware is recognised as property, plant and equipment. 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.

## (i) Impairment of assets

Property, plant and equipment, and intangible assets are tested for any indication of impairment at the end of each reporting period.

# Notes to the Financial Statements

For the year ended 30 June 2018

Where there is an indication of impairment, the recoverable amount is estimated.

Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to 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. As the Department is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and current replacement cost.

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

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

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

See Note 27 'Impairment of assets' for the outcome of impairment reviews and testing.

## **(j) Non-current assets (or disposal groups) classified as held for sale**

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

## **(k) Leases**

Finance lease rights and obligations are initially recognised, at the commencement of the lease term, as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments, determined at the inception of the lease.

The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated over the period during which the Department is expected to benefit from their use. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

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

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

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

# Notes to the Financial Statements

For the year ended 30 June 2018

## (l) Financial instruments

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

- ✦ Receivables; and
- ✦ Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- ✦ Financial assets
  - Cash and cash equivalents
  - Restricted cash and cash equivalents
  - Receivables
  - Finance lease receivables
  - Amounts receivable for services.
- ✦ Financial liabilities
  - Payables
  - Western Australian Treasury Corporation (WATC) borrowings
  - Heritage Maintenance borrowings
  - Amounts due to the Treasurer.

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

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

## (m) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

## (n) Accrued salaries

Accrued salaries (see Note 28 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (see Note 19 'Restricted cash and cash equivalents') consists of amounts paid annually, from departmental appropriations for salaries expense,

into a 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.

## (o) Amounts receivable for services (holding account)

The Department receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

## (p) Receivables

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## (q) Payables

Payables are recognised at the amounts payable when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

## (r) Borrowings

All loans payable are initially recognised at fair value, being the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method (see also Note 2(l) 'Financial instruments' and Note 29 'Borrowings').

## (s) Amounts due to the Treasurer

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

## (t) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result

of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period (see also Note 30 'Provisions').

### *Provisions - employee benefits*

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

### *Annual leave*

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of

the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

### *Long service leave*

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

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

# Notes to the Financial Statements

For the year ended 30 June 2018

Unconditional long service leave provisions are classified as current liabilities as the Department 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 Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

#### *Deferred leave*

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional 12 months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

#### *Purchased leave*

The provision for purchased leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year.

The provision recognises the value of salary set aside for employees and is measured at the undiscounted amounts expected to be paid when the liabilities are settled.

#### *Superannuation*

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

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

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS).

From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Department makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

The Department has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB.

# Notes to the Financial Statements

For the year ended 30 June 2018

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

See also Note 2(u) 'Superannuation expense'.

## *Provisions - other*

### *Employment on-costs*

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Department's 'Employee benefits expense'. The related liability is included in 'Employment on- costs provision'.

### *Remediation costs*

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

### **(u) Superannuation expense**

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESB, or other superannuation funds.

The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

### **(v) Assets and services received free of charge or for nominal cost**

Assets or services received free of charge or for nominal cost that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

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

### **(w) Construction work in progress**

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billing exceeds the aggregate costs incurred plus profits less losses, the net amounts are presented under Note 28 'Payables'.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Department's construction activities in general.

### **(x) Lease incentives**

In instances where the lessor has provided incentives for the Department to enter into an operating lease, the Department has recognised the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight line basis. Examples of lease incentives include up-front cash payments or the reimbursement or assumption by the lessor of costs of the lease such as leasehold improvements.

## Note 3. Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current reporting period.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 4. Judgements made by management in applying accounting policies

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

### Operating lease commitments

The Department has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

## Note 5. Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next reporting period.

### Waste disposal site

An environmental analysis to provide a quantifiable estimate of the amount required to rehabilitate the Mt Walton East intractable waste disposal site was obtained for the 2017-18 financial year. Calculations performed in assessing the restoration costs provision incorporate a number of key estimates. Calculation of the provision will be conducted annually and adjusted using the most up-to-date information available.

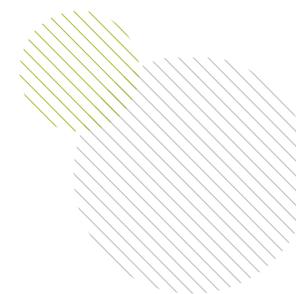
### Long service leave

Several estimations and assumptions used in calculating the Department's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amounts of the long service leave provision.

## Note 6. Disclosure of changes in accounting policy and estimates

### Voluntary changes in accounting policy

There are no voluntary changes in accounting policies during the reporting period.



# Notes to the Financial Statements

For the year ended 30 June 2018

## Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. Where applicable, the Department plans to apply these Australian Accounting Standards from their application date.

## Operative for reporting periods beginning on/after 1 Jan 2018

### AASB 9

#### *Financial Instruments*

This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments.

The Department has assessed that recognition of expected credit losses will increase the amount of impairment losses recognised as 'Other expenses' in the Statement of Comprehensive Income by \$13,970, and thus does not have an adverse impact on the agency's Surplus/(Deficit) for the period.

### AASB 2010-7

*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*  
[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]

This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.

The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. *[Other than the exposures to AASB 9 noted above, the Department is only insignificantly impacted by the application of the Standard.]*

### AASB 2014-1

*Amendments to Australian Accounting Standards*  
Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. *[These changes have no impact as Appendix E has been superseded and the Department was not permitted to early adopt AASB 9.]*

### AASB 2014-5

*Amendments to Australian Accounting Standards arising from AASB 15*

This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. *[The Department has not yet determined the application or the potential impact of the Standard.]*

### AASB 2014-7

*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). *[The Department has not yet determined the application or the potential impact of the Standard.]*

# Notes to the Financial Statements

For the year ended 30 June 2018

## **AASB 2015-8**

*Amendments to Australian Accounting Standards – Effective Date of AASB 15*

The Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.

## **AASB 2016-3**

*Amendments to Australian Accounting Standards – Clarifications to AASB 15*

This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and provides further transitional provisions to AASB 15. *[The Department has not yet determined the application or the potential impact when the deferred AASB 15 becomes effective from 1 January 2019.]*

## **AASB 2016-7**

*Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*

This Standard defers, for not-for-profit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this standard.

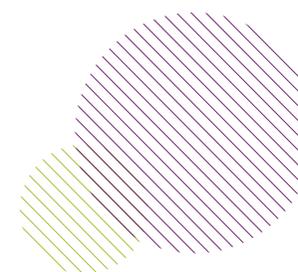
## **Operative for reporting periods beginning on/after 1 Jan 2019**

## **AASB 15**

*Revenue from Contracts with Customers*

This Standard establishes the principles that the Department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.

*[The Department's income is principally derived from appropriations which will be measured under AASB 1058 and will be unaffected by this change. However, the agency has not yet determined the potential impact of the Standard on 'User charges and fees' and 'Sales' revenue. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the agency has discharged its performance obligations.]*



# Notes to the Financial Statements

For the year ended 30 June 2018



## AASB 16

### Leases

This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

*[Whilst the impact of AASB 16 has not yet been quantified, the Department currently has commitments for \$88,231,000 worth of non-cancellable operating leases which will mostly be brought onto the Statement of Financial Position. Interest and amortisation expense will increase and rental expense will decrease.]*

## AASB 1058

### Income of Not-for-Profit Entities

This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers.

Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an agency. *[The Department anticipates that the application will not materially impact appropriation or untied grant revenues.]*

## AASB 1059

### Service Concession Arrangements: Grantors

This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. *[The Department has not identified any public private partnerships within scope of the Standard.]*

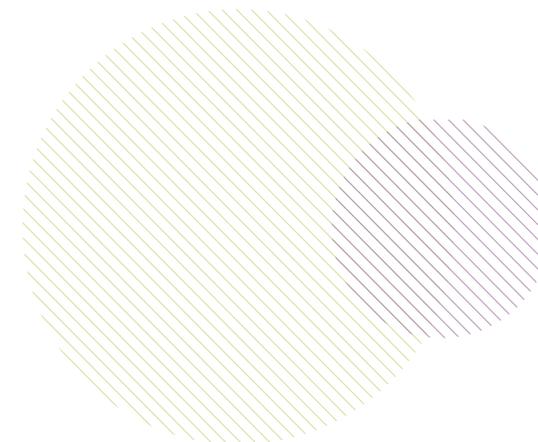
## AASB 2016-8

### Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.

## Changes in accounting estimates

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



# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 7. Employee benefits expense

	2018 \$000	2017 \$000
Wages and salaries	79,211	82,671
Superannuation <sup>(a)</sup>	10,525	10,684
Long service leave <sup>(b)</sup>	3,226	3,714
Annual leave <sup>(b)</sup>	13,885	14,875
Severance payments <sup>(c)</sup>	6,708	513
Other related expenses	1,817	2,042
	<b>115,372</b>	<b>114,499</b>

(a) Includes West State, Gold State, GESB and other eligible funds.

(b) Includes a superannuation contribution component.

(c) The total severance gross payout for 2018 was \$8,603,722, with \$1,895,713 related to leave entitlements (Refer to Note 30).

The employment on-costs liability is included at Note 30 'Provisions'.

## Note 8. Supplies and services

	2018 \$000	2017 \$000
Managed contracts	1,051,904	915,823
Communications	2,406	2,575
Consultants and contractors	44,630	44,156
Consumables	469	480
Repairs and maintenance	1,164	860
Travel	324	364
Legal costs	1,369	1,809
Other <sup>(a)</sup>	5,543	5,263
	<b>1,107,809</b>	<b>971,330</b>

(a) During the period the Department paid \$852,692 (2017: \$1,609,557) for insurance to the Insurance Commission of Western Australia.

## Note 9. Depreciation and amortisation expense

	2018 \$000	2017 \$000
<i>Depreciation</i>		
Office fitout	11,774	12,540
Computer equipment	366	498
Vehicles	38,159	41,622
Buildings	3,342	3,747
Leasehold improvements	7,940	8,065
Office equipment	59	54
<b>Total depreciation</b>	<b>61,640</b>	<b>66,526</b>
<i>Amortisation</i>		
Computer software	4,367	4,261
Licence	-	726
<b>Total amortisation</b>	<b>4,367</b>	<b>4,987</b>
<b>Total depreciation and amortisation</b>	<b>66,007</b>	<b>71,513</b>

## Note 10. Finance costs

	2018 \$000	2017 \$000
Western Australian Treasury Corporation - interest on borrowings	938	1,928
Interest on Heritage Maintenance payments	6,842	6,687
	<b>7,780</b>	<b>8,615</b>

'Finance costs' include interest on borrowings from the Western Australian Treasury Corporation and interest on long term borrowings.

## Note 11. Accommodation expenses

	2018 \$000	2017 \$000
Repairs and maintenance buildings	28,693	29,130
Cleaning and security	2,753	3,011
Lease rentals	9,116	10,095
	<b>40,562</b>	<b>42,236</b>

## Note 12. Grants and subsidies

	2018 \$000	2017 \$000
Grants - recurrent	578	754
Grants - capital	-	-
	<b>578</b>	<b>754</b>

## Note 13. Other expenses

	2018 \$000	2017 \$000
Minor equipment	587	1,325
Employment on-costs <sup>(a)</sup>	18	127
Audit fees	378	395
Revaluation decrements	38,465	32,024
Other	259	150
	<b>39,707</b>	<b>34,021</b>

(a) Includes workers' compensation insurance. The on-costs liability associated with the recognition of annual and long service leave liability is included at Note 30 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs. See also Note 7 'Employee benefits expense'.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 14. Income

	2018 \$000	2017 \$000
<i>User charges and fees</i>		
Sales	285	338
Rents for Government office accommodation	267,780	272,847
Managed building works	814,655	680,361
Vehicle fleet lease rental	53,070	59,638
Other	41,192	44,846
	<b>1,176,982</b>	<b>1,058,030</b>
<i>Commonwealth grants and contributions</i>		
Commonwealth grants and contributions	7,085	3,492
	<b>7,085</b>	<b>3,492</b>
<i>Interest revenue</i>		
Interest revenue	298	473
	<b>298</b>	<b>473</b>
<i>Other revenue</i>		
Recoups	2,152	2,446
Government vehicle schemes (GVS-SOVS)	96	103
Other	4,318	8,066
	<b>6,566</b>	<b>10,615</b>
	<b>1,190,931</b>	<b>1,072,610</b>

## Note 15. Net gain on disposal of non-current assets

	2018 \$000	2017 \$000
<b>Gain on disposal of non-current assets</b>		
<i>Net proceeds from disposal of non-current assets</i>		
Motor vehicles	38,994	71,581
<i>Carrying amount of non-current assets disposed</i>		
Motor vehicles	36,815	70,950
	<b>2,179</b>	<b>631</b>
<b>Loss on disposal of non-current assets</b>		
<i>Carrying amount of non-current assets disposed</i>		
Building	17	10
	<b>17</b>	<b>10</b>
<b>Net gain/(loss) on disposal of non-current assets</b>	<b>2,162</b>	<b>621</b>

## Note 16. Other gains

There were no gains on the revaluation of land and buildings for the year.

## Note 17. Income from State Government

	2018 \$000	2017 \$000
Appropriations received during the period:		
Service appropriations <sup>(a)</sup>	150,900	167,150
	150,900	167,150
Services received free of charge from other State Government agencies during the period:		
Department of the Attorney General <sup>(b)</sup>	-	1,580
Department of Justice <sup>(b)</sup>	1,747	-
Landgate	11,604	11,539
Department of Treasury	134	140
Department of the Premier and Cabinet	24	44
Department of Primary Industries and Regional Development	2	-
	13,511	13,303
Royalties for Regions Fund:		
Regional Infrastructure and Headworks Account <sup>(c)</sup>	106	125
	106	125
	<b>164,517</b>	<b>180,578</b>

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.

(b) Department of the Attorney General and Department of Corrective Services merged on 1 July 2017 to become Department of Justice due to machinery of government changes.

(c) State Government Royalties for Regions funds are used to fund district allowance payments for eligible regional public sector employees.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 18. Cash and cash equivalents

	2018 \$000	2017 \$000
<i>Current</i>		
Cash at bank	75,888	70,616
Cash on hand	2	2
	<b>75,890</b>	<b>70,618</b>

## Note 19. Restricted cash and cash equivalents

	2018 \$000	2017 \$000
<i>Current</i>		
Indian Ocean Territories Trust Fund	1,001	644
Royalties for Regions	-	486
Sunset Reserve Account	-	2,041
	<b>1,001</b>	<b>3,171</b>
<i>Non-current</i>		
Accrued salaries suspense account <sup>(a)</sup>	734	398
	<b>734</b>	<b>398</b>

(a) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year.

## Note 20. Receivables

	2018 \$000	2017 \$000
<i>Current</i>		
Receivables	58,142	74,784
Accrued revenue	7,220	6,990
GST receivable	1,993	-
Interest receivable	61	124
Trust account <sup>(a)</sup>	1,849	6,203
Underbillings <sup>(b)</sup>	63,121	88,330
<b>Total current</b>	<b>132,386</b>	<b>176,431</b>
<i>Non-current</i>		
Receivables	535	1,948
<b>Total non-current</b>	<b>535</b>	<b>1,948</b>

(a) Relates to funds held in trust by the Department's corporate property manager for management of rental services and incidental costs relating to Western Australia Government's occupation of Gordon Stephenson House. \$92,738 of funds managed by Jones Lang Lasalle was transferred to the Department of Local Government, Sport and Cultural Industries (DLGSCI) as the DLGSCI assumed responsibility for the Sunset Heritage Precinct on 1 April 2018.

(b) Contract costs incurred but not yet billed to clients.

The Department does not hold any collateral as security or other credit enhancements relating to receivables.

## Note 21. Finance lease receivables

The Department leases vehicles to Western Australian State Government agencies and entities. The majority of leases are operating leases, the balance are finance leases.

### Finance lease receivables

At balance date, the term of existing finance lease contracts varies between four and five years. A contract is subject to a fixed market rate of interest set at the time the contract is established. All contracts contain a renewal option and are secured by the underlying vehicle. Residual values are guaranteed by the relevant contracting agency or the entity.

	2018 \$000	2017 \$000
Gross investment in finance lease contracts	686	1,154
Less: Unearned finance income	(29)	(63)
Net investment in finance lease contracts	657	1,091
Less: Unguaranteed residual values of the finance leases at the balance date	-	-
Present value of the future minimum lease payment receivables	<b>657</b>	<b>1,091</b>
Accumulated allowances for unallocated minimum lease payment receivables	-	-

# Notes to the Financial Statements

For the year ended 30 June 2018

As at balance date, the gross investment and present value of receivables relating to the future minimum lease payments under non-cancellable finance lease arrangements were distributed as follows:

	2018 \$000	2017 \$000
<i>Current</i>		
Not later than 1 year	409	494
<i>Non-current</i>		
Later than 1 year and not later than 5 years	219	597
Later than 5 years	29	-
	248	597
	<b>657</b>	<b>1,091</b>

## Note 22. Amounts receivable for services (Holding Account)

	2018 \$000	2017 \$000
Current	779	2,250
Non-current	523,084	461,896
	<b>523,863</b>	<b>464,146</b>

Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

## Note 23. Other assets

	2018 \$000	2017 \$000
<i>Current</i>		
Prepayments	23,980	24,606
Other	5,367	4,648
	<b>29,347</b>	<b>29,254</b>
<i>Non-current</i>		
Prepayments	182	373
Other	4,125	6,067
	<b>4,307</b>	<b>6,440</b>

## Note 24. Property, plant, equipment and vehicles

	2018 \$000	2017 \$000
<i>Land</i>		
At fair value <sup>(a)</sup>	131,229	140,410
	131,229	140,410
<i>Buildings</i>		
At fair value <sup>(a)</sup>	126,512	141,624
Accumulated depreciation	(2,382)	(3,552)
	124,130	138,072
<i>Leasehold improvements</i>		
At cost	119,710	107,102
Accumulated depreciation	(37,259)	(29,320)
	82,451	77,782

	2018 \$000	2017 \$000
<i>Office equipment</i>		
At cost	376	338
Accumulated depreciation	(214)	(167)
	162	171
<i>Computer equipment</i>		
At cost	5,851	5,838
Accumulated depreciation	(5,472)	(5,086)
	379	752
<i>Office fitout</i>		
At cost	177,112	182,671
Accumulated depreciation	(78,487)	(67,730)
	98,625	114,941
<i>Motor vehicles</i>		
At cost	335,501	343,094
Accumulated depreciation	(100,035)	(109,736)
	235,466	233,358
<i>Works in progress</i>		
At cost	14,652	14,888
	14,652	14,888
<b>Total</b>		
At fair value/cost	910,943	935,965
Accumulated depreciation	(223,849)	(215,591)
	<b>687,094</b>	<b>720,374</b>

(a) Land and buildings were revalued as at 1 July 2017 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2018 and recognised at 30 June 2018. In undertaking the revaluation, fair value was determined by reference to market values for land: \$54,185,000 (2017: \$59,076,000) and buildings: \$89,315,000 (2017: \$94,147,000). 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). Information on fair value measurement is provided in Note 25 'Fair value measurement'.

# Notes to the Financial Statements

For the year ended 30 June 2018

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

2018	Land \$000	Buildings \$000	Leasehold Improvements \$000	Office Equipment \$000	Computer Equipment \$000	Office fitout \$000	Motor vehicles \$000	Work in progress \$000	Total \$000
Carrying amount at start of period	140,410	138,072	77,782	171	752	114,941	233,358	14,888	<b>720,374</b>
Additions	-	-	-	41	-	-	77,145	39,245	<b>116,431</b>
Transfers <sup>(a)</sup>	(765)	19,466	12,608	9	(7)	(4,542)	(64)	(39,481)	<b>(12,776)</b>
Other disposals	-	(17)	-	-	-	-	(36,814)	-	<b>(36,831)</b>
Revaluations	(8,416)	(30,049)	-	-	-	-	-	-	<b>(38,465)</b>
Depreciation	-	(3,342)	(7,939)	(59)	(366)	(11,774)	(38,159)	-	<b>(61,639)</b>
<b>Carrying amount at end of period</b>	<b>131,229</b>	<b>124,130</b>	<b>82,451</b>	<b>162</b>	<b>379</b>	<b>98,625</b>	<b>235,466</b>	<b>14,652</b>	<b>687,094</b>

2017	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at start of period	151,512	162,742	25,784	124	1,280	60,728	261,604	104,963	<b>768,737</b>
Additions	-	-	-	-	80	-	84,370	36,741	<b>121,191</b>
Transfers <sup>(b)</sup>	-	-	60,064	111	(111)	66,753	(44)	(126,816)	<b>(44)</b>
Other disposals	-	-	-	(10)	-	-	(70,950)	-	<b>(70,960)</b>
Revaluations	(11,102)	(20,922)	-	-	-	-	-	-	<b>(32,024)</b>
Depreciation	-	(3,747)	(8,066)	(54)	(497)	(12,540)	(41,622)	-	<b>(66,526)</b>
<b>Carrying amount at end of period</b>	<b>140,410</b>	<b>138,072</b>	<b>77,782</b>	<b>171</b>	<b>752</b>	<b>114,941</b>	<b>233,358</b>	<b>14,888</b>	<b>720,374</b>

(a) Work in Progress was transferred to Leasehold Improvements for \$12,607,845 and to office fitout for \$976,128 and to Building for \$25,897,030. Sunset Heritage Land, Building and Fitout were transferred to Department of Local Government, Sport and Cultural Industries for \$285,000, \$6,432,266 and \$5,362,209 respectively. Burswood Stadium Land was transferred to Western Australian Sports Centre Trust for \$480,000. 26 items of Office Fitout (Network Equipment) have been transferred to Department of Transport for \$155,246. During the financial year, three items of Office Equipment were transferred from Department of Treasury for \$10,339. The Department also transferred two items of Office Equipment to Department of Treasury for \$9,405. One Computing Equipment was transferred from Department of Treasury for \$1,124. One Computing Equipment was reclassified to Office Equipment for \$8,274. During the year, one vehicle was transferred to finance lease for the Department of Health (\$64,000).

(b) Work in progress was transferred to Leasehold Improvements for \$60,063,525 and to office fitout for \$66,751,752. During the year one vehicle was transferred to finance lease for Department of Education (\$44,000).

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 25. Fair value measurements

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair value At end of period
2018	\$000	\$000	\$000	\$000
Land (Note 24)	-	54,185	77,044	131,229
Buildings (Note 24)	-	89,315	34,815	124,130
	-	<b>143,500</b>	<b>111,859</b>	<b>255,359</b>

2017	\$000	\$000	\$000	\$000
Land (Note 24)	-	59,076	81,334	140,410
Buildings (Note 24)	-	94,147	43,925	138,072
	-	<b>153,223</b>	<b>125,259</b>	<b>278,482</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 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.

### Fair value measurements using significant unobservable inputs (Level 3)

2018	Land \$000	Buildings \$000
Fair value at start of period	81,334	43,925
Additions	-	25,897
Transfers	(765)	(6,432)
Revaluation increments/(decrements) recognised in Profit or Loss	(3,525)	(28,002)
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-
Depreciation expense	-	(573)
<b>Fair value at end of period</b>	<b>77,044</b>	<b>34,815</b>
Total losses for the period included in profit or loss, under 'Revaluation decrements'	3,525	28,002

2017	Land \$000	Buildings \$000
Fair value at start of period	91,917	55,301
Additions	-	-
Transfers	-	-
Revaluation increments/(decrements) recognised in Profit or Loss	(10,583)	(10,699)
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-
Depreciation expense	-	(677)
<b>Fair value at end of period</b>	<b>81,334</b>	<b>43,925</b>
Total losses for the period included in profit or loss, under 'Revaluation decrements'	10,583	10,699

# Notes to the Financial Statements

For the year ended 30 June 2018

## Valuation processes

There were no changes in valuation techniques during the period.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's Instructions require valuations of land 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 the Western Australian Land Information Authority (Valuations and Property Analytics) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

### *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 the Western Australian Land Information Authority (Valuations and Property Analytics). The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings.

## 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.

## Amendments to AASB 136

Mandatory application of AASB 2016-4 *Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* has no financial impact for the Department as the Department is classified as not-for-profit and regularly revalues specialised infrastructure property, plant and equipment assets. Therefore, fair value of the recoverable amount of such assets is expected to be materially the same as fair value.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 26. Intangible assets

	2018 \$000	2017 \$000
<i>Licences</i>		
At cost	13,782	13,782
Accumulated amortisation	(13,782)	(13,782)
	-	-
<i>Computer software</i>		
At cost	188,831	182,645
Accumulated amortisation	(166,250)	(161,883)
	<b>22,581</b>	<b>20,762</b>
<i>Work in progress</i>		
At cost	11,882	11,043
	<b>11,882</b>	<b>11,043</b>
<b>Total</b>		
At cost	214,495	207,470
Accumulated amortisation	(180,032)	(175,665)
	<b>34,463</b>	<b>31,805</b>

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

	Licences \$000	Computer software \$000	Work in progress \$000	Total \$000
<b>2018</b>				
Carrying amount at start of period	-	20,762	11,043	<b>31,805</b>
Additions	-	239	6,786	<b>7,025</b>
Transfers to computer software and licence	-	5,947	(5,947)	-
Amortisation expense	-	(4,367)	-	<b>(4,367)</b>
<b>Carrying amount at end of period</b>	<b>-</b>	<b>22,581</b>	<b>11,882</b>	<b>34,463</b>
<b>2017</b>				
Carrying amount at start of period	725	22,306	6,485	<b>29,516</b>
Additions	-	1,127	6,148	<b>7,275</b>
Transfers to computer software and licence	-	1,590	(1,590)	-
Amortisation expense	(725)	(4,261)	-	<b>(4,986)</b>
<b>Carrying amount at end of period</b>	<b>-</b>	<b>20,762</b>	<b>11,043</b>	<b>31,805</b>

## Note 27. Impairment of assets

There were no indications of impairment to property, plant, equipment, motor vehicles or intangible assets at 30 June 2018.

The Department 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.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 28. Payables

	2018 \$000	2017 \$000
<i>Current</i>		
Trade payables	2,103	2,772
GST payable	-	2,266
Accrued salaries	440	812
Accrued expenses	56,098	65,770
Interest - Western Australian Treasury Corporation (WATC)	40	82
Other	241	93
Overbillings <sup>(a)</sup>	53,848	43,818
	<b>112,770</b>	<b>115,613</b>

(a) Billings to clients less contract costs incurred.

## Note 29. Borrowings

	2018 \$000	2017 \$000
<i>Current</i>		
WATC - Western Australian Treasury Corporation	18,078	18,416
Heritage Maintenance Payments	5,835	5,624
	<b>23,913</b>	<b>24,040</b>
<i>Non-current</i>		
WATC - Western Australian Treasury Corporation	6,277	29,055
Heritage Maintenance Payments	49,728	48,721
	<b>56,005</b>	<b>77,776</b>

## Note 30. Provisions

	2018 \$000	2017 \$000
<i>Current</i>		
Employee benefits provision		
Annual leave <sup>(a)</sup>	8,876	10,063
Long service leave <sup>(b)</sup>	17,015	17,447
Deferred salary scheme <sup>(e)</sup>	228	245
Purchased leave	46	111
	26,165	27,866
Other provisions		
Employment on-costs <sup>(c)</sup>	47	50
	47	50
	<b>26,212</b>	<b>27,916</b>
<i>Non-current</i>		
Employee benefits provision		
Long service leave <sup>(b)</sup>	4,809	5,825
	4,809	5,825
Other provisions		
Employment on-costs <sup>(c)</sup>	9	11
Restoration costs <sup>(d)</sup>	534	524
	543	535
	<b>5,352</b>	<b>6,360</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

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

	2018 \$000	2017 \$000
Within 12 months of the end of the reporting period	6,496	7,519
More than 12 months after the reporting period	2,380	2,544
	<b>8,876</b>	<b>10,063</b>

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

	2018 \$000	2017 \$000
Within 12 months of the end of the reporting period	6,782	7,048
More than 12 months after the reporting period	15,042	16,224
	<b>21,824</b>	<b>23,272</b>

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in Note 13 'Other expenses'.

(d) This provision is for the rehabilitation of the Mt Walton East Intractable Waste Disposal Facility site.

(e) Deferred salary scheme liabilities have been 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:

	2018 \$000	2017 \$000
Within 12 months of the end of the reporting period	108	129
More than 12 months after the reporting period	120	116
	<b>228</b>	<b>245</b>

## Movements in other provisions

	2018 \$000	2017 \$000
<i>Remediation costs provisions</i>		
Carrying amount at start of period	525	517
Additional provisions recognised	9	8
Payments/other sacrifices of economic benefits	-	-
<b>Carrying amount at end of period</b>	<b>534</b>	<b>525</b>
<i>Employment on-cost provision</i>		
Carrying amount at start of period	61	62
Additional provisions recognised	11	25
Payments/other sacrifices of economic benefits	(16)	(26)
<b>Carrying amount at end of period</b>	<b>56</b>	<b>61</b>

## Note 31. Lease incentives

	2018 \$000	2017 \$000
<i>Current</i>		
Lease incentives	16,771	13,604
	<b>16,771</b>	<b>13,064</b>
<i>Non-current</i>		
Lease incentives	131,249	101,251
	<b>131,249</b>	<b>101,251</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 32. Other liabilities

	2018 \$000	2017 \$000
<i>Current</i>		
Unearned revenue	23,058	24,055
	<b>23,058</b>	<b>24,055</b>

## Note 33. Equity

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

### Contributed equity

	2018 \$000	2017 \$000
Balance at start of period	1,055,928	1,026,944
<i>Contributions by owners</i>		
Capital appropriations	14,902	28,763
<i>Other contributions by owners</i>		
Transfer of Strategic Projects (excluding Asset Sales) from Department of Treasury	32	-
Funding from Treasury Administered	200	-
Regional Infrastructure and Headworks Fund	-	245
<b>Total contributions by owners</b>	<b>232</b>	<b>245</b>

### Contributed equity

	2018 \$000	2017 \$000
<i>Distributions to owners</i>		
Return Regional Infrastructure and Headworks Fund to the Department of Treasury	(421)	-
Transfer of Fremantle Prison to State Heritage Office	-	(24)
Transfer of Public Utilities Office and Economic Reform to the Department of Treasury	(37)	-
Transfer Optus Stadium land to VenuesWest	(480)	-
Transfer of the Sunset Heritage Precinct to the Department of Local Government, Sport and Cultural Industries	(14,105)	-
<b>Total distributions to owners</b>	<b>(15,043)</b>	<b>(24)</b>
<b>Balance at end of period</b>	<b>1,056,019</b>	<b>1,055,928</b>

### Accumulated surplus

	2018 \$000	2017 \$000
Balance at start of period	59,133	48,292
Result for the period	(20,205)	10,841
<b>Balance at end of period</b>	<b>38,928</b>	<b>59,133</b>
<b>Total equity at end of period</b>	<b>1,094,947</b>	<b>1,115,061</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 34. Notes to the Statement of Cash Flows

### Reconciliation of cash

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

	2018 \$000	2017 \$000
Cash and cash equivalents <sup>(a)</sup>	75,890	70,618
Restricted cash and cash equivalents <sup>(b)</sup>	1,735	3,569
	<b>77,625</b>	<b>74,187</b>

(a) See also Note 18 'Cash and cash equivalents'.

(b) See also Note 19 'Restricted cash and cash equivalents'.

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

	2018 \$000	2017 \$000
Net cost of services	(184,722)	(169,737)
<i>Non-cash items</i>		
Depreciation and amortisation expense (Note 9)	66,007	71,513
Services received free of charge (Note 17)	13,511	13,303
Loss on revaluation increment (Note 13)	38,465	32,024
Gain on disposal of property, plant, equipment and vehicles (Note 15)	(2,162)	(622)

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

	2018 \$000	2017 \$000
<i>(Increase)/decrease in assets</i>		
Current receivables <sup>(a)</sup>	45,791	(52,667)
Other current assets	64	(91)
<i>Increase/(decrease) in liabilities</i>		
Current payables <sup>(a)</sup>	(41,434)	14,508
Accrued salaries	(7)	375
Unearned revenues	(385)	654
Employee benefits	(2,591)	380
Net GST receipts/(payments) <sup>(b)</sup>	1,668	1,355
Change in GST in receivables/payables <sup>(c)</sup>	(2,345)	(3,019)
<b>Net cash provided by/(used in) operating activities</b>	<b>(68,140)</b>	<b>(92,024)</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.

The mandatory application of AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* imposed disclosure impacts only. The Department is not exposed to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 35. Services provided free of charge

	2018 \$000	2017 \$000
During the year the following services were provided to other agencies free of charge for functions outside the normal operations of the Department:		
Department of the Premier and Cabinet	3,295	3,607
Department of the Attorney General <sup>(a)</sup>	-	1,865
Department of Transport	645	671
Department of Planning <sup>(b)</sup>	-	628
Department of Commerce <sup>(c)</sup>	-	539
Department of Aboriginal Affairs <sup>(b)</sup>	-	482
Department of Culture and the Arts <sup>(d)</sup>	-	465
Office of the Auditor General	408	457
Disability Services Commission <sup>(e)</sup>	-	427
Department for Child Protection and Family Support <sup>(e)</sup>	-	370
Department of Training & Workforce Development	376	359
Public Sector Commission	453	353
Department of Local Government & Communities <sup>(d)</sup>	-	351
Western Australia Police	376	342
Department of Treasury	423	341
Department of Corrective Services <sup>(a)</sup>	-	332
The Ombudsman	281	315
Department of Health	334	313
Department of Justice <sup>(a)</sup>	2,218	-
Department of Planning, Lands and Heritage <sup>(b)</sup>	1,460	-
Department of Communities <sup>(e)</sup>	1,588	-

	2018 \$000	2017 \$000
Department of Primary Industries and Regional Development <sup>(f)</sup>	829	-
Department of Mines, Industry Regulation and Safety <sup>(c)</sup>	620	-
Department of Local Government, Sports and Cultural Industries <sup>(d)</sup>	736	-
Other Agencies <sup>(g)</sup>	1,547	2,997
	<b>15,589</b>	<b>15,214</b>

(a) Department of the Attorney General and Department of Corrective Services merged on 1 July 2017 to become Department of Justice due to Machinery of Government changes.

(b) Department of Planning, Department of Lands, Department of Aboriginal Affairs and State Heritage Office merged on 1 July 2017 to become Department of Planning, Lands and Heritage due to Machinery of Government changes.

(c) Department of Commerce and Department of Mines and Petroleum merged on 1 July 2017 to become Department of Mines, Industry Regulation and Safety due to Machinery of Government changes.

(d) Department of Local Government and Communities, Department of Culture and the Arts, Department of Racing, Gaming and Liquor and Department of Sport and Recreation merged on 1 July 2017 to become Department of Local Government, Sport and Cultural Industries due to Machinery of Government changes.

(e) Department of Child Protection and Family Support, Department of Housing, Disability Services Commission and Department of Local Government and Communities merged on 1 July 2017 to become Department of Communities due to Machinery of Government changes.

(f) Department of Agriculture and Food, Department of Regional Development, Department of Fisheries and Regional Development Commissions merged on 1 July 2017 to become Department of Primary Industries and Regional Development due to Machinery of Government changes.

(g) Includes 29 Agencies in 2018 and 50 Agencies in 2017.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 36. Commitments

### Non-cancellable operating lease commitments

	2018 \$000	2017 \$000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	7,895	9,367
Later than 1 year and not later than 5 years	30,061	34,464
Later than 5 years	50,275	29,908
	<b>88,231</b>	<b>73,739</b>

The property leases are non-cancellable and have terms up to 25 years, with rent generally payable monthly in advance. Depending on the terms and conditions of the lease concerned, rent review provisions exist which generally result in rental increases throughout the lease terms. Options exist in most leases which permit leases to be extended under the prevailing lease terms and conditions, resulting in leases being extended beyond their original lease term.

### Capital expenditure commitments

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

	2018 \$000	2017 \$000
Within 1 year	23,897	41,511
Later than 1 year and not later than 5 years	100	589
	<b>23,997</b>	<b>42,100</b>

### Other expenditure commitments

Other expenditure commitments contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

	2018 \$000	2017 \$000
Within 1 year	10,515	10,054
Later than 1 year and not later than 5 years	-	-
	<b>10,515</b>	<b>10,054</b>

### Other operating lease receivables

Reflects State Fleet operating lease receivables for vehicles owned by the Department. As at balance date, the future minimum lease payments under non-cancellable operating lease arrangements were distributed as follows:

	2018 \$000	2017 \$000
Within 1 year	43,439	40,980
Later than 1 year and not later than 5 years	70,957	54,407
Later than 5 years	1,442	581
	<b>115,838</b>	<b>95,968</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 37. Contingent liabilities and contingent assets

A range of significant infrastructure projects have reached or are reaching completion (such as the Perth Children's Hospital and Optus Stadium). There may be claims that arise in relation to works or activities associated with such projects. Claims will generally be subject to a period of negotiation and may either be withdrawn, subsequently settled (at a value agreed between the two parties), or proceed to some alternative process for resolution such as through legal action. Where costs are negotiated and claims settled, these are reflected in the financial statements.

The Department is undertaking a review of its building portfolio to identify any potential risk associated with combustible aluminium composite cladding. The costs associated with any potential remedial work required cannot be reliably estimated until the review has been completed.

### *Contaminated Sites Act 2003*

Under the *Contaminated Sites Act 2003*, the Department is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as *contaminated – remediation required*, *contaminated – restricted use* or *possibly contaminated – investigation required*, the Department may have a liability in respect of investigation or remediation expenses.

The Department has reported two suspected contaminated sites to DWER. The first site has been classified as possibly contaminated-investigation required. The Department 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 Department may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

The second site has been classified as contaminated – restricted use. For this site, a restoration cost provision has been recognised to rehabilitate it to a standard suitable for future land use.

## Note 38. Related bodies and affiliated bodies

The Department has no related bodies or affiliated bodies.

## Note 39. Events occurring after the end of the reporting period

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 40. Financial instruments

### (a) Financial risk management objectives and policies

Financial instruments held by the Department are cash and cash equivalents, restricted cash and cash equivalents, borrowings, finance leases, Treasurer's advances, loans and receivables and payables. The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the following risks.

#### *Credit risk*

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

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 40(c) 'Financial instrument disclosures' and Note 20 'Receivables'.

Credit risk associated with the Department's financial assets is minimal because the main receivable is the amount receivable for services (holding account). For receivables other than government, the Department trades only with recognised, creditworthy third parties. The Department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

#### *Liquidity risk*

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

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

The Department has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

The Department has a facility agreement in place with the Western Australian Treasury Corporation (WATC) to borrow up to \$250,000,000 to meet State Fleet contractual requirements, purchase vehicles and provide working capital. As at 30 June 2018 \$24,355,364 was drawn against the facility.

#### *Market risk*

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Department's income or the value of its holdings of financial instruments. The Department does not trade in foreign currency and is not materially exposed to other price risks (for example, equity securities or commodity prices changes). The Department's exposure to market risk for changes in interest rates relates primarily to the long-term debt obligations.

# Notes to the Financial Statements

For the year ended 30 June 2018

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 40(c), the Department 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).

## (b) Categories of financial instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	2018 \$000	2017 \$000
<i>Financial assets</i>		
Cash and cash equivalents	75,890	70,618
Restricted cash and cash equivalents	1,735	3,569
Receivables <sup>(a)</sup>	130,929	178,379
Finance lease receivables	657	1,091
Amounts receivable for services	523,863	464,146
	<b>733,074</b>	<b>717,803</b>
<i>Financial liabilities</i>		
Payables <sup>(b)</sup>	112,770	113,347
WATC borrowings	24,355	47,471
Heritage Maintenance Payments	55,563	54,345
	<b>192,688</b>	<b>215,163</b>

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

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## (c) Financial instrument disclosures

### Credit risk

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

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

### Ageing analysis of financial assets

	Not past due and not impaired		Past due but not impaired					Impaired financial assets \$000
	Carrying Amount \$000	\$000	Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
<b>2018</b>								
Cash and cash equivalents	75,890	75,890	-	-	-	-	-	-
Restricted cash and cash equivalents	1,735	1,735	-	-	-	-	-	-
Receivables <sup>(a)</sup>	130,929	123,336	5,808	1,257	501	27	-	-
Finance lease receivables	657	639	18	-	-	-	-	-
Amounts receivable for services	523,863	523,863	-	-	-	-	-	-
	<b>733,074</b>	<b>725,463</b>	<b>5,826</b>	<b>1,257</b>	<b>501</b>	<b>27</b>	-	-
<b>2017</b>								
Cash and cash equivalents	70,618	70,618	-	-	-	-	-	-
Restricted cash and cash equivalents	3,569	3,569	-	-	-	-	-	-
Receivables <sup>(a)</sup>	178,379	172,696	2,618	15	67	2,983	-	-
Finance lease receivables	1,091	1,069	22	-	-	-	-	-
Amounts receivable for services	464,146	464,146	-	-	-	-	-	-
	<b>717,803</b>	<b>712,098</b>	<b>2,640</b>	<b>15</b>	<b>67</b>	<b>2,983</b>	-	-

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## Liquidity risk and interest rate exposure

The following table details the Department's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

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

	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Interest rate exposure			Nominal Amount \$000	Maturity dates					
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non- Interest Bearing \$000		Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
<b>2018</b>												
<i>Financial assets</i>												
Cash and cash equivalents	1.96	75,890	-	11,960	63,930	75,890	75,890	-	-	-	-	-
Restricted cash and cash equivalents	-	1,735	-	-	1,735	1,735	-	-	946	55	734	-
Receivables <sup>(a)</sup>	-	130,929	-	-	130,929	130,929	128,981	-	1,413	535	-	-
Finance lease receivables	3.64	657	657	-	-	686	19	95	314	227	31	-
Amounts receivable for services	-	523,863	-	-	523,863	523,863	-	-	779	3,270	519,814	-
		<b>733,074</b>	<b>657</b>	<b>11,960</b>	<b>720,457</b>	<b>733,103</b>	<b>204,890</b>	<b>95</b>	<b>3,452</b>	<b>4,087</b>	<b>520,579</b>	
<i>Financial liabilities</i>												
Payables <sup>(b)</sup>	-	112,770	-	-	112,770	112,770	112,765	5	-	-	-	-
WATC borrowings	2.34	24,355	24,355	-	-	24,788	1,613	2,634	15,075	5,466	-	-
Heritage Maintenance Payments	12.46	55,563	55,563	-	-	190,897	482	963	4,390	25,612	159,450	-
		<b>192,688</b>	<b>79,918</b>	<b>-</b>	<b>112,770</b>	<b>328,455</b>	<b>114,860</b>	<b>3,602</b>	<b>19,465</b>	<b>31,078</b>	<b>159,450</b>	

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

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

# Notes to the Financial Statements

For the year ended 30 June 2018

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

	Weighted Average Effective Interest Rate %	Carrying Amount \$000	Interest rate exposure			Nominal Amount \$000	Maturity dates					
			Fixed Interest Rate \$000	Variable Interest Rate \$000	Non- Interest Bearing \$000		Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
<b>2017</b>												
<i>Financial Assets</i>												
Cash and cash equivalents	1.98	70,618	-	21,678	48,940	70,618	70,618	-	-	-	-	-
Restricted cash and cash equivalents	-	3,569	-	-	3,569	3,569	-	-	-	3,171	398	-
Receivables <sup>(a)</sup>	-	178,379	-	-	178,379	178,379	175,018	-	1,413	1,948	-	-
Finance lease receivables <sup>(c)</sup>	4.52	1,091	1,091	-	-	1,153	24	120	390	619	-	-
Amounts receivable for services	-	464,146	-	-	464,146	464,146	-	-	2,250	4,699	457,197	-
		<b>717,803</b>	<b>1,091</b>	<b>21,678</b>	<b>695,034</b>	<b>717,865</b>	<b>245,660</b>	<b>120</b>	<b>4,053</b>	<b>10,437</b>	<b>457,595</b>	
<i>Financial Liabilities</i>												
Payables <sup>(b)</sup>	-	113,347	-	-	113,347	113,347	113,293	17	37	-	-	-
WATC borrowings <sup>(c)</sup>	2.52	47,471	47,471	-	-	48,871	2,678	3,370	18,036	24,787	-	-
Heritage Maintenance Payments <sup>(c)</sup>	12.46	54,345	54,345	-	-	196,520	464	929	4,231	24,686	166,210	-
		<b>215,163</b>	<b>101,816</b>	<b>-</b>	<b>113,347</b>	<b>358,738</b>	<b>116,434</b>	<b>4,316</b>	<b>22,305</b>	<b>49,473</b>	<b>166,210</b>	

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

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

(c) The maturity analysis section includes interest and principal cash flows.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Department'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.

2018	Carrying amount \$000	-100 basis points		+100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
<i>Financial Assets</i>					
Cash and cash equivalents	11,960	(120)	(120)	120	120
<b>Total increase/(decrease)</b>	<b>11,960</b>	<b>(120)</b>	<b>(120)</b>	<b>120</b>	<b>120</b>

2017	Carrying amount \$000	-100 basis points		+100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
<i>Financial Assets</i>					
Cash and cash equivalents	21,678	(217)	(217)	217	217
<b>Total increase/(decrease)</b>	<b>21,678</b>	<b>(217)</b>	<b>(217)</b>	<b>217</b>	<b>217</b>

## Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

## Note 41. Remuneration of auditor

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

	2018 \$000	2017 \$000
Auditing the accounts, controls, financial statements and key performance indicators	384	376

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 42. Compensation of Key Management Personnel

The Department has determined that key management personnel include Ministers and senior officers of the Department. However, the Department is not obligated to compensate Ministers and therefore disclosures in relation to Minister's compensation 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:

Compensation Band (\$)	2018	2017
120,001 - 130,000	1	-
140,001 - 150,000	1	-
160,001 - 170,000	1	-
200,001 - 210,000	1	-
210,001 - 220,000	1	2
240,001 - 250,000	1	-
290,001 - 300,000	-	2
300,001 - 310,000	1	-
360,001 - 370,000	1	-
400,001 - 410,000	1	3

	2018 \$000	2017 \$000
Short term employee benefits	1,725	1,775
Post employment benefits	239	228
Other long term benefits	213	239
Termination benefits	-	-
<b>Total compensation of senior officers</b>	<b>2,177</b>	<b>2,242</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 43. Related Party Transactions

The Department is a wholly-owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Department include:

- ✦ all 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 their related bodies, that are included in the whole of government consolidated financial statements;
- ✦ associates and joint ventures of an entity that are included in the whole-of-government consolidated financial statements; and
- ✦ the Government Employees Superannuation Board (GESB).

### Significant transactions with Government related entities

Significant transactions include:

- ✦ Managed building works revenue for the planning, delivery, management and maintenance of government buildings (*Note 14*);
- ✦ Vehicle fleet lease rental revenue from vehicle leasing arrangements (*Note 14*);
- ✦ Rental income for government office accommodation (*Note 14*);
- ✦ Provide vehicle finance leases (*Note 21*);
- ✦ Remuneration for services provided by the Auditor General (*Note 41*);

- ✦ Provide accommodation leasing services and fitouts free of charge (*Note 35*);
- ✦ Loan facility from the Western Australian Treasury Corporation (*Note 29*);
- ✦ Services received free of charge from Department of Justice, Landgate, Department of Treasury and Department of the Premier and Cabinet (*Note 17*);
- ✦ Service appropriations (*Note 17*);
- ✦ Insurance payments to the Insurance Commission of Western Australia (*Note 8*);
- ✦ Capital appropriations (*Note 33*);
- ✦ Transfer Optus Stadium land to VenuesWest (*Notes 24 and 33*);
- ✦ Transfer Strategic Projects (excluding Asset Sales) from Department of Treasury (*Notes 24 and 33*);
- ✦ Transfer Public Utilities Office and Economic Reform to Department of Treasury (*Notes 24 and 33*); and
- ✦ Transfer Sunset Heritage Precinct to the Department of Local Government, Sport and Cultural Industries (*Notes 24 and 33*)

### Material transactions with other related parties:

During the year, the Department paid \$9,495,737 in employee superannuation contributions to the Government Employees Superannuation Board.

Outside of normal citizen type transactions with the Department, 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.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 44. Explanatory Statement

All variances between estimates (original budget) and actual results for 2018, and between the actual results for 2018 and 2017 are shown below.

Narrative are provided for key variations selected from observed major variances, which are generally greater than:

- ✦ 5% and \$24.86 million for the Statements of Comprehensive Income and Cash Flows; and
- ✦ 5% and \$25.00 million for the Statement of Financial Position.

### Statement of Comprehensive Income (Controlled Operations)

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
Employee benefits expense		135,421	115,372	114,499	(20,049)	873
Supplies and services	<u>1</u>	1,175,927	1,107,809	971,330	(68,118)	136,479
Depreciation and amortisation expense		82,634	66,007	71,513	(16,627)	(5,506)
Finance costs		7,655	7,780	8,615	125	(835)
Accommodation expenses		26,644	40,562	42,236	13,918	(1,674)
Grants and subsidies		1,073	578	754	(495)	(176)
Loss on disposal of non-current assets		-	17	10	17	7
Other expenses	<u>2</u>	5,841	39,707	34,021	33,866	5,686
<b>Total cost of services</b>		<b>1,435,195</b>	<b>1,377,832</b>	<b>1,242,978</b>	<b>(57,363)</b>	<b>134,854</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>Income</b>						
<i>Revenue</i>						
User charges and fees	3	1,272,747	1,176,982	1,058,030	(95,765)	118,952
Commonwealth grants and contributions		1,425	7,085	3,492	5,660	3,593
Interest revenue		156	298	473	142	(175)
Other revenue		9,545	6,566	10,615	(2,979)	(4,049)
<b>Total revenue</b>		<b>1,283,873</b>	<b>1,190,931</b>	<b>1,072,610</b>	<b>(92,942)</b>	<b>118,321</b>
<i>Gains</i>						
Gain on disposal of non-current assets		-	2,179	631	2,179	1,548
<b>Total gains</b>		<b>-</b>	<b>2,179</b>	<b>631</b>	<b>2,179</b>	<b>1,548</b>
<b>Total income other than income from State Government</b>		<b>1,283,873</b>	<b>1,193,110</b>	<b>1,073,241</b>	<b>(90,763)</b>	<b>119,869</b>
<b>NET COST OF SERVICES</b>		<b>(151,322)</b>	<b>(184,722)</b>	<b>(169,737)</b>	<b>(33,400)</b>	<b>(14,985)</b>
<b>Income from State Government</b>						
Service appropriations		152,507	150,900	167,150	(1,607)	(16,250)
Services received free of charge		14,646	13,511	13,303	(1,135)	208
Royalties for Regions Fund		125	106	125	(19)	(19)
<b>Total income from State Government</b>		<b>167,278</b>	<b>164,517</b>	<b>180,578</b>	<b>(2,761)</b>	<b>(16,061)</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>15,956</b>	<b>(20,205)</b>	<b>10,841</b>	<b>(36,161)</b>	<b>(31,046)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>15,956</b>	<b>(20,205)</b>	<b>10,841</b>	<b>(36,161)</b>	<b>(31,046)</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## *Major Estimate and Actual (2018) Variance Narratives*

1. The 2018 actual reflects a lower than budgeted result in Capital Works expenditure managed by Building Management and Works on behalf of Government agencies due to slower than expected economic conditions.
2. The 2018 actual includes the write down of the Department's land and building assets as a result of the annual valuation process.
3. A reduction in Capital Works expenditure managed on behalf of Government agencies resulted in lower recoveries in 2018.

## *Major Actual (2018) and Comparative (2017) Variance Narratives*

1. The higher expenditure in 2018 reflects an increased demand for agency services primarily relating to Capital projects managed on behalf of other agencies along with the Strategic Project works transferred from the Department of Treasury.
3. The increase in 2018 is as a result of a higher recovery of costs in line with the increased Capital Works expenditure managed on behalf of other Government agencies along with the Strategic Project works transferred from the Department of Treasury.

## **Statement of Financial Position (Controlled Operations)**

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>ASSETS</b>						
<i>Current assets</i>						
Cash and cash equivalents		127,198	75,890	70,618	(51,308)	5,272
Restricted cash and cash equivalents		6,531	1,001	3,171	(5,530)	(2,170)
Receivables		180,577	132,386	176,431	(48,191)	(44,045)
Finance lease receivables		533	409	494	(124)	(85)
Amounts receivable for services		1,487	779	2,250	(708)	(1,471)
Other current assets		25,245	29,347	29,254	4,102	93
<b>Total current assets</b>		<b>341,571</b>	<b>239,812</b>	<b>282,218</b>	<b>(101,759)</b>	<b>(42,406)</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

Note 44. Explanatory statement (cont.)

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<i>Non-current assets</i>						
Restricted cash and cash equivalents		170	734	398	564	336
Receivables		-	535	1,948	535	(1,413)
Finance lease receivables		2,508	248	597	(2,260)	(349)
Amounts receivable for services	<u>1</u>	521,375	523,084	461,896	1,709	61,188
Property, plant, equipment and vehicles	<u>2</u>	738,380	687,094	720,374	(51,286)	(33,280)
Intangible assets		22,115	34,463	31,805	12,348	2,658
Other non-current assets		5,736	4,307	6,440	(1,429)	(2,133)
<b>Total non-current assets</b>		<b>1,290,284</b>	<b>1,250,465</b>	<b>1,223,458</b>	<b>(39,819)</b>	<b>27,007</b>
<b>TOTAL ASSETS</b>		<b>1,631,855</b>	<b>1,490,277</b>	<b>1,505,676</b>	<b>(141,578)</b>	<b>(15,399)</b>
<b>LIABILITIES</b>						
<i>Current liabilities</i>						
Payables		198,299	112,770	115,613	(85,529)	(2,843)
Borrowings		27,342	23,913	24,040	(3,429)	(127)
Provisions		28,981	26,212	27,916	(2,769)	(1,704)
Lease incentives		9,834	16,771	13,604	6,937	3,167
Other current liabilities		26,996	23,058	24,055	(3,938)	(997)
<b>Total current liabilities</b>		<b>291,452</b>	<b>202,724</b>	<b>205,228</b>	<b>(88,728)</b>	<b>(2,504)</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<i>Non-current liabilities</i>						
Borrowings		61,255	56,005	77,776	(5,250)	(21,771)
Provisions		5,926	5,352	6,360	(574)	(1,008)
Lease incentives	3	88,849	131,249	101,251	42,400	29,998
<b>Total non-current liabilities</b>		<b>156,030</b>	<b>192,606</b>	<b>185,387</b>	<b>36,576</b>	<b>7,219</b>
<b>TOTAL LIABILITIES</b>		<b>447,482</b>	<b>395,330</b>	<b>390,615</b>	<b>(52,152)</b>	<b>4,715</b>
<b>NET ASSETS</b>						
		<b>1,184,373</b>	<b>1,094,947</b>	<b>1,115,061</b>	<b>(89,426)</b>	<b>(20,114)</b>
<b>EQUITY</b>						
Contributed equity		1,136,736	1,056,019	1,055,928	(80,717)	91
Accumulated surplus/(deficit)		47,637	38,928	59,133	(8,709)	(20,205)
<b>TOTAL EQUITY</b>		<b>1,184,373</b>	<b>1,094,947</b>	<b>1,115,061</b>	<b>(89,426)</b>	<b>(20,114)</b>

### Major Estimate and Actual (2018) Variance Narratives

- The variance to estimate is due to a decrease in the value of land and buildings as a result of the annual revaluation process and reductions in fleet purchases as a result of the State Fleet reforms.
- Lease incentives have increased as a result of favourable leasing conditions negotiated on behalf of government.

### Major Actual (2018) and Comparative (2017) Variance Narratives

- The higher 2018 actual is mainly due to the increasing depreciating provisions for additional State-owned assets related to capital works program undertaken by the Department.
- Lease incentives in 2018 increased as a result of favourable leasing conditions negotiated on behalf of government.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 44. Explanatory statement (cont.)

### Statement of Cash Flows (Controlled Operations)

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriations		91,291	89,857	113,948	(1,434)	(24,091)
Capital appropriations		15,932	14,902	28,763	(1,030)	(13,861)
Funding from Treasury administered		1,200	200	-	(1,000)	200
Holding account drawdowns		2,250	1,326	770	(924)	556
Royalties for Regions Fund		125	106	125	(19)	(19)
Regional Infrastructure and Headworks Fund		-	(421)	245	(421)	(666)
Non-retained revenue distributed to owner		-	-	(24)	-	24
<b>Net cash provided by State Government</b>		<b>110,798</b>	<b>105,970</b>	<b>143,827</b>	<b>(4,828)</b>	<b>(37,857)</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<i>Payments</i>						
Employee benefits		(135,346)	(117,949)	(113,736)	17,397	(4,213)
Supplies and services	<u>1</u>	(1,147,690)	(1,136,777)	(944,694)	10,913	(192,083)
Finance costs		(7,692)	(6,604)	(7,359)	1,088	755
Accommodation		(26,646)	(40,438)	(40,804)	(13,792)	366
Grants and subsidies		(1,073)	(574)	(754)	499	180
GST payments on purchases		(148,067)	(134,697)	(112,146)	13,370	(22,551)
GST payments to taxation authority		(3,204)	(6,032)	(6,136)	(2,828)	104
Other payments		(337)	(2,632)	(4,945)	(2,295)	2,313
<i>Receipts</i>						
User charges and fees	<u>2</u>	1,294,815	1,216,232	1,011,354	(78,583)	204,878
Commonwealth grants and contributions		1,425	5,575	3,337	4,150	2,238
Interest received		152	361	382	209	(21)
GST receipts on sales		139,711	132,352	109,127	(7,359)	23,225
GST receipts from taxation authority		12,310	7,700	7,491	(4,610)	209
Other receipts		17,335	15,343	6,859	(1,992)	8,484
<b>Net cash provided by/(used in) operating activities</b>		<b>(4,307)</b>	<b>(68,140)</b>	<b>(92,024)</b>	<b>(63,833)</b>	<b>23,884</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<i>Payments</i>						
Purchase of non-current physical assets	<u>3</u>	(164,892)	(122,972)	(148,153)	41,920	25,181
<i>Receipts</i>						
Proceeds from sale of non-current physical assets	<u>4</u>	53,911	39,016	71,559	(14,895)	(32,543)
Receipts from lease incentives		40,695	41,544	27,762	849	13,782
<b>Net cash provided by/(used in) investing activities</b>		<b>(70,286)</b>	<b>(42,412)</b>	<b>(48,832)</b>	<b>27,874</b>	<b>6,420</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<i>Payments</i>						
Repayment of borrowings		(17,983)	(23,115)	(30,689)	(5,132)	7,574
<i>Receipts</i>						
Proceeds from borrowings		6,000	-	2,923	(6,000)	(2,923)
Finance leases receipts		5,143	500	753	(4,643)	(253)
<b>Net cash provided by/(used in) financing activities</b>		<b>(6,840)</b>	<b>(22,615)</b>	<b>(27,014)</b>	<b>(15,775)</b>	<b>4,399</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
Net increase/(decrease) in cash and cash equivalents		29,365	(27,197)	(24,043)	(56,562)	(3,154)
Cash balance transferred to the Department of Treasury		868	(28)	-	(896)	(28)
Cash balance transferred from the Department of Treasury	5	-	32,705	-	32,705	32,705
Cash balance transferred to the Department of Local Government, Sport and Cultural Industries		-	(2,042)	-	(2,042)	(2,042)
Cash and cash equivalents at the beginning of the period		103,666	74,187	98,230	(29,479)	(24,043)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>133,899</b>	<b>77,625</b>	<b>74,187</b>	<b>(56,274)</b>	<b>3,438</b>

## Major Estimate and Actual (2018) Variance Narratives

2. A reduction in Capital Works expenditure managed on behalf of government agencies resulted in lower recoveries in 2018.
3. Lower expenditure than budget is the result of lower vehicle purchases due to State Fleet reforms and lower than anticipated expenditure on lease incentive funded assets.
5. Monies transferred as a result of Machinery of Government changes.

## Major Actual (2018) and Comparative (2017) Variance Narratives

1. The higher expenditure in 2018 reflects an increased demand for agency services primarily relating to Capital projects managed on behalf of other agencies.
2. The increase in 2018 is as a result of a higher recovery of costs in line with the increased Capital Works expenditure managed on behalf of other government agencies.
3. Lower expenditure is the result of lower vehicle purchases due to State Fleet reforms and lower than anticipated expenditure on lease incentive funded assets.
4. The higher actual in 2017 compared to 2018 is as a result of the exit of Water Corporation from the State Fleet leasing arrangements resulting in the sale of the vehicles to the Water Corporation.
5. Monies transferred as a result of Machinery of Government changes.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 45. Special purpose accounts - controlled

	2018 \$000	2017 \$000
<i>Sunset Reserve Account</i>		
The purpose of the account is to record receipts in respect of leasings, proceeds from the disposal of the excised land, amounts appropriated by Parliament, and payments incurred in the conservation and management of Sunset Reserve.		
Balance at the start of period	2,076	7,270
Receipts	308	274
Payments	(2,384)	(5,468)
<b>Balance at the end of period</b>	<b>-</b>	<b>2,076</b>

Refer also to Note 19 'Restricted cash' and Note 20 'Receivables'.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 46. Explanatory statement for Administered Items - Income and Expenses

All variances between estimates (original budget) and actual results for 2018, and between the actual results for 2018 and 2017 are shown below. Narratives are provided for key major variances, which are generally greater than 5% and \$25 million.

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>INCOME FROM ADMINISTERED ITEMS</b>						
<b>INCOME</b>						
Taxation						
Insurance Duty		644,951	625,564	641,372	(19,387)	(15,808)
Land Tax		843,916	842,502	873,746	(1,414)	(31,244)
Payroll Tax		3,223,117	3,284,154	3,255,594	61,037	28,560
Transfer Duty	<u>1</u>	1,296,689	1,226,205	1,356,805	(70,484)	(130,600)
Vehicle Licence Duty		347,572	354,663	344,133	7,091	10,530
Other income <sup>(a)</sup>	<u>2</u>	383,313	409,924	327,695	26,611	82,229
Other revenue						
Other revenue		41,240	41,448	40,086	208	1,362
Appropriations						
<i>First Home Owners Grant Act 2000</i>		74,612	91,171	72,765	16,559	18,406
Administered Grants and Transfer Payments <sup>(b)</sup>		185,070	160,994	164,281	(24,076)	(3,287)
Collections raised on behalf of other agencies		64,136	64,035	63,549	(101)	486
<b>Total Administered Income</b>		<b>7,104,616</b>	<b>7,100,660</b>	<b>7,140,026</b>	<b>(3,956)</b>	<b>(39,366)</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>EXPENSES</b>						
Grants and subsidies						
Administered Grants, Subsidies and Other Transfer Payments <sup>(b)</sup>		185,070	160,994	164,281	(24,076)	(3,287)
First Home Owners Scheme		74,612	91,171	72,765	16,559	18,406
Other expenses		6,780,798	6,743,647	6,712,652	(37,151)	30,995
Collections transferred to other agencies		64,136	64,035	63,549	(101)	486
<b>Total Administered Expenses</b>		<b>7,104,616</b>	<b>7,059,847</b>	<b>7,013,247</b>	<b>(44,769)</b>	<b>46,600</b>

(a) Other income includes Metropolitan Region Improvement Tax, Racing and Wagering Western Australia Tax, Landholder Duty, Other Duties and Commonwealth Mirror Taxes.

(b) Subsidies and Other Transfer Payments includes Pensioner concessions for Local Government and Water rates and Refund of Past Years Revenue. 2017 actuals include \$5.5 million under the First Home Owners Grant Boost scheme announced 27 December 2016 and funded by Item 70: Amount provided for Administered Grants, Subsidies and Other Transfer Payments.

## Major Estimate and Actual (2018) Variance Narratives

- Transfer duty collections were \$70.5 million lower when compared to the 2018 estimate. This was primarily due to weaker than expected activity in the residential market and reflects a range of factors, including a tightening of residential lending standards and modest out-of-cycle increases in residential mortgage rates.
- Revenue from 'other taxes' was \$26.6 million higher than the 2018 estimate, primarily due to higher than forecast Landholder Duty collections reflecting that the overall value of large one-off landholder transactions was higher than forecast.

## Major Actual (2018) and Comparative (2017) Variance Narratives

- Transfer duty collections declined by \$130.6 million in 2018 relative to 2017, reflecting weaker collections from residential property transactions and following an unusually large commercial Transfer Duty transaction in May 2017. The number and/or value of these high value commercial transactions tend to be infrequent and volatile within and between years.
- Other tax income increased by \$82.2 million compared to the prior year largely due to higher Landholder Duty collections. The number and/or value of these high value commercial transactions tend to be infrequent and volatile within and between years.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 47. Supplementary financial information

### (a) Write-offs

During the financial year \$11.869 million was written off by the Department under the authority of:

	2018 \$000	2017 \$000
The accountable authority	4,733	7,135
The Minister	3,048	4,500
Executive Council	4,088	7,904
	<b>11,869</b>	<b>19,539</b>

### (b) Write-offs by category

	2018 \$000	2017 \$000
Public assets	646	1,504
Debts due to the State	11,223	18,035
	<b>11,869</b>	<b>19,539</b>

### (c) Act of grace payments

	2018 \$000	2017 \$000
Act of grace payments	-	-
	<b>-</b>	<b>-</b>

## Note 48. Service delivery arrangements Indian Ocean Territories

	2018 \$000	2017 \$000
<b>Revenue</b>	5,575	3,337
Commonwealth receipts	<b>5,575</b>	<b>3,337</b>
<b>Expenditure</b>		
Consultants and contractors	1,640	969
Administration and other costs	3,507	1,689
Payroll Tax and business franchise	28	30
Duties	-	1
Land Tax	1	2
Compliance	42	12
	<b>5,218</b>	<b>2,703</b>
Surplus/(deficit) for the period	<b>357</b>	<b>634</b>
Balance brought forward	<b>644</b>	<b>10</b>
<b>Balance carried forward</b>	<b>1,001</b>	<b>644</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 49. Special Purpose Accounts - administered

Special purpose account Section 10 of the *Financial Management Act 2006*

	2018 \$000	2017 \$000
<i>Departmental Receipts in Suspense – State Revenue</i> <i>The purpose of the special purpose account is to hold funds pending identification of the purpose of which those monies were received or identification of where those monies are to be credited or paid.</i>		
Balance at the start of period	1	1
Receipts	-	3
Payments	-	(3)
<b>Balance at the end of period</b>	<b>1</b>	<b>1</b>
<i>Indian Ocean Territories</i> <i>The purpose of the special account is to hold taxation collections pending transfer to the Commonwealth of Australia in accordance with the Service Level Agreement entered into with the Commonwealth.</i>		
Balance at the start of period	1,335	383
Receipts	4,306	5,065
Payments	(5,213)	(4,112)
<b>Balance at the end of period</b>	<b>428</b>	<b>1,335</b>

## Note 50. Administered income and expenses

	2018 \$000	2017 \$000
<i>Income</i>		
Taxation	6,743,012	6,799,345
Other revenue	41,448	40,086
Appropriations	252,165	237,046
Collections raised on behalf of other agencies	64,035	63,549
<b>Total Administered revenues</b>	<b>7,100,660</b>	<b>7,140,026</b>
<i>Expenses</i>		
Grants, subsidies and transfers	252,165	237,046
Other expenses	6,743,647	6,712,652
Collections transferred to other agencies	64,035	63,549
<b>Total Administered expenses</b>	<b>7,059,847</b>	<b>7,013,247</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

Note 51. Disclosure of administered income and expenses by service

Revenue Assessment and Collection, and Grants and Subsidies Administration	2018 \$000	2017 \$000
<b>COST OF SERVICES</b>		
<i>Income</i>		
Taxation	6,743,012	6,799,345
Other revenue	41,448	40,086
Appropriations	252,165	237,046
Collections raised on behalf of other agencies	64,035	63,549
<b>Total Administered Income</b>	<b>7,100,660</b>	<b>7,140,026</b>
<i>Expenses</i>		
Grants, subsidies and transfers	252,165	237,046
Other expenses	6,743,647	6,712,652
Collections transferred to other agencies	64,035	63,549
<b>Total Administered Expenses</b>	<b>7,059,847</b>	<b>7,013,247</b>

Note 52. Administered assets and liabilities

	2018 \$000	2017 \$000
<i>Current Assets</i>		
Taxation Receivable	707,919	667,048
Other Debtors	38,597	39,847
Other Current Assets	20,057	19,536
<b>Total Administered Current Assets</b>	<b>766,573</b>	<b>726,431</b>
<i>Non-Current Assets</i>		
Other Receivables	51,300	51,300
<b>Total Administered Non-Current Assets</b>	<b>51,300</b>	<b>51,300</b>
<b>Total Administered Assets</b>	<b>817,873</b>	<b>777,731</b>
<i>Current Liabilities</i>		
Other Payables	58,653	59,384
<b>Total Administered Current Liabilities</b>	<b>58,653</b>	<b>59,384</b>
<b>TOTAL ADMINISTERED LIABILITIES</b>	<b>58,653</b>	<b>59,384</b>

# Certification of Key Performance Indicators

For the year ended 30 June 2018

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Finance's performance, and fairly represent the performance of the Department for the financial year ended 30 June 2018.



Stephanie Black  
Acting Director General  
20 August 2018

# Performance Assessment

## Outcomes

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

Government Goals	Desired Outcomes	Services
Sustainable Finances:  Responsible financial management and better service delivery.	Due and payable revenue is collected and eligible grants, subsidies and rebates paid.	Revenue assessment and collection, and grants and subsidies administration.
	Value-for-money from public sector procurement.	Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal and providing facilitation service for agency specific contracts.
	Efficient and effective corporate services to client agencies.	Corporate services to client agencies.
	Value-for-money from the management of the Government's non-residential buildings and public works.	Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation.  Leads the planning and delivery of new government buildings.

## Measuring the Performance

The Department of Finance measures its performance through statistical information and survey questionnaires. Statistical indicators are included to help report performance in both outcome and service areas. The use of in-house statistical data complements the survey-based results and adds scope and objectivity to the sources of information used in measuring our performance.

# Key Effectiveness Indicators

## State Revenue

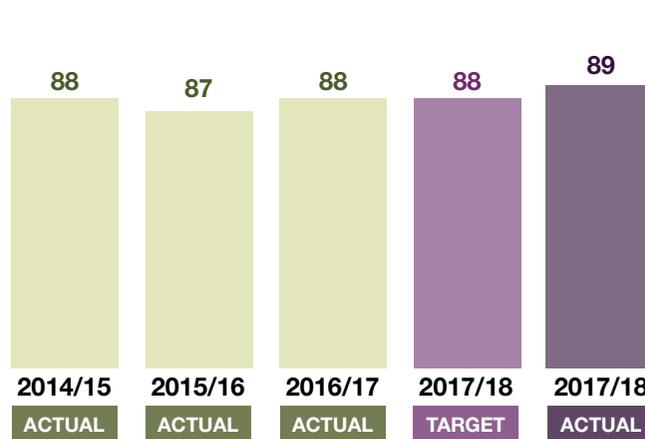
### Outcome 1: Due and payable revenue is collected and eligible grants, subsidies and rebates paid

The Department, through State Revenue, administers a range of revenue laws on behalf of the Government. This involves the collection of revenue raised and payment of grants and subsidies under relevant legislation, as well as a number of administrative-based schemes.

The key effectiveness indicator for revenue collection provides a measure of the accuracy of the revenue assessment process, the level of compliance by taxpayers and the timeliness of processing assessments. These are considered the key elements in the effective collection of revenue.

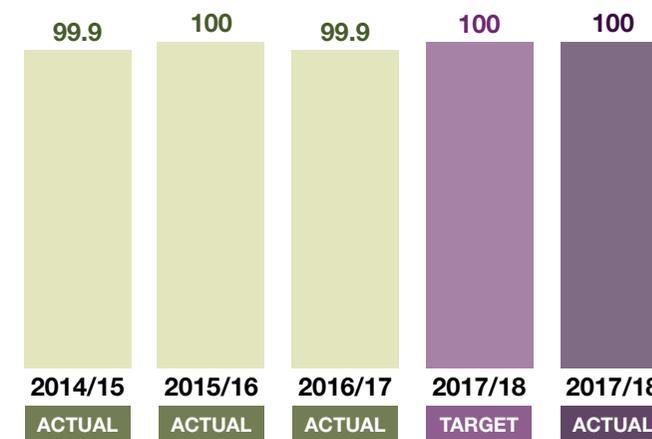
The key effectiveness indicator for grant, subsidy and rebate payments provides an indicator of the accuracy of these government payments to eligible applicants.

### Extent to which due revenue is collected (%)<sup>(a)</sup>



(a) This key performance indicator (KPI) is calculated as an average for land tax, payroll tax and duties assessments. The amounts are calculated by subtracting the number of penalties from the total number of assessments (or returns for return-based taxes) and dividing the result by the total number of assessments.

### Extent to which correct grants, subsidies and rebates are paid (%)<sup>(b)</sup>



(b) The measurement of the extent to which grants, subsidies and rebates are paid correctly is calculated by totalling the number of claims paid, and subtracting the total number of claims paid incorrectly. This is expressed as a percentage of the total number of claims paid. The payments are for First Home Owner Grants, Pensioners and Seniors Rebates, the Life Support Equipment Electricity Subsidy, the Thermoregulatory Dysfunction Energy Subsidy and the Energy Concession Extension Scheme.

# Key Efficiency Indicators

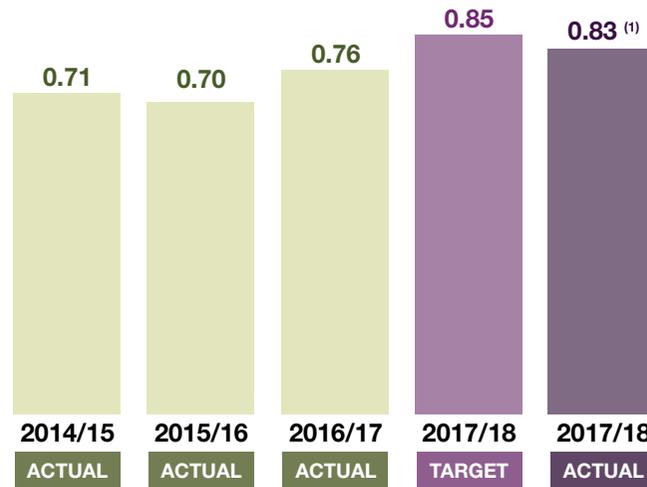
## State Revenue

### Service 1: Revenue assessment and collection, and grants and subsidies administration

This service involves the assessment and collection of a range of statutory based revenue, including duties, land tax and payroll tax, and those that are collected on behalf of other agencies (e.g. Perth Parking Licence fees on behalf of Department of Transport) or other jurisdictions (for example, collection of a range of taxes for the Commonwealth in the Indian Ocean Territories). State Revenue is also involved in the assessment and payment of a range of grants and subsidies under both statutory and administrative schemes. The major payments relate to the First Home Owner Grant Scheme, as well as concessions on water rates, local government rates and the Emergency Services Levy for pensioners and seniors.

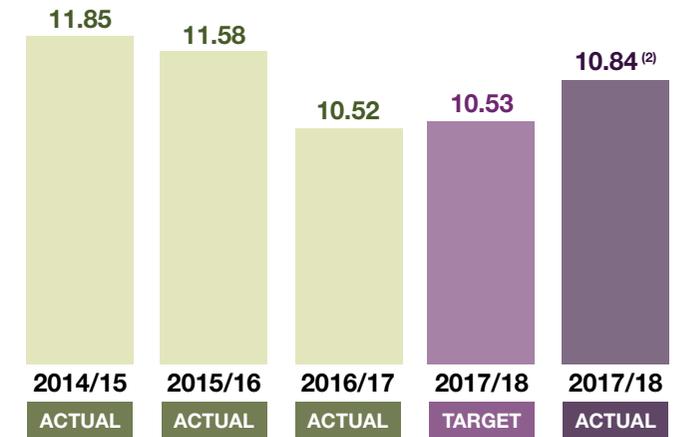
The indicators represent the costs per unit of taxation raised and grant/subsidy processed in a given year. Taken into account with the notes explaining any variances it provides a measure of efficiency.

### Cost per \$100 of revenue raised (\$) <sup>(a)</sup>



(a) Calculated as the total of State Revenue costs by total revenue raised and multiplied by 100. A cost allocation model is used to apportion the costs of taxation administration based on full-time equivalent numbers and resource usage.

### Average cost per application/claim processed (\$) <sup>(b)</sup>



(b) Calculated as the total of State Revenue costs by the number of first home owner grant applications, pensioner concession claims and minor energy subsidy scheme applications. A cost allocation model is used to apportion the costs of processing of applications and claims based on full-time equivalent numbers and resource usage.

1. The increase in the 2017-18 actual cost compared with 2016-17 actual reflects reduced revenue due to a decline in economic activity and slight increases in administrative costs.
2. The 3% increase in the average cost per application/claim processed is higher in 2017-18 due to a slight increase in costs while the number of applications remain stable.

# Key Effectiveness Indicators

## Government Procurement

### Outcome 2: Value-for-money from public sector procurement

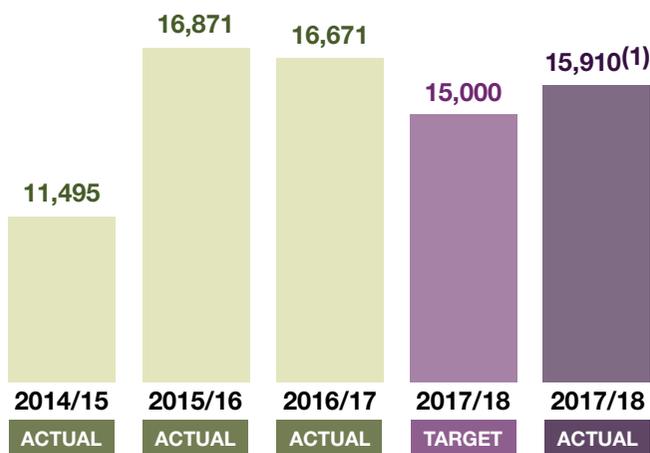
This outcome aims to deliver value-for-money procurement services and frameworks across the Western Australian public sector.

Value-for-money is a key policy objective and ensures public authorities achieve the best possible outcome for the amount of money spent when purchasing goods and services.

Value-for-money from public sector procurement is considered effective if:

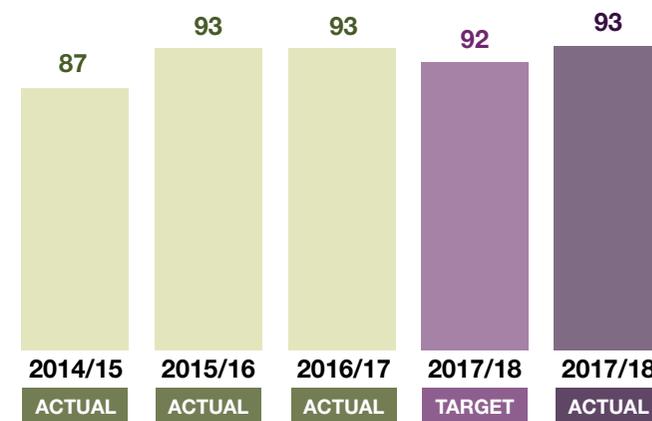
- ✦ Client agencies agree that Common Use Arrangements (CUAs) are awarded and managed on a value-for-money basis. This includes the value-for-money results from the State Fleet surveys. State Fleet is surveyed annually using a similar value-for-money method to other CUAs and agency specific contract surveys;
- ✦ Client agencies agree that their contracts are awarded on a value-for-money basis;
- ✦ Economies of scale are achieved through the aggregation of the acquisition, fleet management and disposal activities related to the Government's light vehicle fleet.

### Profitability of the State's light vehicle fleet (\$'000)<sup>(a)</sup>



(a) KPI is calculated by subtracting the operating expenses of the fleet from the operating revenue.

### Extent to which client agencies agree that their agency contracts and CUAs achieved value-for-money (%)<sup>(b)</sup>



(b) This indicator is calculated by dividing the total number of satisfied responses by the total number of survey respondents for users of CUAs and clients of agency specific contracts (827 surveys issued; 709 responses; 86 per cent response rate; 1.4 per cent at 95 per cent confidence level).

1. State Fleet's profitability has improved compared to 2017-18 target because of better than forecast sales results from the disposal of State Fleet vehicles.

# Key Efficiency Indicators

## Government Procurement

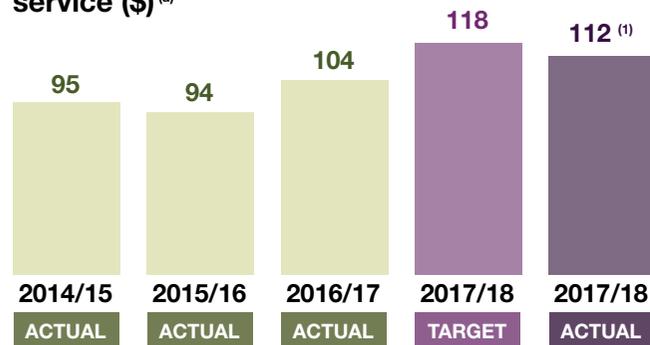
### Service 2: Development and management of Common Use Contract Arrangements, State Fleet Leasing and Disposal and Providing Facilitation Service for Agency Specific Contracts

The Department provides a whole-of-government approach to procurement that efficiently meets the business needs of government agencies, manages risk and delivers value-for-money.

In facilitating the development and management of client agency contracts, State Fleet and CUAs, the Department needs to effectively manage the cost of delivering this service which ensures agencies achieve value-for-money outcomes.

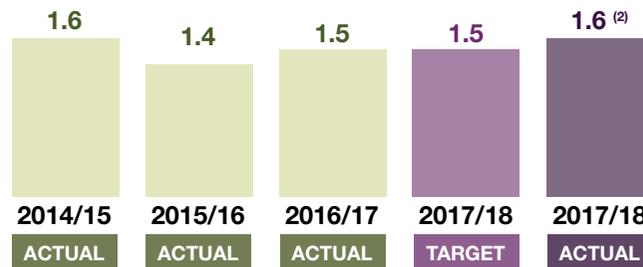
The Department is responsible for managing the State's vehicle fleet to ensure an efficient and effective use of government vehicles with particular focus on the delivery of a sustainable vehicle fleet. The indicator demonstrates the efficiency of managing the financing and administration of the Government's light vehicle fleet.

#### Average administrative cost per vehicle for financing and managing the State Fleet service (\$) <sup>(a)</sup>



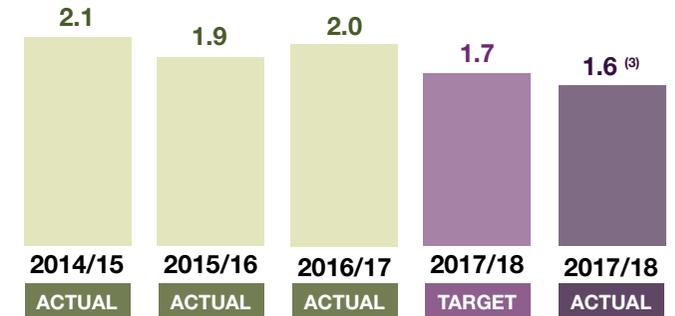
(a) This indicator is calculated by dividing the State Fleet operating costs by the number of vehicles managed by the State Fleet.

#### Cost of developing and managing whole-of-government CUAs as a percentage of the total annual value of purchases through the arrangements (%) <sup>(b)</sup>



(b) This indicator is calculated by dividing the costs of delivering this service by the total CUAs turnover.

#### Cost of facilitating the development and management of agency specific contracts as a percentage of the contract award value (%) <sup>(c)</sup>



(c) This indicator is calculated by dividing the costs of delivering this service by the total contract value for agency contracts awarded during the year.

1. Average administrative cost per vehicle is lower than budget as a result of both operational and fleet efficiencies. The increase in costs from 2016-17 to 2017-18 is attributable to the overall reduction in the fleet size.
2. The higher than target result is due to a reduction in CUA turnover which was partially offset by lower than estimated costs.
3. The decrease in costs from 2016-17 to 2017-18 was due to an increase in total awarded contract value while costs remained relatively static.

# Key Efficiency & Effectiveness Indicators

## Corporate Services

### Outcome 3: Efficient and effective corporate services to client agencies

#### Service 3: Corporate services to client agencies

Effectiveness and efficiency indicators are not reported for this outcome as it relates to the corporate services provided directly by the Department to support the outcomes and activities of the Department of Treasury, the Office of the Government Chief Information Officer (OGCIO) and the Government Employees Superannuation Board (GESB). An exemption from the requirements of Treasurer's Instruction 904 (2)(iv) Key Performance Indicators, has been provided by the Under Treasurer in 2016-17.

# Key Effectiveness Indicators

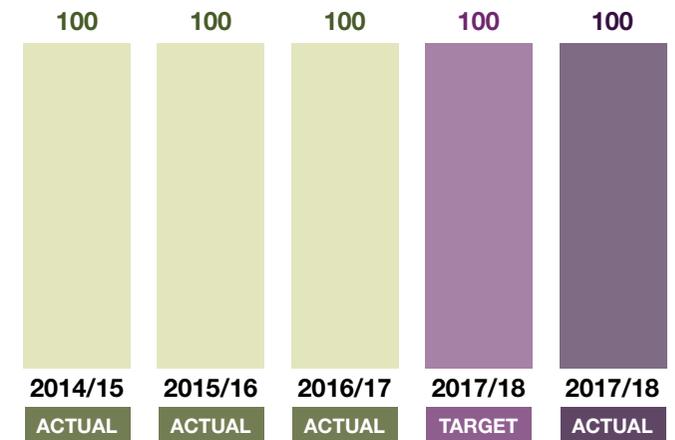
## Building Management and Works

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

The Department, through Building Management and Works, delivers a range of services to lead the planning and delivery of a property portfolio that supports the delivery of government services to the community.

This indicator demonstrates the ability of Building Management and Works to deliver non-residential buildings for its client agencies within 10 per cent of the approved budget and focuses on significant projects within the works program. Achievement of projects on-budget is an important requirement for client agencies and is a key contributor to value-for-money outcomes.

### Percentage of significant projects in the New Buildings program delivered within 10% of approved budget (%)<sup>(a)</sup>



(a) This indicator measures the percentage of projects with current approved budgets of \$5 million or more that have been handed over to the client agency in the financial year. The calculation compares the anticipated final cost for each project with its current approved budget. Each project is deemed to meet the effectiveness indicator if the anticipated final cost does not exceed the current approved budget by more than 10 per cent.

# Key Efficiency Indicators

## Building Management and Works

### Service 4: Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation

This service leads the planning, delivery and management of a property portfolio that supports the delivery of government services to the community including the delivery of new building works, maintenance programs for existing buildings and office accommodation.

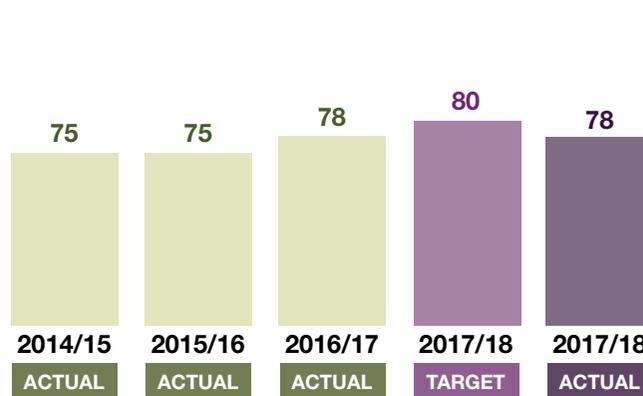
These indicators demonstrate the ability of Building Management and Works to achieve a reduced accommodation footprint for government use, ensure the timely response to maintenance issues, and deliver capital works programs on behalf of client agencies in a timely manner.

#### Average office accommodation floor space per work point (m<sup>2</sup>)<sup>(a)</sup>



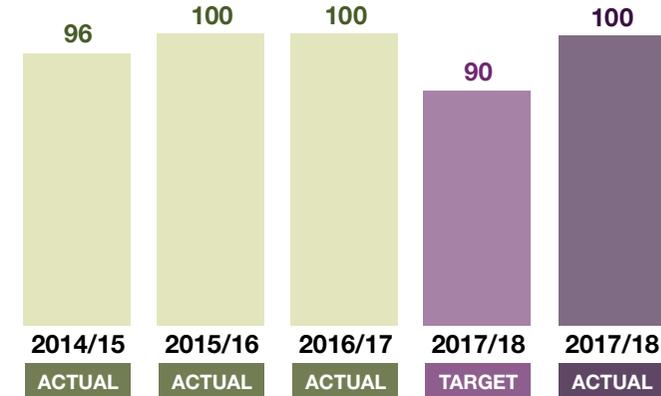
(a) This indicator measures the utilisation of government office accommodation through determining the average amount of floor area allocated per workspace across the government office accommodation portfolio.

#### Percentage of maintenance services delivered within 10% of approved timeframe (%)<sup>(b)</sup>



(b) The indicator measures the percentage of high priority breakdown repairs attended to within 10 per cent of the approved timeframe across the State. High priority breakdowns are more time-critical and typically include breakdowns or failures that have an immediate adverse effect on the security, safety and/or health of occupants.

#### Percentage of significant projects in New Buildings Program delivered within three months of approved timeframe (%)<sup>(c)</sup>



(c) This indicator measures the percentage of projects with current approved budgets of \$5 million or more that have been handed over to the client agency within three months of the approved date for handover in the current financial year.

- Improvement is due to the termination of leases (21,993 m<sup>2</sup>) with poor average workspace density (15.33 m<sup>2</sup>/workpoint) and the completion of fit-out works (17,504 m<sup>2</sup>) where the average workspace density was below the benchmark density (11.90 m<sup>2</sup>/workpoint).

# Key Effectiveness Indicators

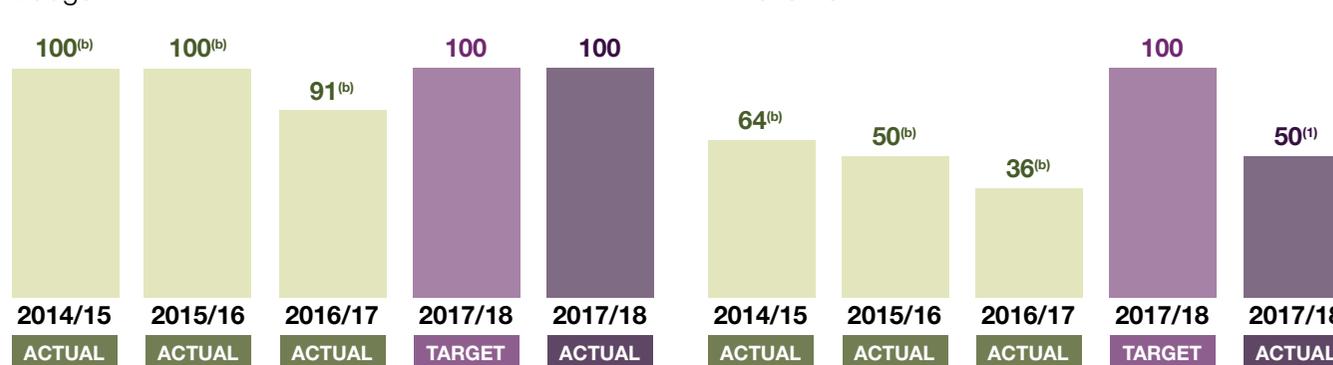
## Strategic Projects

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

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

This indicator demonstrates the ability of Strategic Projects to deliver major projects for its client agencies within approved budget and timeframe. Delivering significant projects within approved budget and timeframe is an important requirement for client agencies and is a key contributor to value-for-money outcomes.

### Percentage of significant<sup>(a)</sup> projects in the New Buildings program delivered within approved (%)



(a) Significant projects are those defined as high risk infrastructure projects typically in excess of \$100 million in value.

(b) The Strategic Projects function transferred from the Department of Treasury to Finance on 1 July 2017 as a result of Machinery of Government changes. Prior year results were previously disclosed in the annual report of Treasury.

- Five of the 10 major projects overseen by Strategic Projects that were active during 2017-18 have been, or are expected to be, completed within approved timeframes: Optus Stadium, Western Australia Schools Public Private Partnership, New Western Australian Museum, Inner City College, and the fit-out of a Bio-Resources Laboratory at the Sarich Neuroscience Research Institute. The remaining five projects have been subject to delays, as follows:
  - Perth Children's Hospital was significantly delayed by construction and commissioning issues before its commencement of clinical services in May 2018;
  - Eastern Goldfields Regional Prison and Busselton Health Campus also experienced construction and commissioning delays, however are now fully operational;
  - The procurement process for Karratha Health Campus was delayed to ensure the transition to operations occurred after the 2017-18 wet season;
  - The Casuarina Prison Expansion is currently indicating a delay however the timeframe will be reviewed subject to tender results.

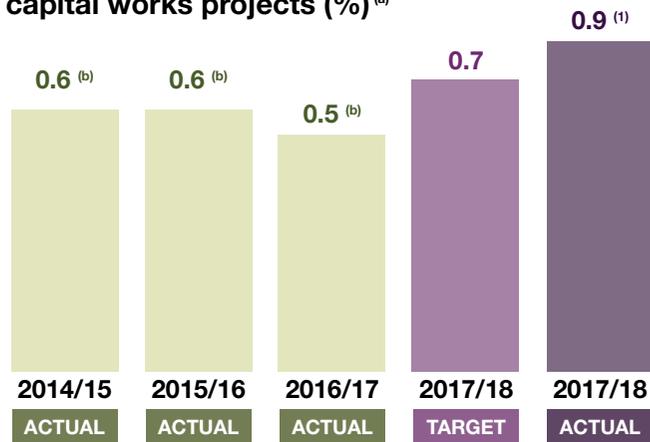
# Key Efficiency Indicators

## Strategic Projects

### Service 5: Leads the planning and delivery of new government buildings

This service encompasses strategic leadership and facilitation in the planning, project management and procurement of major new non-residential buildings. It contributes to the desired outcome of value-for-money from the management of the Government's non-residential buildings and public works.

### Cost as a percentage of the total annual value of the planning and delivery of capital works projects (%) <sup>(a)</sup>



(a) This KPI is based on the costs associated with the planning and delivery of projects from the Department of Finance's Strategic Projects (SP) division, which include expenses for construction and other contractors, consultants, salaries of project team members (SP, client and other agencies), and general disbursements (corporate services).

(b) The Strategic Projects function transferred from the Department of Treasury to Finance on 1 July 2017 as a result of Machinery of Government changes. Prior year results were previously disclosed in the annual report of Treasury.

1. The increase in cost is the result of a reduction in the overall value of the major project portfolio due to completion of major projects such as the Optus Stadium and Perth Children's Hospital.

# Ministerial Directives

Treasurer's Instruction 903 (12) requires the Department to disclose information on any ministerial directives relevant to the setting or achievement of desired outcomes or operational objectives, investment activities, and financing activities.

No ministerial directives were received during the financial year.

# Other Financial Disclosures

## Pricing policies of services provided

The Department's fees and charges were reviewed in 2017-18 in accordance with the State Government's policy. Increases were limited to the Consumer Price Index as advised by the Department of Treasury. Where possible, full cost-recovery was sought pursuant to the Department's policy for fees and charges.

Aside from the Department's retained fees and charges, the Department collects fees and taxes on behalf of a range of State Government and other agencies with costings set by respective agency pricing policies and approval processes.

## Capital works

In 2017-18, a total of \$124 million was spent on capital investments by the Department. The key capital projects included in this figure are detailed in the table below:

Project	Expected completion date	Actual expenditure 2017-18 \$000	Actual expenditure 2016-17 \$000	Estimated cost to complete \$000	Estimated total cost \$000
State Fleet Annual Vehicle Acquisition Program	2018	77,924	88,093	-	-
Revenue Systems Consolidation and Enhancement Program	2019	6,881	6,936	9,152	34,158
Decentralisation of Office Accommodation to Joondalup	2019	645	-	18,553	19,198
Master Planning Strategy – Government Office Accommodation	2018	12,234	10,542	1,175	223,442

## Employment and industrial relations

### Comparative full-time equivalent (FTE) allocation by category

The number of FTE employees has reduced due to internal efficiencies, participation in the Voluntary Targeted Separation Scheme and the transfer of functions resulting from Machinery of Government changes.

Category	2017-18	2016-17
Full-time permanent	728	784
Full-time contract	144	114
Part-time permanent and contract	80	77
<b>Total</b>	<b>952</b>	<b>975</b>

Source Data: 2017-18 HR MOIR data.

#### Notes:

- Part time = hours less than full time hours of 37.5 per week.
- Employees seconded out of the Department have been excluded from the figures as these officers were not contributing to departmental outputs as they were working for another organisation.
- Approved FTE target for 2017-18 was 1,075.

### Industrial relations

The majority of Department of Finance staff are employed under the Public Service Award 1992 and Public Service and Government Officers CSA General Agreement 2017. Five senior officers are employed under the *Salaries and Allowances Tribunal Act 1975*.

The Department also has an Agency Specific Agreement with provisions for a wellness program, motor vehicle allowance for business use and flexible working arrangements.

### Workers' compensation

In accordance with Treasurer's Instruction 903 (13), the Department had the following workers' compensation disclosures.

Claims	2017-18	2016-17	2015-16
Workers' compensation	5*	4	6
Lost time injuries	3	2	3

\*Liability on three claims included in this calculation had not yet been decided as at 30/06/2018.

Three of the five workers' compensation claims lodged were lost time claims. Two employees returned to work within 13 weeks, both were provided with specialised injury management assistance.

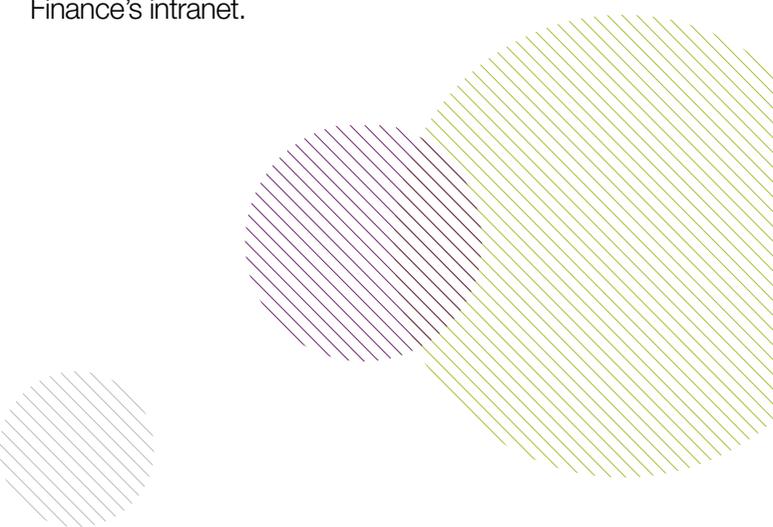
### Staff development

The Department's Lifting Organisational Performance Program has been the centrepiece for staff development in 2017-18. Based on the Commonwealth Australian Public Sector model for high performance, the program has changed the focus for how staff are developed and supported in the workplace through their Performance Development Plans (PDPs).

The first phase of the Program recognised 'Core Capabilities', common to all roles in the Department to help identify the relevant behaviours necessary to lift departmental performance, build capability and become a more agile organisation. When aligned to work plan outcomes, the behaviours assist managers and staff to develop a common understanding of role expectations as well as provide a starting point for capability assessment and development planning.

The second phase of the Program introduced business specific 'Technical Skills and Knowledge' applicable to particular roles and functional areas that apply over and above the 'Core Capabilities'.

Throughout the change process, managers and staff have been supported through the provision of workshops, online training, a PDP toolkit, team and individual assistance, and online information via Finance's intranet.



# Governance Disclosures

## Senior officers

In 2017-18, there were no disclosures from senior officers that they held any shares, a requirement under Treasurer's Instruction 903 (14). No senior officers, firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the Department other than normal contracts of employment of service.

## Board and committee remuneration

In 2017-18, the Department of Finance had no board or committee costs and memberships.

## Governance committees

Strong governance is the cornerstone of efficient and effective organisational performance and is underpinned by a number of accountability requirements. In accordance with legislative requirements and industry standards, the Department of Finance regularly convenes several governance committees to ensure accountability, integrity and transparency in financial management, technology and information,

people and communications, and audit and risk management.

The Department's governance framework identifies practices that drive and support good governance and encourage performance improvement while meeting our obligations and legislative requirements. This year, Finance enhanced its well-established governance capability by adopting a department-wide approach to technology governance to achieve a more efficient use of resources. Initiatives to enhance processes for making and implementing decisions will be pursued in the coming year.

## Corporate Executive

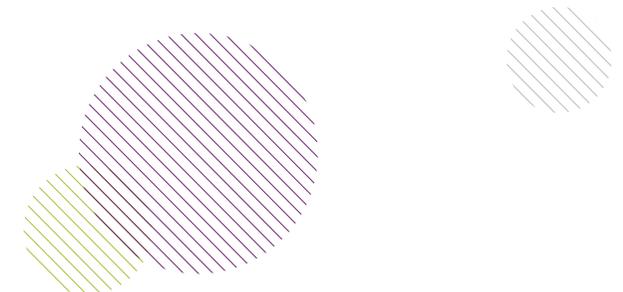
The Department's Corporate Executive provided leadership for and oversight of core business while continuing to drive innovation to enable the sector to better deliver results for the community. Recognising the Department's role as a central agency, the Corporate Executive committed substantial resources to cross-sector Public Sector Reform initiatives and is leading the agency through the implementation of many of these initiatives. Enhancing procurement policy and practice, and the provision of functional leadership in procurement and project management remains a key focus for members.

## Finance and Procurement Committee

The Finance and Procurement Committee provides direction and leadership in the management of the Department's financial responsibilities, as well as making recommendations on Finance's own procurement activities. This year the committee made substantial improvements to financial reporting across the agency, introducing an online reporting tool that provides management and business users with access to real-time financial information.

The committee also approved a procurement framework to help departmental purchasing officers choose appropriate procurement channels.

Leveraging off the contract register introduced in 2016-17 in line with Treasurer's Instruction 820, the committee introduced new contract reporting, providing better oversight of contract activity across the Department.



## Digital Services and Information Committee

In 2017, the Digital Services and Information Committee (DSIC) was established to replace the existing technology governance regime following a department-wide review of governance arrangements.

The new committee comprises executive members from all business units, relevant technical staff and a representative from the Department of Treasury. The committee is focused on how Finance can better deliver services and improve the quality of advice through better use of information and enabling technologies. These objectives are approached in a manner consistent with the State's Digital WA strategy.

DSIC is supported by the Tactical Information Management and Tactical Technology Operations sub-committees. These sub-committees provide advice to inform decision-making on the best use of information and technology in the Department.

Committee achievements this year included:

- ✦ development of the Department of Finance's Digital Strategy 2018-2022 that articulates the Department's digital vision, customer statement of intent, digital goals and supporting principles;
- ✦ agreement of aspirational targets to transition the majority of the Department's customer-facing services online by 2022;
- ✦ endorsing Information Classification Policy and Guidelines to assign appropriate classification on sensitive material held by the Department;
- ✦ monitoring the implementation of initiatives that form part of the Department's Information Security Management Framework (ISMF); and
- ✦ establishment of a Website Redevelopment Project to respond to changing customer expectations and embrace modern standards.

## People and Communications Committee

A key focus of the Committee has been embedding and evaluating the Department's Lifting Organisational Performance Program. This important initiative seeks to support staff in lifting the quality, responsiveness and reliability of the work delivered across the Department.

In addition, the Committee also:

- ✦ realigned membership with the Joint Consultative Committee, enabling continuity across forums, strengthening the Department's focus on people issues;
- ✦ reviewed and consolidated Departmental policies to reduce unnecessary red tape and regulatory burden for staff;
- ✦ facilitated implementation of activity-based working through the review of policies that affected or inhibited its introduction;
- ✦ reviewed the Living Our Values awards process and streamlined the nomination process;
- ✦ identified strategic workforce planning and succession management initiatives; and
- ✦ supported the Reconciliation Committee with the development of a new Reconciliation Action Plan. The achievements of the Reconciliation Committee are outlined on page [114](#).

## Audit and Risk Management Committee

The Audit and Risk Management Committee oversees the operation of the Department's internal audit and risk management functions, endorses the annual internal audit plan and monitors its progress.

This year, the Committee enhanced audit and risk management operations by:

- ✦ successfully completing all quarterly meetings and the work plan for 2017-18;
- ✦ significantly improving reporting and monitoring of high-risks across the department;
- ✦ increasing visibility and oversight of risks associated with capital works projects;
- ✦ developing management and staff awareness levels through mandatory requirements to complete the updated online Risk Awareness Learning Module;
- ✦ ensuring the Department's Internal Audit plan covered key emerging risks. Additional actions included:
  - a comprehensive information security review prior to moving into cloud arrangements in line with the GovNext reform;
  - assessment of the risk management function in capital works projects managed by the Building Management and Works business unit;
  - assessment of the operational effectiveness of the "Project Bank Accounts" process, which was designed to speed up the payment process and protect the interests of sub-contractors; and
  - testing the Online Duties Lodgment functionality for the electronic lodgment of dutiable transactions, which is a significant revenue stream to government; and
- ✦ through diligent monitoring, the number of outstanding Auditor General findings reduced by 61 per cent from 2016-17.

## Unauthorised use of credit cards

The Department of Finance uses corporate credit cards as a purchasing tool to reduce the cost of invoice payments. There is a strong control framework in place to support the use of purchasing cards across the Department, including supervisor approval of all staff transactions and high-level oversight by the Department's Finance and Procurement Committee.

Processes are in place to ensure the early detection of inadvertent/accidental personal misuse of Department of Finance purchasing cards, and timely repayment of associated costs.

This year, there was minor inadvertent use of credit cards. The Department performed 12,586 credit card transactions, 14 of which were identified as not related to departmental operations. These 14 transactions represent 0.1 per cent of the Department's total credit card transactions completed during the year.

Measure	2017-18
Number of instances a government purchasing card has been used for personal use	14
Aggregate amount of personal use expenditure for the reporting period	\$674.09
Aggregate amount of personal use expenditure settled by the due date (within five working days)	\$293.71
Aggregate amount of personal use expenditure settled after the period (after five working days)	\$380.38
Aggregate amount of personal use expenditure outstanding at balance date	0

# Other Legal Requirements

## Expenditure on advertising, market research, polling and direct mail

In accordance with section 175ZE of the *Electoral Act 1907*, total advertising related expenditure this year was \$10,061.

Agency/Organisation	Total \$	Amount \$
<b>Advertising agencies</b>	10,061	
Adcorp		6,461
Hays		3,600
<b>Market Research Organisations</b>	Nil	
<b>Polling Organisations</b>	Nil	
<b>Direct Mailing Organisations</b>	Nil	
<b>Media Advertising Organisations</b>	Nil	

## Disability Access and Inclusion Plan outcomes

The Department is committed to access and inclusion for people with disabilities. Through the Department's Disability Access and Inclusion Plan (DAIP), it seeks to ensure that people with a disability have an equal level of inclusion and access to services and employment.

The Department's DAIP Committee meets quarterly to drive initiatives and review matters affected by the DAIP Plan. New DAIP initiatives implemented in 2017-18 included:

- ✦ the development and endorsement of a five-year DAIP for the Department for 2017-2022;
- ✦ in consultation with the Public Sector Commission, the recruitment of one School Based Trainee and continued employment and development of two other employees with a disability to assimilate into the workforce;
- ✦ the development of a 'Diversity in Finance Employment Plan 2017-22' paper to assist the Department to drive strategies to improve diversity and access and inclusion;
- ✦ the success of the 'Disability Awareness' eLearning online module assisting staff in understanding issues around disability in the workplace and the wider community; and
- ✦ a review and upgrade of the DAIP intranet pages to ensure currency of information and resources for staff.

The Department takes a lead role across the sector by driving the Australian Disability Enterprises (ADE) initiative through Government Procurement, which assists other Western Australian Government agencies to understand the capabilities and benefits of working with ADEs.

## Reconciliation Committee

The Department is committed to the sustainable employment of, and positive economic outcomes for, Aboriginal and Torres Strait Islander people and communities.

This year, the Reconciliation Committee has been active with:

- ✦ developing a new Reconciliation Action Plan with the endorsement of Reconciliation Australia;
- ✦ refreshing the terms of reference for the Committee;
- ✦ renaming the Optima Centre's Town Hall to Keirp Nyinalungup (translated as 'the meeting place near water');
- ✦ engaging staff through a number of fundraising events;
- ✦ assisting at the Aboriginal Business Expo organised by Government Procurement to mark the launch of the Aboriginal Procurement Policy;
- ✦ participating in the Run for Reconciliation;
- ✦ volunteering at and joining the Walk for Reconciliation; and
- ✦ coordinating a joint celebration of NAIDOC (originally National Aborigines and Islanders Day Observance Committee) with the Department of Training and Workforce Development at the Optima Centre in Osborne Park. This celebration focused on the theme of *Our Languages Matter*.

## Compliance with public sector standards and ethical codes

The Department has maintained its good record complying with public sector standards and the public sector code of ethics, delivering training programs through online and face-to-face sessions, tailored for new and existing employees.

Over the year, the Department continued to provide proactive guidance to managers and staff to ensure that recruitment processes complied with public sector standards. The Department successfully completed 86 recruitment processes this year from which 2,719 applications were received.

Five breach of standard claims were lodged during the year. Four of these claims related to the Employment Standard and one related to the Grievance Resolution Standard. All claims were subsequently resolved. One case of non-compliance with the Code of Conduct was finalised. Three formal grievance cases were completed.

Departmental policies, procedures and guidelines are maintained to satisfy legislative requirements.

One disclosure was received in 2018 under the *Public Interest Disclosure Act 2003*.

The Department's operations are subject to scrutiny from a number of external bodies, among them the Office of the Auditor General (OAG).

In 2017-18, OAG examined various aspects of Finance's policies and practices in relation to

employees declaring offers of gifts or benefits by external entities in the course of undertaking official duties. The benchmarking review rated Finance's performance as achieving the best possible outcomes in all lines of enquiry.

The Department welcomed the findings of OAG's Parliamentary report on its performance and remains committed to ensuring the highest standards of transparency and integrity in the work environment.

## Recordkeeping plans

The Department is preparing a revised Recordkeeping Plan for submission to the State Records Office in the latter half of 2018. The new Recordkeeping Plan will ensure the Department continues to meet its recordkeeping obligations under the *State Records Act 2000*. An upgrade to the Department's recordkeeping system is well underway and will be completed by late 2018 enabling improved accessibility using a variety of devices that support the Department's digital strategy.

In excess of 800,000 documents have been committed to the primary recordkeeping system during this past year representing a 15 per cent increase from the previous year and was the largest volume of documents committed to the system since the inception of the Department.

Finance's induction program provides the pathway for establishing good recordkeeping practices. Recordkeeping guides, and online training for the system provides ongoing support all staff.

## Freedom of Information

The *Freedom of Information Act 1992* (FOI Act) requires WA Government agencies to give members of the public access to government information, subject to limitations. More information about how to access departmental information is available on the Department's website.

Statistical information about formal access applications lodged with Finance under the FOI Act is provided in this report and more details can be found as part of the Annual Report of the Office of the Information Commissioner of WA.

### Applications made under section 10 of the FOI Act

In 2017-18, Finance received 29 access applications of which two were from individuals requesting their personal information. Finance completed 22 applications for records held by the Office of State Revenue, Building Management and Works, Strategic Projects and Corporate Services. Subject matter related to taxation information and policy, building projects and general correspondence.

In 2017-18, only one application for internal review was received and there were no applications for external review.

Applications	2017-18	2016-17
New applications received during the year	29	28
Decisions made during the year	24 <sup>(a)</sup>	18 <sup>(b)</sup>
Average time to process (days)	40	37

Outcomes	2017-18	2016-17
Full access	15	13
Edited access	5	1
Deferred access	0	0
Section 26 access	2	0
Section 28 access	0	0
Access refused	2	4
<b>Total decisions</b>	<b>24</b>	<b>18</b>
Transferred to other agencies	5	1
Withdrawn	2	2
<b>Total applications finalised</b>	<b>31</b>	<b>21</b>

Reviews	2017-18	2016-17
Internal reviews	1	2
External reviews - complaints	0	0

<sup>(a)</sup> Includes eight applications carried over from 2016-17.

<sup>(b)</sup> Includes applications carried over from 2015-16.

# Government Policy Requirements

## Government Building Training Policy

The Government Building Training Policy aims to increase the number of apprentices and trainees in the building and construction industry. It is applied by requiring contractors awarded State Government building, construction and maintenance contracts to commit to meeting a target training rate, through employing construction apprentices and trainees.

The Government Building Training Policy applies to:

- ✦ all State Government building and construction contracts, including civil and engineering contracts, with an estimated labour value of \$2 million and over for the construction component of the contract;
- ✦ all State Government maintenance contracts with an estimated labour component of \$2 million and over for the total contract; and
- ✦ all State Government agencies (as defined in section 3 of the *Public Sector Management Act 1994*) that enter into these contracts.

In 2017-18, all contractors met the target training rate.

Measure - Building, Construction and Maintenance Projects	Number of contracts	
	Building and Construction	Maintenance
<b>Awarded</b>	<b>37</b>	<b>1</b>
<b>Reported</b>		
Commenced reporting	12 <sup>(a)</sup>	0
Continued reporting from previous financial year	22	1
<b>Target training rate</b>		
Met or exceeded	34	1
Did not meet	0	0
Granted a variation	0	0

(a) Three are yet to commence reporting.

## Substantive equality

The Department of Finance advocates the provision of services that address the different needs of Western Australia's diverse community and the elimination of systemic bias and discrimination. To ensure equality of opportunity for staff and clients, access, participation and equity needs are considered in the development and delivery of all policies and services.

This year, the Department undertook a detailed analysis of women in management to better understand the barriers that prevent women from attaining senior roles so it could develop strategies to address this. Significant effort was committed to developing an Aboriginal Procurement Policy to improve opportunities for Aboriginal-owned businesses to provide goods and services to government.

The Department continued to promote an inclusive workplace by notifying staff about the International Day against Homophobia, Biphobia, Intersexism, and Transphobia, as well as delivering Aboriginal cultural training to staff responsible for the Aboriginal Procurement Policy.

## Occupational safety and health, and injury management

The Department is committed to ensuring the ongoing safety and health of all employees, contractors and visitors in its various work locations and actively promotes a strong health and safety culture. The Occupational Safety and Health (OSH) Policy reiterates this commitment and outlines the responsibilities of management and staff to ensure a safe and healthy work environment.

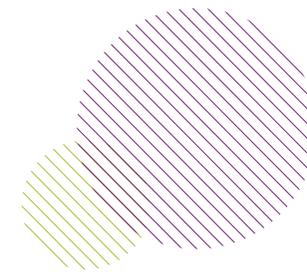
The Department works closely with OSH Representatives across its different work locations, who form an important part of the formal consultation mechanism. First Aiders were also appointed within the different work locations of the Department during 2018. All OSH Representatives and First Aiders are provided with accredited training.

Health and safety related policies and procedures are reviewed and developed in consultation with Finance's OSH Committee. The OSH Committee met quarterly to discuss health and safety initiatives in the Department.

The Department's OSH and injury management approach is a core element of the induction process for all new employees. Staff are made aware of:

- ✦ the provision of online OSH training for all staff;
- ✦ specific OSH training for managers and supervisors through half day face-to-face training sessions; and
- ✦ the availability of early intervention injury management assistance for all employees, on an ongoing basis, to help them to either return to or remain at work after an injury or illness, whether this be work or non-work related.

Training completion rates are reported to the Corporate Executive to help ensure all employees and managers/supervisors are aware of health and safety issues in the workplace.



The Department also provides information, education and services to encourage employees to maintain a healthy lifestyle and deal effectively with everyday work and life stress. Health, safety and wellbeing information is regularly communicated through the Department's intranet and through the online news and announcements pages.

During the year employees were provided with many opportunities including:

- ✦ free wellness assessments, which provided individuals with the opportunity to assess their own physical and mental health through a personal consultation with a qualified health consultant;
- ✦ training and assistance to help employees understand the principles of ergonomics and enable them to correctly set up their workstations based on individual requirements;
- ✦ flu vaccination clinics during April and May 2018 attended by 265 employees; and
- ✦ skin cancer checks during May and June 2018.

The Department celebrated Mental Health Week in October 2017, an annual national event that aims to improve community awareness and interest in mental health and wellbeing.



## Public Sector Commissioner's Occupational Safety and Health performance requirements 2017-18

Indicator	2015-16 <sup>3</sup>	2017-18*	Target	Comment on result
Number of fatalities	0	0	0	Achieved
Lost time injury and/or disease incidence rate	0.28	0.32	0 or 10% reduction <sup>4</sup> on the previous 3 years	Not achieved
Lost time injury and/or disease severity rate	33%	33%	0 or 10% reduction <sup>2</sup> on the previous 3 years	Not achieved
Percentage of injured workers returned to work within 13 weeks	67%	33%	Greater than or equal to 80%	One of three long term injured claimants returned to full pre-injured duties within 13 weeks
Percentage of injured workers returned to work within 26 weeks	67%	67%		Not achieved due to complexity of injury claim
Percentage of managers trained in occupational safety, health and injury management responsibilities	64%	30%	Greater than or equal to 80%	The decline in trained managers is a result of recent staff departures and OSH resources being focussed on supporting the safe transition of large numbers of staff to activity-based working.  The implementation of a new online OSH training module, which will be used in conjunction with face-to-face training, is expected to increase the percentage of managers trained in occupational safety, health and injury management responsibilities over the next 12 months.

\* Liability on three claims included in this calculation had not yet been decided as at 30 June 2018.

<sup>3</sup> This indicator examines a three-year trend and as such the comparison base is two years prior to the current reporting year i.e. 2015-16.

<sup>4</sup> The reduction is calculated over a three-year period.

# Legislation Administered

## MINISTER FOR FINANCE

### State Revenue

*Commonwealth Places (Mirror Taxes Administration) Act 1999*

*Duties Act 2008*

*First Home Owner Grant Act 2000*

*First Home Owner Grant Amendment Act 2003*

*Land Tax Act 2002*

*Land Tax Assessment Act 2002*

*Pay-roll Tax Act 2002*

*Pay-roll Tax Assessment Act 2002*

*Pay-roll Tax Rebate Act 2010*

*Pay-roll Tax (Indigenous Wages) Rebate Act 2012*

*Pay-roll Tax Rebate Act 2012*

*Rates and Charges (Rebates and Deferments) Act 1992*

*Stamp Act 1921*

*Stamp Amendment (Assessment) Act 2005*

*Stamp Amendment (Budget) Act 2002*

*Taxation Administration (Consequential Provisions) Act 2002*

*Taxation Administration Act 2003*

### Government Procurement

*State Supply Commission Act 1991*

### Building Management and Works

*Public Works Act 1902*

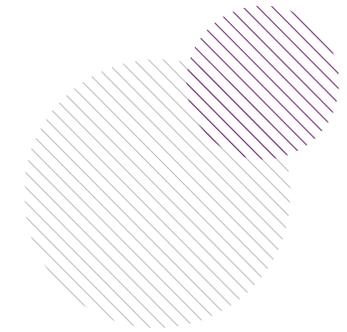
*Sunset Reserve Transformation Act 2014*

# General Contacts

**Postal address:**

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Cloisters Square WA 6850

**Main switchboard:** 08 6551 1000

**Internet:** [www.finance.wa.gov.au](http://www.finance.wa.gov.au)


## Business Units

### Building Management and Works

Optima Centre  
16 Parkland Road  
Osborne Park WA 6017

**Postal address:**

Locked Bag 44  
Cloisters Square WA 6850

**Phone:** 08 6551 1600

### Government Procurement

Optima Centre  
16 Parkland Road  
Osborne Park WA 6017

**Postal address:**

Locked Bag 11  
Cloisters Square WA 6850

**Phone:** 08 6551 1555

### State Revenue

QBE House  
200 St Georges Terrace  
Perth WA 6000

**Postal address:**

GPO Box T1600  
Perth WA 6845

**Switch:** 08 9262 1400

**WA Country Callers:** 1300 368 364

### Strategic Projects

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