

**40TH PARLIAMENT**



## **Report 80**

# **STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS**

*2018-19 Budget Cycle – Part 2: Annual Report Hearings*

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Presented by  
Hon Alanna Clohesy MLC (Chair)  
March 2020

## **Standing Committee on Estimates and Financial Operations**

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## EXECUTIVE SUMMARY

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- 1 The Legislative Council's Standing Committee on Estimates and Financial Operations (Committee) conducted hearings with 10 agencies regarding their 2018-19 Annual Reports in November and December 2019.
- 2 The Committee's theme this year is the Treasurer's special purpose accounts (SPAs) and a continuation of the 2019-20 Budget Estimates hearings theme scrutinising agencies' special purpose accounts.
- 3 Conceptually, the Committee explored governance and administrative controls of the Treasurer's SPAs concluding these were comprehensive and fit for purpose.
- 4 The Committee was satisfied with the conduct of its hearings, the level of attendance and Member participation. Overall, 218 questions were asked of 15 agencies.
- 5 Both Government and non-government Members asked a wide variety of questions. No formal inquiries resulted. A significant number of subject matters were canvassed with topics listed in Appendix 2.
- 6 The Committee extends its appreciation to those Members who participated in the hearings and the assistance given by Ministers and their agencies.
- 7 The 2018-19 budget cycle is completed and closed.

### Finding

**The Finding is as it appears in the text at the page number indicated:**

#### **FINDING 1**

Page 12

The governance, administration and accountability arrangements of the Treasurer's 22 Special Purpose Accounts are comprehensive and fit for purpose.



# 1 Introduction

- 1.1 This report concludes the Legislative Council Standing Committee on Estimates and Financial Operations (Committee) consideration of State expenditure and financial administration for the 2018-19 budget year.
- 1.2 For Ministers and agencies, the State Budget process operates cyclically from mid-November of the year prior when the Department of Treasury (Treasury) provides a budget process circular to Ministers and agencies for the upcoming year, until estimates hearings the following May and June.<sup>1</sup>
- 1.3 The first part of the 2018-19 budget cycle began with a consideration of the 'estimates of expenditure' laid before the Legislative Council on 10 May 2018.<sup>2</sup> The second and final part of the cycle is the 2018-19 Annual Reports. The Committee conducted hearings in relation to them in November and December 2019.
- 1.4 In past years, the Committee separately examined the budget estimates and agency annual reports. However, since the 2017-18 Budget Estimates, the Committee adopted a new practice of linking these two separate processes into a broader examination of the budget cycle. The cycle refers to the life of a budget from its creation to evaluation, typically a period of 16 months.

# 2 Annual reports

- 2.1 The Committee examined 10 agencies' annual reports and identified a number of related matters, bringing these to the Legislative Council's attention.
- 2.2 In addition, a theme was adopted for this year's inquiry—the Treasurer's special purpose accounts (SPAs). The Committee sought to understand the governance, administration and accountability arrangements around these particular accounts.

## The reporting framework

- 2.3 The reporting framework for annual reports is set out in the *Financial Management Act 2006* (FMA), supplemented by Treasurer's Instructions and an Illustrative Model Annual Report containing:
  - financial statements for the financial year
  - a report on the operations of the agency during the financial year
  - information prescribed by the Treasurer's instructions
  - if covered by a resource agreement, a report on the extent to which the agency achieved any 'objectives'<sup>3</sup> described in the resource agreement<sup>4</sup>

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<sup>1</sup> Government of Western Australia, Service Priority Review, Final report to the Western Australian Government, October 2017, *Working Together one Public Sector Delivering for WA*, 6 December 2017, p 77. See: <https://www.dpc.wa.gov.au/Pages/Search.aspx?k=priority%20service%20review>.

<sup>2</sup> The 2018-19 estimates of expenditure were reported to the House in Western Australia, Legislative Council, Estimates and Financial Operations Committee, Report 76, *2018-19 Budget Cycle—Part 1: Estimates hearings and related matters*, 20 September 2018.

<sup>3</sup> The Committee noted, amongst other things, the recently introduced Financial Legislation Amendment Bill 2020 contains an amendment to section 61(2) of the *Financial Management Act 2006* which proposes to amend the reference to resource agreement 'objectives' to 'targets'.

<sup>4</sup> Treasurer's Instruction 808: *Resource Agreements*.

- if a department or statutory authority with an affiliated or related body,<sup>5</sup> a report on the body or any other information required by a written direction given by the Minister
  - key performance indicators (KPIs).<sup>6</sup>
- 2.4 The Committee noted the recently introduced Financial Legislation Amendment Bill 2020 includes amendments to reduce the financial reporting compliance burden on agencies by allowing the Treasurer to exempt agencies from reporting KPIs when they are not meaningful in helping to assess an agency's performance. For example, KPIs for policy, planning and research functions.<sup>7</sup> 'Meaningfulness' of KPIs was the subject of the Committee's 77<sup>th</sup> report.<sup>8</sup>
- 2.5 This year, Treasury adopted a new, 'tiered' approach to the reports. Smaller agencies are no longer required to report against the full suite of information set out in the accounting standards. The Auditor General commented on this for Tier 2 entities.<sup>9</sup> Such entities' financial statements have been streamlined by:
- grouping notes in a functional structure
  - grouping policy notes, key estimates and judgments with the quantitative disclosures
  - eliminating irrelevant duplicate and unnecessary disclosures
  - applying materiality considerations to present only disclosures that are relevant too understanding the financial results.<sup>10</sup>
- 2.6 Treasury claims streamlining reduces the costs and burdens of preparing an annual report whilst improving the relevance and meaning for users.<sup>11</sup> The Committee heard two Tier 2 agencies—the Forest Products Commission (FPC) and Landgate. Although Tier 2, the FPC is required to apply Tier 1 disclosures for AASB 141 Agriculture (Biological Assets Note). Landgate is required to apply Tier 1 disclosures for AASB 128 Investments in Associates and Joint Venture and AASB 7 Financial Instruments: Disclosures (Shareholdings & Other Investments Note).

### 3 Examining annual reports

#### The Committee's approach

- 3.1 The Committee followed its Procedure Policy which was distributed to all Members of the Legislative Council and made available on the Committee's webpage.

<sup>5</sup> Each of these is defined in section 60(1)(a) and (b) of the *Financial Management Act 2006*.

<sup>6</sup> See also Treasurer's Instruction 904: *Key Performance Indicators* for further information about disclosure of performance information.

<sup>7</sup> Hon Ben Wyatt MLA, Treasurer, Western Australia, Legislative Assembly, *Parliamentary Debates (Hansard)*, 20 February 2020, p 668a.

<sup>8</sup> Western Australia, Legislative Council, Estimates and Financial Operations Committee, Report 77, *2017-18 Budget Cycle – Part 2: Annual Report hearings*, 4 April 2019.

<sup>9</sup> Office of the Auditor General, *Audit Results Report- Annual 2018-19 Financial Audits of State Government Entities*, p 20. See: <https://audit.wa.gov.au/reports-and-publications/reports/arr-2018-19/>, viewed 8 January 2020.

<sup>10</sup> Department of Treasury, Illustrative Model Annual Report Tier 2 (Reduced Disclosure Requirements) Agency. See: <https://www.treasury.wa.gov.au/uploadedFiles/Treasury/Legislation/Agency-June2019-DRAFT.pdf>, the Foreword, unnumbered page.

<sup>11</sup> Ibid; the Foreword, unnumbered page.



## Agency selection

- 3.2 To assist the Committee in determining which agencies to examine, the Committee authorised Members to consult with their colleagues. Members were encouraged to submit agency nominations directly to the Committee with two responses.<sup>12</sup> Details of the hearings were placed on the Committee's webpage ([www.parliament.wa.gov.au/est](http://www.parliament.wa.gov.au/est)).
- 3.3 The Committee selected a mix of large and small agencies including two agencies not previously scrutinised in the 40<sup>th</sup> Parliament (Landgate and the Department of Justice). Others were included for a variety of reasons such as those with high appropriations (Department of Education) and an agency subject to recent Auditor General attention (Department of Communities' Working with Children Checks).
- 3.4 All Members were notified of the hearings and invited to participate.
- 3.5 Thirteen and a half hours of public hearings were held.<sup>13</sup> The hearings were recorded by Hansard, posted on Facebook and Twitter as well as broadcast over the internet. Transcripts and a video recording of the hearings were posted on the Committee's webpage. A list of the agencies the Committee heard and some of the topics canvassed is set out in Appendix 2.

## Key statistics

- 3.6 The Committee continued its practice of inviting Members to ask questions of all agencies prior to the hearings, regardless of whether that agency subsequently appeared at a hearing.
- Overall, 218 questions were asked of 15 agencies. Last year 55 agencies were asked 469 questions.
  - Three Members electronically submitted 91 questions to agencies prior to hearings. Last year five Members and the Committee electronically submitted 356 questions.
  - During hearings, participating Members asked 74 supplementary questions. Last year 71 questions were asked.
  - After the hearings, three Members and the Committee electronically submitted 53 additional questions. Last year four participating Members and the Committee submitted 42 questions.
- 3.7 Agencies with the highest number of questions asked overall were:
- Department of Water and Environmental Regulation - 21
  - Department of Communities - 36
  - Forest Products Commission - 24
  - Office of the Information Commissioner – 20.
- 3.8 Questions prior to hearings, supplementary questions and additional questions provided the Legislative Council with three opportunities for questioning Ministers and are therefore a significant accountability mechanism. In particular, answers provided in questions prior to hearings has the added advantage of further exploration during hearings.

## Reflections on this year's internal processes

- 3.9 The Committee is satisfied with its processes and practices for conducting the inquiry developed over the past three years and will continue to monitor and refine its practices.

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<sup>12</sup> From Hon Alison Xamon MLC and Hon Peter Collier MLC on behalf of the Liberal Party.

<sup>13</sup> The timetable is at Appendix 1.

## 4 Special purpose accounts

- 4.1 There are two types of special purpose accounts: Agency SPAs and the Treasurer's SPAs.
- 4.2 As stated at paragraph 2.2, the Committee resolved to adopt a thematic approach to its inquiry choosing this year, the Treasurer's SPAs. Agency SPAs was the theme for the 2019-20 Budget Estimates hearings.

### The Committee's interest in special purpose accounts

- 4.3 The Committee's interest in both types of SPAs is threefold:
- First, the value of funds held in SPAs is significant. As at 30 June 2019, the total was \$21.5 billion of which \$15.8 billion is held in the Treasurer's SPAs and \$5.6 billion in agency SPAs.<sup>14</sup>
  - Second, neither the Committee nor the Auditor General have scrutinised the Treasurer's SPAs in either this or the previous Parliament. The Auditor General last conducted a substantive examination of eight agencies' governance arrangements in 2013.<sup>15</sup> The Committee scrutinised the governance and administration of selected agency SPAs during the 2019-20 Budget Estimates hearings and related matters inquiry.<sup>16</sup>
  - Third, exploring the Treasurer SPAs builds upon the 2019-20 Budget Estimates hearings theme.

### Differences between a Treasurer's and an agency's special purpose account

- 4.4 Treasury provided four key differences between a Treasurer and an agency SPA.
- Treasurer SPAs are administered by Treasury on behalf of the Treasurer. The balances are not available for the operations of Treasury itself.
  - Agency SPAs 'may be controlled or administered by the agency and only the former is available for the operations of an agency'.<sup>17</sup>
  - Treasurer SPAs form part of the Public Ledger which are the Treasurer's accounts.
  - Agency SPAs are not part of the Public Ledger and are the agency's accounts.<sup>18</sup>
- 4.5 Whether the Treasurer administers a SPA or an agency controls it is determined by the size and purpose of the account and the Treasurer's own views.<sup>19</sup>
- 4.6 Extracted below is information initially provided during the Treasury hearing and from answers the Treasurer provided to 10, Committee-initiated additional questions after the hearing.

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<sup>14</sup> Government of Western Australia, *2018-19 Annual Report on State Finances*, 27 September 2019, p 235.

<sup>15</sup> Office of the Auditor General, *Audit Results Report – Annual Assurance Audits and Across Government Benchmarking Audits*, May 2013.

<sup>16</sup> Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, *Report 78: 2019-20 Budget Cycle - Part 1: Estimates hearings and related matters*, October 2019, pp 3-11.

<sup>17</sup> Answer to Committee-initiated additional question on notice 1 by Hon Ben Wyatt MLA, Treasurer, 15 January 2020, p 5. 'Controlled' and 'administered' may be considered as accounting-type concepts. Controlled funds may be used by the agency directly to undertake the operations of the agency. Administered funds are managed by the agency on behalf of the State (or some other body).

<sup>18</sup> Answer to Committee-initiated additional question on notice 1 by Hon Ben Wyatt MLA, Treasurer, 15 January 2020, p 5.

<sup>19</sup> Ibid.

## Purpose of special purpose accounts

- 4.7 SPAs are established for the 'delivery of key Government policy outcomes'<sup>20</sup> pursuant to various sections of the FMA and other legislation such as the *Royalties for Regions Act 2009*.<sup>21</sup>
- 4.8 The FMA requires both the Treasurer and agencies to hold funds in SPAs.<sup>22</sup> Accounts established by statute are governed by the relevant provisions whereas those established administratively are governed by a 'special purpose statement' for operating accounts or a 'trust statement' for trust accounts. These statements outline the purpose of the relevant accounts.<sup>23</sup>
- 4.9 Pursuant to section 28(1)(a)(iii) of the FMA, the Treasurer may authorise advances to be made to the credit of a SPA.<sup>24</sup> When authorised, the amount is reported in both the Quarterly Financial Results Reports and the Annual Report on State Finances under the 'Overdrawn Special Purpose Accounts' item.<sup>25</sup> The Committee noted that in the reporting period:
- Neither of the tables in these publications distinguish between overdrawn, agency SPAs and Treasurer's SPAs.
  - There were no overdrawn SPAs in the reporting period. Section 19 of the FMA states that SPAs are not to be overdrawn except with the Treasurer's approval.

## 5 The Treasurer's special purpose accounts

- 5.1 Treasury's 2018-19 Annual Report sets out various statutory disclosures regarding its financial reporting. Two of these disclosures are (1) special purpose accounts and (2) special purpose accounts created during the year.

### Value of the Treasurer's special purpose accounts

- 5.2 The amount of money held in the Treasurer's SPAs is substantial. As at 30 June 2019, \$15.8 billion was held in 22 Treasurer SPAs listed in the following Table.<sup>26</sup>

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<sup>20</sup> Government of Western Australia, *2019-20 Quarterly Financial Results Report*, 27 September 2019, p ii.

<sup>21</sup> Section 3 of the *Royalties for Regions Act 2009* defines the Royalties for Regions Fund as meaning 'the account established as a Treasurer's special purpose account under the *Financial Management Act 2006* section 10(a)'.

<sup>22</sup> Respectively, *Financial Management Act 2006* s 10 and s 16.

<sup>23</sup> Government of Western Australia, *2018-19 Annual Report on State Finances*, 27 September 2019, p 213.

<sup>24</sup> It states: '(1) The Treasurer may authorise advances to be made — (a) on the terms and conditions determined by the Treasurer — (iii) to the credit of a special purpose account; ...'

<sup>25</sup> The Annual Report on State Finances contains the financial results for the June quarter 2019, completing the quarterly reporting for 2018-19.

<sup>26</sup> Answer to Committee-initiated additional question on notice 1 by Hon Ben Wyatt MLA, Treasurer, 15 January 2020, p 5.

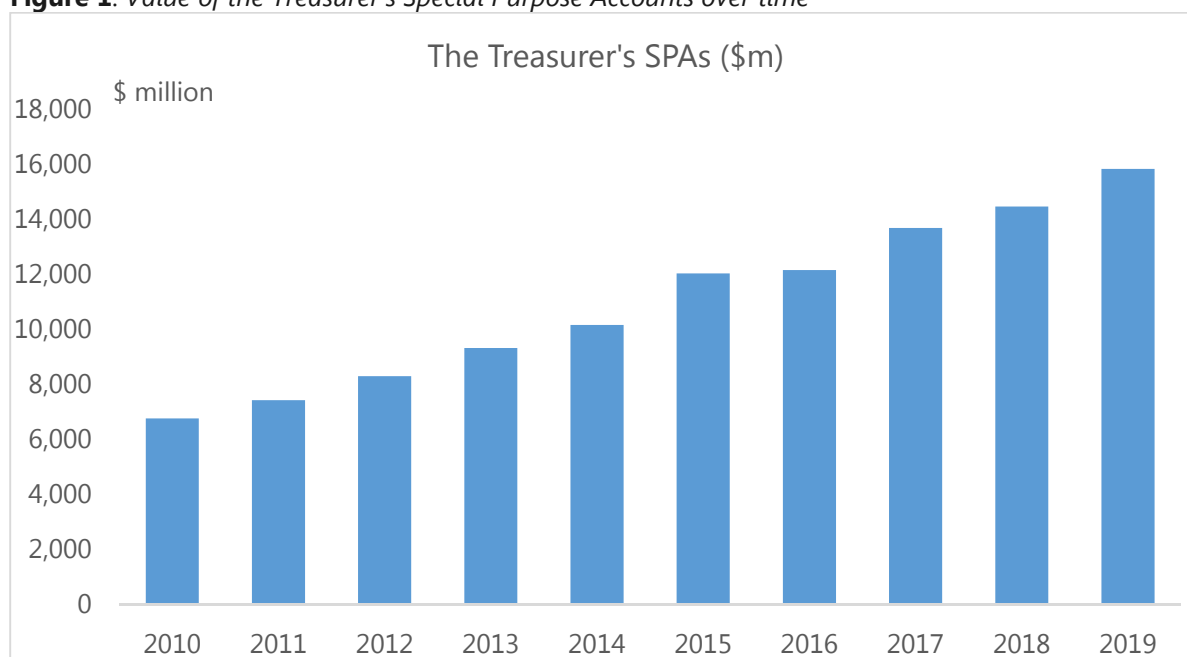
**Table 1.** *The Treasurer's Special Purpose Accounts at 30 June 2019*

	<b>\$M</b>
Agency Holding Accounts	13 128
Royalties for Regions Fund	1 000
Western Australian Future Fund	1 313
National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse Account	151
Commonwealth Payments for Specific Purposes Account	5
Perth Children's Hospital Account	13
The New Perth Stadium Account	12
Fiona Stanley Hospital Construction Account	-
Agency 27 <sup>th</sup> Pay Accounts	130
Bankwest Pension Trust	3
Departmental receipts in suspense	22
Independent schools- general building grants	-
Independent schools- recurrent grants schools assistance acts	-
Jervoise Bay Infrastructure Development Trust Account	11
Local Authorities Trust Sharing Entitlements Account	-
Mortgage Monies Under the <i>Transfer of Land Act 1893</i>	0.1
Non-government schools - other recurrent grants	-
Perry Lakes Maintenance Account	5
Public Bank Account Interest Earned Account	45
Statutory Authorities Investment Account	1
Tariff Equalisation Fund	-
Debt Reduction Account	-
<b>Total</b>	<b>15 838</b>

[Source: Answer to Committee-initiated additional question on notice 1, p 6]

- 5.3 Details about the establishment date of each of these accounts, the subsection the account relates to under the FMA, its purpose as well as receipts and/or payments made in 2018-19 are attached at Appendix 3.
- 5.4 Figure 1 on the following page reveals that over the past 10 years, the value of the Treasurer's SPAs has risen from \$6.8 billion at 30 June 2010 to \$15.8 billion at 30 June 2019.

**Figure 1.** *Value of the Treasurer's Special Purpose Accounts over time*



[Source: Answer to Committee-initiated additional question 1, p 5]

## **Governance of special purpose accounts**

5.5 Section 3 of the FMA defines a SPA as 'an agency special purpose account or an account referred to in section 10'. That latter section prescribes the Treasurer SPAs that partly constitute the Public Ledger under section 7(c). Section 10 states:

The Treasurer's special purpose accounts referred to in section 7(c)<sup>27</sup> are to consist of —

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

(b) suspense accounts<sup>28</sup> established for the purposes of section 26;<sup>29</sup> and

(c) any account established to hold money transferred under section 39(5),<sup>30</sup> and

(d) the Public Bank Account Interest Earned Account established for the purpose of holding money credited to that account under section 38(9)<sup>31</sup>

<sup>27</sup> Section 7(c) refers to the Public Ledger and how it consists of three types of accounts: (a) the Consolidated Account, (b) the Treasurer's Advance Account and (c) the Treasurer's special purpose accounts.

<sup>28</sup> A suspense account is figuratively 'suspended'. That is, it is a transfer account for holding and meeting future and relevant commitments such as salaries, wages, superannuation leave or depreciation. See: Answer to Committee-initiated additional question on notice 1 by Hon Ben Wyatt MLA, Treasurer, 15 January 2020, p 5.

<sup>29</sup> Section 26(2) states: 'the Treasurer may direct that an appropriation by an Appropriation Act for a financial year may be transferred to a suspense account to the extent necessary to meet a relevant commitment, and such a transfer is taken to be a payment correctly chargeable against that appropriation for that financial year'.

<sup>30</sup> Section 39(5) concerns agencies investing money in a bank account that does not form part of the Public Bank Account. In this scenario, the department, sub-department or statutory authority may transfer that money to the Public Bank Account for investment under section 37.

<sup>31</sup> Section 38(9) states that money received from investment may be credited to the Public Bank Account Interest Earned Account.

pending its allocation and payment as required or permitted under this Act or another written law; and

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

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

5.6 The Treasurer's SPAs are generally discussed in various government financial publications such as Budget Paper No. 3, the Government Mid-year Financial Projections Statement, the Annual Report on State Finances, the Quarterly Financial Results Reports and Treasury's Annual Report. The majority of funds in those SPAs relate to agency holding accounts, discussed at paragraphs 5.15 to 5.29.

5.7 The 2018-19 Annual Report on State Finances shows an increase of \$1.4 billion in the Treasurer's SPAs balances reflecting the following six factors:

1. Higher holding account balances for non-cash accrual appropriations to agencies for depreciation and accrued leave entitlements.
2. Payments of \$1.7 million to two departments for implementation and administration costs of the National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse.
3. An increase in the balance of the Western Australian Future Fund from annual royalty receipts (\$51 million) and earnings of \$47 million.
4. The \$51 million decrease in the balance of the Commonwealth Grants for Specific Purposes Account (National Disability Insurance Scheme and interim Skilling Australians funding).
5. The \$39 million decrease in the balance of the Fiona Stanley Hospital Construction Account.
6. The \$44 million increase in the balance of agency accounts holding cash for the cost of an extra pay period every 11 years.<sup>32</sup>

### **Establishing a Treasurer's special purpose account**

5.8 The Committee sought to understand the decision-making process undertaken to establish a Treasurer SPA. Treasury explained that virtually all Government revenue is 'lumped' into the Consolidated Account from which appropriations are then made. In contrast:

A special purpose account is set up when there is a dedicated specific purpose or function that Government wants to set aside a funding source for. For example, it could be funding for the building of the new hospital. In fact, the Government has decided to establish a special purpose account to fund the building of a new women's and babies' hospital, as an example.

Rather than having to rely on that general pool of funds sitting in the consolidated account, which a future Government could decide to spend on anything with Parliament's approval, a special purpose account restricts the purpose of the funding sitting in that special purpose account for that dedicated purpose.<sup>33</sup>

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<sup>32</sup> Government of Western Australia, *2018-19 Annual Report on State Finances*, 27 September 2019, p 238.

<sup>33</sup> Michael Barnes, Under Treasurer, Department of Treasury, *Transcript of evidence*, 13 November 2019, p 11.

- 5.9 The general rationale as to why either type of SPA is established is to protect that pool of funds for the dedicated purpose.<sup>34</sup> A 'trust statement' underpins the dedicated purpose and effectively has the force of law under Treasurer's Instructions. This means it can only be used for that purpose as set out in the trust statement or the special purpose account statement.<sup>35</sup>
- 5.10 The Committee noted the difference between cash in a SPA and restricted cash shown on balance sheets.<sup>36</sup> Treasury explained that restricted cash is often cash from an external third party such as the Commonwealth or a private sector contribution for some purpose.

It is restricted by the agency for whatever that third party provided it for, whereas a special purpose account will be generally state funded.<sup>37</sup>

### **Administration of a Treasurer's special purpose account**

- 5.11 The administration of a Treasurer's SPA is governed by Division 4 of the FMA. Section 17(1)(a) states that the accountable authority of an agency is to prepare:
- a special purpose statement for the SPA
  - a trust statement for a SPA operated by the agency that is 'any account established to hold other money and determined by the Treasurer to be a Treasurer's special purpose account'.<sup>38</sup>
- 5.12 Treasurer Instruction 802(2) contains the information requirements for both the special purpose statement and the trust statement. It provides that the relevant statement shall detail:
- (i) the responsible agency and the title of the account
  - (ii) the purpose of the account
  - (iii) the money to be credited to the account including investment income where applicable;
  - (iv) the purposes for which expenditure may be charged to the account;
  - (v) that the administration, accounting and reporting is in accordance with the Act, instructions, regulations and any other legal requirements; and
  - (vi) the manner in which the funds may be dealt with on closure of the account.<sup>39</sup>
- 5.13 The relevant statement must be signed and dated by the accountable authority; submitted to the Under Treasurer for approval and after approval, the accountable authority is to send a copy of it to the Auditor General.<sup>40</sup>
- 5.14 Section 20(1) of the FMA authorises the Treasurer to direct all or part of the money not reasonably required for the purposes of that account to be credited to the Consolidated Account.<sup>41</sup>

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<sup>34</sup> Michael Barnes, Under Treasurer, Department of Treasury, *Transcript of evidence*, 13 November 2019, p 11.

<sup>35</sup> Ibid.

<sup>36</sup> A SPA is a legal construct whereas restricted cash is an accounting concept.

<sup>37</sup> Michael Barnes, Under Treasurer, Department of Treasury, *Transcript of evidence*, 13 November 2019, p 11.

<sup>38</sup> *Financial Management Act 2006*, s 10(f).

<sup>39</sup> Department of Treasury, Financial Administration Bookcase, TI 802, p 1. See: [https://www.wa.gov.au/sites/default/files/2020-02/FAB-Update-No85\\_1.pdf](https://www.wa.gov.au/sites/default/files/2020-02/FAB-Update-No85_1.pdf), viewed 16 March 2020.

<sup>40</sup> *Financial Management Act 2006*, s 17(1)(4).

<sup>41</sup> Unless another written law expressly provides otherwise. *Financial Management Act 2006*, s 20(2).

## Case study: The Agency Holding Account

5.15 The Committee examined one of the Treasurer's SPAs, the 'Agency Holding Account' as a case study. Treasury maintains a holding account for each agency to 'replace existing assets and meet leave liability obligations when they fall due'.<sup>42</sup> The closing balance for three years was \$13.1 billion.

**Table 2.** *Agency Holding Account balances as at 30 June 2017 and post Machinery of Government changes: 2018 and 2019*

	30 June 2017	30 June 2018	30 June 2019
Number of entries	91	46	46
Closing balances	\$10 882 211 545.00 CR	\$11 962 097 960.00 CR	\$13 128 122 960.00 CR

[Source: Answer to Committee-initiated additional question 8]

5.16 Treasury characterised the Agency Holding Account as a 'suspense account Treasurer SPA' for meeting future commitments given that:

As part of accrual appropriations, budget-funded agencies are appropriated for the replacement of capital assets equivalent to the annual depreciated amount of the asset and leave liabilities.

As these amounts are not presently required, they are transferred to an agency's Holding Account ... each year to meet the future commitments. These amounts are then drawn down from the Holding Account when required.<sup>43</sup>

5.17 Three governance arrangements ensure funds in the SPA are spent appropriately. These are:

- the FMA
- audits conducted by the Auditor General
- Treasury's own internal governance and audit arrangement.

5.18 Administratively:

agency drawdowns from the holding account are submitted to Treasury as part of the Cash Disbursement Profile (CDP) process, which is the mechanism used to facilitate the fortnightly disbursement of appropriations. The CDPs are reviewed and signed off by multiple positions including: Chief Financial Officer of the agency, agency accountant, Treasury Analyst and Treasury Manager.<sup>44</sup>

5.19 The Committee queried what weaknesses or potential weaknesses exist in the governance and administration of the Treasurer's SPAs. Treasury advised that in June 2019, Deloitte completed an independent audit of Treasury's Operations Payment Processes including the governance and administration of cash disbursements (including from the Treasurer's SPAs).

<sup>42</sup> Government of Western Australia, *2019-20 Budget Papers, Reader's Guide to the 2019-20 Budget Statements*, May 2019, p 14.

<sup>43</sup> Answer to Committee-initiated additional question on notice 1 by Hon Ben Wyatt MLA, Treasurer, 15 January 2020, p 5.

<sup>44</sup> Ibid; p 11.



5.20 The Treasurer said:

The Deloitte audit identified only two areas of potential weakness, assigning a 'moderate' risk to both findings. Only one of the findings directly related to the governance and administration of cash disbursements.

The finding was a reliance on manual processes.<sup>45</sup>

5.21 The Committee is mindful of the inherent risk associated with any system relying on manual handling but noted that four recommendations addressing Deloitte's finding are being progressed by Treasury's internal Financial Risk and Audit Committee.

5.22 The Committee is reassured by Treasury's evidence that:

The Office of the Auditor General (OAG) recently completed a Focus Audit that included Treasury on Control of Funds Held for Special Purposes. The OAG confirmed there were no management letter issues for Treasury.<sup>46</sup>

### Snapshot of balances in the Agency Holding Account

5.23 Extracted in Table 3 is two years of data for the five largest agencies' balances in the Treasurer's holding account SPA. Not surprisingly, health and education dominate the first two positions.

**Table 3.** *Agency Holding Account balances – The five largest agency balances (post Machinery of Government)*

Agency	30 June 2018	30 June 2019
1. WA Health	3 135 679 877	3 540 744 877
2. Education	2 721 070 612	2 941 594 612
3. Commissioner of Main Roads	2 541 794 000	2 825 877 000
4. Public Transport Authority of Western Australia	742 588 000	673 303 000
5. Finance	523 863 400	584 245 400
Collectively, the other 41 agencies	2 297 102 071	2 562 358 071
<b>Total</b>	<b>11 962 097 960</b>	<b>13 128 122 960</b>

[Source: Answer to Committee-initiated additional question 8]

5.24 Data analysis reveals that the value of the agency holding accounts has increased by almost 10 percent each year for the past two years. It is difficult to attribute growth in 2017-18 to any particular agency as the data is affected by Machinery of Government changes. However, growth in 2018-19 was underpinned by growth in WA Health, the Department of Education, and the Commissioner of Main Roads.

5.25 The Committee noted that on 18 February 2020, the Financial Legislation Amendment Bill 2020 was introduced. The Bill addresses one of the six factors responsible for the \$1.4 billion increase in the Treasurer's SPAs balances noted in the 2018-19 Annual Report on State Finances. Relevantly, the Bill "provides a solution for the unintended build-up of agency

<sup>45</sup> Answer to Committee-initiated additional question on notice 1 by Hon Ben Wyatt MLA, Treasurer, 15 January 2020, p 11.

<sup>46</sup> Ibid.

holding account balances that comprise non-cash components of an agency's appropriation, such as depreciation and increases in leave liabilities".<sup>47</sup>

5.26 The Treasurer said:

It was intended that over time, the holding account would fund relevant agency commitments. For example, holding account balances built up through depreciation would fund like-for-like asset replacements. However, these balances, which impact the balance sheet, have been growing unabated for reasons including, for example, the non-replacement of assets due to changing technology, other funding options for capital and the overestimation of depreciation expenses.<sup>48</sup>

5.27 The Bill proposes to resolve this issue by:

permitting the Treasurer to direct all or part of agencies' non-cash balances standing to the credit of the holding account to the consolidated account where those balances have built up and are not likely to be utilised.<sup>49</sup>

5.28 The Committee is of the view that:

- The governance, internal administrative procedures and accountability arrangements (including Auditor General and Deloitte monitoring) of the Treasurer's 'Agency Holding Account' SPA are currently comprehensive, fit for purpose and may be extrapolated to the other 21 Treasurer SPAs.
- The Financial Legislation Amendment Bill 2020 (if passed) will address the unabated build-up of agency holding account balances.

5.29 The Committee therefore makes the following finding:

#### **FINDING 1**

The governance, administration and accountability arrangements of the Treasurer's 22 Special Purpose Accounts are comprehensive and fit for purpose.

## **6 Other matters arising out of hearings**

### **Administration of Parliamentary support**

6.1 The Department of the Premier and Cabinet's (DPC) annual report lists three 'key service areas'. These are:

- Service 1: Administration of Executive Government Services
- Service 2: Administration of Parliamentary Support
- Service 3: Government Policy Management - whole of Government.

6.2 The Committee is reporting on Service 2.

6.3 Committee Report 73 regarding the 2017-18 Budget Estimates hearings, noted that DPC provided several services to the Parliament, including:

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<sup>47</sup> Hon Ben Wyatt MLA, Treasurer, Western Australia, Legislative Assembly, *Parliamentary Debates (Hansard)*, 20 February 2020, p 667a.

<sup>48</sup> Ibid; pp 667a-668a.

<sup>49</sup> Ibid.

- administering Members and former Members of Parliament entitlements
  - printing and processing all Chamber documents for both Houses of Parliament
  - managing the Parliamentary questions, Bills and Tabled Papers databases.<sup>50</sup>
- 6.4 Report 73 also noted that in DPC's agency financial statements, these services were all bundled into the 'Administration of Executive Government Services' service, which also included administrative support to the Premier, support for Executive Council, and other such Executive Government functions.<sup>51</sup> However, the Committee's view in Report 73 was that services provided to the Parliament are not services to the Executive and should be disaggregated.
- 6.5 Report 73 did not formally recommend DPC separately identify services to the Parliament in DPC's agency statements for the purpose of reflecting the separation of powers doctrine.<sup>52</sup> Nevertheless, the Premier agreed to the concept and to progress changes to the Budget Papers taking effect from 2019-20 onwards.<sup>53</sup> Service separation was implemented in the 2019-20 Budget Papers and also for this year's annual report after DPC revised its Outcome Based Management (OBM) structure.<sup>54</sup>

### **Support services to Members of Parliament**

- 6.6 Services provided to Members of Parliament are now reported under a dedicated 'Service 2: Administration of Parliamentary Support' and aim to meet one Government goal - sustainable finances. Service 2 has six components. These are:
- Administrative support to Members of Parliament and their staff.<sup>55</sup>
  - Administrative policy advice in conjunction to Parliamentary obligations.
  - Administration of the *Parliamentary and Electorate Staff (Employment) Act 1992*.
  - Administration of entitlements for Members and former Members of Parliament.
  - Respond to the changing needs of Parliament.
  - Encourage Parliament's engagement with the community.<sup>56</sup>
- 6.7 The Committee acknowledges the co-operation of the Premier and DPC in progressing over two budget cycles, this important reform to the manner in which services to the Parliament are reported.

<sup>50</sup> Western Australia, Legislative Council, Estimates and Financial Operations Committee, Report 73, *2017-18 Budget Cycle – Part1: Estimates hearings and related matters*, 8 May 2018, p 9.

<sup>51</sup> Government of Western Australia, 2017-18 Budget Papers, *Budget Paper No. 2 – Budget Statements*, report prepared by the Department of Treasury, 7 September 2017, p 65.

<sup>52</sup> This doctrine states that the three arms of government (executive, legislative and judicial) are separate and that their respective functions and powers are mutually exclusive. See: Dr Peter Nygh and Peter Butt (editors) *Butterworths Australian Legal Dictionary*, Sydney 1997, p 1067.

<sup>53</sup> Hon Mark McGowan MLA, Premier, Letter, 10 September 2018, p 1.

<sup>54</sup> Respectively, Government of Western Australia, 2019-20 Budget Papers, *Budget Paper No.2- Volume 1- Budget Statement*, report prepared by the Department of Treasury, 9 May 2019, p 65 and the Department of the Premier and Cabinet, *Annual Report 2018-2019*, p 119.

<sup>55</sup> This comprises eight subservice expenditure categories.

<sup>56</sup> Department of the Premier and Cabinet, *Annual Report 2018-2019*, p 17. There are five key service areas.

## Key performance indicators

6.8 The revision of DPC's OBM structure resulted in various modifications, additions to (and discontinuing of) both key effectiveness indicators and key efficiency indicators in this year's Annual Report.<sup>57</sup>

6.9 The Committee explored the two key effectiveness indicators in the Outcome 1 Table extracted at paragraph 6.10. Hon Aaron Stonehouse MLC raised questions about how modification of the indicators resulted in support services satisfaction ratings for Members of Parliament being 'lumped in together' with Executive Government.<sup>58</sup> The Committee would prefer satisfaction ratings for Members of Parliament be recorded in a separate outcome Table.

6.10 The Outcome 1 Table states:

### **Outcome 1 – Executive Government & Members of Parliament receives appropriate support**

	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2018-19 Target
1.1 Targets for support services are met or exceeded	100%	98%	96%	100%	95%
1.2 Service recipient's confirmation that services provided enable the obligations of Executive Government and Members of Parliament to be met	3.9	Exempt <sup>(a)</sup>	3.7	4.0 <sup>(b)</sup>	3.0

(a) Due to the change in Government, the Department was unable to collect survey data for the first nine months of 2016-17. As a result, the Department obtained an exemption from the Under Treasurer and was not required to report against this indicator for 2016-17.

(b) The methodology with this indicator has been amended in 2018-19. The Annual Expectations Survey now includes Members of Parliament. This change does not significantly impact on prior years' results.

[Source: Department of the Premier and Cabinet, *Annual Report 2018-2019*, p 97]

### **Key effectiveness indicator 1.1: Targets for support services are met or exceeded**

6.11 Despite the heading to the Outcome 1 Table ('Executive Government & Members of Parliament receives appropriate support'), the Premier advised that 'key effectiveness indicator 1.1 does not currently include services or targets for Members of Parliament'.<sup>59</sup> However, a revised key effectiveness indicator 1.2 discussed at paragraph 6.12, provides the desired transparency.

### **Key effectiveness indicator 1.2: Service recipient's confirmation that services provided enable the obligations of Executive Government and Members of Parliament to be met**

6.12 As stated in paragraph 6.8, Outcome 1 was modified for this year's Annual report. Key effectiveness indicator 1.2 is a confirmation measurement that the services DPC delivers to

<sup>57</sup> Department of the Premier and Cabinet, *Annual Report 2018-2019*, p 120.

<sup>58</sup> Hon Aaron Stonehouse MLC, *Transcript of evidence*, 14 November 2019, p 16. The heading to Outcome 1 in last year's 2017-18 Annual report states 'Outcome 1: Executive government receives appropriate support'.

<sup>59</sup> Hon Mark McGowan MLA, Premier, Department of the Premier and Cabinet, Answer to supplementary information A6 asked at a hearing held 14 November 2019, dated 16 January 2020, p 2.

Executive Government, Members of Parliament and their staff enables these recipients to meet their obligations. The confirmation is by way of an 'Annual expectations survey'.

6.13 DPC's Annual Report states:

Unlike previous years, the inclusion of Members of Parliament confirmation of services in the reporting on quality and timeliness of corporate and advisory services enables the Department to gain a better understanding of its performance and develop targeted improvement strategies for both Executive Government (Premier, Ministers, Leader of the Opposition and Leader of the Second Opposition offices) and Members of Parliament.<sup>60</sup>

6.14 The Committee queried what the data would show if the ratings for Executive Government and Members of Parliament were separately identified. DPC said:

The separated rating for Executive Government was 4.1 and the rating for Members of Parliament was 3.8. On a scale of 1 to 5, the aggregated score was 4.<sup>61</sup>

6.15 The Committee is reassured by the Premier's advice that:

As part of its ongoing improvements and review of the Outcome Based Management structure, the Department is working with the Office of the Auditor General and the Department of Treasury to continue to develop additional targets to reflect services to Members.<sup>62</sup>

## Restating financials

6.16 DPC and the Forest Products Commission (FPC) changed the financial treatment of certain assets for 2018-19. The DPC and FPC have recalculated the 2017-18 data using the current treatment to ensure that both years data is comparable.

### Department of the Premier and Cabinet

6.17 DPC's annual report lists seven agency SPAs. Of these, two had been incorrectly recorded in financial statements. These were the:

- Native Title Holder Incentive for Mineral Exploration and Land Access Accord; and the Native Title Land and Equity Fund. These had been included in cash and cash assets when it should have been restricted cash.
- Browse LNG Precinct Project Agreement Native Title Beneficiaries' Interest Bearing Trust Account.<sup>63</sup> One of four accompanying notes on the 'Statement of Changes in Equity' referred to an Auditor General focus audit of this particular account.<sup>64</sup> Since 2013 DPC had included the \$30.9 million trust balance in restricted cash when it should have been

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<sup>60</sup> Department of the Premier and Cabinet, *Annual Report 2018-2019*, p 96.

<sup>61</sup> Answer to additional question 1 asked by the Committee and answered by Hon Mark McGowan MLA, Premier, 29 January 2020, p 1.

<sup>62</sup> Hon Mark McGowan MLA, Premier, Department of the Premier and Cabinet, Answer to question on notice A6 asked at a hearing held 14 November 2019, dated 16 January 2020, p 2.

<sup>63</sup> The Browse Liquid Natural Gas (LNG) Precinct lies south of James Price in the Kimberley. The Browse LNG Precinct Project Agreement was finalised with the Goolarabooloo Jabirr Jabirr native title claimant group in June 2011. The agreement ensures social and economic benefits for the traditional owners and the broader Aboriginal community of the region.

<sup>64</sup> Department of the Premier and Cabinet, *Annual Report 2018-2019*, pp 81-82.

treated as 'other money' and not included at all.<sup>65</sup> A Treasurer Instruction requires DPC to treat it as 'other money' held in trust which is not controlled by DPC, but still continue to disclose it as a SPA.

6.18 In the following exchange, the Committee queried these reporting errors.

**Hon DIANE EVERS:** ...I just wonder, it was decided that this would be treated as other money held in trust, but the next part of the sentence says "which is not controlled by the Department", but it is still included in your list of those SPAs.

**Mr MEYERS:** Prior to this year, the Browse funding was included within our financial statements, income statement balance sheets et cetera. As a result of the audit, we were required to remove it from our financial statements, and that is what is outlined on page 77, but we were still required to include it within the notes to the financial statements.

**Hon DIANE EVERS:** Did anything else come up from that focus audit on any of the other special-purpose accounts?

**Mr MEYERS:** No, there was not.

**Hon DIANE EVERS:** That was the only one?

**Mr MEYERS:** There was the point around some of the funds for the mineral incentive scheme and also the land equity fund that we were previously reporting as just general cash. It had to be moved to restricted cash.

**Hon DIANE EVERS:** Why did these errors happen? Why were they being reported incorrectly?

**Mr MEYERS:** It was a legacy issue. In auditing previously we were told it was okay, and this focus audit told us that actually it was not being done strictly by the book.<sup>66</sup>

6.19 The net effect of these classifications changes was to reduce DPC's net assets from \$100.1 million to \$66.5 million in 2016-17 and net assets from \$93.2 million to \$57.9 million in 2017-18. Consequently, there was a \$35 million impact on the surplus/(deficit) in each of those years.

### The Forest Products Commission

6.20 The Board of Commissioners decided to adopt a new accounting policy for native forest and sandalwood plantations assets. The previous policy had included these assets as 'biological assets'. Under the new policy, commonly adopted across Australia, these assets are included as an 'Intangible Asset'. The Board considered that this approach 'provides more relevant and reliable information ... and will assist in the comparability of financial information in this sector'.<sup>67</sup> The Auditor General also reported on the new accounting policy.<sup>68</sup>

6.21 During a hearing FPC said:

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<sup>65</sup> However, it still needed to be disclosed with the other agency SPAs. The balance comprises the State's contribution of \$10 million to the Economic Development Fund and \$20 million to the Indigenous Housing Fund pursuant to a Precinct Agreement.

<sup>66</sup> Exchange between Hon Diane Evers MLC, Committee Member and Gary Meyers, Director, Corporate Services, Department of the Premier and Cabinet, *Transcript of evidence*, 14 November 2019, pp 14-15.

<sup>67</sup> Forest Products Commission, *Annual Report 2018-2019*, p 100.

<sup>68</sup> Office of the Auditor General, *Audit Results Report- Annual 2018-19 Financial Audits of State Government Entities*, Report 12: 2019-20, 14 November 2019, p 33.

The way that biological assets was reflected on native forests and sandalwood was wrongly reflected. It is not an asset; it is a right of use of an asset. We have got no control over it. We can measure it and we can have a future economic value to it.

...

That is why the value in the biological asset has been reduced by \$134 million.<sup>69</sup>

- 6.22 The Auditor General explained that as a result of adopting the new accounting policy:

Native forest assets are now recognised as Right of Use assets and Sandalwood assets as Licence Intangible assets which were valued at \$10 million at 30 June 2019. The Commission's Biological Assets (plantations) at 30 June 2019 were valued at \$208 million, compared to \$195 million last year.<sup>70</sup>

- 6.23 The Committee appreciates that principles of accounting standards change over time and in future reporting periods, native forest and sandalwood will appear on the statement of intangible assets. This alteration to how biological assets are measured will promote uniformity across the Australian forest sector.

## 7 Related matters

### Machinery of Government changes

- 7.1 In last year's Report 77, the Committee reported on progress made with integrating various systems arising from Machinery of Government changes in 2017. Three departments—Department of Local Government, Sport and Cultural Industries, Department of Water and Environmental Regulation and the Department of Education—had fully integrated financial, human resources and administrative systems. Four other departments—the Department of Communities, Department of Primary Industries and Regional Development, Department of Jobs, Tourism, Science and Innovation, and the Department of Biodiversity, Conservation and Attractions indicated they would not have their systems fully integrated until 2020.<sup>71</sup>
- 7.2 This year the Committee followed up systems integration with the Department of Communities. Last year, Communities was described as an 'amalgam of seven existing agencies and their components'.<sup>72</sup> It had four finance and payroll systems, four HR systems and three record management systems, then reduced to three finance and payroll systems. The target last year was for 'one of everything' in 2020'.<sup>73</sup> However, that target proved ambitious. The following update in response to a series of Committee initiated questions reveals Communities' protracted journey towards systems integration:
- Consolidating the finance system - completion date January 2022.

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<sup>69</sup> Antonio De Nobrega, Director, Finance, Forest Products Commission, *Transcript of evidence*, 12 November 2019, pp 1-2.

<sup>70</sup> Office of the Auditor General, *Audit Results Report- Annual 2018-19 Financial Audits of State Government Entities*, Report 12: 2019-20, 14 November 2019, p 33.

<sup>71</sup> Western Australia, Legislative Council, Estimates and Financial Operations Committee, Report 77, *2017-18 Budget Cycle – Part 2: Annual Report hearings*, 4 April 2019, p 20.

<sup>72</sup> The seven are: (1) the former Department for Child Protection and Family Support, (2) Department of Housing, (3) the Housing Authority, (4) Disability Services Commission, (5) the communities' component of the Department of Local Government, (6) Communities' Regional Services Reform Unit and (7) the regional coordination and engagement component of the former Department of Aboriginal Affairs.

<sup>73</sup> Western Australia, Legislative Council, Estimates and Financial Operations Committee, Report 77, *2017-18 Budget Cycle – Part 2: Annual Report hearings*, 4 April 2019, p 18.



- HR systems - completion date October 2021.
- Records management systems - completion date April 2021.
- Accommodation - remains a work in progress.
- Other systems:
  - Injury management system: the initial project to merge three systems is completed.
  - Incident management system: the consolidation of systems for reporting work related hazards, incidents and accidents by May 2021.
  - Learning management systems: the consolidation of three legacy systems onto single system by May 2020.<sup>74</sup>

7.3 It is clear that Communities has some distance to go with systems integration and consolidation.

7.4 The Auditor General recently reported on the task of agencies merging their financial, HR, payroll and administrative systems stating:

As at 30 June 2019: 16 statutory authorities remain separate legal entities under their own enabling legislation. The financial management systems of 6 of these statutory authorities remain separate. The payroll systems of 3 have been amalgamated with their respective department while the remaining 3 continue to operate their own payroll systems.

10 of the 11 new departments have completed transition ... and now operate and report from one financial management system and one payroll system. DPIRD has commenced transition ... advising that tenders for a finance and HR system will be issued before end of 2019 with transition expected to commence in early 2020.<sup>75</sup>

## **Underpayment of certain staff in the Department of Education**

7.5 During a hearing on 2 December 2019, the Department of Education was questioned about back payments to a number of underpaid casual cleaners, gardeners and home economic assistants. The Committee noted that on 28 November 2019 the Minister had made the following announcement:

The Department of Education will make back payments estimated at a total of \$4.9 million to underpaid casual cleaners, gardeners and home economics assistants.

The underpayment was identified after a human resources officer identified an hourly pay rate error dating back to 1983 when the standard working hours for these employees was reduced from 40 hours to 38 hours per week.

Approximately 27,000 casual staff will receive payment which will include salary, casual loading, and superannuation. Of these, 7,100 are current casual staff. Forty-nine per cent of these employees have been underpaid by less than \$100 and 91 per cent by less than \$500.<sup>76</sup>

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<sup>74</sup> Committee-initiated additional question on notice 1(a) to (e) answered by Hon Simone McGurk MLA, Minister for Community Services, 15 January 2020, p1.

<sup>75</sup> Western Australian Auditor General's Report, *Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities*, Report 12, 14 November 2019, pp 24-25.

<sup>75</sup> Ibid; 24

<sup>76</sup> Hon Sue Ellery MLC, Leader of the House and Minister for Education and Training, *Education Department casual allied professionals to receive back payments*, Media statement, Minister's Office, Perth, 28 November 2019.



- 7.6 Although too late for the error to be reported in this year's Annual Report (and beyond the scope of the Committee's annual reports inquiry), the following exchange recaps the November 2019 announcement.

**Hon DIANE EVERS:** There was advice that the department had underpaid casual cleaners, gardeners and home economic assistants and that back payments will be made. I am just interested to know when the department realised this and how they discovered that they had?

**Hon SUE ELLERY:** Sure. I will make some comments. It certainly goes beyond the reporting period of this annual report; it goes back to 1983. I am advised that a human resources employee discovered it in about October last year. I became aware of it about a month ago.

...

**Hon SUE ELLERY:** ...You would have heard my public commentary that essentially in 1983, I think it was as a result of an EBA, the industrial instrument changed and they went from a 40-hour week to a 38-hour week, and in calculating the hourly rate for temporary and full-time employees, they began to accrue time—they would work extra time—which they would then take off as a regular rostered day off. Casual employees, of course, do not accrue any leave, so they should have been paid the extra 24 minutes per day or part thereof. That did not happen. The decision about how far back we would pay back pay was really determined by the fact that in 1998 the payroll system changed to an automated system—before that, it was a manual system—and being able to actually verify who was who and who was owed what before 1998 would be too difficult, so we made that decision.

....

**Hon DIANE EVERS:** I assume this has been corrected for all future payments?

**Hon SUE ELLERY:** I certainly hope so!

**Hon DIANE EVERS:** Has there been any looking to see if there is anything else similar to this?

**Hon SUE ELLERY:** Yes, there has, and I have been assured that there is not.<sup>77</sup>

- 7.7 The Committee noted the Minister's public comment that the historic underpayment confirmed in October 2018 is 'highly regrettable'<sup>78</sup> but is in the process of being resolved.

## 8 Auditor General opinions on agencies

- 8.1 The Auditor General is required to issue an opinion to the responsible Minister for each agency audited on their financial statements, KPIs and the 'controls exercised by an agency'.<sup>79</sup> The opinion relates to:

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<sup>77</sup> Exchange between Hon Diane Evers MLC, Committee member and Hon Sue Ellery MLC, Minister for Education and Training, *Transcript of evidence*, 2 December 2020, p 6.

<sup>78</sup> Hon Sue Ellery MLC, Minister for Education and Training, *Education Department casual allied professionals to receive back payments*, Media statement, Minister's Office, Perth, 28 November 2019.

<sup>79</sup> *Auditor General Act 2006*, s 15. Section 15(4) states that 'controls exercised by an agency means the policies and procedures that have been established for the governance and management of the agency by those charged with that governance and management and other staff of the agency'.

- an agency's financial statements and, depending on each agency's enabling legislation, may also relate to controls and KPIs<sup>80</sup>
  - whether agencies' KPIs are 'relevant and appropriate'.
- 8.2 A clear audit opinion indicates satisfactory financial controls, and that the financial statements:
- are materially complete, accurate, comply with relevant legislation and applicable accounting standards
  - fairly represent performance during the year and the financial position at year end.<sup>81</sup>
- 8.3 The opinion forms part of the annual report and a copy of the opinion must be given to the relevant Minister.<sup>82</sup> The Auditor General issued qualified opinions to three entities for reasons of inaccuracies or deficiencies in their financial statements or KPIs or due to control weaknesses.<sup>83</sup> These were the Department of Local Government, Sport and Cultural Industries; the Rottnest Island Authority and the Western Australian Greyhound Racing Association. These agencies were not invited to appear at this year's hearings.
- 8.4 The Western Australian Greyhound Racing Association has had qualified opinions for many years relating to its persistent, incorrect treatment of capital grants. Time has now overtaken this matter. The relevant accounting standard has changed and is likely to remedy the issue.

### Statements of corporate intent

- 8.5 Certain statutory authorities are required to prepare a Statement of Corporate Intent (SCI) and their Ministers are required to table them in the Parliament. SCIs set out performance targets and other measures for the relevant financial year.
- 8.6 In last year's Report 77, the Committee reported on both Synergy's and Western Power's late tabling of their SCIs. This year the Committee reflected on the Auditor General's observation that persistent late tabling over the course of 19 years has now improved. The Auditor General said: 'All 2018-19 SCIs were tabled before or during that year'.<sup>84</sup>

## 9 Conclusions

- 9.1 Agencies' annual reports are vital for assessing performance and more systemically the good governance (or otherwise) of the State. They are a valuable addition to the suite of accountability and transparency documents.
- 9.2 The Committee was satisfied with the conduct of its hearings. Both Government and non-government Members asked a variety of questions. A significant number of subject matters were canvassed in the course of the proceedings and are listed in Appendix 2.

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<sup>80</sup> Western Australian Auditor General's Report, *Audit Results Report – Annual 2017-18 Financial Audits of State Government Entities*, Report 7, November 2018, p 11.

<sup>81</sup> Ibid; p 6.

<sup>82</sup> *Financial Management Act 2006*, s 64(1)(b).

<sup>83</sup> Western Australian Auditor General's Report, *Audit Results Report – Annual 2018-19 Financial Audits of State Government Entities*, Report 12, 14 November 2019, p 6.

<sup>84</sup> Ibid; p 21.

- 9.3 The Committee extends its appreciation to those Members, Ministers, Parliamentary Secretaries and agency staff who participated in the 2018-19 budget cycle proceedings.
- 9.4 The 2018-19 budget cycle is now completed and closed.

A handwritten signature in black ink, appearing to read 'Alanna Clohesy', with a stylized, cursive script.

Hon Alanna Clohesy MLC  
**Chair**

# APPENDIX 1

## TIMETABLE OF HEARINGS

### TIMETABLE 2018-19 ANNUAL REPORT HEARINGS

DATE	TIME	DEPARTMENT/AGENCY	MINISTER / PARLIAMENTARY SECRETARY
<b>Tuesday 12 November 2019</b>	9.30am – 10.30am (1hr)	Water Corporation	Minister Representing the Minister for Water, Hon Alannah MacTiernan MLC
	<b>Break</b>		
	10.45am – 12.00pm (1.25hrs)	Department of Justice	Minister Representing the Attorney General, Hon Sue Ellery MLC
	<b>Lunch</b>		
	12.30pm – 2.00pm (1.5hrs)	Department of Communities (Child Protection)	Minister Representing the Minister for Child Protection, Hon Sue Ellery MLC
	<b>Break</b>		
	2.15pm – 3.45pm (1.5hrs)	Department of Primary Industries and Regional Development	Minister for Regional Development, Hon Alannah MacTiernan MLC
	<b>Break</b>		
	4.00pm – 5.00pm (1hr)	Forest Products Commission	Minister Representing the Minister for Forestry, Hon Alannah MacTiernan MLC

DATE	TIME	DEPARTMENT/AGENCY	MINISTER / PARLIAMENTARY SECRETARY
<b>Wednesday 13 November 2019</b>	9.00am – 11.00am (2hrs)	Department of Water and Environmental Regulation	Minister for Environment, Hon Stephen Dawson MLC
	<b>Break</b>		
	11.15am – 12.45pm (1.5hrs)	Department of Treasury	Minister Representing the Treasurer, Hon Stephen Dawson MLC
	<b>Lunch</b>		
	1.15pm – 2.15pm (1hr)	Landgate	Minister Representing the Minister for Lands, Hon Stephen Dawson MLC

DATE	TIME	DEPARTMENT/AGENCY	MINISTER / PARLIAMENTARY SECRETARY
<b>Thursday 14 November 2019</b>	9.00am – 10.30am (1.5hrs)	Department of the Premier and Cabinet	Minister Representing the Premier, Hon Sue Ellery MLC

DATE	TIME	DEPARTMENT/AGENCY	MINISTER / PARLIAMENTARY SECRETARY
<b>Monday 2 December 2019</b>	3.00pm – 4.30pm (1.5hrs)	Department of Education	Minister for Education, Hon Sue Ellery MLC
	<b>END OF HEARINGS</b>		

## APPENDIX 2

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### HEARINGS TOPICS

#### **12 November 2019: Water Corporation**

- The 13 percent unaccounted water loss from the reticulated system and since 2016, \$130 million on 'Pipes for Perth' (the remediation of ageing pipes).
- Spending more than \$15 million on extensive works throughout Perth and Fremantle areas with some stage 1 Fremantle works completed.
- Replacement of 70 000 to 80 000 water meters per year.
- Mandurah area's water pressure management program.
- 2.2 billion litres of water saved by water reduction.
- Wastewater recycling expansion beyond the phase 2 expansion of the Beenyup wastewater facility.
- Expressions of interest called for the use of recycled water at Alkimos and Subiaco wastewater treatment plants. Preliminary works on groundwater recharge at Woodman Point sites of treated wastewater.
- Demand from new industrial customers for the existing recycling plant in Kwinana and a business case for expanding it.
- Side-stream processes from the Kwinana plant regarding bio-solid sludges which value-add biogases to produce electricity at the plant. Potentially this could be used to produce hydrogen as a cleaner fuel.
- Provision of trunk drainage services noting that local governments own the reticulation.
- The 'Drainage for Liveability' program and storm water quality testing of drains (the purview of which is the Department of Water and Environmental Regulation).
- Gross pollutant traps ('drain socks') on stormwater drains.
- Strategic standpipe investment in the Lake Grace, Ravensthorpe and Newdegate areas to minimise water shortage.
- De-risking farm desalination in Lake Grace given the availability of brackish water.
- Investment of \$160 million in regional WA and forecasting \$220 million on projects.
- In Denmark, a previous \$12.5 million investment using the existing water source. Denmark River Dam transferred 300 to 350 million litres of water from the Denmark River to Quickup Dam.

- Water carting as an appropriate short-term strategy for larger centres and an acceptable long-term strategy for smaller locations.
- Ravensthorpe investment of \$5 to \$6 million on a new water treatment plant, upgrading through the Great Southern towns network. Significant tank renewals, pump-station renewals and pipe renewals program.
- The outskirts of Wagin \$15 million project to improve the security of supply into Wagin and the broader farmland network.
- Determination of the customer performance (perception) index.
- The \$23 million investment in the licensed water service provided to Mowanjum, Bayulu and Bidyadanga in the Kimberley absent direct investment from the Commonwealth for remote Aboriginal communities.
- Desalination plants feasibility studies in respect of Alkimos and Perth plant number 2.

#### **12 November 2019: Department of Justice**

- The Fines Enforcement Registry not meeting KPI targets, the increasing average debt load per person and the moratorium or amnesty for certain people upon the passage of the Fines, Penalties and Infringement Notices Enforcement Amendment Bill 2019.
- Median times to finalise non-trial matters in civil jurisdiction target and time to trial for criminal matters.
- Jurisdictional shift from the Supreme to the District Court on 1 January 2019 with two additional judges appointed to the District Court noting that the shift involves the Magistrates Court as well.
- The 1-only application made since the *Historical Homosexual Convictions Expungement Act 2018* became operational in September 2018 and why community campaigns are not working.
- Recruitment for a permanent, Commissioner for Victims of Crime as part of the current review of the *Victims of Crime Act 1994*.
- Development of a bill regarding non-fatal strangulation as an offence modelled on Queensland and ACT legislation.
- Court security and the increase in seized weapons.
- 600 Western Australian applications to the National Redress Scheme with the average national payment at \$82 771 (the total amount paid nationally is at \$17 381 000).
- Statistics of children through the Links Drug Court.
- \$111 million variance in the original budget for court and tribunal services partly due to the 'loss on revaluation' accounting adjustment when the two former departments of Attorney General and Corrective Services merged.
- Failure to meet KPI targets in the Family Court.

- Prisoner education.
- The Wandoo Rehabilitation Prison program for women.
- Elder abuse and addressing recommendations of the Law Reform Commission's 2017 report *Elder Abuse—A National Legal Response?*
- Review of the *Criminal Injuries Compensation Act 2003*.
- Family and domestic violence offender management programs.
- Criminal property confiscation grants program and \$2.13 million assigned to 13 projects.
- Recruiting rounds for the Parliamentary Counsel's Office.
- Review of prosecutions arising from the Corruption and Crime Commission's investigations.
- Expansion of the family violence service.
- Addressing and actioning outstanding Coroners Court recommendations from the Law Reform Commission of Western Australia.
- Election commitment amendments to the *Criminal Law (Mentally Impaired Accused) Act 1996*.
- Restoring independence of the Law Reform Commission of Western Australia via a charter signed in February 2019.
- Commencement of works for the Armadale courthouse.
- 20 percent drop in work development orders.
- Sunday court for the 205 Children's Court matters.
- 4213 unassessed claims for criminal injuries compensation.

#### **12 November 2019: Department of Communities (Child Protection)**

- Working with Children Check and 202 negative notices compared with the Auditor General reporting 128.
- Screening of foster carers and the Working with Children Check.
- A second Communicare 'Breathing Space' residential family and domestic violence men's behaviour change program.
- Multiple number of 'child in care' placements and the cost of emergency accommodation.
- The Department's organisational and capability review.



- 'Target 120' with 25 families, 25 young people and 70 siblings participating in the program.
- 40 families accessing the 'Earlier Intervention and Family Support' direct service to 8200 children.
- Decline in funding from the Royalties for Regions, Regional Community Services Account.
- Approximately 350 back office staff exits without any impact to frontline services. Within that year, a \$2.2 million reduction to budget.
- The Department's 'cost-and-demand' model for determining the 4.3 percent projected growth in demand for child protection services but the metric reached seven percent (thus driving higher staffing requirements and higher salaries expenditure)
- \$8 million on expenses attributed to consultants and contractors for upgrades to a remote community.
- The absence of an automatic notification process between the courts and the Department informing that a 'child in care's' parent is convicted of an offence.
- The 255 children in self-selected arrangements but not necessarily endorsed by the Department.
- Between 83 and 111 caseworkers carrying caseloads over the Industrial Relations Commission's desired limit of 15.
- Support for the 3230 registered foster carers.
- 7 families participating in the Kalgoorlie-Boulder 'Earlier Intervention and Family Support Service'.
- Absent data regarding the living circumstances of 180 to 200 children per year leaving care after reaching 18 years of age and their immediate transition from out-of-home care.
- The 12-month Anglicare 'Home Stretch' pilot for 14 young people up to 15 years of age but supported till aged 21.
- 1938 Viewpoint surveys.

#### **12 November 2019: Department of Primary Industries and Regional Development**

- Organisational design of Machinery of Government agencies completed and \$13.4 million approved in the mid-year review to assist integration.
- Currently operating on legacy systems with integration completion delayed. 70 percent completion expected by the end of 2020 for the human resource and finance systems but not the electronic document management system.
- Focus on rebuilding and expanding the R&D capability within agriculture and steering the Government's renewable, hydrogen industry strategy.

- Dryland salinity management and review of the previous 20 years of mitigation programs.
- The revaluation decrement of the South Perth buildings.
- The 4.3 percent decrease in employee staffing costs.
- The 50 staff in the new 'farming systems innovation' in the Wheatbelt.
- Reviewing KPIs for 2020–21 to make them more meaningful.
- Data on the build-up of soil organic matter under the 'no-till' and minimum tillage regime for reducing wind erosion.
- Significant unresolved biosecurity events: African swine fever, tomato and potato psyllid, and Mediterranean fruit fly.
- Funding \$7.75 million a year into Natural Resource Management programs not offices.
- The interim state support plan for animal welfare emergencies and managing animal welfare incursions on 100 pastoral stations.
- African swine fever preparedness given that 40 tonnes of illegal pig products are apprehended annually through quarantine facilities.
- Results of the Community and Public Sector Union, Civil Service Association 'Change and Uncertainty' survey.
- The focus on redeployment for internal staff who did not immediately fit into the new structure, within both the department and across the sector.
- Wild dogs, the State Barrier Fence and Aboriginal employment outcomes in the Murchison, Goldfields, Esperance areas.
- The annual Biosecurity Blitz.
- Approvals for the renewable hydrogen project such as (1) the Asian Renewable Energy Hub north of Port Hedland on Eighty Mile Beach to lower the Pilbara's price of power. (2) Ammonia exports to Korea and Japan.
- The Southern Forest Irrigation Scheme.
- Improving WA aquaculture industry through red tape reductions in assessment and licensing processes.

#### **12 November 2019: Forest Products Commission**

- Measurement of biological 'assets' (native forests, sandalwood and plantation).
- Threatened fauna species using 10-year old regrowth karri forest for domicile or transition.

- The evaluated but not yet announced bioenergy market tender for harvesting wood coming from clearing bauxite-mined areas in the jarrah forest.
- A necessary correction to key efficiency indicator 3 regarding the 100 percent target and Actual of 100 percent for 'all high-value sawlog resource processed locally'.
- Deanmill, Pemberton and Greenbushes sawmills consolidated onto one site. For over 15 years, the sites were non-productive resulting in degraded hardwood originally cut for sawlogs being factors for using the hardwood for charcoal.
- Native forests contributing to a \$402 000 profit. From plantations, \$1.2 million and sandalwood \$5.9 million.
- 500 hectares average annual loss of plantation forests to fire spikes by larger fires such as the 2018 Balingup–Nannup fire (the FPC calls this the Lewana fire- 80 000 tonnes damaged).
- Reconciling jarrah, karri and marri figures on sawlog production that appear in one part of the annual report with similar but more differentiated product figures in another part.
- The Maringee Farms, 520 hectares of softwood plantations in the Wellington area, Collie area, south east of Collie and the Manjimup area (the Kin plantation) in 2018 from purchasing properties.
- Assumption of risk with sharefarming agreements such as Wespine's purchase of two properties with a total plantable area of 830 hectares with the FPC to establish plantations.
- KPI 3: 'Effectiveness of forest regeneration' but acting under Department of Biodiversity, Conservation and Attractions instruction is essential as a KPI for FPC business operating on ecologically sustainable forest management principles.
- Midterm review of the financial management plan. Taking more volume from the forest to keep the sustained limits. Arguably, more risk in the FMP of reducing the sustained yield if the FPC does not utilise the timber.
- Performance targets 'achieved or largely met' in relation to the nature of nesting hollows for the breeding and the development of young Baudins and red-tailed black-cockatoos.
- The Eradicator program for fauna given the significant threat from cats in all harvesting areas.

### **13 November 2019: Department of Water and Environmental Regulation**

- Industry regulation and 191 applications for environmental works approvals and licences determined within an average 79 days.
- Range of reasons why an application might not meet a deadline. For example, (1) companies or proponents use of consultants as part of the application process but the capabilities of those consultancy organisations differ. (2) The inherited backlog of cases.
- An additional 22 FTE from the 2017-18 budget all now employed.

- Streamline WA's steering committee online portal focus for public submissions resulting in an initial three projects: (1) mining and environmental approvals (2) tourism and (3) public sector better regulatory culture and practice.
- The 'one-stop-shop' environmental and water assessment process.
- The 'every five days' satellite monitoring of land clearing.
- The 'vegetation conservation notice' tool to stop clearing, replant and undertake certain remediation actions used more this year than in previous years. Clearing fees increased this year and not since 2004.
- Online vegetation conservation notices attached to the Certificate of Title.
- Use of a vegetation conservation notice for the controversial Yakka Munga clearing in the Kimberley.
- The Directors General steering group on climate change for assisting the Department to develop the whole-of-government policy.
- 12-week consultation on the development of the native vegetation policy.
- Infrastructure to support electric vehicle uptake. Fleet options around electric vehicles, barriers to the uptake and information on incentives.
- Environmental Protection Agency (EPA) guidelines and procedures on greenhouse gas emissions policy with the EPA setting greenhouse gas conditions on 40 proposals.
- Amendment regulations to allow use of uncontaminated fill. Its success or otherwise in the first 12 months given that the Department exempts people from having to apply for use.
- Per- and poly-fluoroalkyl substances (PFAS) contamination. Whether there is a safe usable level of contamination for various uses in soil and water.
- Targets in the Waste Avoidance and Resource Recovery Strategy 2030 (10 percent reduction by 2025 in waste generation per capita and then by 2030, 20 percent in waste generation per capita).
- The City of Melville trial of the FOGO (food organic, garden organic) policy finding a 65 percent waste recovery and anticipated savings of \$3 million as a result of not sending FOGO waste to landfill.
- South-west water licensing proposal in addition to the 25 water allocation plans across the State. Sustainable catchment management especially environmental flow in various catchments and sustainable diversion limits (allocation limits).
- Stormwater drainage with multiple agencies having responsibility for contaminants including plastics entering rivers and oceans.
- Feasibility study on the Southern Forests Irrigation Scheme.

- Methods of water allocation historically based and predominantly first come first served (and consistent policy with some attempt at merit selection).
- Legislation providing for water trading licences in mainly groundwater (in the eastern states: surface water systems)
- Failure to meet KPI time frames for assessing water licences.
- Continuation of work on the Fitzroy River Management Plan, the commitment not to install dams, water harvesting and allocation.
- Cost recovery for assessing water licence and permit applications from the mining and public water supply sectors.
- Royalties for Regions funding from \$8.3 million to \$9.2 million for continuing the Geographe Waterways Program in the south west.

### **13 November 2019: Department of Treasury**

- Approval of \$21.8 million for the Southern Ports Authority government support package for Mineral Resources Ltd's purchase of Cliffs Asia Pacific (acquisition of Cliffs' Koolyanobbing deposit) with only \$15.4 million drawn down.
- Management of leave liability especially in the health portfolio is not a Treasury responsibility, but the Department of Premier and Cabinet or the Public Sector Commission. It is effectively an HR management issue rather than a financial issue.
- Potential initiatives to facilitate youth employment a 'work in progress'.
- Targets of another 150 000 jobs including 30 000 in regional Western Australia by the end of 2023–24.
- The decade old regulatory impact assessment process of proposals and the Better Regulation Unit.
- Regulatory barriers to operating a horticulture business across government departments.
- Using existing resources to support Streamline WA initiative.
- Public sector wage costs of \$12.3 billion (40 percent of total general government expenses with a salaries growth of 2.7 percent in 2018–19, less than half the average growth of 5.8 percent per annum over the last decade) and the \$1000 wages policy.
- 'Updated and refreshed Treasury's Long-Term Financial Model' projecting State finances over a decade.
- Special purpose accounts distinguished from a consolidated account.
- 7 percent highest-value agencies complying with submitting strategic asset plans within timeframes.
- Higher than expected mining revenue (\$1.7 billion) and the first GST top-up payment (\$434 million) keeping expense growth level.

- Totals of royalties for regions expenditure.
- The significance of improvements in Standard and Poor's Global and Moody's credit ratings from AA+ negative to AA+ stable and from AA2 to AA1, respectively is savings on interest payments.
- Weak dwelling investment and falling by a further 2.75 percent in 2019–20 but forecasting a return to positive growth.
- The economic plan and its focus on creating jobs.
- Keystart: its eligibility criteria, the significant tightening in access to credit from private lenders with a drift of customers from private lending into the Keystart market.
- The total of \$57.2 million in first home owner grants above the budget estimated actual of \$55.7 million.
- The streamlined budget process incentivising some smaller and lower-risk agencies to opt out of the normal budget process and gain a 1 percent increase in their appropriation.

#### **13 November 2019: Landgate**

- Hedging against internal and external threats to data and information security.
- Preserving the integrity of data from owners manipulating the valuation of their properties.
- Particular transactions on a digital journey through various systems and if non-compliance identified, then sent to examiners.
- Objections and appeals KPIs.
- Downsizing the workforce over the last few years from 800 to 400 FTE due to digitisation of systems, especially automation of the land registry (80 percent of lodged documents are processed automatically).
- 143 employees in the valuations and property analytics team with some data externally sourced.
- Significant data breaches.
- Cost-recovery of local government evaluations pursuant to legislation.
- Review of the cost recovery model and appropriately distributing overheads across the business.
- 'Potential carrying capacity' project initiated to assist the Valuer-General in determining the current values to apply to pastoral leases.
- Consolidation of financial statements and Landgate itself.

- Development of regulations at public and industry consultation phase from recent strata amendment laws.
- Sale of service provider and IT company Advara in May 2019.
- Two shopfront advisory services for persons not using the electronic system.
- Customer complaints around gross rental values and timeliness of transaction. Particularly where non-compliant transactions are lodged and become a 15-day/three-week period for a manual transaction. The examination exercise.
- 2283 datasets shared with different agencies, representing 10 percent above the target and access fees (free to Government).
- Competitive electronic lodgement network operation providers: Pexa and Simply.
- Auditor General findings around data security and information security in Report 20: *Information Systems Audit Report May 2019*.

#### **14 November 2019: Department of the Premier and Cabinet**

- Breakdown of the administration of parliamentary support function by individual components
- \$410 000 'administration of Parliament support' appropriation for IT and communications in electorate offices.
- Growth in the corporate overhead expense from \$6.7 million in 2016–17 to over \$8 million in the 2018–19 budget year.
- Office of the Government Chief Information Officer and \$5.8 million of revenue received for the transfer under Machinery of Government changes.
- Cost of the 'in-house' media monitoring service (\$1.1 million) and whether the service could be opened up to provide services more broadly.
- Support and advice to the Premier on state security and emergency management matters.
- Internal red-tape reduction and Streamline WA's focus on external red tape that is created across many departments.
- Aboriginal recruitment and the Aboriginal policy and coordination unit.
- Securing a fairer share of Commonwealth funding for WA infrastructure projects (\$6.4 million).
- The \$42.5 million Methamphetamine Action Plan with its 57 recommendations addressing demand, supply and harm.
- 7 FTEs in the 95 Parliamentary electorate offices support and transport unit. Office accommodation and accessibility for disabled people.

- KPIs and Outcome 1.2: 'Service recipient's confirmation that services provided enable the obligations of Executive Government and Members of Parliament to be met' and separating them.
- The appropriateness of the Department providing an IT service function to Members of Parliament.
- The Auditor General's focus audit on special-purpose accounts.
- The 'native title holder incentive for mineral exploration and land access' \$7 million special purpose account.
- KPIs and outcome 1: 'Satisfaction ratings for Members of Parliament and Executive Government' inappropriately grouped together.
- The Department's audit and risk committee.
- An update on the 'New partnerships with Western Australian Aboriginal people begins' and the Closing the Gap process.
- The Department's role with respect to the market-led proposals policy with the Department of Finance managing proposals and running the steering committee.

## **2 December 2019: Department of Education**

- The (driven by enrolments) FTE count with public school enrolments continuing to increase but the rate of increase has slightly slowed.
- Behavioural standards and 3 pilot alternative learning settings with 34 students having completed the first year of the program.
- Students presenting with autism, the requirement for additional education support, the places to cope with demand, the likelihood of more students with autism in particular.
- The 'individual disability' allocation as one mechanism by which schools receive additional funds. In 2017 the number of disabled students was 5363. In 2018, 6126; and in 2019, 7067. The allocation total spend as at June 2019 was \$328 754 427 across public schools.
- The student-centred funding model formula determining the pool of funds made available to a school.
- Current and long service leave liability and the substantial increase of about 8 percent, whereas employee expenses only increased less than 1 percent but spaces are below Treasury caps.
- PricewaterhouseCoopers accounting entry for the long service leave calculation.
- The back payments to be made for 27 000 underpaid casual cleaners, gardeners and home economic assistants since 1983 (but now from 1998).
- Extension of the voluntary targeted separation scheme.



- Budget repair measures: (1) Camp schools' operations. (2) The Agricultural College Trust Fund.
- Status of the Educare initiative, facilitating before and after-school care with two departments changing the planning framework so new primary school sites are larger and can provide space for privately operated on-site childcare facilities.
- Election commitment for science labs: whether a specialist science teacher is required. Science, technology, engineering and mathematics (STEM) and the Leap program.
- Kimberley schools project re-profiling given that some schools were not ready or slower to begin. Thus able to spread money and pick up a broader range of schools.
- 14 243 students suspended (including for filming fights) and 2688 students with 4 or more suspensions.
- Child sexual abuse claims with 41 civil claims for which 17 writs have been issued; 22 claims related to schools and 18 to former Country High School Hostels Authority hostels.
- Funding under the National Partnership on Universal Access to Early Childhood Education (four-year-old programs delivered in schools, not childcare settings) in WA and Tasmania.
- Large and growing student numbers in Southern River schools, Harrisdale and Piara Waters areas.
- The foreign education strategy and plans to increase the number of fee-paying foreign students.
- Male teacher gender balance in primary schools (females at 89.1 percent and males, 10.9 percent).
- Monitoring compliance with Working with Children legislation. 18 notices; 8 interim negative notices and 10 negative notices issued to 12 employees (all 12 had their employment terminated).



## APPENDIX 3

### DETAILS OF THE TREASURER'S 22 SPECIAL PURPOSE ACCOUNTS

Title	Establishment Date	Sub-section	Purpose	Value at 30.06.19 (\$000)	Receipts (\$000)	Payments (\$000)
Accrued salaries	20/8/1991	10(a)	To hold agency funds in relation to 27 <sup>th</sup> pay.	130,106	43,849	0
Bankwest Pension Trust	6/11/1995	FAA Act*	To hold funds received from BankWest in satisfaction of its liabilities under the <i>Superannuation and Family Benefits Act 1938</i> and other receipts.	2,528	1,415	1,989
Commonwealth Payments for Specific Purposes Account	29/12/2008, amended on 11/5/2011	10(a)	To receive moneys from the Commonwealth Government including the National Specific Purpose Payment and National Partnership Payments pursuant to the <i>Intergovernmental Agreement on Federal Financial Relations</i> , and associated National Agreements and National Partnerships for disbursement to relevant government agencies, other persons and the Consolidated Account.	4,898	2,390,384	2,444,402
Departmental Receipts in Suspense	20/8/1987	FAA Act s.9(2)(c)(iv)*	To hold funds pending identification of the purposes for which these moneys were received pursuant to section 9(2)(c)(iv) of the FAA Act.	21,527	81,195	81,255
Independent schools – general building grants	20/8/1987	FAA Act*	To hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent capital grants to independent schools in accordance with the provisions of the <i>State Grants (Schools Assistance) Act 2008</i> pending payment to independent schools.	0	17,660	17,660

Independent schools – recurrent grants schools assistance acts	2/10/1987	FAA Act*	To hold funds received from the Commonwealth Department of Education for recurrent grants to independent schools in accordance with provisions of the <i>State Grants (Schools Assistance) Act 2008</i> pending payment to independent schools.	0	1,295,291	1,295,291
Jervoise Bay Infrastructure Development Trust Account	2/11/1999	FAA Act*	To hold funds received from the Commonwealth being a grant for the development of facilities at Jervoise Bay.	10,938	232	0
Local Authorities Tax Sharing Entitlements Account	30/6/1987	FAA Act*	To hold funds received from the Commonwealth pursuant to the <i>Local Government (Financial Assistance) Grants Act</i> pending payment to Local Authorities.	0	298,298	298,298
Mortgage Moneys under the Transfer of Land Act 1893	20/8/1987	FAA Act*	To hold funds paid to the Treasurer in accordance with section 126 of the <i>Transfer of Land Act 1893</i> .	92	2	0
Perth Children's Hospital Account	4/10/2010, amended on 30/1/2014	10(a)	To hold money for the construction and establishment of the Perth Children's Hospital.	12,714	0	0
Non-government schools -other recurrent grants	20/8/1987	FAA Act*	To hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent grants to non-government schools in accordance with the <i>State Grants (Schools Assistance) Act 2008</i> pending payments to non-government schools.	0	27,676	27,676

Perry Lakes Maintenance Account	4/8/2009	10(a)	To contribute to the costs of maintaining, operating and managing the athletics facilities at the AK Reserve as specified in section 43(1)(f) of the <i>Perry Lakes Redevelopment Act 2005</i> .	5,427	121	333
The New Perth Stadium Account (previously titled 'Perth's New Major Stadium Construction Account')	19/10/2011, amended on 1/1/2013	10(a)	To hold moneys for the construction of the new Perth Stadium, and all related costs that will benefit, and improve access to, the stadium.	11,547	739	2,500
Public Bank Account Interest Earned Account		10(d)	To hold funds in accordance with section 10(d) of the FMA.	44,926	128,457	124,300
Royalties for Regions Fund	31/12/2008 amended on 27/4/2011	10(e)	To provide infrastructure and services in regional WA; to develop and broaden the economic base of regional WA; and to maximise job creation and improve career opportunities in regional WA.	1,000,000	729,358	729,358
Statutory Authorities Investment Account	25/3/1998	FAA Act s.40(4)*	To hold funds received from statutory authorities for investment purposes as provided by section 40(4) of the FAA Act.	735	20	211
Tariff Equalisation Fund	March 2006	10(a)	To allow the transparent transfer of appropriate funds from the Electricity Networks Corporation (Western Power) to the Regional Power Corporation (Horizon Power) to enable it to maintain uniform tariff protection in its areas of operation in accordance with the provisions of the <i>Electricity Industry Act 2004</i> .	0	198,000	198,000

Western Australian Future Fund	30/11/2012	10(e)	To set aside and accumulate a portion of the revenue from the State's finite mineral resources for the benefit of future generations of Western Australians.	1,312,914	97,564	0
Debt Reduction Account (previously titled 'Debt Repayment Account')	3/12/2018	10(a)	To apply approved appropriation funds to the repayment of Western Australian State borrowings (as borrowed by the Treasurer under various Loan Acts from the Western Australian Treasury Corporation or elsewhere, as applicable), and/or credited to the Consolidated Account to serve as an alternative source of funding to new borrowings. The application of funds to either the repayment of State borrowings or to finance the Consolidated Account is to be based on the optimisation of the financing benefit to the Consolidated Account obtained by either debt repayment, debt avoidance, or a combination of these actions.	0	436,732	436,732
National Redress Scheme and Civil Litigation for Survivors of Institutional Child Sexual Abuse	28/11/2018	10(a)	To hold money for meeting payments and related costs associated with the National Redress Scheme for Institutional Child Sexual Abuse established under the Intergovernmental Agreement and the <i>National Redress Scheme for Institutional Child Sexual Abuse Act 2018</i> (Commonwealth) and costs of civil litigation.	151,296	153,039	1,743
Agency Holding Account		10(b)	To enable agencies to reflect the full cost of its services to ensure services are properly costed and charged for.	13,128,000	1,375,186	209,161

\*Due to transitional provisions set out in section 4 of the *Financial Management (Transitional Provisions) Act 2006*, Trust Funds established under the *FAA Act* continue under the *FMA*.

## **Standing Committee on Estimates and Financial Operations**

### **Date first appointed:**

30 June 2005

### **Terms of Reference:**

The following is an extract from Schedule 1 of the Legislative Council Standing Orders:

- 3. Estimates and Financial Operations Committee
  - 3.1 An Estimates and Financial Operations Committee is established.
  - 3.2 The Committee consists of 5 Members, 3 of whom shall be non-Government Members.
  - 3.3 The functions of the Committee are to -
    - (a) consider and report on -
      - (i) the estimates of expenditure laid before the Council each year;
      - (ii) any matter relating to the financial administration of the State; and
      - (iii) any Bill or other matter relating to the foregoing functions referred by the Council;
    - and
    - (b) consult regularly with the Auditor General.



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