

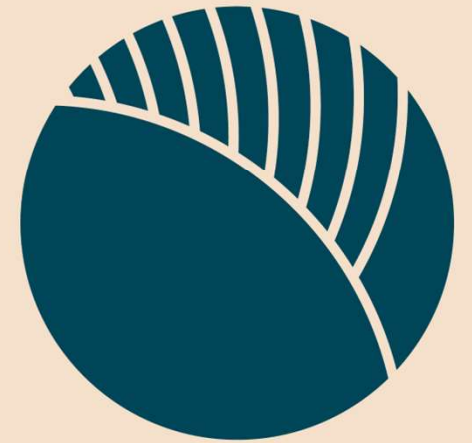


Government of **Western Australia**  
Department of **Treasury**



# CHIEF FINANCE OFFICERS' FORUM

Wednesday, 15<sup>th</sup> May 2024





# **Acknowledgement of Country**

# Today's agenda

## Welcome

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- 2024-25 Budget
- Major non-residential buildings project governance **9:00 – 9:40**
  
- Proposed changes to the Financial Management Regulations for investments **9:40 – 10:00**
  
- Phasing out of cheques
- Upcoming API platform initiatives **10:00 – 10:15**

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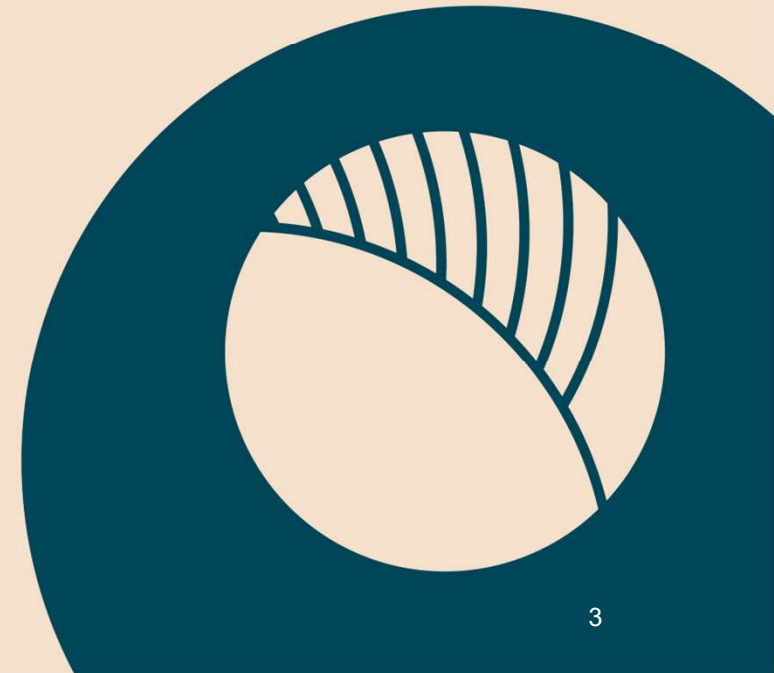
## Morning Tea / Networking **10:15 – 10:45**

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- Transition to the new Treasurer's instructions
- Fair value measurement **10:45 – 11:20**
- FAB and other updates
  
- 2024 Annual Financial Audits **11:20 – 12:00**

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## Close





Government of Western Australia  
Department of Treasury

# 2024-25 Budget

CFO Forum, May 2024

Michael Court, Deputy Under Treasurer





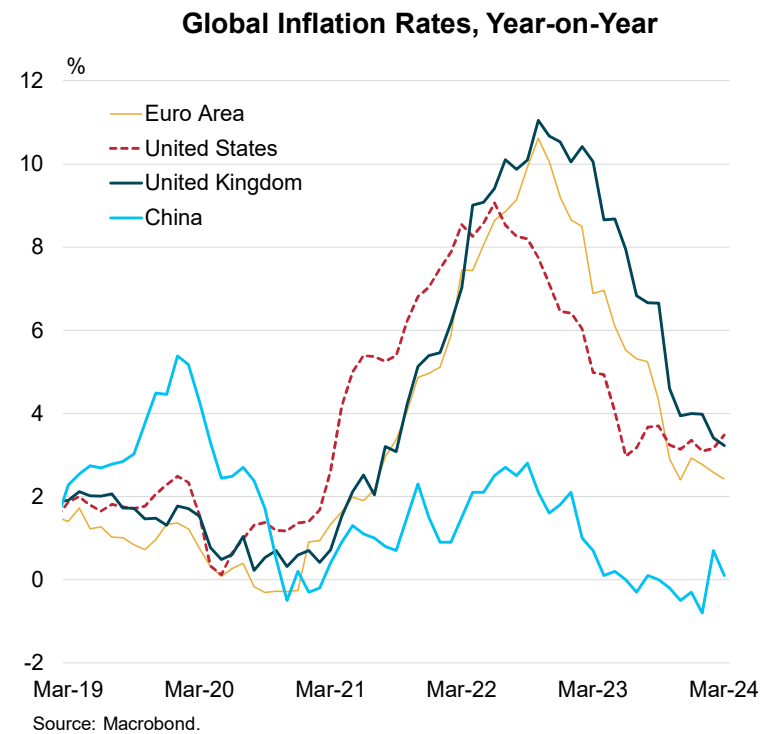
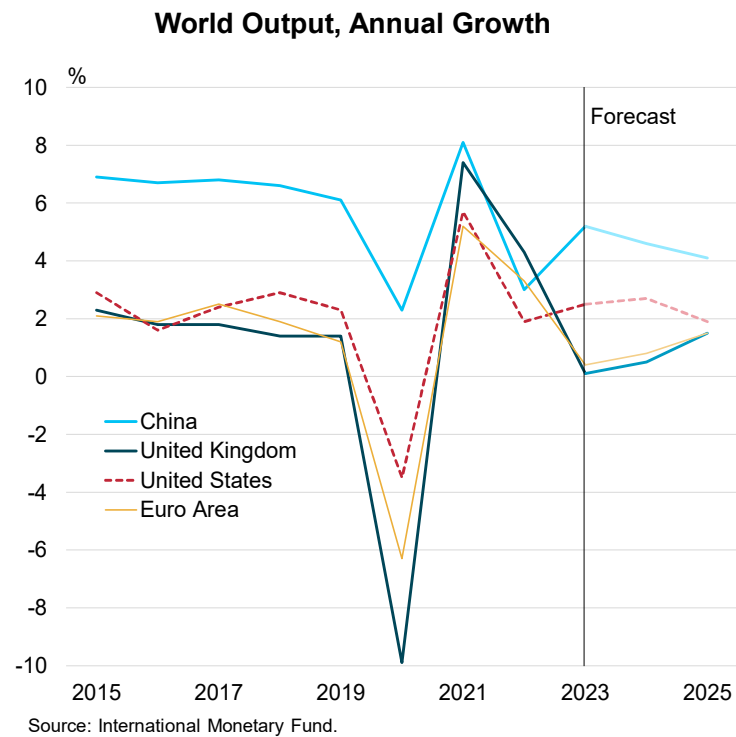
# Acknowledgement of Country

# Summary

- Despite global volatility Western Australian economy continues to out-perform
- Domestic economy growing at double the national rate, and WA producing half the nation's exports
- Inflationary pressures easing and wages rising, record level of employment and continued low unemployment rate
- Largest ever increase in population of 94,000 people over 12 months
- Significant additional spending for cost-of-living relief and to meet demand for priority services, including health, education, housing and other community services
- Sixth consecutive operating surplus in 2023-24 (\$3.2b) and surpluses over budget period - providing an important non-debt source of funding for record Asset Investment Program
- Net debt increasing but remaining at affordable level (9.7% of GSP)

# Global economy

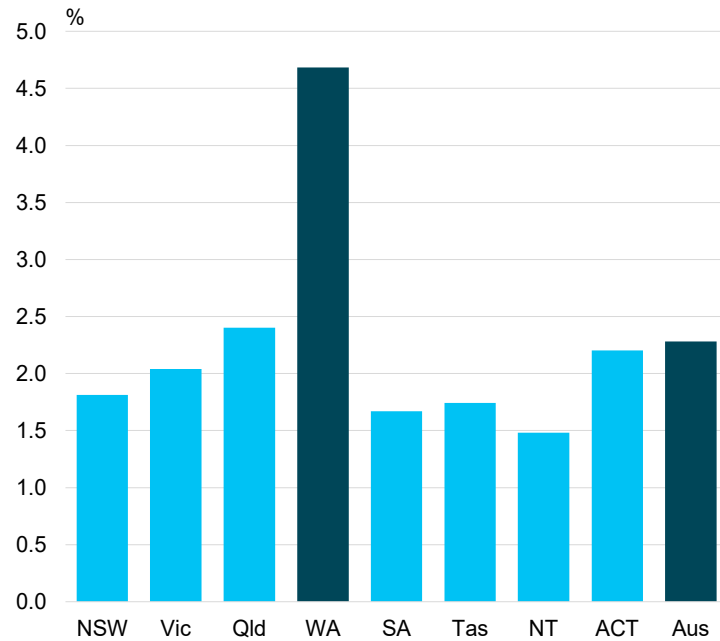
- Growth rates differ across major economies due to the uneven impacts of monetary and fiscal policy and varying exposure to global conflicts
- Headline inflation has trended down across advanced economies, but in some cases could be stalling above central bank targets



# WA economy remains strong and resilient

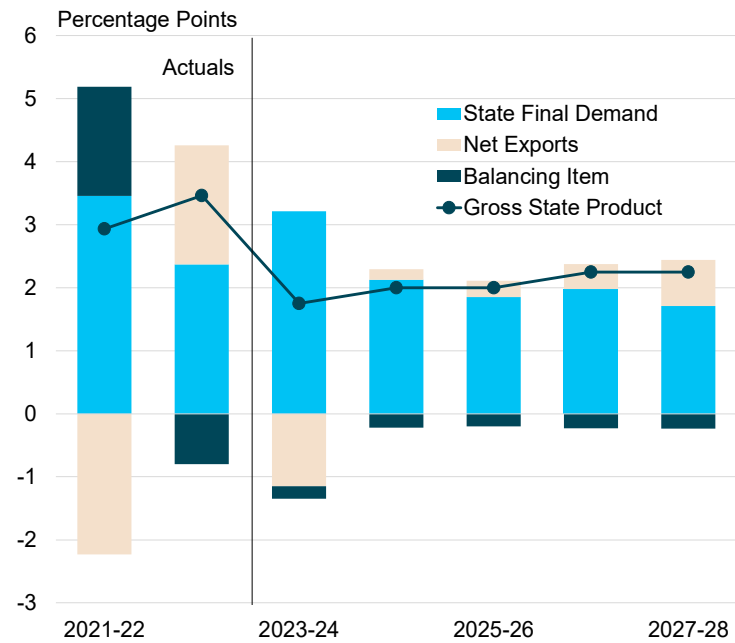
- Domestic economy grew by 4.7% in 2023 – the strongest in the nation – and is expected to accelerate to 5.25% in 2023-24
- A modest growth outlook for the external sector, with major exporters already operating at close to capacity and agricultural exports normalising after a record harvest in 2022-23

State / Domestic Final Demand, Annual Growth, 2023



Source: ABS Catalogue 5206.0 and Treasury.

Gross State Product, Contributions to Growth



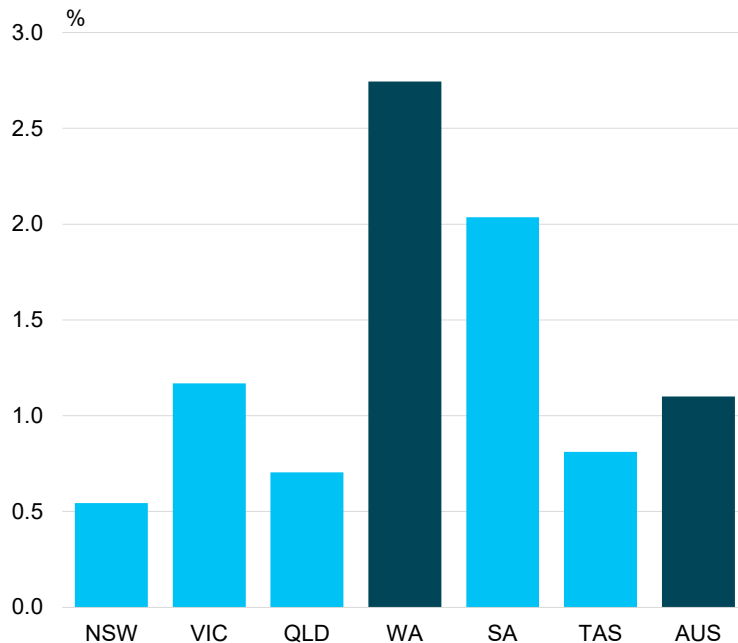
Source: ABS Catalogue 5220.0, 5206.0, 5302.0 and Treasury.



# Household consumption

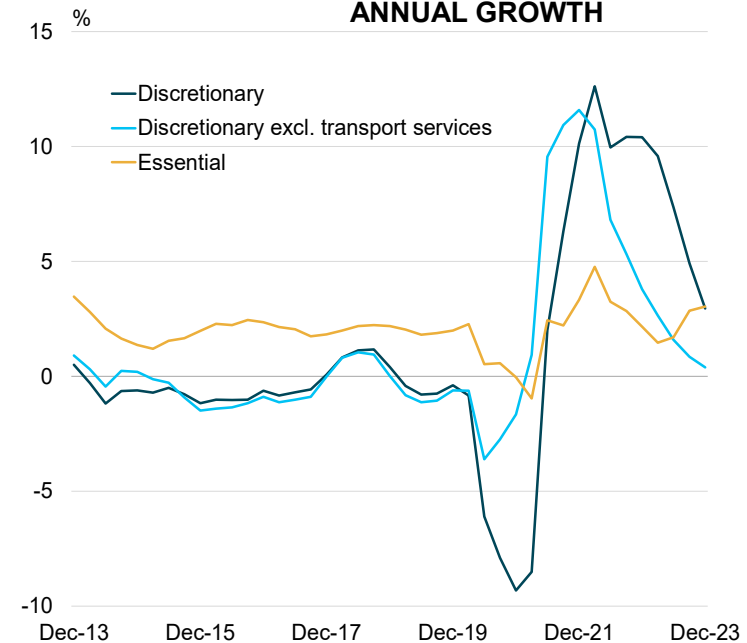
- Household consumption grew at the strongest rate in the nation, supported by a record increase in population and robust labour market conditions
- However, consumers have reprioritised their expenditure towards necessities and pulled back on non-essential purchases in response to elevated inflation and interest rates

HOUSEHOLD CONSUMPTION, ANNUAL GROWTH, 2023



Source: ABS Catalogue 5206.0

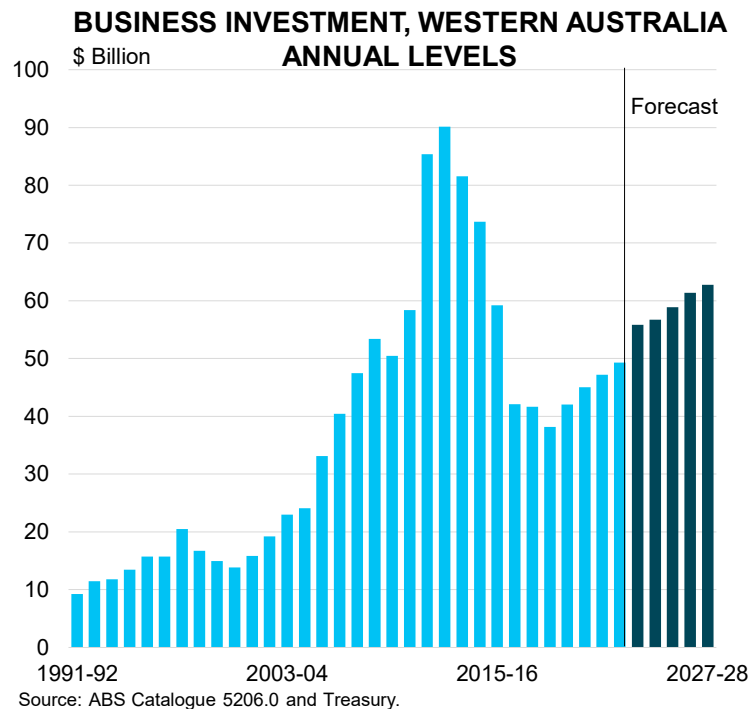
HOUSEHOLD CONSUMPTION, WESTERN AUSTRALIA  
ANNUAL GROWTH



Source: ABS Catalogue 5206.0 and Treasury.

# Business investment

- Business investment is forecast to grow by 13.25% in 2023-24 – the strongest growth in over a decade – up from 10.7% in 2023
- In the outyears, business investment will be supported by sustaining capital expenditure in the resources sector, as companies look to maintain current high levels of production, as well as significant decarbonisation spending



**Biggest Projects in the Major Projects Database over forecast period - Selection**

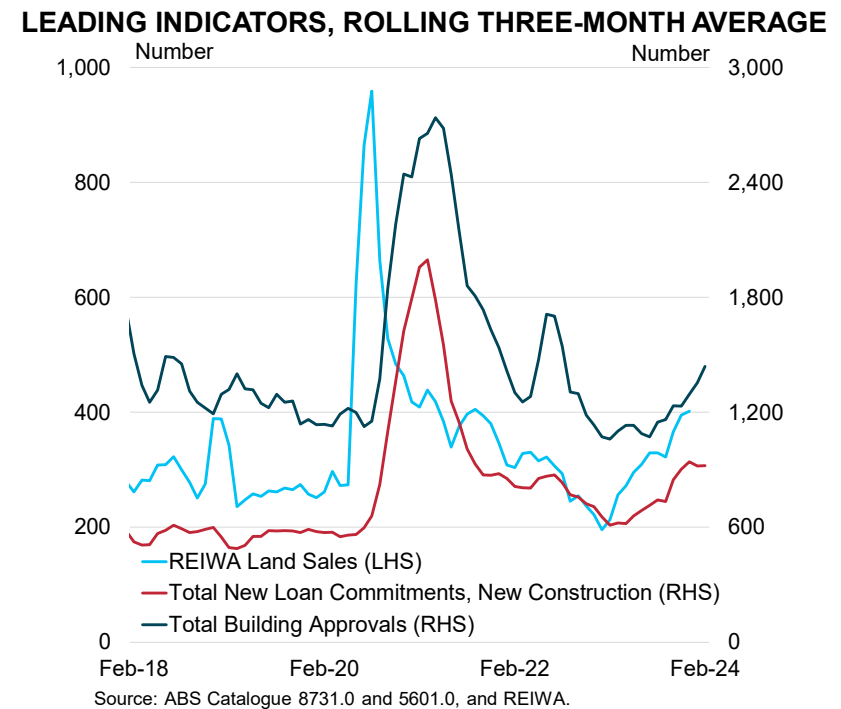
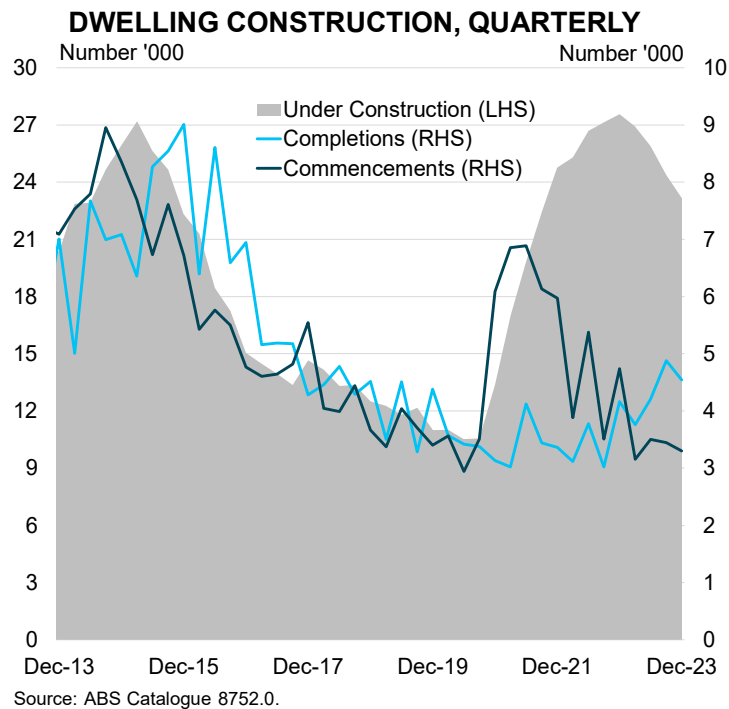
'Under construction or Committed'

Project Name	Owner	Capex \$m
Scarborough/Pluto 2	Woodside	16,500
Burrup Urea Plant	Perdaman	6,400
Jansz-lo	Chevron	6,000
CBH network infrastructure and assets	CBH	4,000
Crux	Shell	3,500
Onslow Iron	Mineral Resources	3,000
Western Range	Rio Tinto	3,000
Mt Holland lithium mine and refinery	Covalent Lithium JV	2,400
Kemerton Lithium Hydroxide Plant Expansion	Albemarle	1,900
Superpit Mill Expansion	Northern Star Resources	1,500
Eneabba Rare Earths Refinery	Iluka Resources	1,300-1,600
Western Ridge	BHP	1,400
West Musgrave	Oz Minerals	1,700
Mardie Salt Project	BCI Minerals	1,600

Based on publicly-available information and Treasury judgement

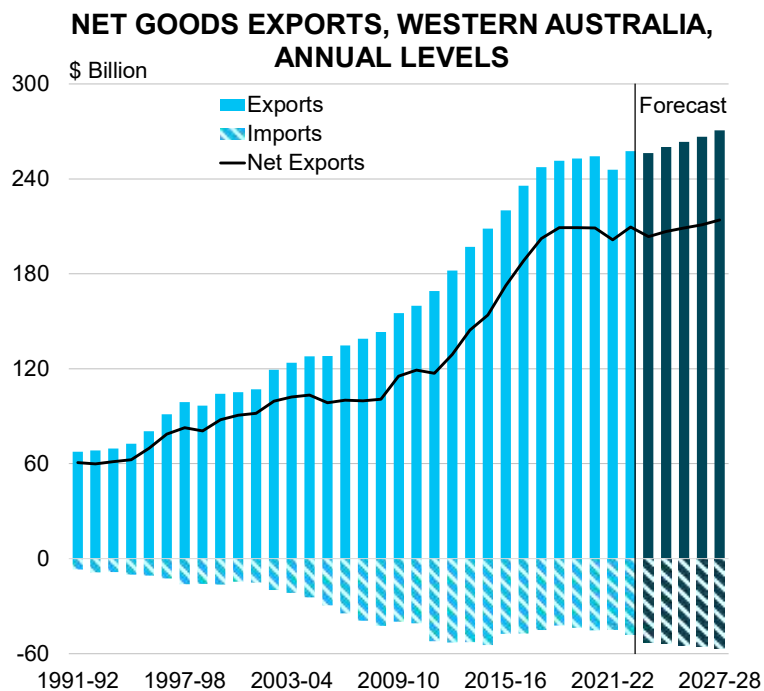
# Dwelling investment

- Dwelling investment resumed growing in 2023, as the large volume of outstanding work continues to be completed, while availability of skilled trades remains an issue
- Leading indicators suggest demand for new dwellings is strengthening, supported by strong population growth, including in the first home owner age cohorts

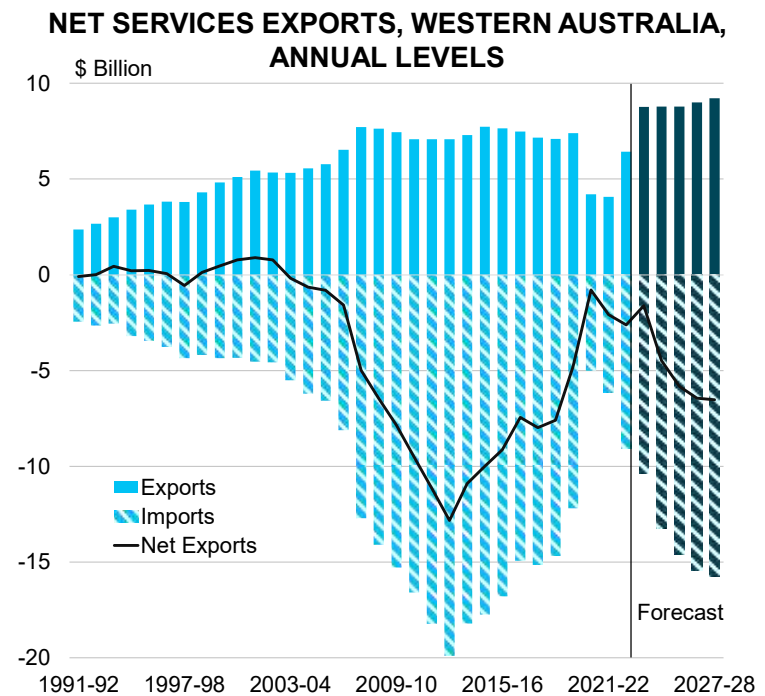


# Net Exports

- Net exports are expected to fall by 2.25% in 2023-24 due to a decline in goods exports combined with a sharp lift in goods imports
- Net exports are forecast to resume growing from 2024-25 reflecting a topping-out of goods export volumes as well as a normalisation of services trade conditions



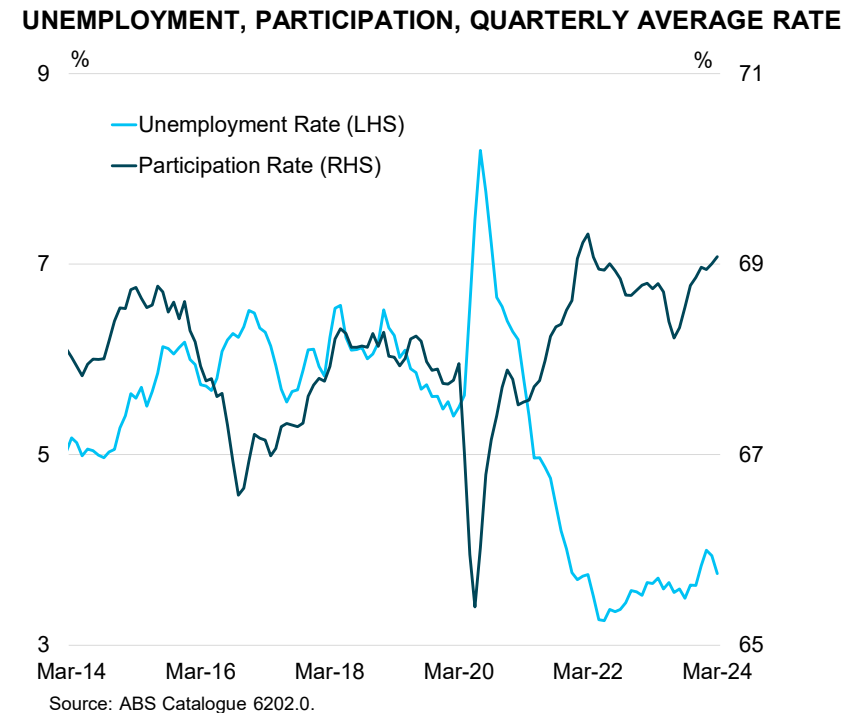
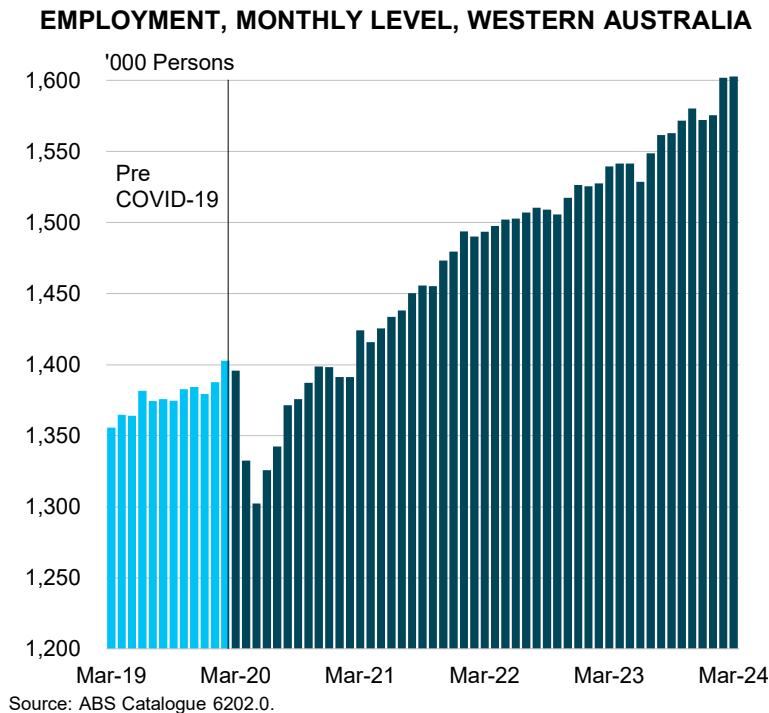
Source: ABS Catalogue 5220.0 and 5302.0, and Treasury.



Source: ABS Catalogue 5220.0 and 5302.0, and Treasury.

# Labour market

- The strength in the domestic economy has driven strong labour market conditions in Western Australia, with employment reaching a record 1.6 million people and the unemployment rate remaining low at 3.7% in annual average terms in March 2024



# Wages & Inflation

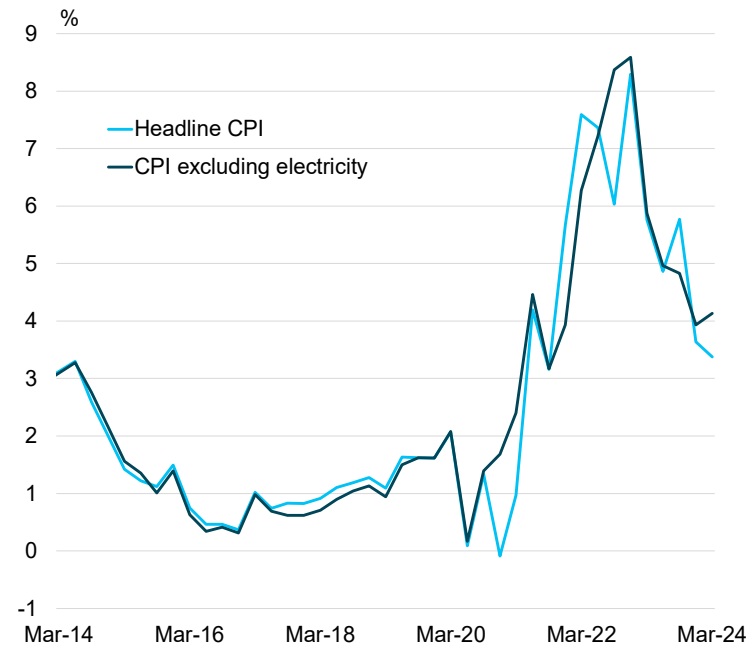
- Wage growth has also accelerated, at the same time as inflation has eased from its post-pandemic highs
- The combination of rising wages and slowing inflation has seen real wage growth return to positive territory

REAL WAGES WESTERN AUSTRALIA, YEAR ENDED GROWTH



Source: ABS Catalogue 6202.0.

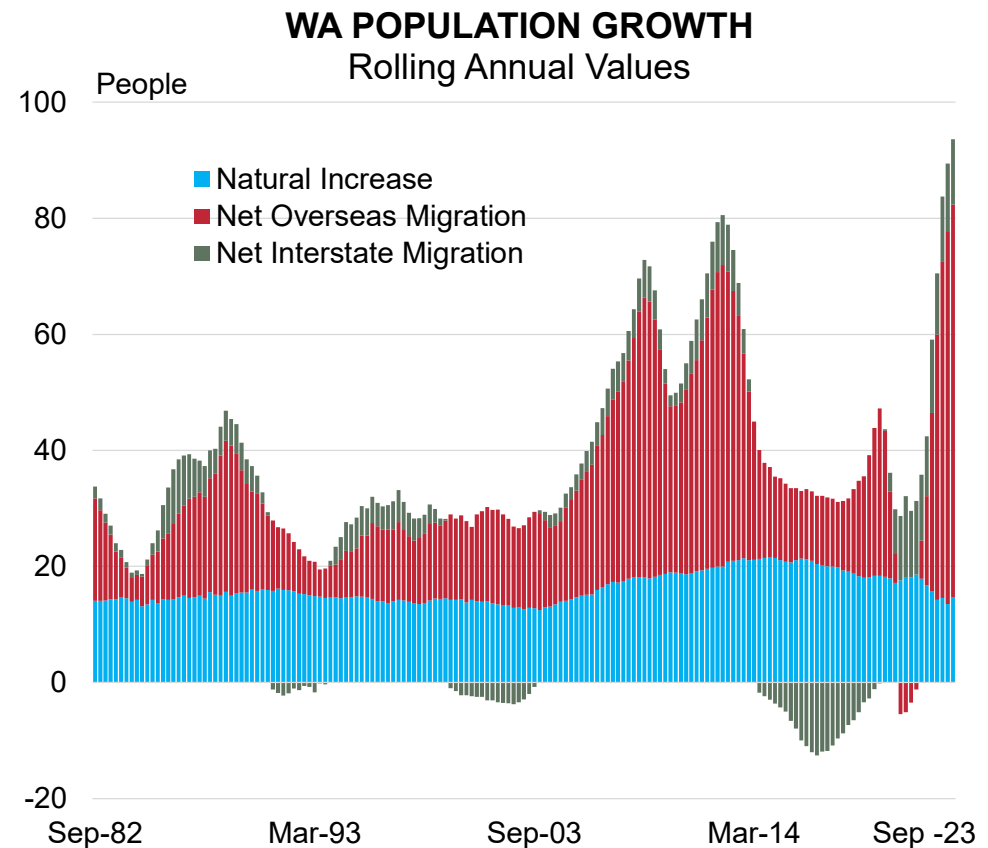
CONSUMER PRICE INDEX, YEAR-ENDED GROWTH



Source: ABS Catalogue 6401.0 and Treasury.

# Population growth

- Western Australia leads population growth in the nation, driven by strong overseas and interstate migration
- Population growth is projected to moderate as overseas migration flows normalise
- WA population expected to exceed 3 million people next year



# Economic Outlook

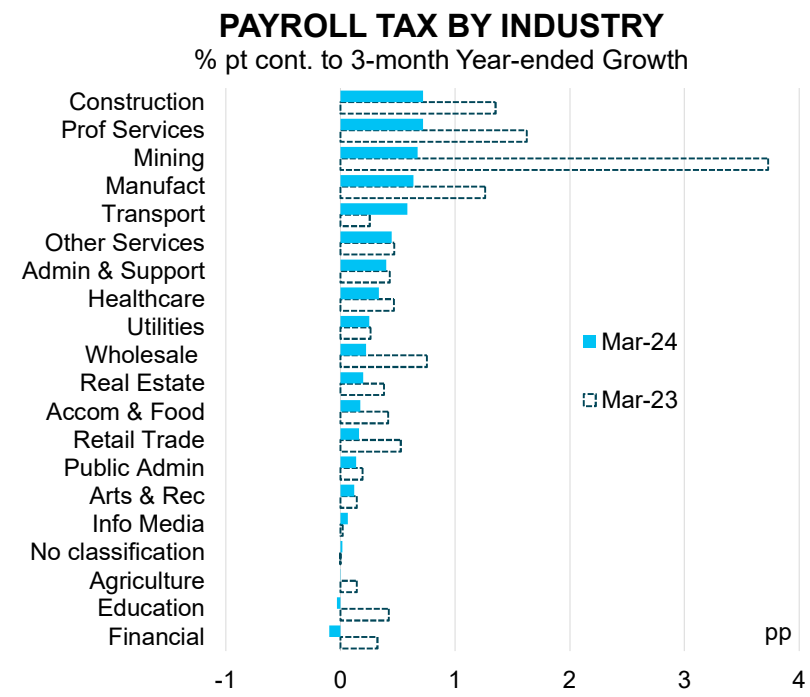
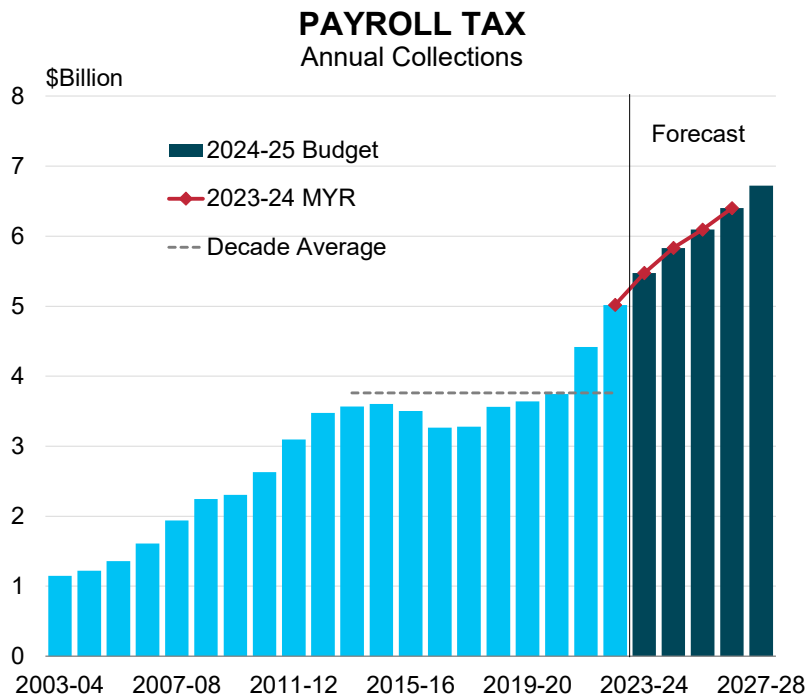
- WA's domestic economy expected to remain strong despite global uncertainty
- Continued economic growth forecast, supported by Government and business investment, and household consumption
- Volatility expected to continue given geopolitical tensions and softness in the Chinese property market

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	Actual	Estimated Actual	Budget Year	Outyear	Outyear	Outyear
Real State Final Demand growth (%)	3.9	5.25	3.25	3.0	3.0	2.75
Real Gross State Product growth (%)	3.5	1.75	2	2.0	2.25	2.25
Unemployment rate (%)	3.6	3.75	4	4.25	4.5	4.75
Consumer Price Index growth (%)	5.0	4.0	3	2.5	2.5	2.5
Population Growth (%)	3.2	2.8	1.8	1.7	1.7	1.7



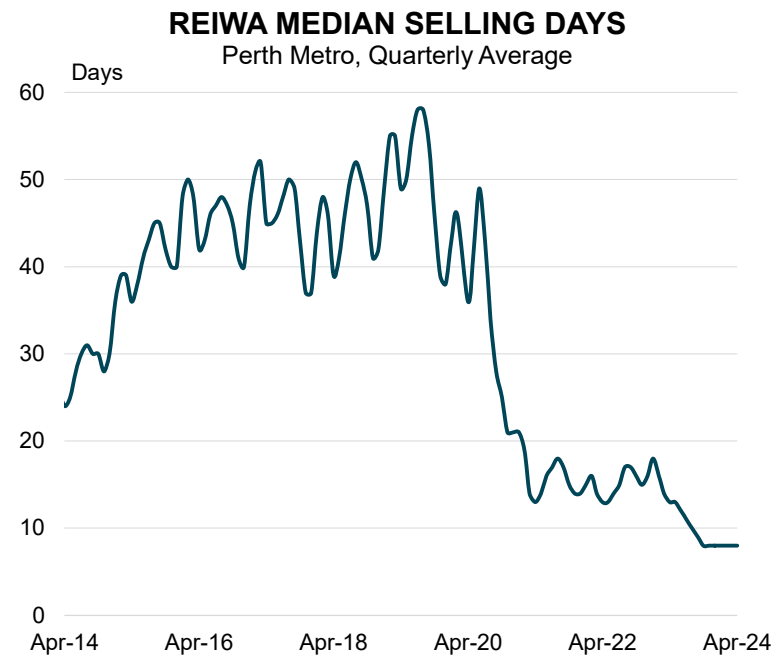
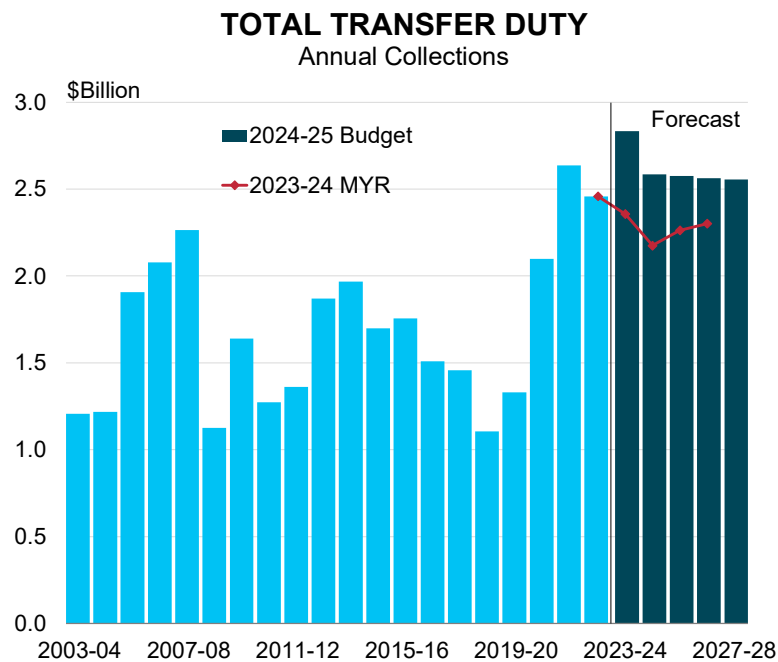
# General government revenue – Payroll tax

- Payroll tax is forecast to reach \$5.5 billion in 2023-24 and \$6 billion by 2025-26
- The contribution to growth from the mining sector has diminished compared to a year ago, partly due to the end of the temporary tax scale policy



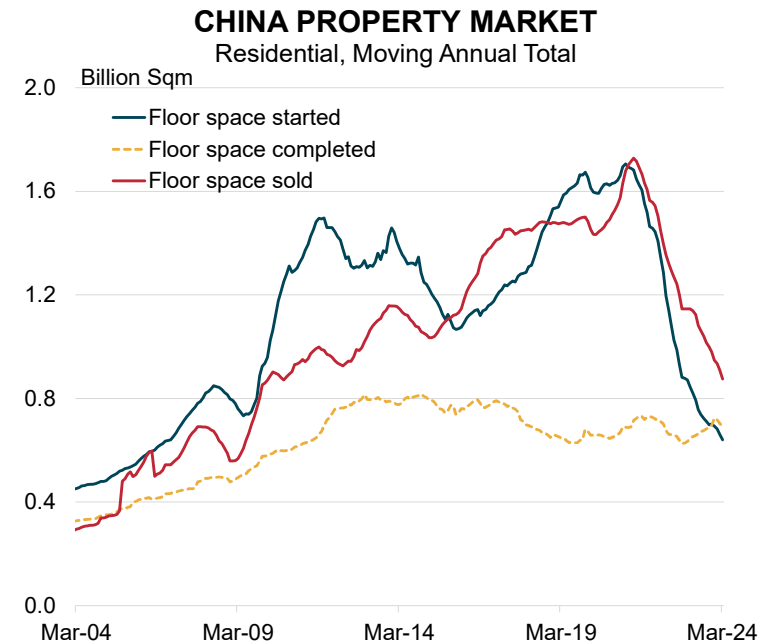
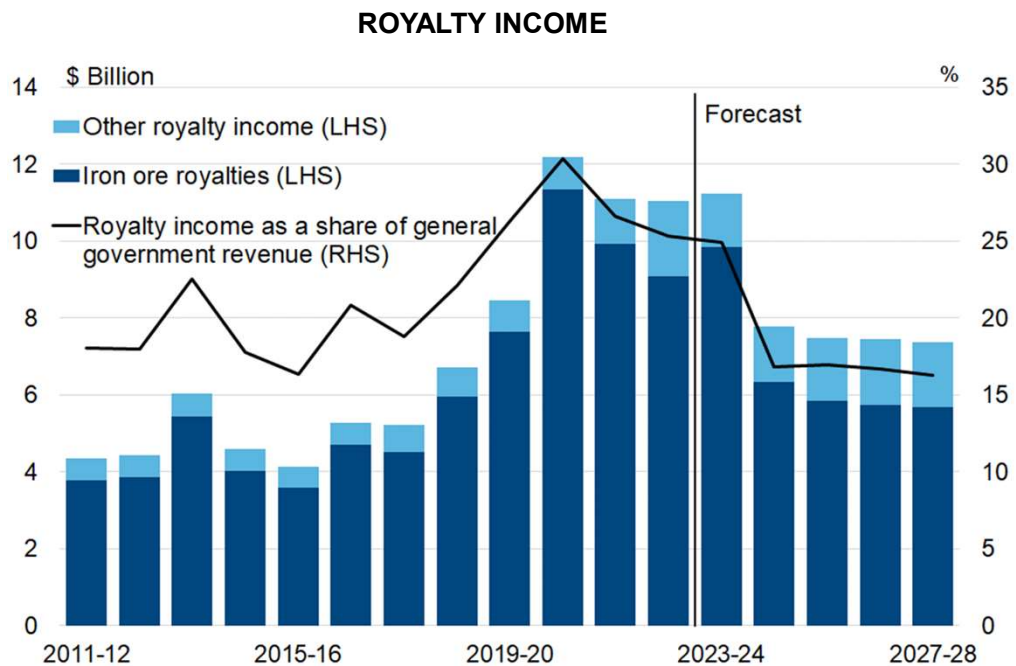
# General government revenue – Transfer duty

- Transfer duty collections stronger than expected in the year to date, reflecting that sales have remained elevated, and prices have risen sharply in the past year
- High sales and rising prices are reflective of the tight housing market, also reflected in the average time to sell a property in Perth falling to record lows



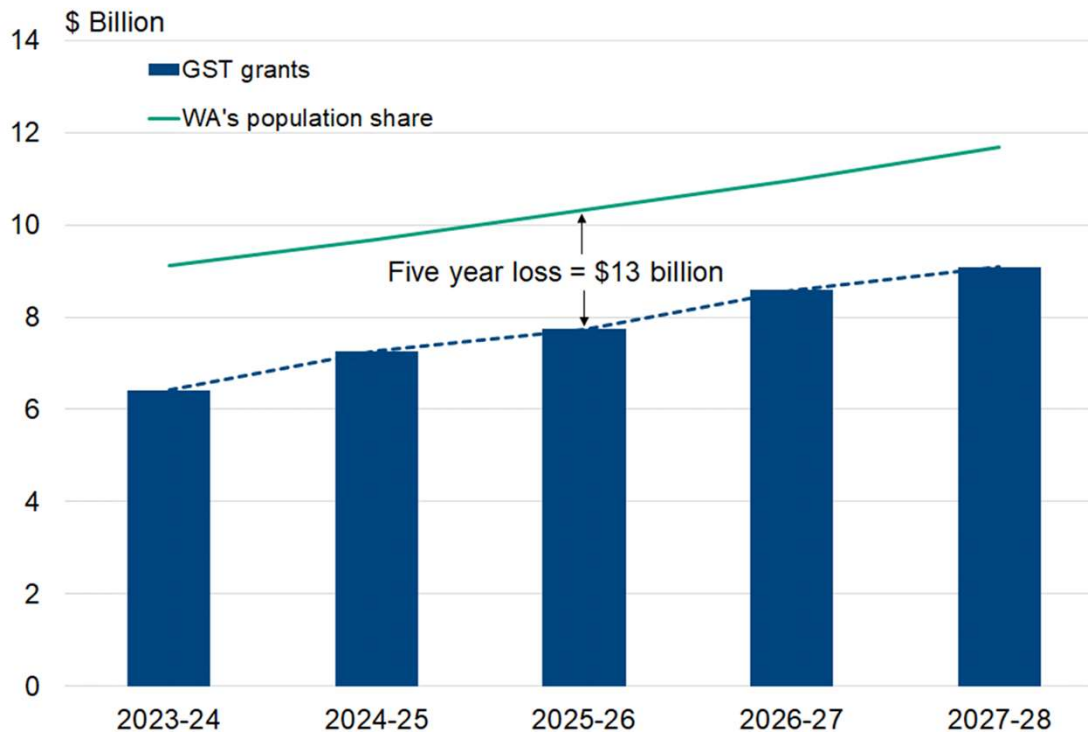
# General government revenue – Royalties

- Royalty income is projected to decline, largely due to lower iron ore royalties as the iron ore price is assumed to revert to its long-run average by November 2024.
- The iron ore market is highly concentrated, with China accounting for around 70% of global imports, making it susceptible to changes in Chinese economic conditions and policies, including in its property market.



# GST Revenue

LOSS IN WESTERN AUSTRALIA'S GST GRANTS  
COMPARED TO POPULATION SHARE



Source: Western Australian Department of Treasury estimates.

WA's GST grant rises to 75% of our population share in 2024-25

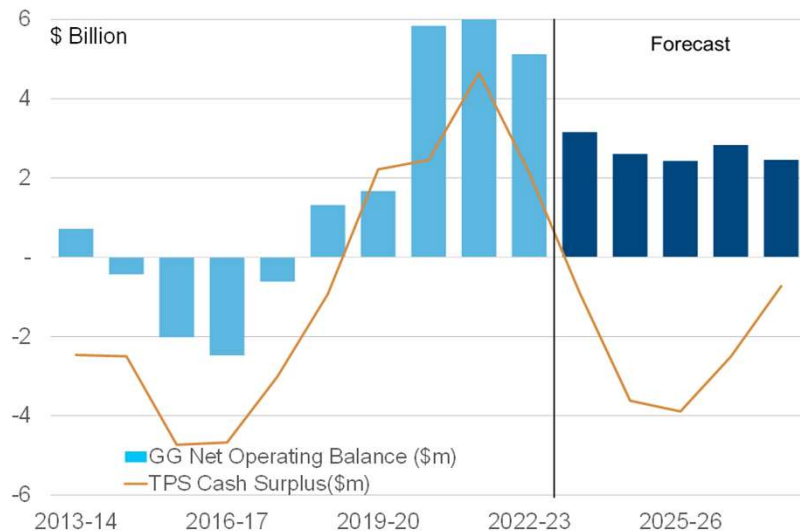
- **Still lower than any other State has ever received**
- Would be just 11.5% without the 2018 reforms
- WA will still provide a \$13 billion subsidy to other States through the GST

**Even with the reforms, WA has had the lowest population share for 17 of the 25 years since the GST was introduced.**

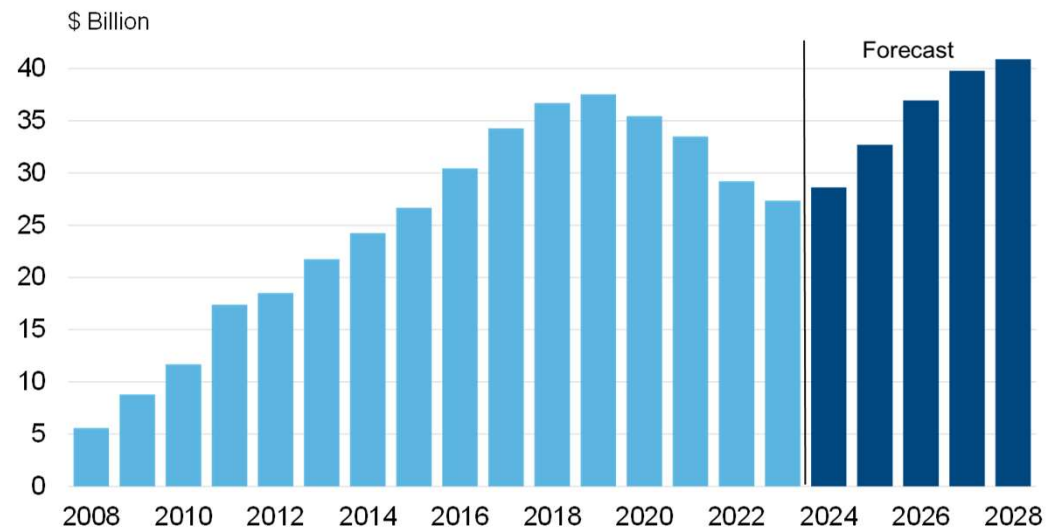
# State Finances

- Operating surpluses continuing but lower than the last three years, still used as an important non-debt source of infrastructure funding
- Western Australia is the only state or territory with AAA/Aaa credit ratings from both major ratings agencies

**GG NET OPERATING BALANCE & TOTAL PUBLIC SECTOR CASH SURPLUS**

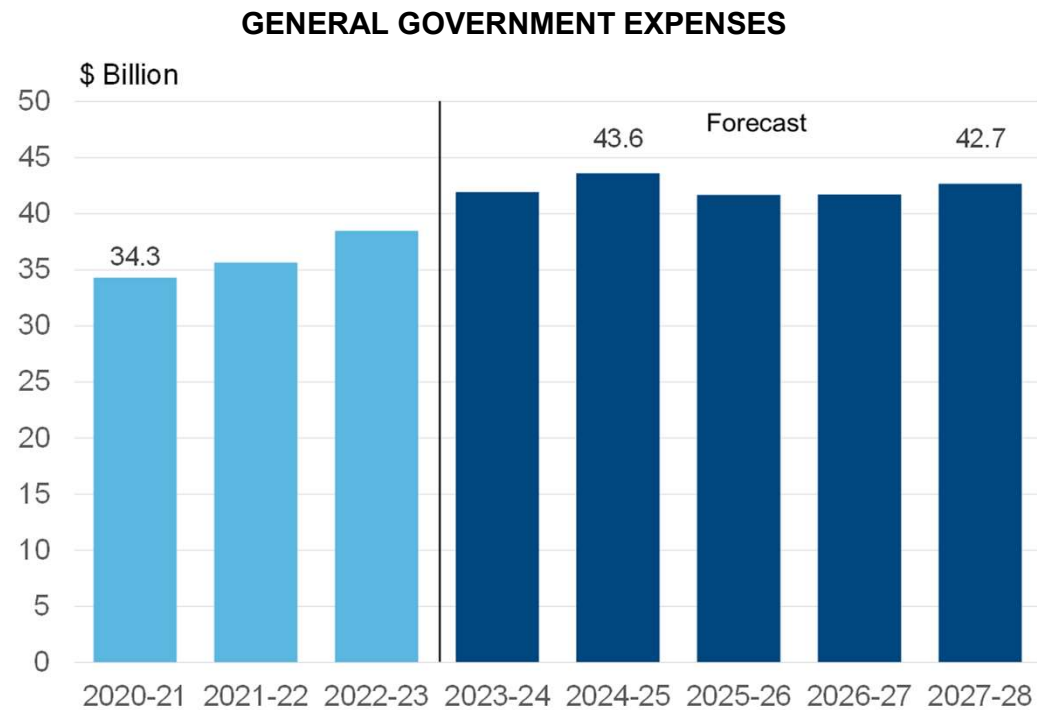


**TOTAL PUBLIC SECTOR NET DEBT AT 30 JUNE**



# General government expense growth

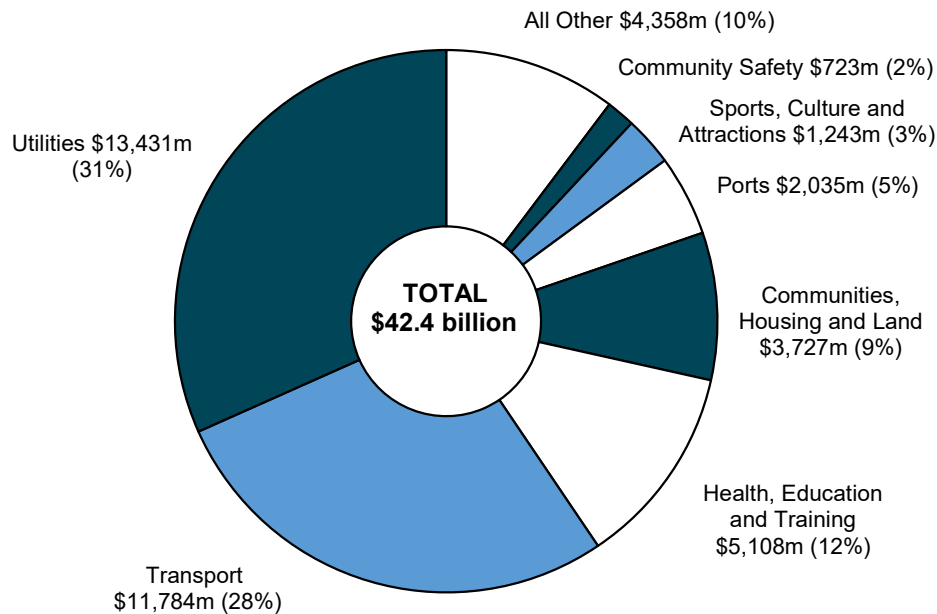
- Between 2020-21 and 2024-25 recurrent expenditure expected to increase 27% (\$9.3b), including 8.9% expense growth in 2023-24
- Recurrent expenditure in 2027-28 is forecast to be 2.1% lower (\$936m) than 2024-25



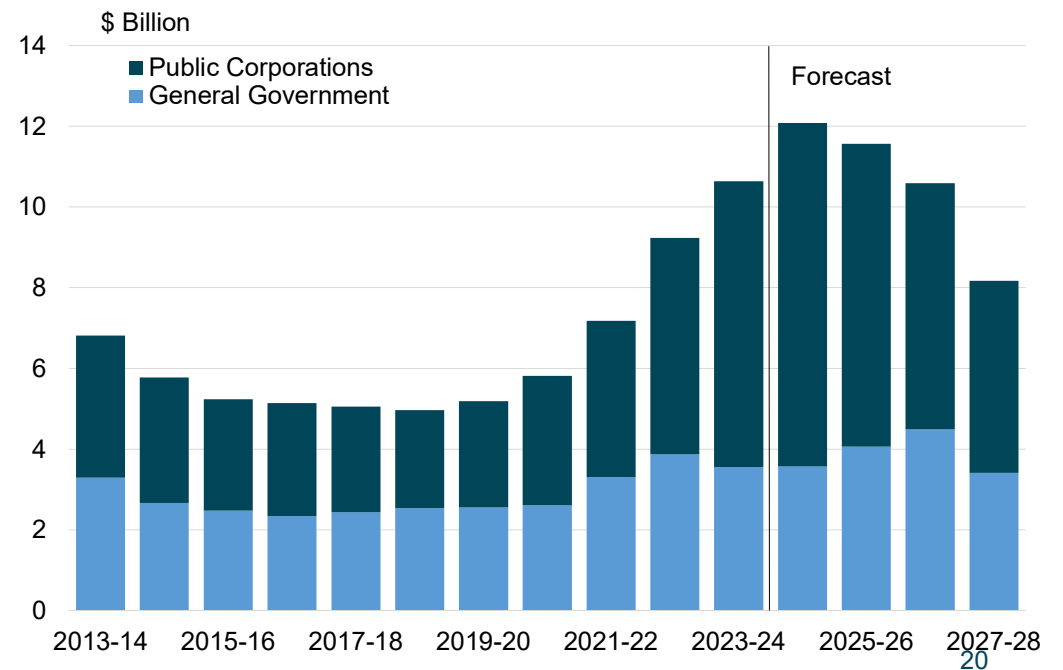
# Asset Investment Program

- Record \$9.2b investment recorded in 2022-23 – up nearly 30% on 2021-22
- Significant step up over next four years as projects move to delivery phase
- \$42b forecast across next four years peaking in 2024-25 at \$12.1b

**ASSET INVESTMENT PROGRAM  
2024-25 to 2027-28**



**ASSET INVESTMENT PROGRAM**

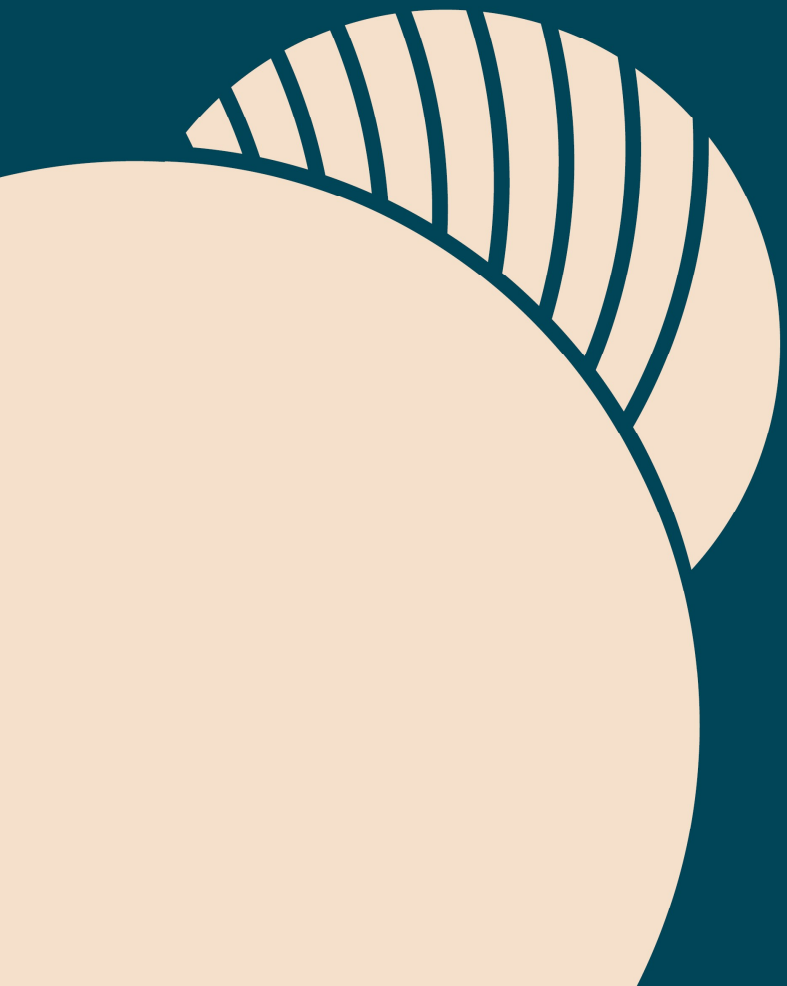


# Key Initiatives in the 2024-25 Budget

Significant new and additional expenditure, including (but not limited to):

- Cost of Living support (\$762 million)
- Health and Mental Health initiatives (\$3.2b)
- Education and training (\$1.3b)
- Diversify and decarbonise the WA Economy (\$1.2b)
- Increasing housing supply and affordability (\$1.1b)
- Stronger communities (\$214m)
  - Out of home care, family and domestic violence & homelessness
- Outdoor and Adventure Tourism Package (\$165m)
- Correcting operating deficits for several agencies due to headcount above Government approval





**Thank you**



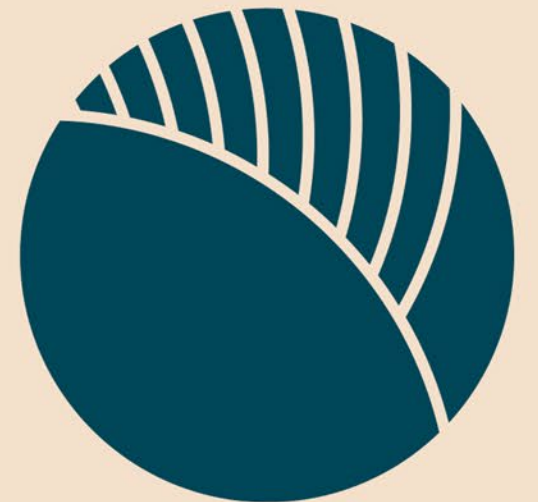
Government of Western Australia  
Department of Treasury



# Major Non-Residential Buildings Project Governance

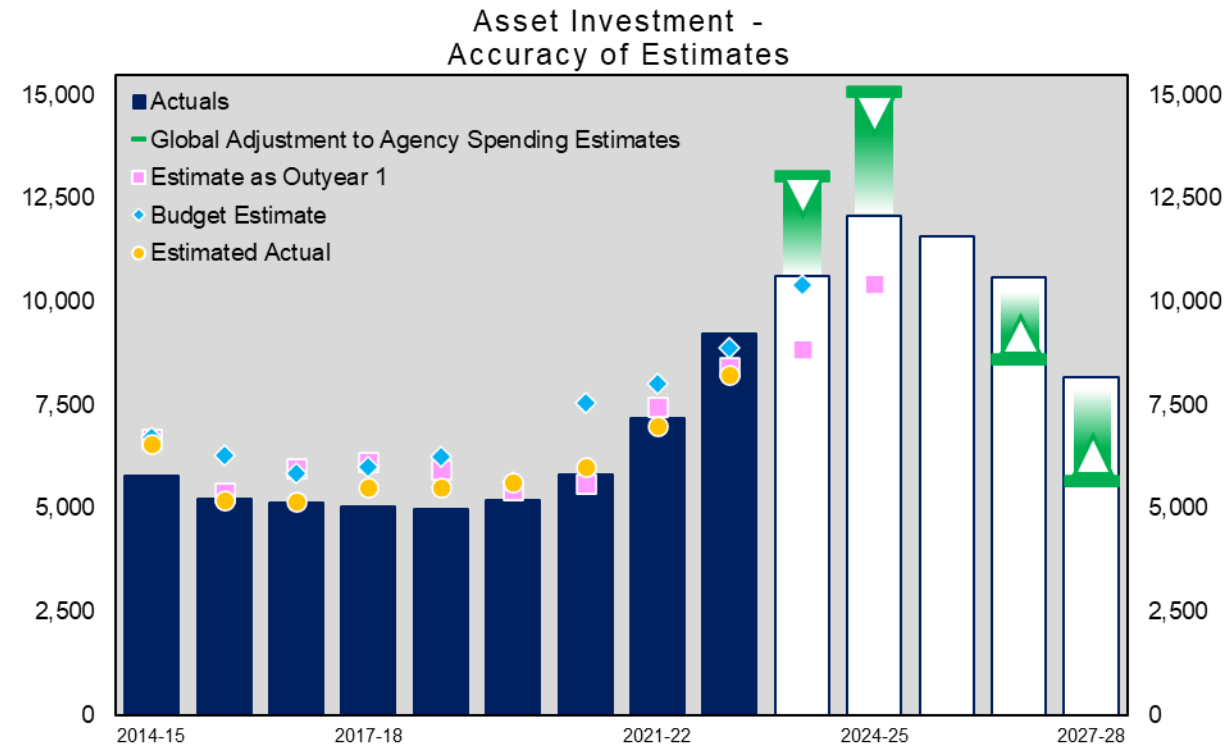
CFO Forum, 15 May 2024

Michael Court, Deputy Under Treasurer



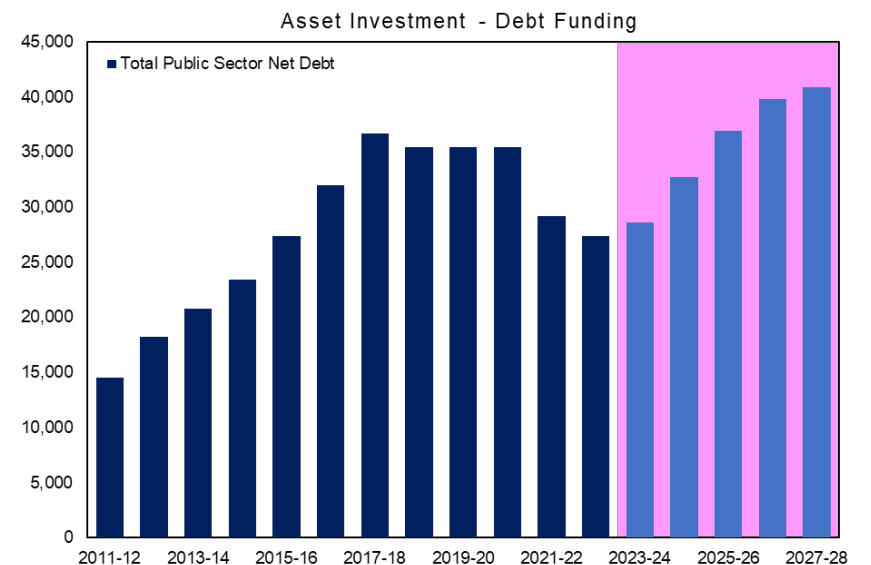
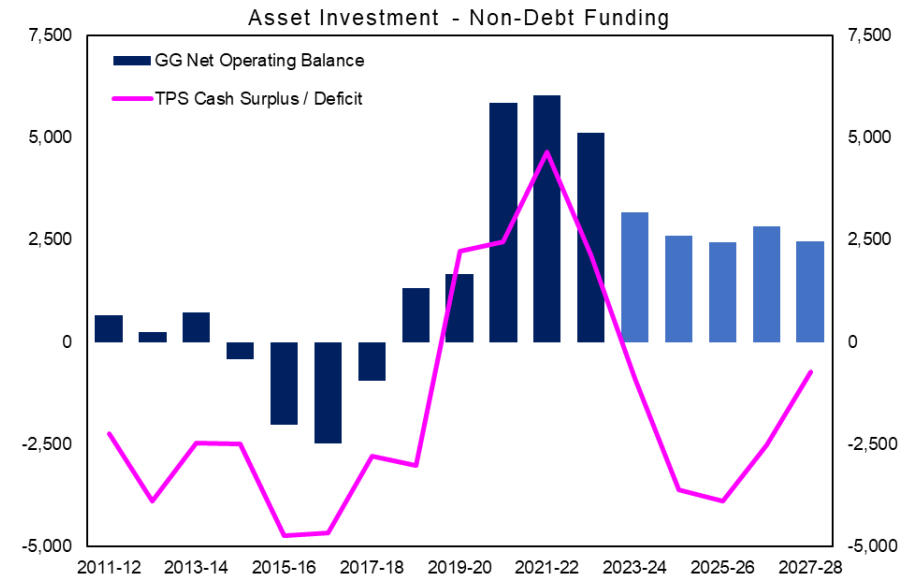
# Asset Investment Program Overview

- Asset Investment Program totals \$42.4 billion
  - on track for **record spend** of \$10.6 billion this financial year
  - **15% increase** on last year's record spend
- Reduced certainty of **project out-turn performance**
  - material cost / time / scope **variations**
  - actual spend **trending above** budget
  - however, significant **smoothing provisions**



# Impact on State Finances

- State's finances are exposed to **increased risk**, due to:
  - projects needing more funding** to deliver the same asset
  - 2024-25 Budget includes **material additional** spending for project cost increases
  - Commonwealth funding **less certain**
- Declining cash surpluses and growing net debt** to fund Asset Investment Program



# Focus on Project Assurance: Cost Controls

- ERC expects projects to be managed to **approved budget, scope and time parameters**
- If project approval parameters are **at-risk**, projects are expected to:
  - **mitigate impacts** (including value management/engineering options)
  - manage **change controls** (remain within ERC approved scope)
  - pro-actively engage with key stakeholders and governance bodies through **transparent status reporting** and **early warnings**
  - manage cost increases from within **contingencies or absorb** through reprioritisation
- Requests for additional project funding (through ERC / annual budget process) require:
  - a revised **business case** (including **costed options**)
  - evidence that **effective governance** is in place – focussed on **change controls** + use of **value management** and **gateway reviews**
  - **cost escalation** aligned to building cost index

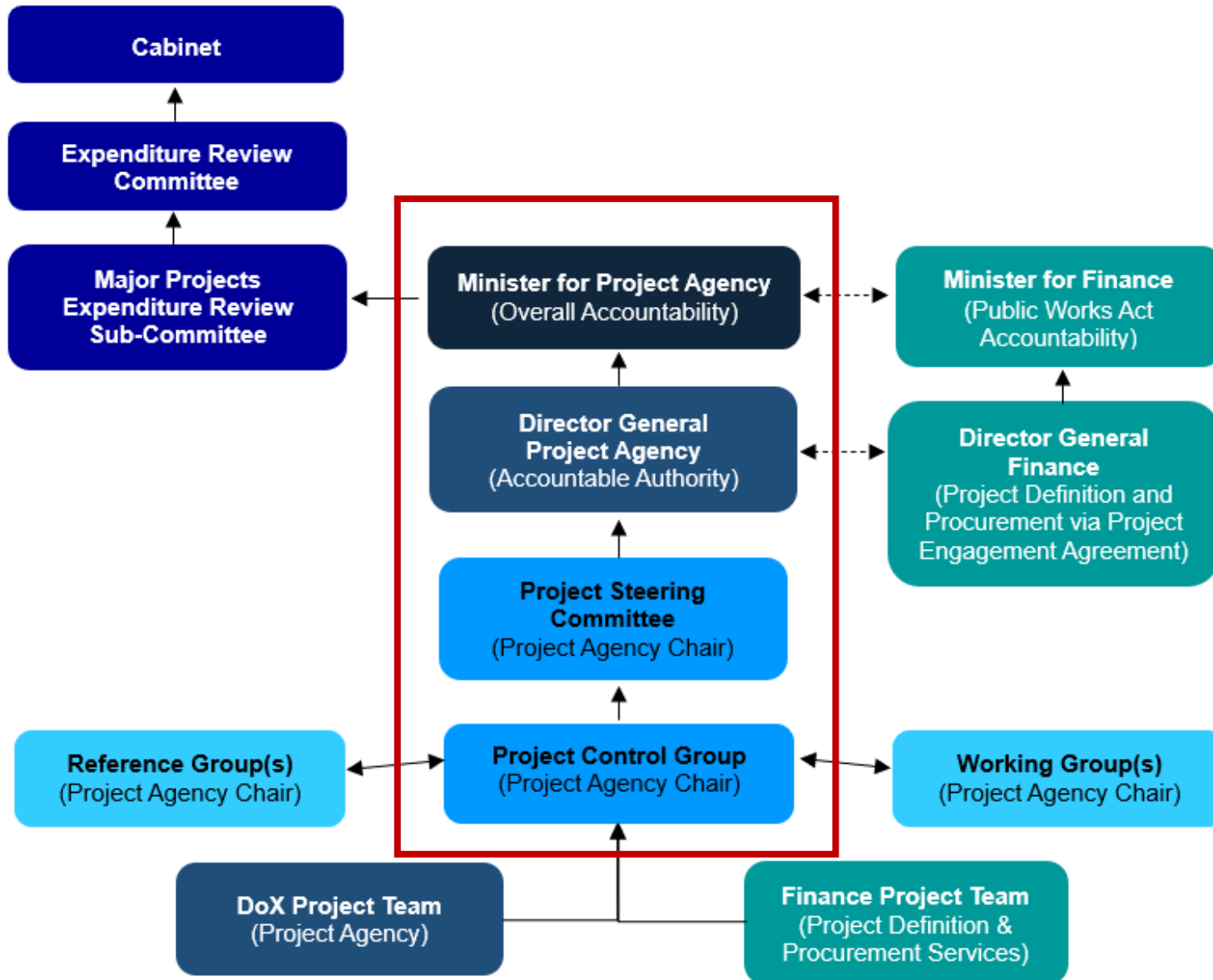
# Focus on Project Assurance: MPERSC

- MPERSC was established in 2021 to improve the Government's oversight of the AIP and to facilitate increased transparency and timely decision-making around major project delivery
- When used effectively, MPERSC can provide agencies with a clear direction and decision from Executive Government throughout the whole life cycle of a major project by providing:
  - early consideration of major project business cases and project definition plans; and
  - guidance on key parameters during the planning and design of projects.
- MPERSC requires more accurate reporting on progress of major projects.
  - early consideration of major project business cases and project definition plans

# Major Projects Governance

- Applies across all stages of a project from concept through to business case, project definition, design, tendering, construction, and transition to operations
- It is characterised by clarity around roles, responsibilities, accountabilities, and controls
- It enables better project planning and management, procurement and contract management, and higher levels of transparency
- Requires ensuring appropriately skilled participants at all project governance levels

# Major Projects Governance Structure



- Asset owner / line agency is the **accountable authority**
- Accountable authority holds and controls **project budget**
- Accountability spans the **life of the project** (from concept to asset commissioning)
- *Financial Management Act 2006* – accountable authority to ensure **efficient and economic operations** and achieves agency objectives



# Project Engagement Agreement

- The Line Agency retains overall accountability for the asset from concept through to transition to operations
- Department of Finance is responsible for the performance of capital works procurement, able to deliver project services at the planning stages by agreement
- A Project Engagement Agreement between the Line Agency and the Department of Finance is recommended where these are provided under a fee-for-services arrangement
- A Project Engagement Agreement should include at minimum:
  - Scope of paid (and free) services, cost, and timeframe
  - Reporting lines, requirements, and frequency
  - Dispute resolution processes

# Role of the Line Agency

- Is accountable to and provides advice to the portfolio Minister
- Acts as the project client
- Provides overall project strategic leadership, direction and stewardship
- Chairs the Project Steering Committee and PCG at all project stages
- Re-submits the business case to ERC, along with costed alternative options, if the project's approved scope, time, scope and/or funding allocations need adjustment

# Role of Line Agency CFO

- Acts as the critical financial quality assurance resource for the Director General of the Line Agency (project Accountable Authority).
- Is expected to be engaged by major project teams at commencement of project planning right through to ERC financial investment decision, and throughout project delivery and transition into operations.
- Is required to interrogate and endorse project cost plans as part of the project development phase (business case + PDP), as well as for any supplementary funding requests during project delivery

# Role of the Department of Finance

- The Finance Director General is authorised to enter capital public works under Minister for Works delegation pursuant to section 5A(a) of the *Public Works Act 1902*
- Finance is responsible for the capital works delivery within the scope, time, and budget parameters, and quality and functionality as described in the financial investment decision (FID) approved by Government
- The FID occurs at either the Business Case or Project Definition Plan stage depending on the project's value, risk, and/or complexity
- Finance is obligated to inform the Accountable Authority of any alteration from the ERC-approved project scope, time and/or budget
  - *Finance may inform Treasury where a project alteration is being contemplated that should be brought to ERC (or MPERSC first)*

# Next Steps

- Treasurer approval to draft appropriate amendments to the SAMF guidelines to reflect this model
- Treasury and Finance will offer agency project teams briefings on the required governance model
- All Line Agencies are to review their current major project governance structures and progressively move to the refined model
- CFOs are encouraged to seek early participation in AIP project planning, guiding project teams on:
  - ❑ cost planning
  - ❑ requirements for ERC submissions
  - ❑ ongoing project financial reporting requirements



# Questions ?

See the SAMF Policy suite online:

<https://www.wa.gov.au/government/document-collections/strategic-asset-management-framework>

Contact for further information: [samf@treasury.wa.gov.au](mailto:samf@treasury.wa.gov.au)





Proposed Amendments to the  
Financial Management Regulations  
2007 - Reg 5.

CFO Forum 15 May 2024

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# 1. Introduction



The purpose of today's presentation is to:

- Inform CFOs of the plan to amend the *Financial Management Regulations 2007 – Regulation 5* (FMR), which may have an impact on agencies with approval to invest in accordance with the Public Bank Account (PBA);
- Raise awareness of the intended amendments and the objectives of these revisions; and
- Provide an opportunity for feedback.



## 2. Background



### **Triggers for the Review of the Financial Management Regulations – Reg 5 (FMR)**

- Analysis undertaken as part of the implementation of the new PBA investment governance framework for the Future Health Research & Innovation Fund (FHRIF) Portfolio identified that the FMR:
  - Allows for investments in debt securities that do not deliver an investment risk management framework which appropriately reflects the risk appetite of the State for long-term investment products; and
  - May not provide for appropriate financial risk outcomes for agencies and the State.
- The analysis concluded that the FMR should drive more effective risk management guardrails to:
  - Agencies with authority to invest under the Financial Management Act, subject to the Treasurer’s approval; or
  - Agencies that, under enabling legislation, require the Treasurer’s authority to invest.



## 2. Background (cont.)



### **Support for the Review of the FMR**

- At the Public Sector Financial Management Committee (PSFMC) meeting on 17 December 2023, the PSFMC supported the recommendation to review the FMR.
- A working group, comprising representatives of the Department of Treasury and the Western Australian Treasury Corporation (WATC), was formed to consider and propose amendments to the FMR.



## 2. Background (cont.)



### **FMR Working Group Considerations**

- The FMR Working Group assessed:
  - The appropriateness of amending the FMR to better:
    - Define and differentiate investment risk characteristics;
    - Describe permissible investments; and
    - Address the management of investments that become non-compliant with the FMR over time.
  - The potential impact of proposed amendments to the PBA (including the FHRIF) and agencies.
- On 23 April 2024, the FMR Working Group, delivered its findings and recommended amendments to the PSFMC.



### 3. Proposed Amendments



The proposed changes to the FMR fall into three categories:

#### **1. Requirement to Differentiate Investment Risk Profile**

Advocates a risk-based approach that requires the nature of the risk characteristics of the contemplated investments to be defined when seeking Treasurer approval to invest.

- **Low-Risk / Short-Term Investments**

Investments in low-risk short-term money market instruments issued by Authorised Deposit-taking Institutions (ADIs), including investments on deposit with WATC; and

- **Higher-Risk / Long-Term Investments**

Investments in potentially higher-risk, debt securities and in short-term instruments issued by non-ADIs (e.g. commercial paper).



### 3. Proposed Amendments (cont.)



#### **2. Definition of Permissible Investments**

- Clarifies the bounds of permissible investment instruments by including a more comprehensive definition of Debt Securities that describes the nature of the investment risk; and
- Addresses the restriction posed by limiting issuer classes to specific corporate structures which does not achieve a risk-based outcome and serves to exclude a significant number of highly rated and reputable issuers (e.g. Airservices Australia, ANZ, Edith Cowan University and Rabobank).



### 3. Proposed Amendments (cont.)



#### **3. Assessment of Regulatory Compliance at “Time of Purchase”**

- Requires that assessment of regulatory compliance be undertaken “at time of purchase”;
- Advocates for the consequences of investments ceasing to meet FMR criteria to be addressed through investment and credit policy; and
- Allows for a measured and informed response to investments in issuers:
  - Whose credit rating is downgraded below BBB (the minimum credit rating permitted under the FMR); or
  - Who are subject to a change in legal structure (as recently occurred with ANZ, which is no longer an eligible issuer under the FMR); and
  - Protects the fund owner and investment manager from the reputational risk of holding non-compliant investments where it is not possible to divest them immediately.



## 4. Purpose of Amendments



The proposed amendments retain the existing approach of defining permissible investments by issuer type, instrument type and credit rating and in addition are structured to achieve the following:

- **Provide Greater Clarity as to the Nature of Permissible Investments:**
  - Inclusion of a debt ranking requirement limiting investment in debt securities to “publicly offered senior fixed income instruments”; and
  - Exclusion of securities which may convert to equity and derivative-based instruments.
- **Address Legal Structure Constraints:**
  - The current regulatory requirement that an issuer is listed on a recognised stock exchange excludes certain company structures including bank holding companies e.g. ANZ and Macquarie, utility companies and universities and issuer-segments (e.g. co-operative / member-owned corporations) as permissible for investment with no clear risk management benefits.





## 4. Purpose of Amendments (Cont.)



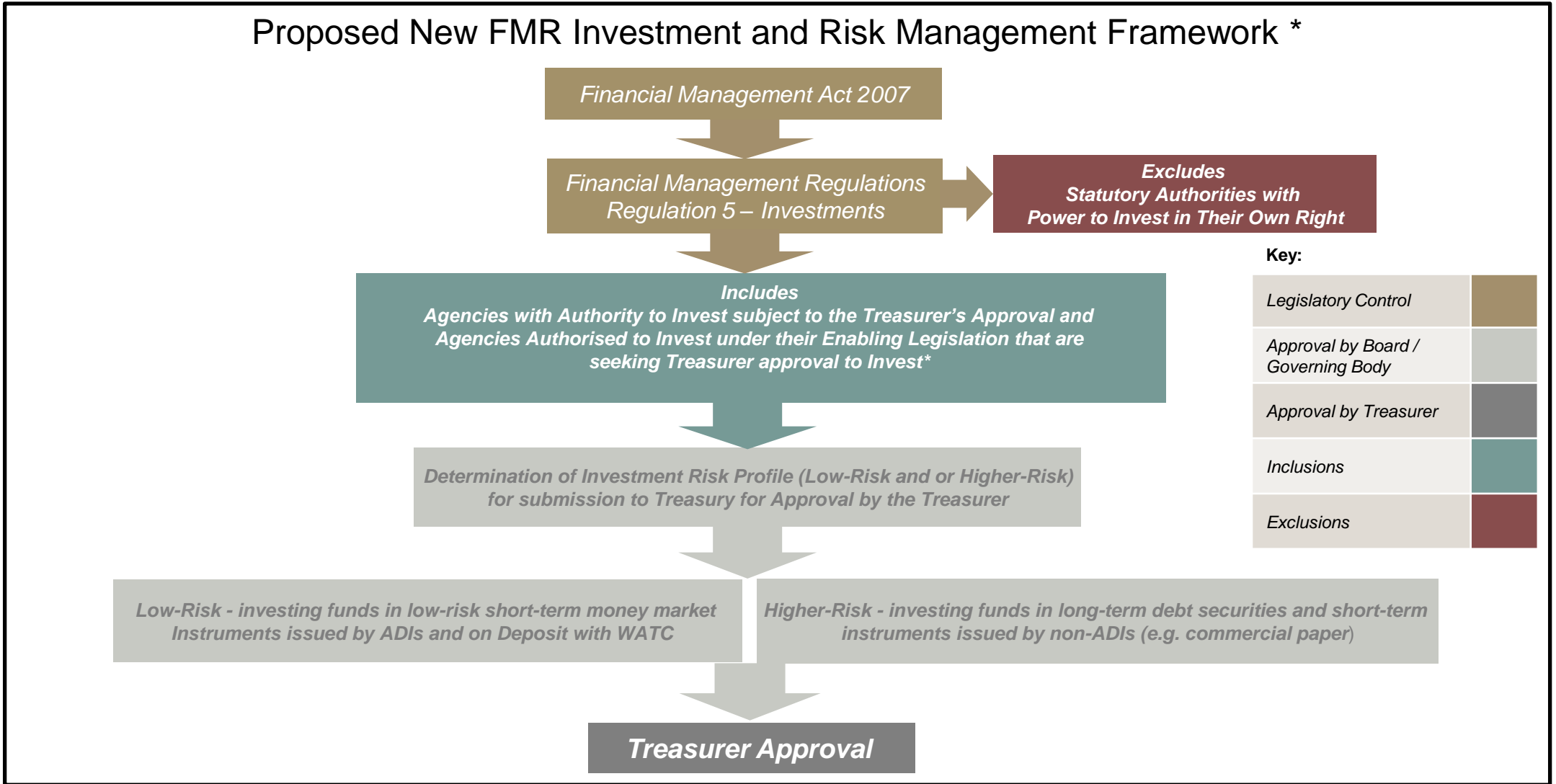
- **Remove the Requirement for a Parental Guarantee:**
  - Many well-rated issuers do not have an explicit parental guarantee and are currently not permissible for investment. However, they often benefit from support agreements from their parent company, and this is recognised by the credit rating agencies.
- **Address the Consequences of Credit Rating Downgrades:**
  - The requirement that an issuer has a minimum assigned credit rating would, in the event of a credit rating downgrade, render investments immediately ultra vires resulting in a forced sale. Introducing “at the time purchase” condition to the minimum credit rating condition would allow leeway to divest in a more orderly manner in accordance with a portfolio’s approved investment and credit policy.
- **Reinforce the Requirement that Agencies have Approved Investment and Credit Policies:**
  - The requirement that the consequences of an investment ceasing to comply with the FMR must be addressed in an approved investment and credit policy.



# 5. Risk Management Framework



Figure 1: Overview of Investment and Risk Management Framework delivered by FMR Regulation Amendment



\* Assumes Agencies that already have Treasurer Approval to invest will not require additional approval

## 6. Next Steps



### **PSFMC Support for the proposed Amendments to the FMR**

The PSFMC is supportive of the proposed amendments to the FMR which would deliver:

- An enhanced investment risk management framework for agencies and the State in accordance with investment in asset classes allowable under the FMA; and
- Effective risk-based investment guardrails for agencies, both through regulatory investment controls and the stipulated requirement for obtaining Treasurer approval to invest based on the underlying risk characteristics of investment-type.

Subject to receiving feedback, it is the PSFMC's intention that a formal request be made to the Treasurer in June to obtain approval to progress the proposed FMR amendments to the Parliamentary Counsel Office for drafting as soon as practicable.



## 7. Opportunity for Feedback

In the first instance, please address any feedback/comments or requests for further information to the following representatives of the Department of Treasury FMR Working Group:

- Pauline Burton, Director, Financial Policy and Operations (Department of Treasury)  
[pauline.burton@treasury.wa.gov.au](mailto:pauline.burton@treasury.wa.gov.au)
- Karl Rammell, Assistant Director, Treasury Operations (Department of Treasury)  
[karl.rammell@treasury.wa.gov.au](mailto:karl.rammell@treasury.wa.gov.au)
- Conrad Allmark, Principal Analyst Financial Policy, Treasury Operations (Department of Treasury)  
[conrad.allmark@treasury.wa.gov.au](mailto:conrad.allmark@treasury.wa.gov.au)

If you have any questions, please raise them as soon as possible

### **Timeline for Comment**

Feedback is required by 31 May 2024



**Disclaimer**

Any opinions, judgements, conclusions, forecasts, predictions or estimations contained in this presentation are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but they must be carefully considered because they are provided only to assist you with any decisions which you make.



Government of **Western Australia**  
Department of Treasury



# Transition to New Treasurer's Instruction & Guidance

**Brendan Davies**

Acting Director, Financial Policy and Operations  
Department of Treasury



# Financial Management Capability Improvement

## **At the last forum ...**

- Treasury was to rebalance the current financial management framework towards a principles-based approach
- Treasurer had signed off on 5 overarching principles

## **Progress since then ...**

- CFO Reference Group (20 agencies represented) has met monthly to discuss and review all TI and Guidance material developed by Treasury
- Treasurer signed off new 10 Foundational Treasurer Instructions

## **Currently under development ...**

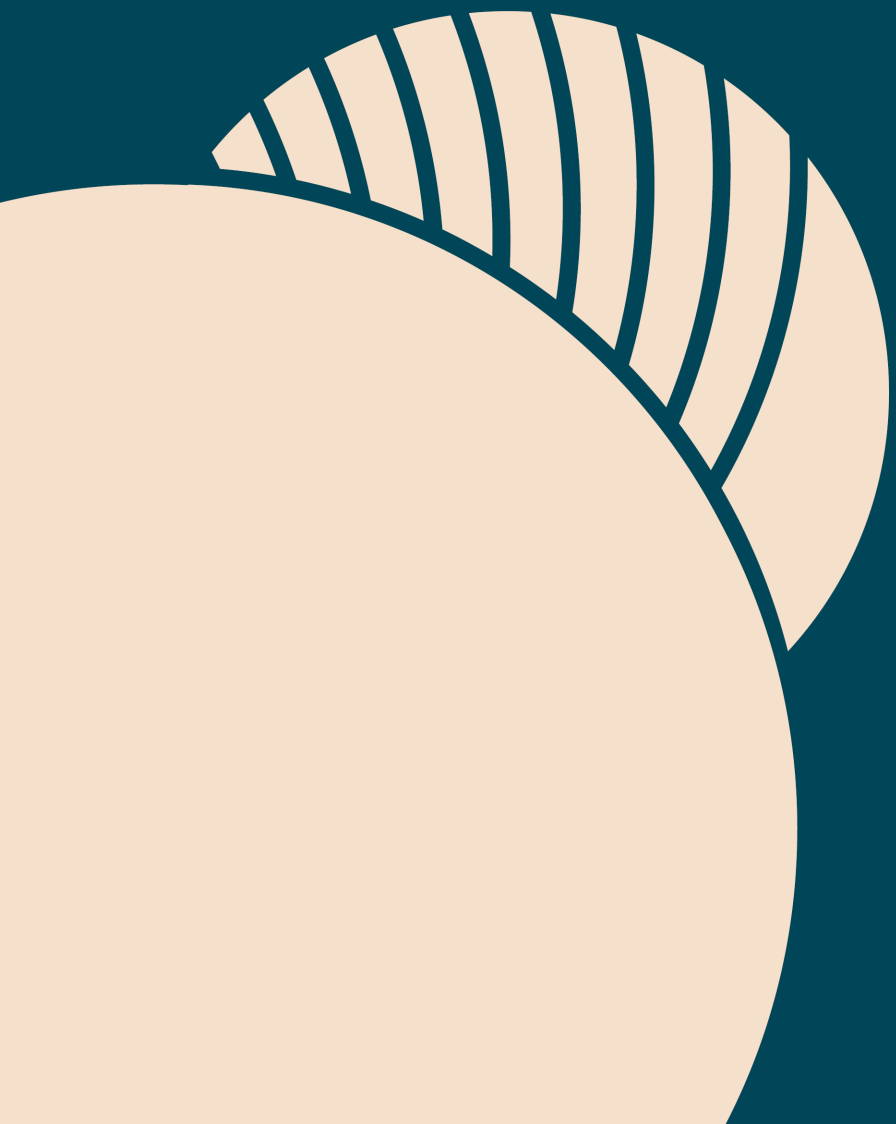
- Guidance and best-practice manuals being finalised
- Development of CFO capability training program - due end of 2024

# Future Financial Management Framework





# Overarching principles

- 
- A decorative graphic on the left side of the slide consists of two overlapping circles. The larger circle in the foreground is a solid light beige color. The smaller circle behind it is also light beige but features several vertical, curved stripes in a darker teal color, creating a striped effect.
1. Accountability and transparency
  2. Sound financial governance
  3. Financial sustainability
  4. Risk management
  5. Internal control

# Overview

## Established Treasurers instructions ...

63

102	Interpretation	701	Financial Management Manuals	916	Leases
103	Treasurer's Instructions	802	Special Purpose Statements	924	Related Party Disclosures
104	Exemptions	804	Retention of Accounting Records	945	Explanatory Statement
104C	Annual Reporting Exemption	805	Operating Accounts	947	Certification of Financial Statements
107	Authorisations	806	Accounting for Specific Purpose Money	951	Related and Affiliated Bodies
108	Operative Dates	807	Write-offs	952	General Information - Financial Statements
202	Collection Agents	808	Resource agreement	953	Annual Estimates
206	Banking of Money	810	Tariffs, Fees and Charges	954	Revaluation of Non-Current Assets
302	Supplementation of Appropriations	811	Register of Security Documents	955	Contributions by Owners
304	Authorisation of Payments	812	Insurance	1101	Application of Accounting Standards
308	Payment Records	813	Variances in Capital Expenditure	1102	Statements of Comprehensive Income
310	Payments and Returned Payments	819	Treasury and Other Accounting Forms	1103	Statements of Financial Position
319	Act of Grace Payments	821	Register of Guarantees and Indemnities	1105	Consolidated Financial Statements
320	Refunds of Revenue	822	Borrowings	1106	Application of Financial Reporting Changes
321	Credit Cards	823	Requirements of Accounting Systems	1107	Application of Tiered Reporting
322	Debit Cards	824	Chief Finance Officers	1201	Internal Audit
323	Timely Payment of Accounts	825	Risk Management	1202	Conduct of Audits and Consultancy
406	Custody of Public and Other Property	826	Managing Foreign Exchange Risk	904U	KPIs for Universities
410	Records of Public and Other Property	902	Statement of Compliance	945P	Explanatory statement (Non-GGs)
411	Motor Vehicles	903	Agency Annual Reports		
520	Transfer of Employees	904	Key Performance Indicators		
521	Portability of Employer's Unfunded Super	905	Certification of KPIs		

# Overview

## New Treasurers instructions ...

10

- TI 1 Foundation
- TI 2 Accountability
- TI 3 Financial Sustainability
- TI 4 Risk Management and Internal Control
- TI 5 Expenditure and Payments
- TI 6 Income and Receipts
- TI 7 Special Purpose Accounts
- TI 8 Financial Accounting and Reporting
- TI 9 Financial Statements
- TI 10 Internal Audit

# Overview of new Treasurer's instructions

## **TI 1 Foundation**

1. Treasurer's instructions
2. Exemptions
3. Interpretation

## **TI 2 Accountability**

1. Accountability and transparency
2. Chief Finance Officer

## **TI 3 Financial sustainability**

1. Financial sustainability
2. Resource agreements
3. Guarantees and indemnities
4. Borrowings
5. Key performance indicators
6. Explanatory statement

## **TI 4 Risk management and internal control**

1. Financial management manuals
2. Risk management
3. Internal control
4. Insurance
5. Managing foreign exchange risk
6. Custody of public property and other property
7. Records of public property and other property

## **TI 5 Expenditure and payments**

1. Authorisation of payments
2. Credit cards
3. Timely payment of accounts

## **TI 6 Income and receipts**

1. Collection agents
2. Banking of money
3. Tariffs, fees and charges

## **TI 7 Special Purpose Accounts**

1. Special purpose statements and trust statements

## **TI 8 Financial accounting and reporting**

1. Requirements of accounting systems
2. Statement of compliance
3. Agency annual reports
4. Leases
5. Related party disclosures
6. Related and affiliated bodies
7. Revaluation of non-current physical assets
8. Contributions by owners made to wholly-owned public sector entities

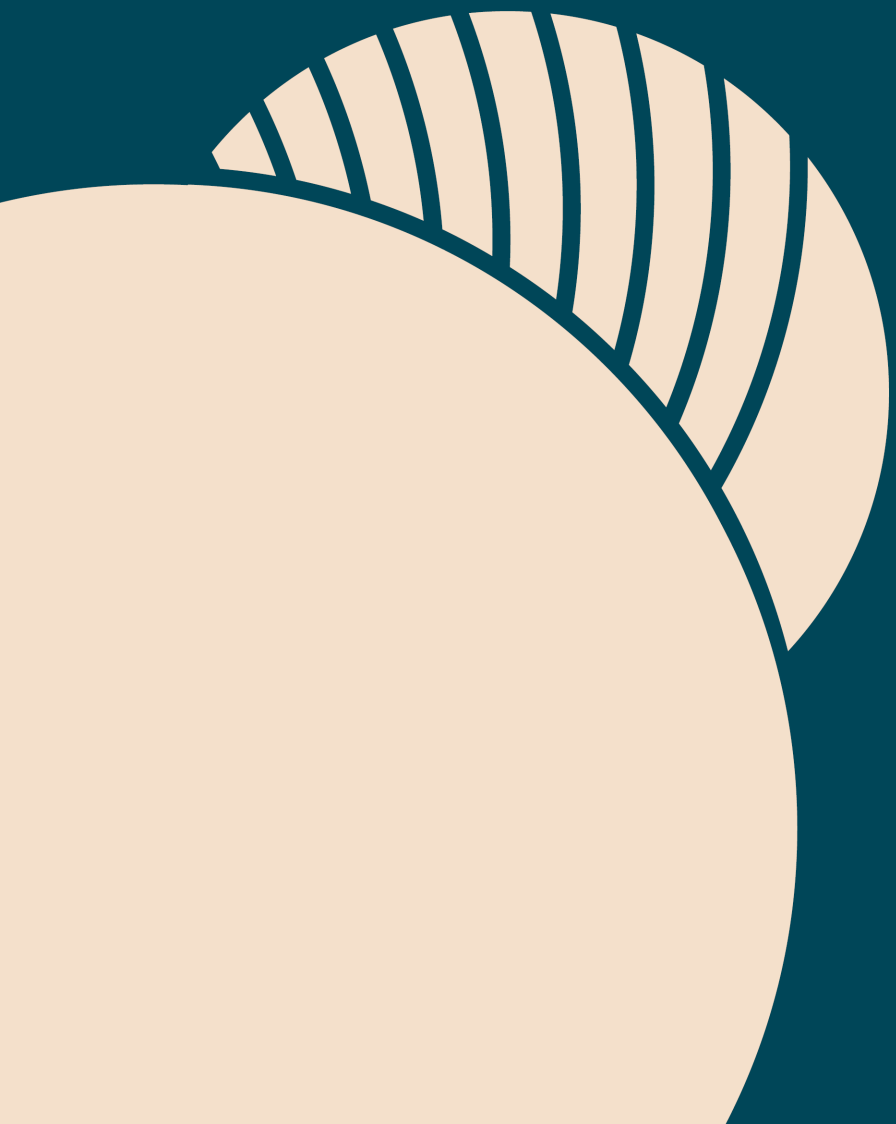
## **TI 9 Financial statements**

1. General information in financial statements
2. Certification of financial statements
3. Application of Australian Accounting Standards and other pronouncements
4. Statements of comprehensive income
5. Statements of financial position
6. Application of tiered reporting – simplified disclosures

## **TI 10 Internal audit**

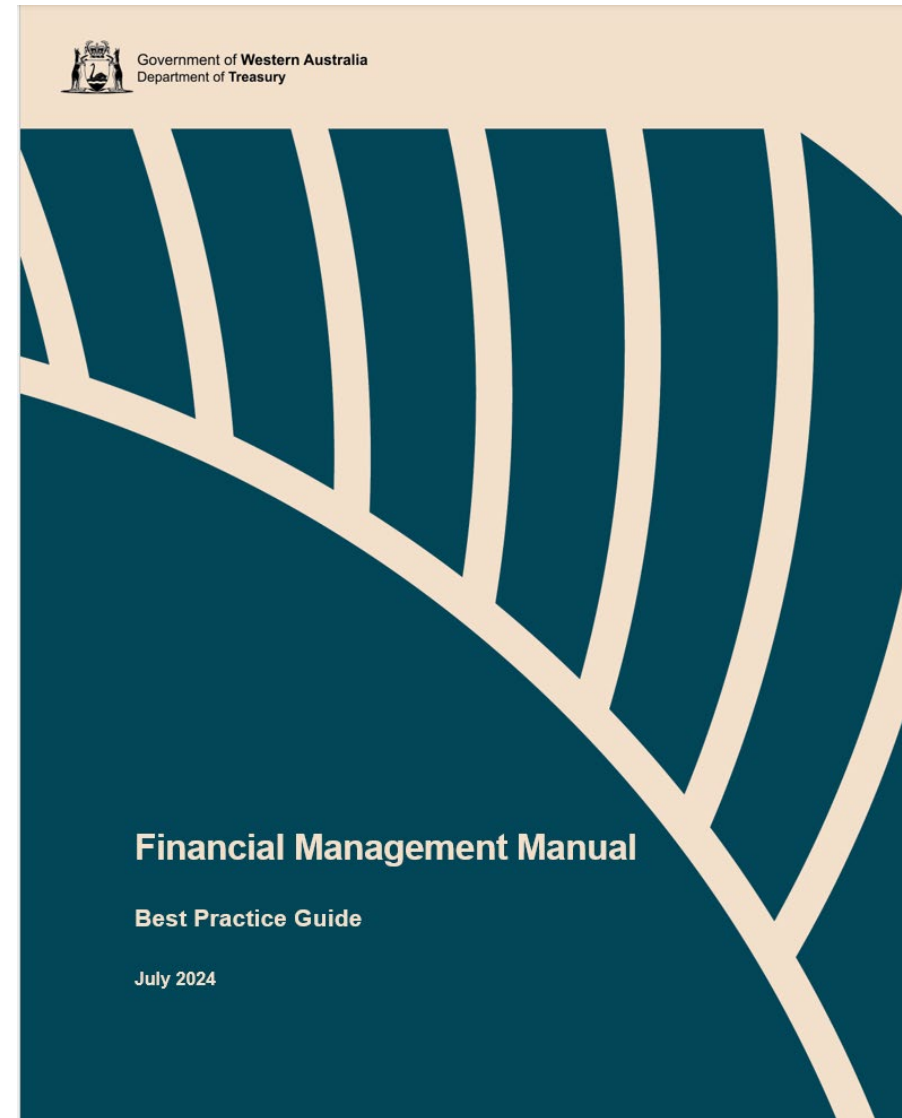
1. Internal audit
2. Conduct of audits and consultancy

# Treasurer's guidance handbook

- 
1. Foundation
  2. Accountability
  3. Financial sustainability
  4. Risk management and internal control
  5. Expenditure and payments
  6. Income and receipts
  7. Special purpose accounts
  8. Financial accounting and reporting
  9. Financial statements
  10. Internal audit
  11. Payroll
  12. Registers
  13. Treasury forms and templates

# FMM best practice guide

- Developed to provide details on policies and procedures to enhance FMM requirements of agencies.
- Key areas addressed:
  - Revenue and receipts
  - Expenditure and payments
  - Payroll
  - Financial accounting and reporting
  - Taxes
  - Public and other property
  - Liabilities





# Transition

# Timeline

## 2023-24 financial year

**April 2024**  
Sign-off of  
TIs by  
Treasurer

**EOFY,  
2024**  
Final use  
FAB #93

**May 2024**  
Issuance of  
FAB #93,  
with existing  
TIs

**June 2024**  
Publish new  
TIs on FAB

## 2024-25 financial year

Audits completed  
using existing TIs

**FY 2025**  
Implementation  
of new TIs

**QTR1/2 2025**  
Finalisation of  
agency year end  
audit

**EOFY 2025**  
Certification of  
updated FMM  
by Accountable  
Authority



# Timeline

## Transitioned according to year-end

	Agencies with a 30 June year-end	Agencies with a 31 July year-end	Agencies with a 31 December year-end
	(most agencies)	(exceptions)	(TAFEs / universities)
<b>Existing (outgoing) Treasurer's instructions</b> apply to the agency (including the preparation and audit of its financial statements)	Until 30 June 2024	Until 31 July 2024	Until 31 December 2024
<b>New (incoming) Treasurer's instructions</b> Apply to the agency (controls, transactions, manuals, future financial statements, etc.)	From 1 July 2024	From 1 August 2024	From 1 January 2025

# Summary

- TIs restructured from **63 prescriptive** to **10 principle-based instructions** with **42 requirements**
- Simplification of TIs does not change previous existing requirements on agencies
- Further reliance on agency FMM's to enhance risk and quality control procedures are in place
- Guidance and best practice guides, to continually be developed to enhance agency meeting requirements

# Next steps

- Last scheduled online workshop on TIs (23 May)
- Treasury will formally advise agencies of the change and provide additional written explanation
- FAB # 93 will contain the 63 existing TIs (for the last time)
- FAB # 94 will contain:
  1. 10 New Treasurers Instructions
  2. Treasurer's Guidance Handbook
  3. Financial Management Manual – Best Practice Guide
  4. Existing TI to new TI & Guidance Mapping
- Development of CFO capability training program end of 2024

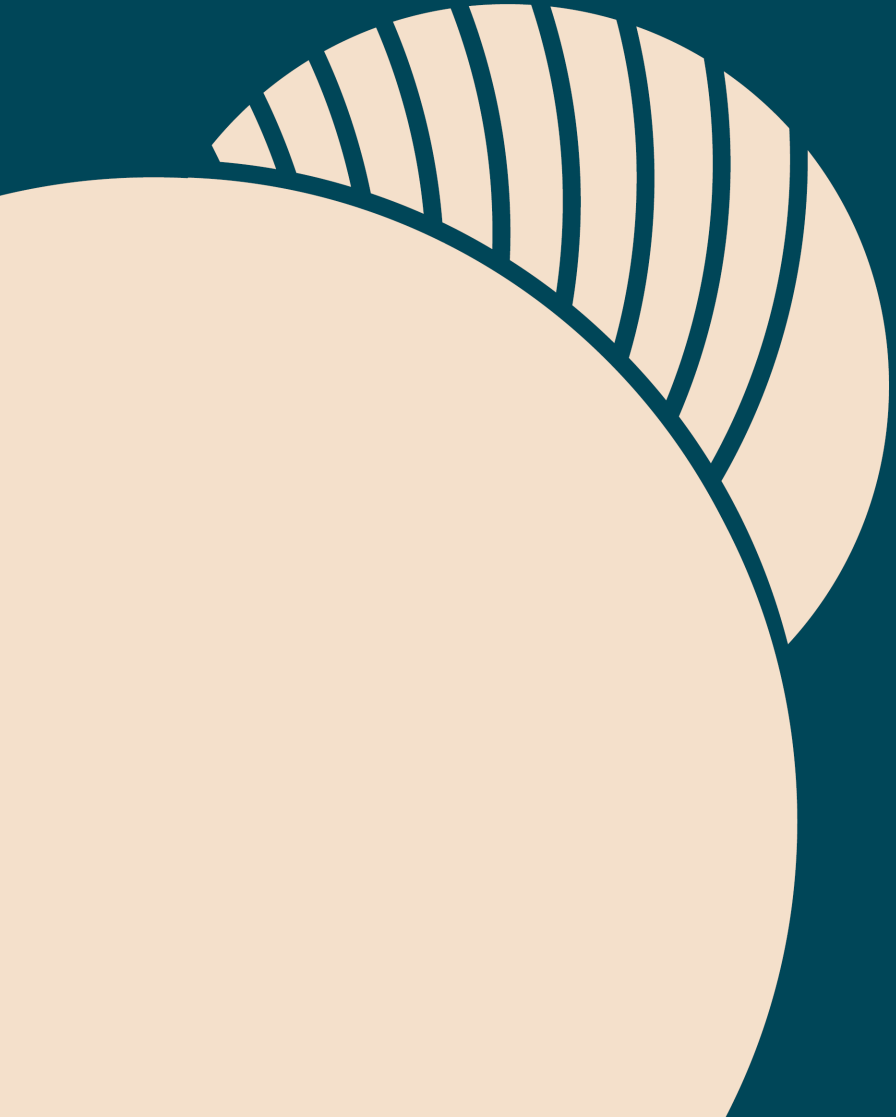
# Webinar Update

Register for the third and final  
online update session ...

**Date: Thursday, 23<sup>rd</sup> May 2024**

**Time: 10am – 11am**





# Questions



# **Fair Value Measurement**

## Objective ...

- Defines fair value
- Clarifies assumptions “Highest and best use”
- sets out a single standard for measuring fair value
- sets the disclosure requirements for fair value measurements.

## Valuation techniques

- Market approach
- Income approach
- Cost approach





# AASB 13 Amendments

Effective from 1 January 2024 (prospectively)

Only for non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows:

- Clarifies that the asset's highest and best use is its current use unless:
  - the asset is classified as held for sale or held for distribution to owners in accordance with AASB 5; or
  - it is highly probable that the asset will be used for an alternative purpose;
- provides guidance on how the cost approach is to be applied to measure the asset's fair value.

# AASB 13 Amendments

## The positive . . .

- You are no longer required to assess if a specialised asset could be used for an alternative purpose.
- For an alternative use to be highly probable:
  - the alternative use is physically possible, legally permissible and financially feasible;
  - management is committed to the alternative use, and an implementation plan has been initiated;
  - approval has been obtained; and
  - it is highly probable that the current use will cease with one year.
- Tip: Cabinet approval is not sufficient!

## The complication . . .

More costs are to be included in the current replacement cost:

- Restoration costs
- Disruption costs
- Site preparation costs
- Once-only costs (professional and project management fees)

Only required if the information is **reasonably** available



# The onus on the valuers ...?

Would VGO be able to incorporate these once-only fees information in their annual valuations for assets measured under the cost basis?

- Cost benefit (to Government)
- Easy for agencies
- Other costs are factored
- Financial reporting not primary focus
- Buildings vary in size and complexity
- Over 60,000 CU assets
- Spread across WA
- VGO already stretched
- Reporting deadlines are tight

# Solutions considered

## Possible alternatives ...

- Broad factor across all buildings
  - Say 15%
- Quantity surveyors provide info
  - Assets are too diverse
  - Likely audit issue
- Scope out agencies - materiality
  - Not cost-beneficial
  - Time-consuming
  - Possible inconsistencies
- Apply the get-out clause
  - Materiality, however, at entity level
  - Likely audit issue
  - Some agencies would be at risk
- Apply the get-out clause
  - Unlikely across the board

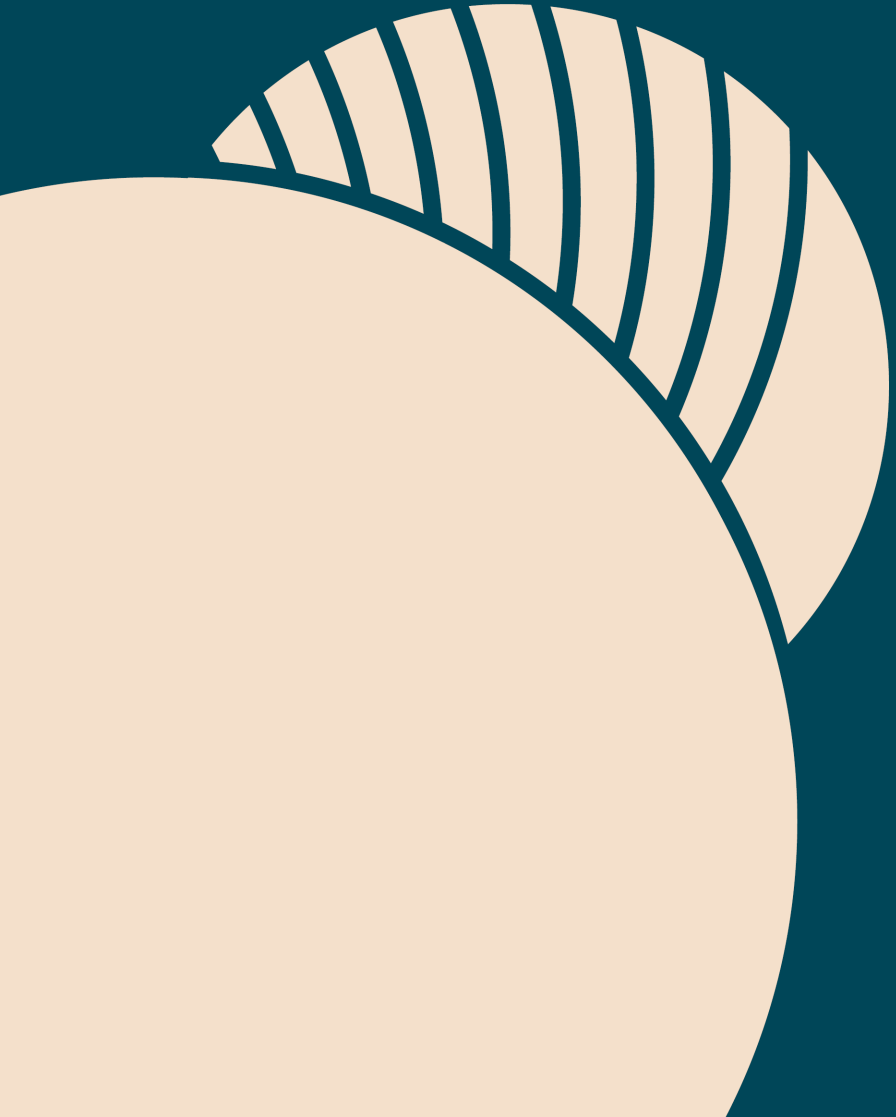
# AASB 13 Amendments

## Recommended approach:

- categorise your current use assets into a small number of buckets (not more than 10) based on their architecture;
- select one asset from each category for estimating the fees:
  - the fees may be available from the practical completion report of a project you constructed in the last 5 years;
  - they may also be available from the valuation report you procured for insurance purposes in the last 5 years;
  - otherwise, the fees may need to be assessed by a Quantity Surveyor;
- apply the fees as a percentage of the total construction cost to all assets within the category.
- If information on once-only costs is not reasonably available: exclude

# AASB 13 Amendments

- Exemptions:
  - heritage and cultural current use assets: information about such professional and project management fees is not considered reasonably available; and
  - insignificant current use assets: the fees are generally not material.



# Questions





# Climate Risk Update

# Recap –Climate Risk Framework

- Treasury and DWER developing a Climate Risk Framework
  - Pilot group of agencies
  - Developing capability, assessing risks and trialling draft guidance
  - Two years
- Climate risk reporting to be phased in at a whole of government level

# Progress - the Climate Risk Pilot

## **To date:**

- Developed reporting requirements based on ISSB modified for public sector

## **Currently:**

- Trialling reporting requirements with the pilot group
- Onboarding 12 additional agencies
- Developing guidance and templates to support reporting requirements (TSY)
- Developing guidance for risk assessment (DWER)
- Developing audit capability (OAG)

## **Next:**

- Adapt reporting requirements based on and changes from AASB standards

## So what ...?

- Eventual climate risk disclosures at a whole of Government level

## Meanwhile ...

- Climate reporting not yet mandatory for the WA Public Sector
- Agencies should not include climate-related disclosures in financial statements or KPIs unless otherwise required by the accounting standards
- Annual Report disclosures must be substantiated
- Focus on developing capability
  - DWER Interim *Climate Risk Management Guide*
  - Climate risk capability build workshops conducted by DWER



# **System Upgrades**

# SIMS Budget Tracking Module (BTM) Upgrade Project

- The project **scope** is committed to making your job easier and more effective by:
  - Updating the BTM functionality with a similar look and feel to other SIMS modules.
  - Reviewing and upgrading the SIMS Budget Tracking Module screens to simplify the work required to process and report on adjustments. For example, the project team has introduced:
    - Streamlined ways of entering financial data, copying adjustment financials and navigating screens;
    - Improved searching, sorting and grouping of adjustments; and
    - More information on financial impacts and centralised validations.
- Between 1 July 2023 and 30 April 2024, the project team refined existing features and introduced new ones based on feedback from the Project Advisory Group and various showcases and system demonstrations to Treasury staff and agency users over that time.
- Agency targeted showcases were held on 5 December 2023 and 12 February 2024, with agency user driven testing sessions being held thereafter to gather feedback on the system changes implemented.

# SIMS Budget Tracking Module (BTM) Upgrade Project

- **Next Steps**

- Go-live Date

The project team is considering a go live date of 15 August 2024 and would like to ensure the timing of the new BTM system changes does not affect your agency adversely.

- User Acceptance Testing

End-to-end user acceptance testing will be conducted between 8 July and 25 July 2024. This testing will require a specific allocation of time from participants during this period. Testers will be expected to allocate approximately 1 to 2 hours each working day for 1 to 3 working days between 8 July to 25 July 2024.

- Training

Training delivery will commence in the week beginning 29 July 2024, with training being delivered virtually, through instructor-led training sessions.

- **How to get involved**

- Email the project team via [sims.helpdesk@treasury.wa.gov.au](mailto:sims.helpdesk@treasury.wa.gov.au)

# Cash Management and Forecasting System

Treasury will shortly be upgrading the WA Public sector's cash management and forecasting system.

## What does this mean?

- Moving towards best practice
- Systematic approach
- Enable effective decision-making
  - Dashboards
  - Reports
  - Predictive technology
- A tool that agencies will want to use

## What next?

- Currently out to tender
- Hope to award end of June
- Tranche 1 roll-in: first half of 24/25
- Tranche 2 roll in: during 25/26





# **Financial Administration Bookcase and other Year-end Matters**

# Financial Administration Bookcase (update 93)

The last bookcase under the old format

- Treasurer's instructions
  - 104C Reporting exemptions – extended for 2024/25
  - 902 Statement of compliance – minor clarification
  
- Model Annual Reports
  - Modifications and additional guidance to the Summary of Consolidated appropriations
  - Reclassification of 27<sup>th</sup> pay (only applies to those that hold funds with Treasury)

# Important dates and deadlines

## SIMS Actuals

- Submitting agency SIMS data (and schedules) **25 July 2024**
- Advising Treasury of SIMS adjustments **16 August 2024**
- Submitting first quarter SIMS data (2024/25 year) **15 October 2024**

## Tabling annual reports

- Ministers' late tabling requests (through Treasury) **30 August 2024**
- Tabling of 2023-24 agency annual reports **19 September 2024**

# Key contacts

- **SIMS Data Issues**

Email: [Financial.Reporting@treasury.wa.gov.au](mailto:Financial.Reporting@treasury.wa.gov.au)

- **SIMS System Issues**

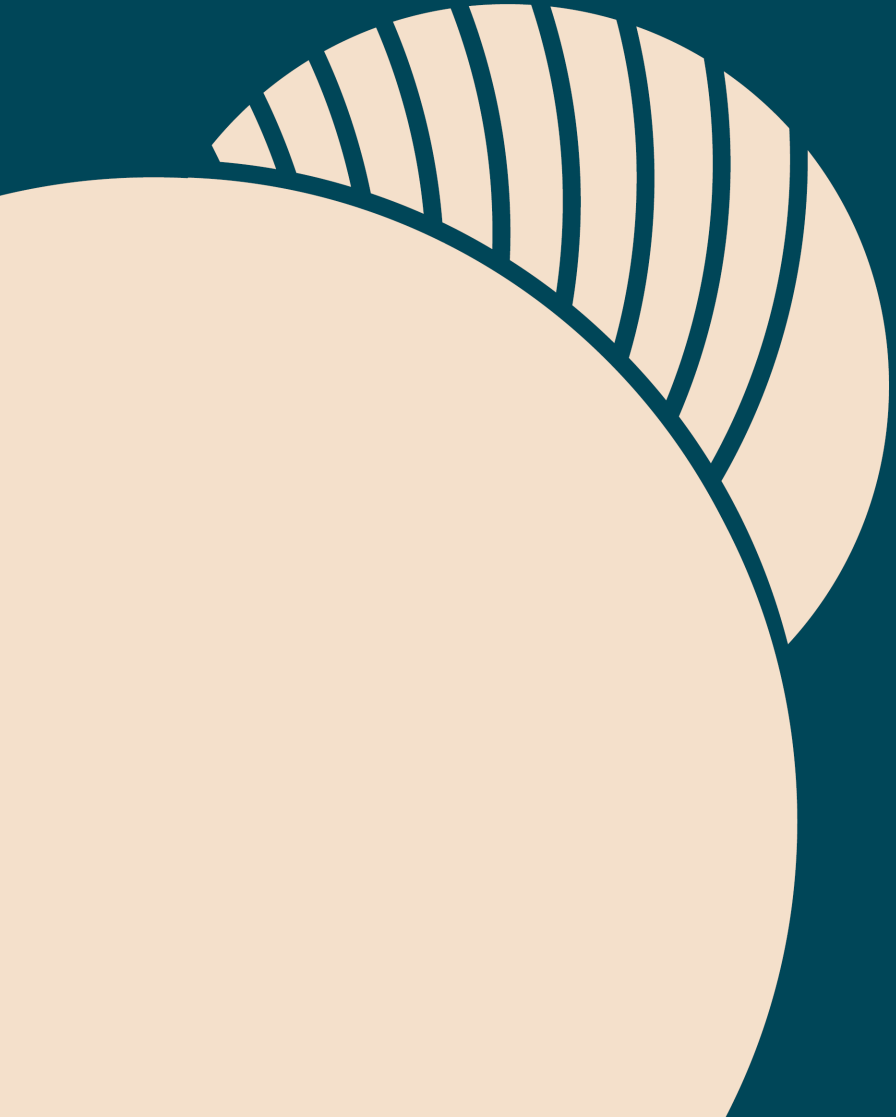
Email: [Sims.Helpdesk@treasury.wa.gov.au](mailto:Sims.Helpdesk@treasury.wa.gov.au)

- **Financial policy queries**

Email: [Financial.Policy@treasury.wa.gov.au](mailto:Financial.Policy@treasury.wa.gov.au)

- **Cash Management Team**

Email: [TSY-CashManagement@treasury.wa.gov.au](mailto:TSY-CashManagement@treasury.wa.gov.au)



Thank you

# CFO Forum – Transformative Change

## Financial Audit Results

### State Sector 2022-23

Grant Robinson  
Assistant Auditor General Financial Audit



# Draft Audit Results State Entities 2022-23

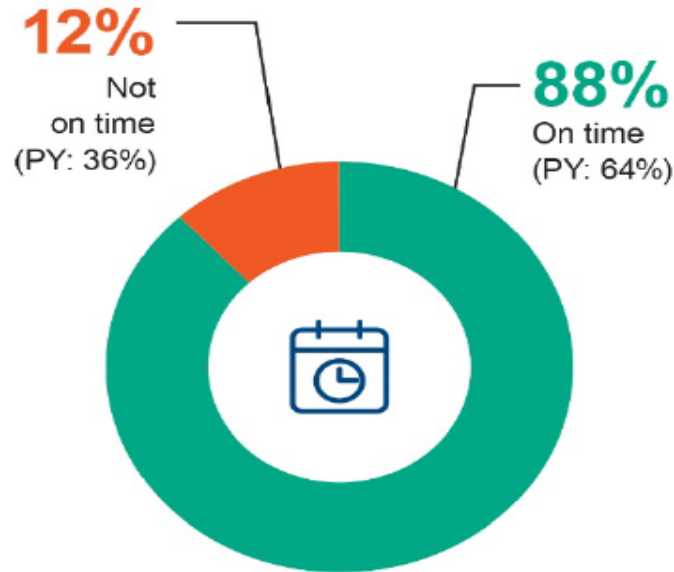
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# Draft Audit Results State Entities 2022-23

- Audit qualifications reduce
- Overarching trend is positive – gaining momentum
- Not all entities were “audit ready”
- Audits outstanding
- Shortage of skilled audit and finance professionals
- Thoughts on the way forward

# Year at a glance



Audits completed within the prescribed period (90 days from year end statutory deadline)



**130** State government entities



**122** audits finalised and the results included in this report



**1** adverse opinion (PY: 0)



**37** qualifications matters (PY: 45)



across **19** entities for 2022-23 (PY: 25)

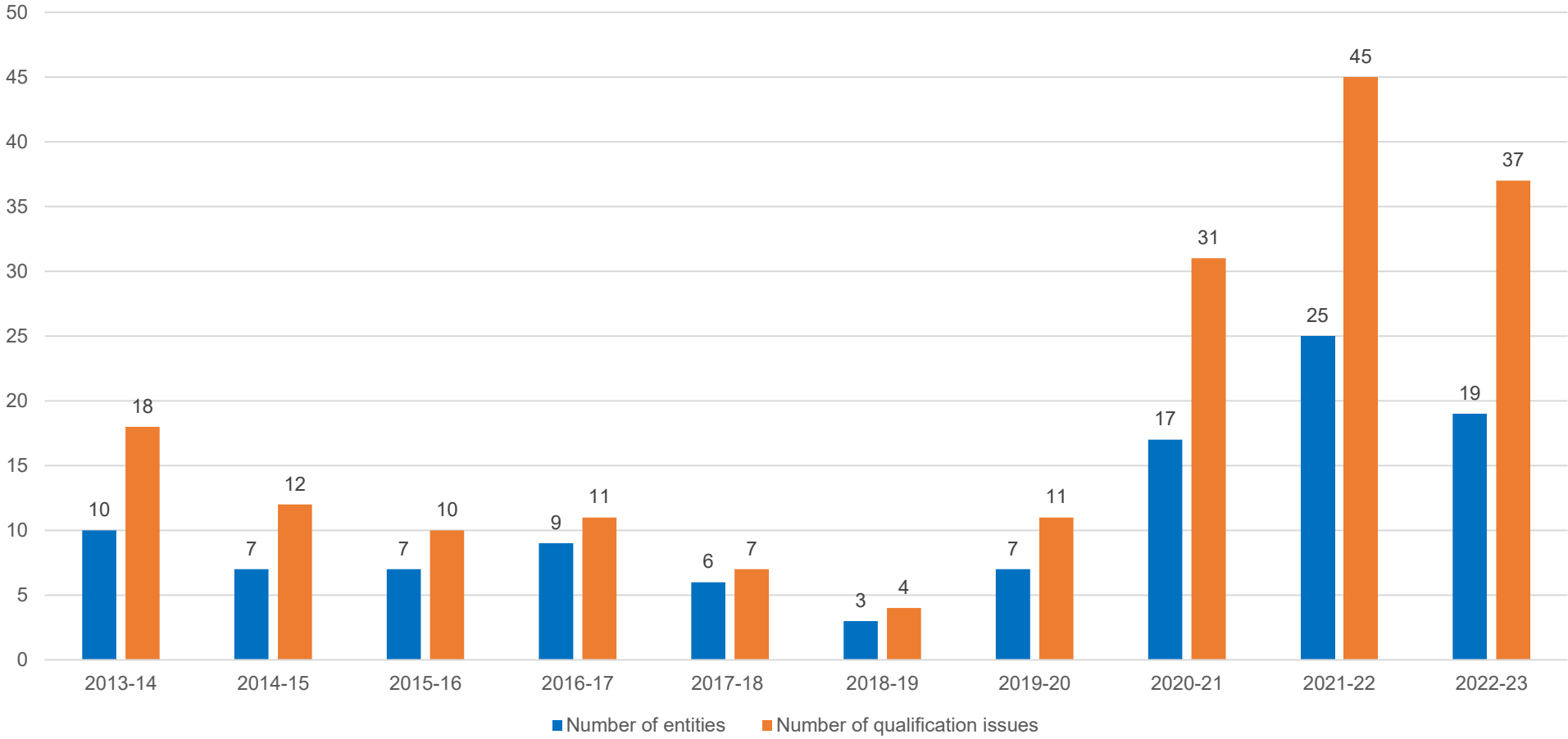


General government sector realised a **\$5.1 billion** surplus (PY: \$6 billion)

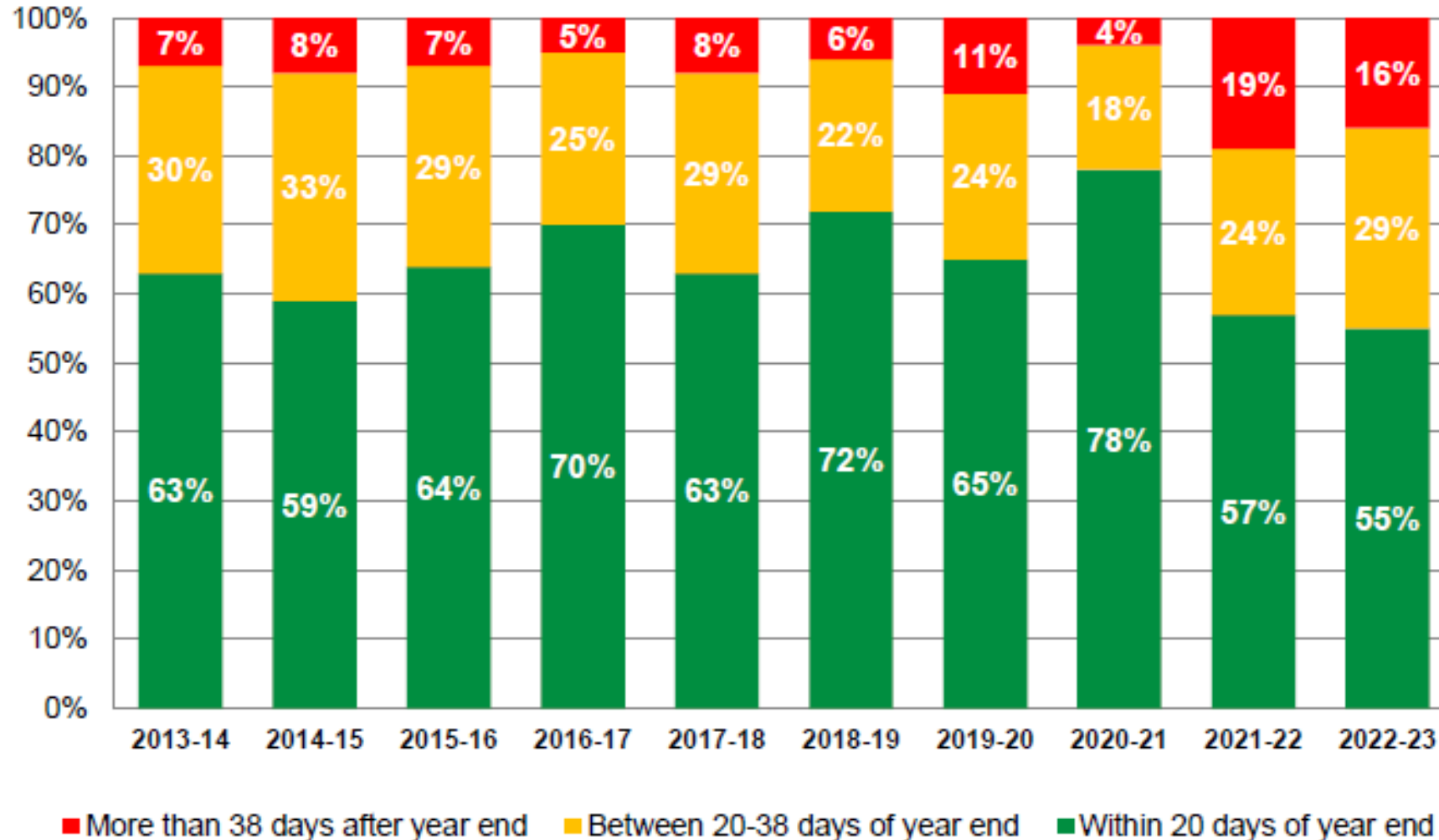


We audited **\$152 billion** of total public sector net assets (PY: \$132 billion)

# Audit qualifications have decreased



# Audit readiness and timeliness



# Adjusted and unadjusted audit errors

Value	Number of adjusted audit errors 2022-23	Nominal value of adjusted errors	Number of unadjusted audit errors 2022-23	Nominal value of unadjusted errors
Less than \$250,000	51	\$3,145,700	22	\$1,746,107
\$250,000 to \$500,000	8	\$2,138,292	9	\$3,367,683
\$500,000 to \$1 million	14	\$11,172,165	10	\$7,408,377
\$1 million to \$5 million	30	\$64,770,491	29	\$59,448,002
\$5 million to \$15 million	18	\$159,513,911	7	\$68,492,409
\$15 million to \$30 million	3	\$80,150,000	1	\$19,836,000
\$30 million to \$50 million	0	\$0	1	\$39,387,000
\$50 million and greater	9	\$2,334,009,819	0	\$0
<b>Total number and value of errors</b>	<b>133</b>	<b>\$2,654,900,378</b>	<b>79</b>	<b>\$199,685,578</b>

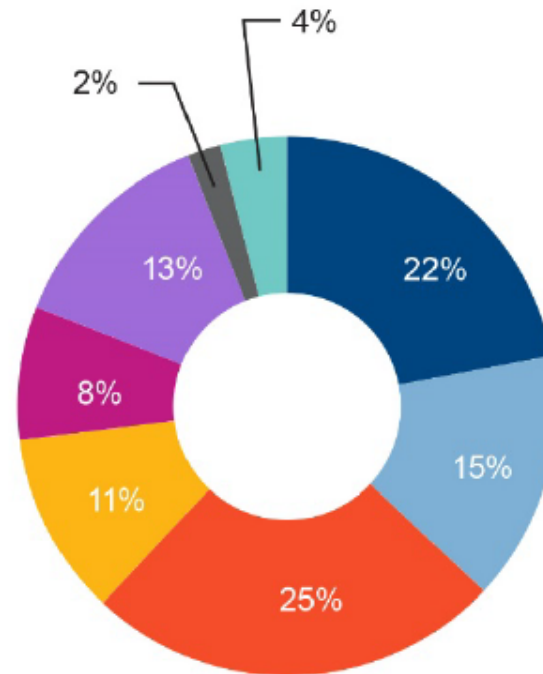
- 47 entities had no audit differences
- 53 entities had 133 adjusted audit differences
- 38 entities had 79 unadjusted audit differences

# Financial and management controls

## 358 management control issues

During 2022-23, we alerted 89 entities to control weaknesses that needed their attention. 85 were rated as significant, 171 moderate and 102 minor.

- Expenditure
- Accounting procedures
- Payroll and human resources
- Asset management
- Revenue
- Governance
- Inventory
- Liabilities

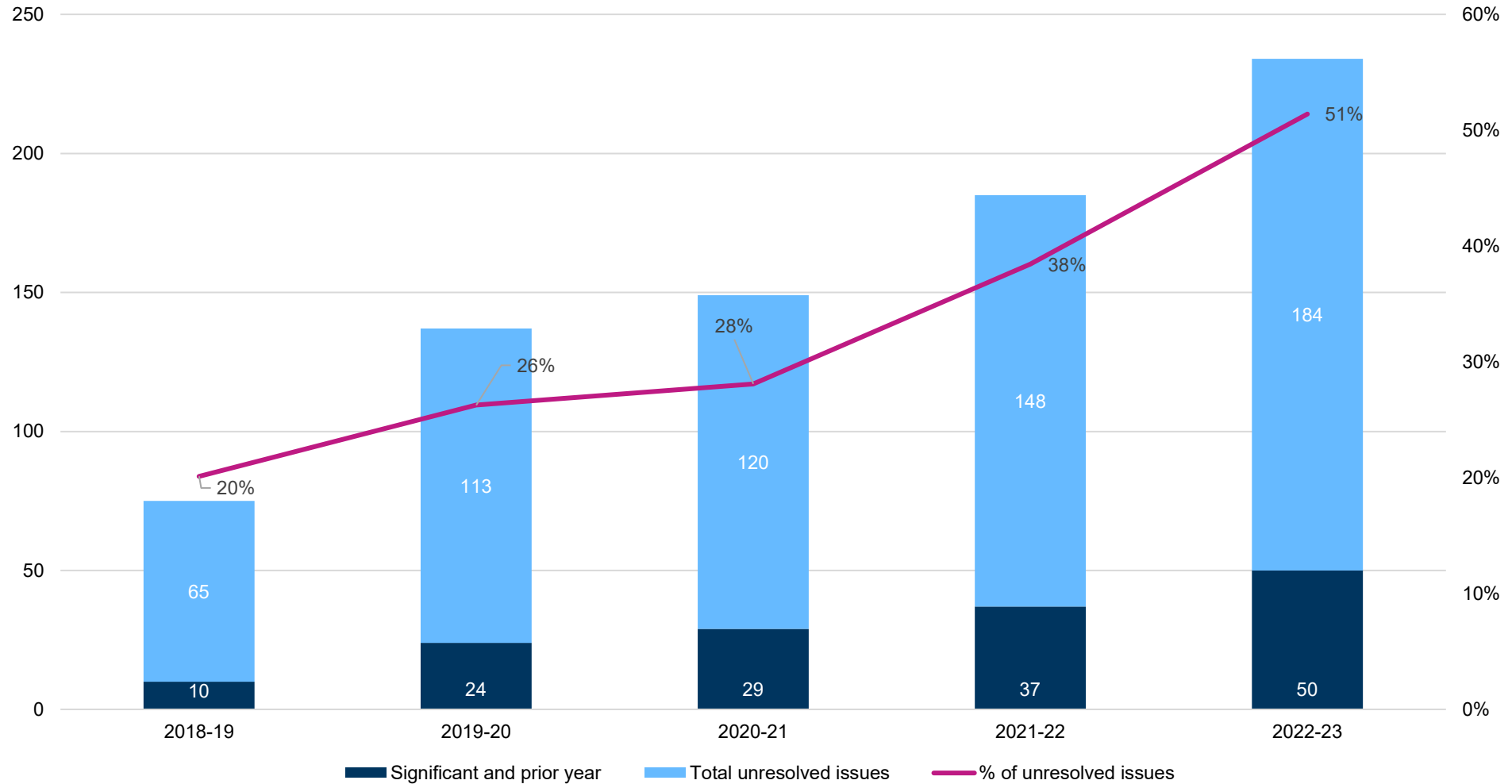


85  
Significant

171  
Moderate

102  
Minor

# Unresolved financial management control findings

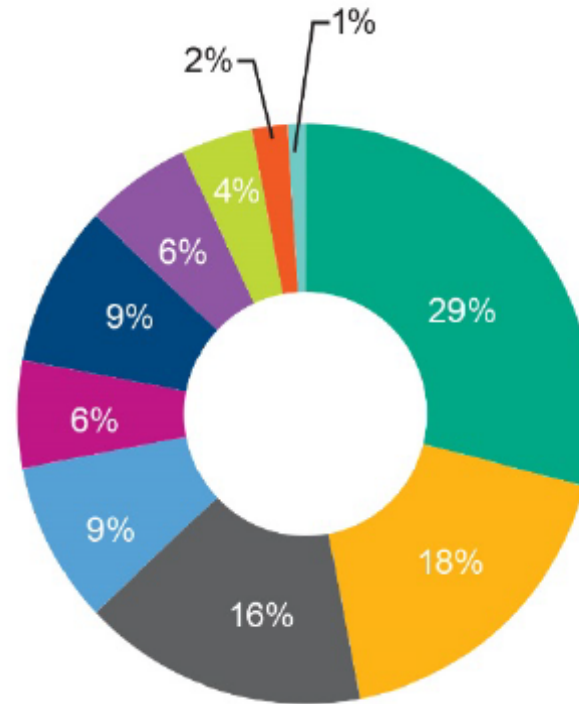


# Information system controls 2022-23

## 450 information system control weaknesses

During 2022-23, we alerted 49 entities to control weaknesses that needed their attention. 27 were rated as significant, 297 moderate and 126 minor.

- Access management
- Information security/framework governance
- Endpoint security
- Human resource security
- Network security
- Business continuity
- IT operations
- Physical security
- Risk management
- Change management



27  
Significant

297  
Moderate

126  
Minor



# Financial reporting, accountability and audit matters



Use of  
restricted funds



Bank  
reconciliations



Climate change  
related risk



Valuation  
information



GTE reforms



Combustible  
cladding



Assurance  
reports

# Thoughts on the way forward

- Need to build and improve capacity and capability within entities' finance teams
- As demonstrated in the report, positive outcomes can be achieved with the appropriate resolve, commitment, intent and diligence
- Entities take ownership/responsibility for addressing findings
- OAG role
  - self-reflection
  - continuous improvement
  - enhance interactions/communications and efficiency

# General information/updates

- Audit methodology and tool
- New engagement letter
- Tenders
- OAG Better Practice Guides
- Surveys

# Questions

